

**SUPPLEMENTAL INFORMATION**

*FOR THE YEAR ENDED DECEMBER 31, 2012*

**CONTENTS**

Introduction	2
Our Operations	3
Overview of Performance	3
Selected Income Statement and Balance Sheet Information	5
Operating Platforms	6
Corporate and Other	14
Capital Resources and Liquidity	14
Foreign Currency Hedging Strategy	16
Capital Reinvestment	17
Partnership Capital	18
Review of Fourth Quarter Performance	18
Reconciliation of Non-IFRS Financial Measures	23

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Supplemental Information contains forward-looking information within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this report, in other filings with Canadian regulators or the SEC or in other communications. The words “tend”, “seek”, “target”, “foresee”, “believe,” “expect,” “could”, “aim to,” “intend,” “objective”, “outlook”, “endeavour”, “estimate”, “likely”, “continue”, “plan”, “positioned to”, derivatives thereof and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as “will”, “may”, “should,” which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters, identify forward-looking statements. Forward-looking statements in this Supplemental Information include among others, statements with respect to our assets tending to appreciate in value over time, growth in our assets and operations, increases in FFO per unit and resulting capital appreciation, returns on capital and on equity, increasing demand for commodities and global movement of goods, expected capital expenditures, the impact of planned capital projects by customers of our railroad business on the performance and growth of that business, various factors bearing on the timber industry including the impact of the Mountain Pine Beetle invasion, increasing Asian demand and other factors, the extent of our corporate, general and administrative expenses, our ability to close acquisitions (including acquisitions referred to in this Supplemental Information), our capacity to take advantage of opportunities in the marketplace, the future prospects of the assets that Brookfield Infrastructure operates or will operate, partnering with institutional investors, ability to identify, acquire and integrate new acquisition opportunities, long-term target return on our assets, recovery of the U.S. housing market, sustainability of distribution levels, distribution growth and payout ratios, operating results and margins for our business and each operation, future prospects for the markets for our products, Brookfield Infrastructure’s plans for growth through internal growth and capital investments, ability to achieve stated objectives, ability to drive operating efficiencies, return on capital expectations for the business, contract prices and regulated rates for our operations, expected timing and outcome with respect to increasing sales in timber business, value of higher and better use timber lands, our expected future maintenance and capital expenditures, ability to deploy capital in accretive investments, impact on the business resulting from our view of future economic conditions, our ability to maintain sufficient financial liquidity, our ability to draw down funds under our bank credit facilities, our ability to secure financing through the issuance of equity or debt, expansions of existing operations, financing plan for operating companies, foreign currency management activities and other statements with respect to our beliefs, outlooks, plans, expectations and intentions. Although we believe that the Partnership’s anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Partnership to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: general economic and financial conditions in the countries in which we do business which may impact market demand, foreign currency risk, the high level of government regulation affecting our businesses, the outcome and timing of various regulatory, legal and contractual issues, global credit and financial markets, the competitive business environment in the industries in which we operate, the competitive market for acquisitions and other growth opportunities, availability of equity and debt financing, the completion of various large capital projects by mining customers of our railroad business which themselves rely on access to capital and continued favourable commodity prices, our ability to complete large capital expansion projects on time and within budget, ability to negotiate favourable take-or-pay contractual terms, traffic volumes on our toll roads, acts of God, weather events, or similar events outside of our control, and other risks and factors detailed from time to time in documents filed by Brookfield Infrastructure with the securities regulators in Canada and the United States, including Brookfield Infrastructure’s most recent Annual Report on Form 20-F under the heading “Risk Factors”.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield Infrastructure, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Partnership undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

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

Although our financial results are determined in accordance with International Financial Reporting Standards (IFRS), the basis of presentation throughout much of this report differs from IFRS in that it is organized by business segment and utilizes funds from operations (FFO) and adjusted funds from operations (AFFO) as important measures. This is reflective of how we manage the business and, in our opinion, enables the reader to better understand our affairs. We provide a reconciliation to the most directly comparable IFRS measure in this Supplemental Information. Readers are encouraged to consider both measures in assessing Brookfield Infrastructure’s results.

## BUSINESS ENVIRONMENT AND RISKS

Brookfield Infrastructure’s financial results are impacted by various factors, including the performance of each of our operations and various external factors influencing the specific platforms and geographic locations in which we operate; macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business. These and other factors are described in Brookfield Infrastructure’s most recent Annual Report on Form 20-F which is available on our website at [www.brookfieldinfrastructure.com](http://www.brookfieldinfrastructure.com) and at [www.sec.gov/jedgar.shtml](http://www.sec.gov/jedgar.shtml) and [www.sedar.com](http://www.sedar.com).

# SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2012

## INTRODUCTION

This Supplemental Information should be read in conjunction with Brookfield Infrastructure Partners L.P.'s (the Partnership and together with its subsidiary and operating entities, Brookfield Infrastructure) most recently issued Form 20-F. Additional information, including Brookfield Infrastructure's Form 20-F, is available on its website at [www.brookfieldinfrastructure.com](http://www.brookfieldinfrastructure.com), on SEDAR's website at [www.sedar.com](http://www.sedar.com) and on EDGAR's website at [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml).

## Business 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 businesses, transport and energy businesses and timber assets in North and South America, Australasia and Europe. 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 platforms 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 Asset Management (Brookfield) sponsored partnerships that target acquisitions that suit our profile. We will focus on partnerships in which Brookfield has sufficient influence or control to deploy an operations-oriented approach.

## 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 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 will be able to increase distributions to unitholders. Additionally, the increase in our FFO per unit should result in capital appreciation. For our business as a whole, a key performance measure is AFFO yield, defined as FFO less maintenance capital expenditures divided by invested capital (see Reconciliation of Non-IFRS Financial Measures for more detail), which measures the sustainable return on capital that we have deployed. We also measure the growth of FFO per unit, which we believe is a proxy for our ability to increase distributions. See Operating Platforms for more detail.

## Distribution Policy

Our objective is to pay a distribution 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 strong prospects for our business, the Board of Directors has approved a 15% increase in our quarterly distribution to 43 cents per unit. 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 fourth quarter. Since our spin-off five years ago, we have increased our quarterly distribution from 26.5 cents per unit to 43 cents, a compound annual growth rate in excess of 10%. We continue to target a 3% to 7% annual distribution growth in light of the per unit FFO 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). The 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, however does not control, using the equity method.

For each operating platform – utilities, transport and energy and timber – this Supplemental Information details Brookfield Infrastructure's proportionate share of results in order to demonstrate the impact of key value drivers of each of these operating platforms on the partnership's overall performance.

## OUR OPERATIONS

Brookfield Infrastructure owns a balanced portfolio of infrastructure assets that are diversified by sector and by geography. We have a stable cash flow profile with approximately 85% of our EBITDA supported by regulated or contractual revenues. In order to assist our unitholders in evaluating our performance and assessing our value, we group our businesses into operating platforms based on similarities in their underlying economic drivers.

Our operating platforms are summarized below:

<b>Operating Platform</b>	<b>Asset Type</b>	<b>Primary Location</b>
<b>Utilities</b>		
<i>Regulated or contractual businesses that earn a return on their rate base</i>	Regulated Terminal	Australasia
	Electricity Transmission	North & South America
	Regulated Distribution	Australasia, Europe & South America
<b>Transport and Energy</b>		
<i>Provide transportation, storage and handling services for energy, freight, bulk commodities and passengers</i>	Railroad	Australasia
	Ports	Europe
	Toll Roads	South America
	Energy Transmission, Distribution & Storage	North America, Europe & Australasia
<b>Timber</b>		
<i>Provide essential products for the global economy on a sustainable basis</i>	Freehold Timberlands	North America

Our utilities platform is comprised of regulated businesses, which earn a return on their asset base, as well as businesses with long-term contracts designed to generate a return on capital over the life of the contract. Our transport and energy platform is comprised of open access systems that provide transportation, storage and handling services for energy, freight, bulk commodities and passengers, for which we are paid an access fee. Profitability is based on volume and the price achieved for the provision of these services. Our timber platform is comprised of freehold timberlands that provide inputs for a number of essential products for the global economy on a sustainable basis, including structural lumber.

## OVERVIEW OF PERFORMANCE

In this section we review our consolidated performance and financial position for the twelve-month periods ended December 31, 2012 and December 31, 2011. Further details on the key drivers of our operations and financial position are contained within the review of Operating Platforms.

To measure performance, we focus on FFO and AFFO, among other measures. We also focus on 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 taxes and other non-cash items and AFFO as FFO less maintenance capex, as detailed in the Reconciliation of Non-IFRS Financial Measures section of this Supplemental Information. 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.

## Results of Operations

The following table summarizes the financial results of Brookfield Infrastructure.

MILLIONS, EXCEPT PER UNIT INFORMATION, UNAUDITED

Key Metrics	Twelve months ended December 31	
	2012	2011
Funds from operations (FFO)	\$ 462	\$ 392
Per unit FFO <sup>1</sup>	2.41	2.41
Distributions	1.50	1.32
Payout ratio <sup>2</sup>	62%	55%
Growth of per unit FFO <sup>1</sup>	—	35%
Adjusted funds from operations (AFFO) <sup>3</sup>	353	300
AFFO yield <sup>4</sup>	10%	10%

1. Average units outstanding were 191.5 million (2011: 162.5 million).

2. Payout ratio is defined as distributions to unitholders divided by FFO.

3. AFFO is defined as FFO less maintenance capital expenditures.

4. AFFO yield is defined as AFFO divided by average time weighted invested capital.

In 2012, we earned FFO of \$462 million compared with \$392 million in 2011. This 18% increase in our FFO was primarily driven by expansion projects that we successfully commissioned during the year and, to a lesser extent, new investments. Our FFO per unit of \$2.41 was flat compared to the prior year as the investments made with proceeds from our recent equity offerings did not fully contribute to our cash flows during the period. Our payout ratio was 62%, which is well within our target range of 60%-70%, and we earned a solid AFFO yield of 10%.

MILLIONS, EXCEPT PER UNIT INFORMATION, UNAUDITED

Summary Statements of Operating Results	Twelve months ended December 31	
	2012	2011
Revenues	\$ 2,004	\$ 1,636
Direct operating expenses	(1,094)	(899)
General and administrative expenses	(95)	(61)
Interest expense	(407)	(335)
Earnings from investments in associates	1	76
Net income	106	187
Net income per unit	0.55	1.15

We reported net income of \$106 million, or \$0.55 per unit, for the twelve months ended December 31, 2012, compared to net income of \$187 million, or \$1.15 per unit, in 2011. Net income decreased compared to the prior year as higher depreciation and amortization expense associated with our increased asset base and lower revaluation gains offset the increase in FFO that was generated during the year.

MILLIONS, UNAUDITED

Summary Statements of Financial Position	As of	
	December 31, 2012	December 31, 2011
Cash and cash equivalents	\$ 263	\$ 153
Total assets	19,718	13,269
Corporate borrowings	946	—
Non-recourse borrowings	6,993	4,885
Non-controlling interest	2,784	1,683
Partnership capital	5,024	4,206

As of December 31, 2012, we had \$19,718 million in assets and \$5,024 million in partnership capital, compared to \$13,269 million in assets and \$4,206 million in partnership capital as of December 31, 2011.

The increase in assets, compared to December 31, 2011, was primarily due to a number of investments that we closed during the year including investments in our Colombian regulated distribution utility, North American district energy business, UK regulated distribution operations and Chilean toll roads, all of which we consolidate, and investments in a Brazilian toll road operator and our Chilean electricity transmission system, which we account for under the equity method. The increase in partnership capital, compared to December 31, 2011, is primarily attributable to our approximate \$500 million equity issuance in August 2012 and valuation gains resulting from our annual revaluation process, primarily relating to our Australian rail operation and our electricity transmission operations.

Corporate borrowings increased to \$946 million at December 31, 2012, compared to \$nil as of December 31, 2011. Approximately \$546 million was drawn on our corporate credit facility, which was used to finance a portion of the investments that we closed in the fourth quarter. Additionally, we issued approximately \$400 million of corporate bonds in October 2012, in order to retire debt at various intermediate holding corporations in our structure. Our Consolidated Statement of Financial Position as of December 31, 2012 reflected \$6,993 million of non-recourse borrowings compared to \$4,885 million as of December 31, 2011. The increase in non-recourse borrowings was primarily attributable to the consolidation of debt at the businesses acquired during the year. As of December 31, 2012, our consolidated net debt-to-capitalization ratio increased to 50%, compared with 45% as of December 31, 2011.

## SELECTED INCOME STATEMENT AND BALANCE SHEET INFORMATION

The following tables present selected income statement and balance sheet information by operating platform on a proportionate basis:

<b>Income Statement</b>	<b>Twelve months ended December 31</b>	
<i>MILLIONS, UNAUDITED</i>	<b>2012</b>	<b>2011</b>
<b>Net income by segment</b>		
Utilities	\$ 111	\$ 163
Transport and energy	33	47
Timber	46	91
Corporate and other	(84)	(114)
<b>Net income</b>	<b>\$ 106</b>	<b>\$ 187</b>
<b>EBITDA by segment</b>		
Utilities	\$ 469	\$ 418
Transport and energy	419	323
Timber	48	60
Corporate and other	(95)	(61)
<b>EBITDA</b>	<b>\$ 841</b>	<b>\$ 740</b>
<b>FFO by segment</b>		
Utilities	\$ 308	\$ 275
Transport and energy	244	167
Timber	22	33
Corporate and other	(112)	(83)
<b>Funds from operations (FFO)</b>	<b>\$ 462</b>	<b>\$ 392</b>

## Balance Sheet

	As of	
	December 31, 2012	December 31, 2011
<i>MILLIONS, UNAUDITED</i>		
Total assets by segment		
Utilities	\$ 5,525	\$ 3,787
Transport and energy	6,261	4,349
Timber	1,017	1,112
Corporate and other	(122)	55
<b>Total assets</b>	<b>\$ 12,681</b>	<b>\$ 9,303</b>
Net debt by segment		
Utilities	\$ 3,307	\$ 2,463
Transport and energy	2,988	2,135
Timber	415	464
Corporate and other	947	35
<b>Total net debt</b>	<b>\$ 7,657</b>	<b>\$ 5,097</b>
Partnership capital by segment		
Utilities	\$ 2,218	\$ 1,324
Transport and energy	3,273	2,214
Timber	602	648
Corporate and other	(1,069)	20
<b>Total partnership capital</b>	<b>\$ 5,024</b>	<b>\$ 4,206</b>

## OPERATING PLATFORMS

In this section, we review the results of our principal operating platforms: utilities, transport and energy and timber.

### Utilities Operations

Our utilities platform is comprised of regulated businesses, which earn a return on their asset base, as well as businesses with long-term contracts designed to generate a return on capital over the life of the contract. In all cases, we own and operate assets that 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 platform, 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. Virtually all of our utility platform's EBITDA is supported by regulated or contractual revenues.

Our objectives for our utilities platform 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 yield.

Our utilities platform is comprised of the following:

#### *Regulated Terminal*

- One of the world's largest coal export terminals in Australia, with 85 mtpa of coal handling capacity

#### *Electricity Transmission*

- Approximately 8,800 kilometres of transmission lines in North and South America

## Regulated Distribution

- Almost 2.1 million electricity and natural gas connections

## Results of Operations

The following table presents our proportionate share of our rate base and selected key metrics:

	Twelve months ended December 31	
	2012	2011
<i>MILLIONS, UNAUDITED</i>		
Rate base, start of period	\$ 3,316	\$ 3,182
Impact of mergers and acquisitions	1,126	42
Capital expenditures commissioned	129	164
Inflation and other indexation	218	120
Regulatory depreciation	(107)	(116)
Foreign exchange	108	(76)
Rate base, end of period	\$ 4,790	\$ 3,316

	Twelve months ended December 31	
	2012	2011
<i>MILLIONS, UNAUDITED</i>		
Funds from operations (FFO)	\$ 308	\$ 275
Maintenance capital	(25)	(24)
Adjusted funds from operations (AFFO)	\$ 283	\$ 251
Return on rate base <sup>1,3</sup>	12%	12%
AFFO yield <sup>2,3</sup>	15%	16%

1 Return on rate base is EBITDA divided by time weighted average rate base.

2 AFFO yield is AFFO divided by time weighted average invested capital.

3 Return on rate base and AFFO yield exclude impact of connections revenue at our UK regulated distribution business.

During the year, our utilities platform produced FFO of \$308 million, compared with \$275 million in the prior year. The increase in FFO was primarily due to the recently completed merger which doubled the size of our UK regulated distribution business, the increase in ownership of our Chilean electricity transmission system, and the acquisition of an interest in a Colombian electricity distribution company. Excluding new investments, the cash flows of our business steadily increased with inflation indexation and contributions from organic growth investments. For the year, our utilities business earned an AFFO yield of 15% and a return on rate base of 12%, which we believe are very attractive returns in light of the low risk profile of this segment.

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

	Twelve months ended December 31	
	2012	2011
<i>MILLIONS, UNAUDITED</i>		
Revenue	\$ 730	\$ 601
Connection revenues	44	43
Cost attributable to revenues	(305)	(226)
EBITDA	469	418
Interest expense	(167)	(149)
Other income	6	6
Funds from operations (FFO)	308	275
Depreciation and amortization	(123)	(91)
Deferred taxes and other items	(74)	(21)
Net income	\$ 111	\$ 163

The following table presents our proportionate EBITDA and FFO for each business in this operating platform:

<i>MILLIONS, UNAUDITED</i>	<b>EBITDA</b>		<b>FFO</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
<b>Twelve months ended December 31</b>				
Regulated Terminal	\$ 180	\$ 182	\$ 98	\$ 102
Electricity Transmission	101	85	77	65
Regulated Distribution	188	151	133	108
<b>Total</b>	<b>\$ 469</b>	<b>\$ 418</b>	<b>\$ 308</b>	<b>\$ 275</b>

Our regulated terminal operation reported EBITDA and FFO of \$180 million and \$98 million, respectively, for the twelve months ended December 31, 2012 versus \$182 million and \$102 million, respectively, in the prior year period. EBITDA and FFO were lower as the contribution from our increased rate base was more than offset by non-recurring revenues associated with additions to our rate base which were approved in the prior period.

Our electricity transmission operations' EBITDA and FFO were \$101 million and \$77 million, respectively, for the current year versus \$85 million and \$65 million, respectively, in the comparative period. EBITDA and FFO increased due to positive revenue indexation and benefits from investments in our rate base, as well as the acquisition of an additional interest in our Chilean electricity transmission system, which was effective as of the fourth quarter of 2012.

Our regulated distribution operations generated EBITDA and FFO of \$188 million and \$133 million, respectively, for the current year, versus \$151 million and \$108 million, respectively, in the comparative period. The increase reflects growth in our rate base, due to the acquisitions of our Colombian regulated distribution company in January 2012 and a UK regulated distribution company in November 2012.

Non-cash expenses are primarily comprised of depreciation and amortization, non-cash inflation indexation on our Chilean peso denominated debt and unrealized mark-to-market losses on derivative contracts, which are a part of our interest rate hedging program. Depreciation and amortization increased to \$123 million for the current year compared to \$91 million in the prior year, primarily due to additions to our regulated asset base from the aforementioned acquisitions. Deferred taxes and other items increased to \$74 million for the year ended December 31, 2012 compared to \$21 million in the prior year, as the prior year results included a \$45 million revaluation gain relating to our Chilean transmission system.

### ***Business Development and Outlook***

Within our utilities platform, we have numerous opportunities to upgrade and expand our rate base. While we are required to make certain capital expenditures to maintain safety and reliability, we will direct discretionary capital to those businesses that provide the highest risk-adjusted returns. In our utilities platform, we expect to earn a return on rate base on incremental investments, which is consistent with our current return on rate base.

Our capital backlog is comprised of investments that will increase our rate base, for which we have not yet invested capital. It is defined as projects that have been awarded to us, as well as projects that have been filed with the regulator with anticipated expenditures within the next two years.

The following table presents our proportionate share of our capital backlog:

<i>MILLIONS, UNAUDITED</i>	<b>Twelve months ended December 31</b>	
	<b>2012</b>	2011
Capital backlog, start of period	\$ 284	\$ 310
Impact of mergers and acquisitions	56	—
Additional capital project mandates	164	159
Less: capital expenditures	(187)	(188)
Foreign exchange and other	9	3
Capital backlog, end of period	326	284
Construction work in progress	126	68
<b>Total capital to be commissioned into rate base</b>	<b>\$ 452</b>	<b>\$ 352</b>

We finished the period with a capital backlog of \$326 million, an increase of \$42 million compared to December 31, 2011. The increase is attributable to the acquisitions of an additional interest in our Chilean transmission system and a UK regulated distributions business, as well as capital project mandates won, primarily at our UK and Australasian regulated distribution companies and our Chilean transmission system. As at December 31, 2012, the largest contributors to our capital backlog were our UK regulated distribution company, our Texas transmission system, our regulated terminal operation and our Chilean transmission system at \$186 million, \$42 million, \$41 million and \$30 million, respectively. In addition, our construction work in progress was \$126 million at quarter end, a \$58 million increase from December 31, 2011, primarily due to capital expenditures at our Texas transmission system. Construction work in progress represents capital that we have invested that will begin generating cash flow upon commencement of service when these investments will be added to our rate base. In total, we finished the quarter with \$452 million of capital to be commissioned into our rate base.

Within our utilities platform, we completed the acquisition of a UK distribution business in early November, investing \$525 million. This business was merged with our existing UK distribution company which increased our installed connections to over one million. Our initial investment in the UK distribution sector was made in connection with the acquisition of Prime Infrastructure in 2009. On closing, the invested capital in the combined business totaled approximately \$650 million, however we believe that the value of this franchise is significantly greater due to its prospects for growth and its market position. We successfully recognized some of this value in November with the sale of a 20% interest in the combined entity to an institutional investor for proceeds of approximately \$235 million. During the fourth quarter we also signed an agreement to acquire an additional 10% interest in our Chilean transmission system from Brookfield Asset Management for \$235 million, effective October 2012.

## **Transport and Energy Operations**

Our transport and energy platform is comprised of open access systems that provide transportation, storage and handling services for energy, 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 platform is comprised of businesses with price ceilings as a result of regulation, such as our energy transmission, railroad and toll road operations, as well as unregulated businesses, such as our ports. Transport and energy 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 platform, revenues are generally stable and, in many cases, are supported by long-term contracts or customer relationships. Our transport and energy platform is expected to benefit from increases in demand for commodities as well as increases in the global movement of goods. Furthermore, the diversification within our transport and energy platform mitigates the impact of fluctuations in demand from any particular sector, commodity or customer. Approximately 70% of our transport and energy platform's EBITDA is supported by long-term contractual revenues.

Our objectives for our transport and energy platform 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 we will be able to earn an attractive return on the capital that we have deployed as well as the capital that we will invest to increase the capacity of our operations. Our performance can be measured by our revenue growth, our EBITDA margin, as well as our AFFO yield.

Our transport and energy platform is comprised of the following:

### *Railroad*

- Sole provider of rail service in Southwestern Western Australia, with approximately 5,100 kilometres of tracks

### *Energy Transmission, Distribution and Storage*

- 15,500 kilometres of natural gas transmission lines primarily in the U.S.
- 300 billion cubic feet of natural gas storage
- District heating and cooling system serving 140 buildings

### *Ports*

- 30 terminals primarily in the UK and across Europe

### *Toll Roads*

- 3,200 kilometres of toll roads in Brazil and Chile

## Results of Operations

The following table presents our proportionate share of the key metrics of our transport and energy platform:

MILLIONS, UNAUDITED	Twelve months ended December 31	
	2012	2011
Growth capital expenditures	\$ 378	\$ 356
EBITDA margin <sup>1</sup>	40%	34%
Funds from operations (FFO)	\$ 244	\$ 167
Maintenance capital	(82)	(65)
Adjusted funds from operations (AFFO)	\$ 162	\$ 102
AFFO yield <sup>2</sup>	9%	7%

<sup>1</sup> EBITDA margin is EBITDA divided by revenues.

<sup>2</sup> AFFO yield is AFFO divided by time weighted average invested capital.

In our transport and energy platform, we generated FFO of \$244 million in 2012, compared to \$167 million in 2011. The increase in FFO was primarily driven by a 110% increase in our Australian railroad's FFO as a result of the commissioning of our expansion program, as well as a favorable grain harvest. Our results also benefited from the South American toll roads that we acquired in the fourth quarter. Our North American gas transmission business continues to be impacted by weak market conditions caused by excess capacity and low natural gas prices. However, our FFO remained flat compared to the prior year due to our investment of equity to deleverage this business. Overall, the AFFO yield for our transport and energy platform was 9% for the year. This yield, while higher than the prior year, is clearly below the level that we expect from this segment over the long term. In 2013, the AFFO yield should increase with a further ramp-up in cash flows from the expansion program at our railroad and a full year of results in our toll road business.

The following table presents our transport and energy platform's proportionate share of financial results:

MILLIONS, UNAUDITED	Twelve months ended December 31	
	2012	2011
Revenues	\$ 1,054	\$ 951
Cost attributed to revenues	(635)	(628)
EBITDA	419	323
Interest expense	(176)	(156)
Other income (expenses)	1	—
Funds from operations (FFO)	244	167
Depreciation and amortization	(177)	(112)
Deferred taxes and other items	(34)	(8)
Net income	\$ 33	\$ 47

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

MILLIONS, UNAUDITED	EBITDA		FFO	
	2012	2011	2012	2011
<b>Twelve months ended December 31</b>				
Railroad	\$ 169	\$ 98	\$ 118	\$ 56
Energy Transmission, Distribution & Storage	144	143	76	69
Ports	76	82	38	42
Toll Roads	30	—	12	—
Total	\$ 419	\$ 323	\$ 244	\$ 167

For the twelve months ended December 31, 2012, our Australian railroad reported EBITDA and FFO of \$169 million and \$118 million, respectively, versus \$98 million and \$56 million, respectively, in the prior year period. The increase was driven by revenue from our expansion program, which was commissioned during the year, as well as an above average grain harvest.

For the twelve months ended December 31, 2012, our energy transmission, distribution and storage operations reported EBITDA and FFO of \$144 million and \$76 million, respectively, slightly ahead of EBITDA and FFO of \$143 million and \$69 million, respectively, in the prior year. The year over year increase was largely due to the investments in natural gas storage and district energy that we make during the year. The contribution from our North American natural gas transmission operations was consistent with the prior year as lower financing costs as a result of \$200 million of debt retirement offset softer operating results due to excess capacity and depressed natural gas prices.

For the year, our port operations reported EBITDA and FFO of \$76 million and \$38 million, respectively, compared to EBITDA and FFO of \$82 million and \$42 million, respectively, in the comparative period. Current period FFO was lower than the prior year as a result of reduced throughput due to the economic slowdown in Europe, offset by a decrease in financing costs as we invested capital to delever our continental European business.

Our toll roads contributed EBITDA and FFO of \$30 million and \$12 million, respectively, compared to EBITDA and FFO of \$nil and \$nil, in 2011, respectively, as we made our first investment in the sector in late December 2011. The motorways are performing consistent with expectations to date.

Non-cash expenses are primarily comprised of depreciation, amortization and deferred taxes. Depreciation and amortization increased to \$177 million for the year compared to \$112 million in 2011, primarily due to additional depreciation on our recently commissioned Australian railroad expansion.

### ***Business Development and Outlook***

In our transport and energy platform, we strive to increase the amount of goods that we can transport or handle in a capital efficient manner. Due to the economies of scale or strategic locations of our networks, we are often able to earn very attractive returns when we invest capital to expand our facilities to serve our customers' growth requirements.

Within our transport and energy platform, we completed the acquisition of an additional interest in our Chilean toll road for \$170 million in October, increasing our ownership to approximately 50%. In December, we acquired an interest in an entity with a 60% controlling stake in the largest toll road operator in Brazil for \$310 million, in partnership with Abertis Infraestructuras and institutional investors. These roads benefit from long-term concession agreements in proven regulatory regimes, with tariffs that are indexed to inflation. In addition, there are significant opportunities to deploy additional capital to expand our networks to accommodate increased traffic due to GDP growth. At the end of October, we also invested approximately \$75 million for a 25% interest in a district energy system that serves commercial customers in downtown Toronto, which we acquired in partnership with institutional investors.

### **Timber**

Our timber platform consists of 343,000 net acres of high-quality, freehold timberlands located in the coastal region of British Columbia, Canada and the Pacific Northwest region of the U.S. Our timberlands are predominantly comprised of premium Douglas-fir, hemlock and cedar species suitable for high-value structural and appearance applications in domestic and export markets. In addition, our land holdings include approximately 8,000 net acres of higher and better use (HBU) lands, which may have greater value for real estate development or conservation. Our timberlands have an estimated deferred harvest volume of 2.4 million m<sup>3</sup>. This deferred harvest volume is in addition to harvest volumes that reflect annual timber growth as determined through our long-run sustainable yield (LRSY).

The following table presents our proportionate share of selected statistics of our timberlands:

<i>UNAUDITED</i>	<b>As of</b>	
	<b>December 31, 2012</b>	December 31, 2011
Timberlands (000's acres)	<b>343</b>	419
HBU lands (000's acres)	<b>8</b>	12
Long-run sustainable yield (LRSY) (millions m <sup>3</sup> per annum)	<b>1.3</b>	1.6
Deferred harvest volume (millions m <sup>3</sup> )	<b>2.4</b>	2.9

One of the key attributes of our timber platform is its operating flexibility, which allows us to optimize our harvest mix and harvest levels as well as the markets to which we sell in order to maximize value. We plan our annual harvest to produce the products that offer the most attractive margins in the context of current market conditions and freight costs to access those markets. When log prices are attractive, we increase harvest levels to monetize the value of our inventory. When log prices are weak, we grow inventory on the stump to enhance value through capital appreciation. Our objective for our timber platform is to maximize the total return on the capital that we invest in this business. Our performance can be measured by our harvest levels, EBITDA margin and AFFO yield.

### Results of Operations

The following table summarizes our proportionate share of harvest, sales and realized price by species for our timber operations:

UNAUDITED	Twelve months ended December 31, 2012				Twelve months ended December 31, 2011			
	Harvest (000's m <sup>3</sup> )	Sales (000's m <sup>3</sup> )	Revenue/m <sup>3</sup>	Revenue (\$ millions)	Harvest (000's m <sup>3</sup> )	Sales (000's m <sup>3</sup> )	Revenue/m <sup>3</sup>	Revenue (\$ millions)
Douglas-fir	863	929	\$ 90	\$ 84	855	933	\$ 98	\$ 91
Whitewood	355	420	81	34	394	438	89	39
Other species	322	340	71	24	318	333	72	24
	<b>1,540</b>	<b>1,689</b>	<b>\$ 84</b>	<b>\$ 142</b>	<b>1,567</b>	<b>1,704</b>	<b>\$ 90</b>	<b>\$ 154</b>
HBU and other sales				<b>1</b>				<b>1</b>
<b>Total</b>				<b>\$ 143</b>				<b>\$ 155</b>

For the twelve months ended December 31, 2012, average indicative prices for Douglas-fir and whitewood in the U.S. market were approximately 4% and 6% lower, respectively, than the prior year, as weaker demand from China and South Korea reduced tension in the domestic market. The Japanese Douglas-fir market weakened somewhat with average indicative prices falling 2% from the previous year. However, for the period, whitewood sold to China and Korea offered a 20% premium over the U.S. market. Although average indicative prices for Douglas-fir sold to China fell 10%, this market still offered a 5% premium over the U.S. market during the period.

In 2012, our harvest level was 2% below 2011 as our operations, particularly in the coastal region of British Columbia, were restricted by an unusually long period of warm dry weather, which increased the risk of forest fires. Compared to the previous year, sales volumes of Douglas-fir and whitewood decreased 1%, while other sales volumes increased by 2%, primarily as a result of improved cedar markets. With relative fundamentals for Douglas-fir improving in the domestic market, the proportion of our timber sold to off-shore markets declined to 41% from 47% in the prior year.

The following table presents our proportionate share of select key metrics of our timber platform:

MILLIONS, UNAUDITED, UNLESS OTHERWISE NOTED	Twelve months ended December 31	
	2012	2011
Harvest (000's m <sup>3</sup> )	<b>1,540</b>	1,567
Harvest as % of LRSY	<b>97%</b>	99%
EBITDA margin <sup>1</sup>	<b>34%</b>	39%
Funds from operation (FFO)	<b>\$ 22</b>	\$ 33
Maintenance capital	<b>(2)</b>	(3)
Adjusted funds from operations (AFFO)	<b>\$ 20</b>	\$ 30
AFFO yield <sup>2</sup>	<b>4%</b>	6%

1 EBITDA divided by revenue, excluding HBU and other revenue.

2 AFFO divided by average time weighted invested capital.

The following table presents our timber platform's proportionate share of financial results.

<i>MILLIONS, UNAUDITED</i>	<b>Twelve months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Revenue	\$ 143	\$ 155
Cost attributed to revenues	(95)	(95)
EBITDA	48	60
Other income	2	1
Interest expense	(28)	(28)
Funds from operations (FFO)	22	33
Fair value adjustments	63	93
Deferred taxes and other items	(39)	(35)
Net income	\$ 46	\$ 91

For the twelve months ended December 31, 2012, our timber operations' EBITDA and FFO totaled \$48 million and \$22 million, respectively, compared with \$60 million and \$33 million, respectively, in the prior year. Compared with the prior year, revenues declined by 9% as our average realized price and sales volume decreased by 7% and 1%, respectively. Per unit harvest and delivery costs increased by 1% versus the comparative period due to higher fuel costs. Our EBITDA margin declined to 34% versus 39% in the prior year.

### ***Business Development and Outlook***

In December, we completed the sale of a 12.5% interest in our Canadian timberlands to an institutional investor for \$85 million, which is equivalent to its IFRS book value.

Our outlook domestically, is that the U.S. housing market recovery gained momentum throughout the year with seasonally adjusted annualized U.S. housing starts reaching 954,000 in December 2012, 37% above year-ago levels, while permits increased 29% year-over-year. For the year, housing starts climbed 28% to 780,000 from 609,000 in 2011, and inventories of new homes available for sale remained near 50-year record lows. While the consensus forecast is somewhat of a moving target and risks to the forecasts are expected to be on the upside, it appears that a reasonable collection of estimates is now projecting 925,000 housing starts for 2013, 1.15 million in 2014 and 1.42 million in 2015, all levels that are expected to result in very strong markets for timber aimed at solid wood products markets. Once pricing demonstrates sustained strength, we will elevate our harvest levels to approximately 20% over our LRSY.

In export markets, Japanese log prices are expected to strengthen from 2012 levels as housing starts increase modestly and sawmill production remains stable. Demand in China and Korea is expected to be somewhat stronger as inventory levels in China have normalized and demand is improving.

Over the medium to long term, we expect that our timber operations will be positively impacted by a number of fundamental factors affecting the supply and demand of timber in the markets that we serve:

- Recovery of the U.S. housing market
- The mountain pine beetle infestation, which is having a significant impact on the supply of timber from the interior of British Columbia, Alberta and the U.S. inland region;
- Ongoing demand from Asian markets;
- The rapidly expanding bio-fuel industry; and
- Continuing withdrawals of timberlands for conservation and alternate uses.

## CORPORATE AND OTHER

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

<i>MILLIONS, UNAUDITED</i>	<b>Twelve months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
General and administrative costs	\$ (9)	\$ (9)
Base management fee	(86)	(53)
Other income (expenses)	5	4
Financing costs	(22)	(25)
Funds from operations (FFO)	(112)	(83)
Deferred taxes and other	28	(31)
Corporate and other	\$ (84)	\$ (114)

Overall, general and administrative costs were consistent with the comparative period. We anticipate that our general and administrative costs, excluding the base management fee, will be in the range of \$9 million to \$11 million per year.

Pursuant to our Master Services Agreement, we pay an annual base management fee to Brookfield equal to 1.25% of our market value, plus recourse debt, net of cash. For the twelve months ending December 31, 2012, this fee increased versus the prior year due to an increase in our market capitalization attributable to the equity issuances completed in October 2011 and August 2012, totalling approximately \$1.2 billion, and the higher trading price of our partnership units.

Financing costs include interest expense, standby fees on our committed credit facility, dividends paid on our preferred shares less interest earned on cash balances. Financing costs for the current year were lower than the prior year period, primarily due to a lower amount of average corporate borrowings as well as reduced rates on our corporate credit facility following receipt of our BBB+ credit rating from Standard & Poor's, partially offset by interest on our recently issued C\$400 million corporate bonds.

## 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.

Our group-wide liquidity was approximately \$760 million at December 31, 2012, down from \$1.5 billion at December 31, 2011, and was comprised of the following:

<i>MILLIONS, UNAUDITED</i>	<b>As of</b>	
	<b>As of December 31, 2012</b>	<b>As of December 31, 2011</b>
Corporate cash and cash equivalents	\$ 7	\$ 79
Committed corporate credit facility	855	700
Draws under corporate credit facility	(546)	—
Commitments under corporate credit facility	(92)	(51)
Proportionate cash retained in businesses	203	127
Proportionate availability under subsidiary credit facilities	336	691
Group-wide liquidity	\$ 763	\$ 1,546

On November 30, 2012, we increased the size of our corporate credit facility to \$855 million from \$700 million, which was subsequently further increased to \$900 million in January 2013. The facility is available for investments and acquisitions, as well as general corporate purposes. At December 31, 2012, the outstanding balance under this facility was \$546 million, as we drew on the facility to bridge finance a portion of our acquisitions that closed in the fourth quarter.

We finance our assets principally at the operating company level with debt which 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 endeavour 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, 2012, scheduled principal repayments over the next five years are as follows:

<i>MILLIONS, UNAUDITED</i>	<b>Average Term (years)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Beyond</b>	<b>Total</b>
<b>Recourse borrowings</b>								
Net corporate borrowings	5	\$ —	\$ —	\$ —	\$ 546	\$ 408	\$ —	\$ 954
<b>Total recourse borrowings</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>546</b>	<b>408</b>	<b>—</b>	<b>954</b>
<b>Non-recourse borrowings<sup>1,2</sup></b>								
Utilities	8	49	936	146	417	52	1,773	<b>3,373</b>
Transport and energy	5	182	950	249	164	552	1,019	<b>3,116</b>
Timber	5	136	—	117	—	—	171	<b>424</b>
<b>Total non-recourse borrowings<sup>1,2</sup></b>	<b>6</b>	<b>367</b>	<b>1,886</b>	<b>512</b>	<b>581</b>	<b>604</b>	<b>2,963</b>	<b>6,913</b>
<b>Total borrowings</b>	<b>6</b>	<b>367</b>	<b>1,886</b>	<b>512</b>	<b>1,127</b>	<b>1,012</b>	<b>2,963</b>	<b>7,867</b>

**Cash retained in businesses**

Utilities	<b>\$ 66</b>
Transport and energy	<b>128</b>
Timber	<b>9</b>
Corporate	<b>7</b>
<b>Total cash retained</b>	<b>\$ 210</b>

**Net debt**

Utilities	<b>\$ 3,307</b>
Transport and energy	<b>2,988</b>
Timber	<b>415</b>
Corporate	<b>947</b>
<b>Total net debt</b>	<b>\$ 7,657</b>

<sup>1</sup> Represents non-recourse debt to Brookfield Infrastructure as the holders have recourse only to the underlying operations.

<sup>2</sup> 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.

The proportionate average cash interest rate for our utilities, transport and energy and timber platforms was 6%, 7% and 6%, respectively (2011: 6%, 7% and 6%, respectively).

Our debt has an average term of seven years. On a proportionate consolidated basis, our net debt-to-capitalization ratio as of December 31, 2012 was 60%. Proportionate debt can be reconciled to consolidated debt as follows:

<i>MILLIONS, UNAUDITED</i>	<b>As of</b>	
	<b>December 31, 2012</b>	December 31, 2011
<b>Consolidated debt</b>	<b>\$ 7,939</b>	\$ 4,885
Less: borrowings attributable to non-controlling interest	<b>(2,705)</b>	(1,812)
Premium on debt and cross currency swaps	<b>144</b>	148
Add: proportionate share of borrowings of investments in associates		
Utilities	<b>1,038</b>	703
Transport and energy	<b>1,451</b>	1,379
<b>Proportionate debt</b>	<b>\$ 7,867</b>	\$ 5,303

## 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, 2012:

<i>MILLIONS, UNAUDITED</i>	Net Investment Hedges								
	USD	AUD	GBP	NZD	CLP	BRL	CAD	EUR	COP
Net equity investment – US\$	\$ 838	\$ 2,010	\$ 669	\$ 384	\$ 340	335	\$ 231	\$ 147	\$ 70
FX contracts – US\$	710	(359)	(244)	(29)	—	—	—	(78)	—
Net unhedged – US\$	1,548	1,651	425	355	340	335	231	69	70
Net equity investment – natural currency	838	1,933	412	464	162,832	687	229	112	123,160
FX contracts – natural currency	710	(344)	(150)	(35)	—	—	—	(59)	—
% of equity investment hedged	N/A	18%	36%	8%	—	—	—	53%	—
Unhedged position in natural currency	N/A	1,589	262	429	162,832	687	229	53	123,160

At December 31, 2012, we had hedges in place equal to approximately 17% of our net equity investment in foreign currencies. In the twelve months ended December 31, 2012, we recorded losses of \$9 million in comprehensive income related to these contracts, which were more than offset by foreign currency translation gains of \$86 million recorded during the year.

We have also implemented a FFO hedging program by entering into foreign exchange contracts to lock in approximately 70% of our forecasted FFO denominated in AUD, GBP, EUR and NZD for the next four quarters. As these forward contracts settle, we intend to roll over the contracts so that we will continue to have approximately 70% of the next twelve months of forecasted FFO hedged. We will periodically re-evaluate this strategy.

For the year ended December 31, 2012, 8%, 47% and 23% of our FFO was generated in USD, AUD and GBP, respectively, with the remaining 22% generated in other currencies. As a result of our FFO hedging program, 60%, 9% and 17% of our FFO was effectively generated in USD, AUD and GBP, respectively, with the remaining 14% generated in other currencies. For the period, a 10% change in the average exchange rate of our foreign currencies would have resulted in approximately a \$18 million, or 4%, change in FFO. Without the implementation of our FFO hedging program, the sensitivity to the same movement in the average exchange rate would have resulted in an approximate \$43 million, or 9%, variance in FFO.

## 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 years ended December 31:

<i>MILLIONS, UNAUDITED</i>	<b>Twelve months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Funds from operations (FFO)	\$ 462	\$ 392
Less maintenance capital	(109)	(92)
Funds available for distribution (AFFO)	353	300
Distributions paid	(304)	(217)
Funds available for reinvestment	49	83
Growth capital expenditures	(565)	(544)
Asset level debt funding of growth capital expenditures	437	149
New investments, net of disposals	(1,012)	(140)
Debt paydowns	(374)	(93)
Equity issuance, net	497	657
Corporate debt issuance, net	408	—
Draws on corporate credit facility	546	(18)
Changes in working capital and other	18	(86)
Change in proportionate cash retained in business	4	8
Opening, proportionate cash retained in business	206	198
Closing, proportionate cash retained in business	\$ 210	\$ 206

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

<i>MILLIONS, UNAUDITED</i>	<b>Twelve months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Growth capital expenditures by segment		
Utilities	\$ 187	\$ 188
Transport and energy	378	356
Timber	—	—
	\$ 565	\$ 544

<i>MILLIONS, UNAUDITED</i>	<b>Sustaining Capital Expenditures Estimates for 2013</b>		<b>Twelve months ended December 31</b>	
	<b>Low</b>	<b>High</b>	<b>2012</b>	<b>2011</b>
Maintenance capital expenditures by segment				
Utilities	\$ 30	\$ 35	\$ 25	\$ 24
Transport and energy	90	100	82	65
Timber	2	5	2	3
	\$ 122	\$ 140	\$ 109	\$ 92

For the year, our maintenance capital expenditures exceeded the high end of our range of \$104 million, as a result of greater than normal maintenance projects at our railroad and natural gas transmission operations, as well as expenditures at our newly acquired businesses.

Prospectively, we expect that annual maintenance capital expenditures will be between \$122 million and \$140 million.

## PARTNERSHIP CAPITAL

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

<i>MILLIONS, PARTNERSHIP UNITS</i>	<b>As of</b>	
	<b>December 31, 2012</b>	December 31, 2011
Limited partnership units	<b>199.7</b>	184.0
General partnership units	<b>1.1</b>	1.1
<b>Total</b>	<b>200.8</b>	185.1

The general partner is entitled to incentive distribution rights which are based on the amount by which quarterly distributions on the limited partnership units exceed specified target levels. To the extent distributions on partnership units exceed \$0.305 per quarter, the incentive distribution rights entitle the general partner to 15% of incremental distributions above this threshold to \$0.33 per unit. To the extent that distributions on limited partnership units exceed \$0.33 per unit, the incentive distribution rights entitle the general partner to 25% of incremental distributions above this threshold. During the year, an incentive distribution of \$16 million was paid to the general partner (2011: \$4 million).

## REVIEW OF FOURTH QUARTER PERFORMANCE

In this section we review our performance and financial position for the three months ended December 31, 2012 and 2011. The following table summarizes the financial results of Brookfield Infrastructure.

<i>MILLIONS, EXCEPT PER UNIT INFORMATION, UNAUDITED</i>	<b>Three months ended December 31</b>	
<b>Key Metrics</b>	<b>2012</b>	2011
Funds from operations (FFO)	<b>\$ 130</b>	\$ 95
Per unit FFO <sup>1</sup>	<b>0.65</b>	0.54
Distributions	<b>0.375</b>	0.35
Payout ratio	<b>58%</b>	65%
Growth of per unit FFO <sup>1</sup>	<b>20%</b>	38%
AFFO	<b>94</b>	71
AFFO yield	<b>9%</b>	8%

<sup>1</sup> Average units outstanding during the quarter of 200.8 million (2011: 177.3 million).

For the quarter ended December 31, 2012, we generated FFO of \$130 million, or \$0.65 per unit, compared to \$95 million, or \$0.54 per unit, in the prior year. This \$35 million, or 37%, increase in our FFO was primarily driven by new investments that closed during 2012, as well as the contribution from our Australian railroad expansion program.

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>	
<b>Summary Income Statement</b>	<b>2012</b>	2011
Revenues	<b>\$ 578</b>	\$ 404
Direct operating expenses	<b>(315)</b>	(230)
General and administrative expenses	<b>(28)</b>	(18)
Interest expense	<b>(120)</b>	(85)
Earnings (losses) from investments in associates	<b>(8)</b>	38
Net income	<b>50</b>	54
Net income per unit <sup>1</sup>	<b>0.25</b>	0.30

<sup>1</sup> Average units outstanding during the quarter of 200.8 million (2011: 177.3 million).

We reported net income of \$50 million, or \$0.25 per unit, for the three months ended December 31, 2012, compared to net income of \$54 million, or \$0.30 per unit, in the comparative period. Net income declined marginally compared to the prior year as higher depreciation and amortization expense associated with our increased asset base, as well as lower revaluation gains, offset the increase in FFO that was generated during the period.

## SELECTED INCOME STATEMENT INFORMATION

The following table presents selected income statement information by operating platform on a proportionate basis:

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Net income by segment</b>		
Utilities	\$ 13	\$ 56
Transport and energy	2	(4)
Timber	51	46
Corporate and other	(16)	(44)
<b>Net income</b>	<b>\$ 50</b>	<b>\$ 54</b>
<b>EBITDA by segment</b>		
Utilities	\$ 131	\$ 106
Transport and energy	128	82
Timber	13	11
Corporate and other	(28)	(18)
<b>EBITDA</b>	<b>\$ 244</b>	<b>\$ 181</b>
<b>FFO by segment</b>		
Utilities	\$ 85	\$ 71
Transport and energy	75	44
Timber	7	5
Corporate and other	(37)	(25)
<b>Funds from operations (FFO)</b>	<b>\$ 130</b>	<b>\$ 95</b>

## Utilities Operations

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

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenue</b>	<b>\$ 206</b>	<b>\$ 156</b>
<b>Costs attributed to revenues</b>	<b>(86)</b>	<b>(59)</b>
<b>Developer contributions</b>	<b>11</b>	<b>9</b>
<b>EBITDA</b>	<b>131</b>	<b>106</b>
<b>Other income</b>	<b>3</b>	<b>2</b>
<b>Interest expense</b>	<b>(49)</b>	<b>(37)</b>
<b>Funds from operations (FFO)</b>	<b>85</b>	<b>71</b>
<b>Depreciation and amortization</b>	<b>(36)</b>	<b>(20)</b>
<b>Deferred taxes and other items</b>	<b>(36)</b>	<b>5</b>
<b>Net income</b>	<b>\$ 13</b>	<b>\$ 56</b>

The following table presents proportionate EBITDA and FFO for each operation in this platform:

<i>MILLIONS, UNAUDITED</i>	<b>EBITDA</b>		<b>FFO</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
<b>For the three months ended December 31</b>				
Regulated Terminal	\$ 45	\$ 47	\$ 23	\$ 27
Electricity Transmission	31	22	24	17
Regulated Distribution	55	37	38	27
<b>Total</b>	<b>\$ 131</b>	<b>\$ 106</b>	<b>\$ 85</b>	<b>\$ 71</b>

For the three months ended December 31, 2012, our utilities business generated EBITDA and FFO of \$131 million and \$85 million, respectively, compared to \$106 million and \$71 million, respectively, in the comparative period. The increase in EBITDA and FFO was primarily due to contributions from our recently acquired UK and Colombian regulated distribution companies, as well as the increase in our ownership interest in our Chilean electricity transmission system. Our business also continues to benefit from inflation indexation and contributions from organic growth investments. For the quarter, our utilities business earned an AFFO yield of 14% and a return on rate base of 12%.

Our regulated terminal operation generated EBITDA and FFO of \$45 million and \$23 million, respectively, in the fourth quarter, compared with \$47 million and \$27 million, respectively, in the prior year. Results were lower than the comparative period as the prior year included non-recurring revenues associated with additions to our rate base that were approved in that period that more than offset the revenues from additions to our rate base.

Our electricity transmission operations' EBITDA and FFO were \$31 million and \$24 million, respectively, for the most recent quarter, versus \$22 million and \$17 million, respectively, in the comparative period. Current period results exceeded prior year due primarily to increased ownership interest in our Chilean electricity transmission system, as well as positive revenue indexation and investments in our rate base.

Our regulated distribution companies earned EBITDA and FFO of \$55 million and \$38 million, respectively, in the quarter versus \$37 million and \$27 million, respectively, in the comparative period. The increase over the prior year due to the contribution from the Colombian distribution company that we acquired in January 2012 and the UK regulated distribution business that we acquired in November 2012. Excluding these acquisitions, results were largely consistent with the prior year quarter.

## Transport and Energy Operations

The following table presents our transport and energy platform's proportionate share of financial results:

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>	
	<b>2012</b>	2011
Revenues	\$ 310	\$ 237
Cost attributed to revenues	(182)	(155)
<b>EBITDA</b>	<b>128</b>	82
Interest expense	(52)	(40)
Other income (expenses)	(1)	2
<b>Funds from operations (FFO)</b>	<b>75</b>	44
Depreciation, depletion and amortization	(55)	(29)
Deferred taxes and other items	(18)	(19)
<b>Net income (loss)</b>	<b>\$ 2</b>	\$ (4)

The following table presents proportionate EBITDA and FFO for each operation in this operating platform:

<i>MILLIONS, UNAUDITED</i>	<b>EBITDA</b>		<b>FFO</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
<b>For the three months ended December 31</b>				
Rail road	\$ 54	\$ 27	\$ 37	\$ 17
Energy Transmission, Distribution & Storage	37	35	21	15
Ports	19	20	8	12
Toll Roads	18	—	9	—
<b>Total</b>	<b>\$ 128</b>	<b>\$ 82</b>	<b>\$ 75</b>	<b>\$ 44</b>

For the three months ended December 31, 2012, our transport and energy platform generated EBITDA and FFO of \$128 million and \$75 million, respectively, compared to \$82 million and \$44 million, respectively, in the prior year. The increase in EBITDA and FFO was largely due to the contribution from our recently commissioned Australian railroad expansion tasks, as well as revenue from our investments in the toll roads sector. For the quarter, our transport and energy business earned an AFFO yield of 8%.

Our railroad generated EBITDA and FFO of \$54 million and \$37 million, respectively, for the quarter compared with \$27 million and \$17 million, respectively, in the comparative period. Our performance increased as we commissioned five expansions during 2012, including the KML project in October 2012, which is by far the largest component of our expansion program. We expect to achieve run rate levels on all five segments by early 2013.

For the quarter, our energy transmission, distribution and storage businesses reported EBITDA and FFO of \$37 million and \$21 million, respectively, compared with \$35 million and \$15 million, respectively in the prior year. Results increased primarily as a result of the acquisitions of the Alberta natural gas storage facility in the second quarter and the North American district energy business in the fourth quarter. Performance at our North American natural gas transmission system was largely consistent with plan as the impact of weak gas market conditions was offset by reduced financing costs following our deleveraging of this business in the second quarter.

Our port operations reported EBITDA and FFO of \$19 million and \$8 million, respectively, for the quarter compared with \$20 million and \$12 million, respectively, in 2011. Results trailed the prior year primarily due to softer macro-economic conditions in Europe, which have reduced the throughput of our operations.

Our toll roads contributed EBITDA and FFO of \$18 million and \$9 million, respectively, in the fourth quarter, versus \$nil and \$nil in the prior year as we made our initial investment in this sector in late December 2011. Overall, these businesses are performing consistent with our underwriting assumptions.

## Timber

### Results of Operations

The following table summarizes our harvest, sales and sales price realizations by species for our timber operations:

<i>UNAUDITED</i>	<b>Three months ended December 31, 2012</b>				<b>Three months ended December 31, 2011</b>			
	<b>Harvest (000's m<sup>3</sup>)</b>	<b>Sales (000's m<sup>3</sup>)</b>	<b>Revenue/m<sup>3</sup></b>	<b>Revenue (\$ millions)</b>	<b>Harvest (000's m<sup>3</sup>)</b>	<b>Sales (000's m<sup>3</sup>)</b>	<b>Revenue/m<sup>3</sup></b>	<b>Revenue (\$ millions)</b>
Douglas-fir	218	223	\$ 94	\$ 21	176	190	\$ 95	\$ 18
Whitewood	100	125	88	11	96	118	85	10
Other species	81	82	73	6	90	98	71	7
	<b>399</b>	<b>430</b>	<b>\$ 88</b>	<b>\$ 38</b>	<b>362</b>	<b>406</b>	<b>\$ 86</b>	<b>\$ 35</b>
HBU and other sales				1				—
<b>Total</b>				<b>\$ 39</b>				<b>\$ 35</b>

In the fourth quarter, our average realized price for both Douglas-fir and whitewood logs increased by 1% over the prior year. North American markets for most saw timber products strengthened throughout the quarter as significantly improved lumber and panel prices encouraged strong domestic production. Demand and pricing in Japan continued to be relatively strong reflecting the appreciation of the Yen as well as steady home building and civil construction activity. Log inventories in China have declined by almost 50% from levels in the first quarter of 2012 causing log prices in China and Korea to improve late in the fourth quarter.

In the fourth quarter, we increased harvest volumes by 10% over the prior year. Improved demand from Asia during the quarter caused us to shift volumes towards export markets with the percentage of timber exported increasing to 47% of shipments from 36% in the prior quarter and 37% in the prior year. For the quarter, our harvest was at 101% of LRSY.

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Revenue	\$ 39	\$ 35
Cost attributed to revenues	(26)	(24)
EBITDA	13	11
Other income	1	1
Interest expense	(7)	(7)
Funds from operations (FFO)	7	5
Fair value adjustments	66	56
Deferred taxes and other items	(22)	(15)
Net income (loss)	\$ 51	\$ 46

Our average realized log price was \$88/m<sup>3</sup>, climbing 1% from \$86/m<sup>3</sup> in the prior year. Sales volumes increased by 6% compared with the prior year, driven by increased demand from both domestic and off-shore markets throughout the quarter. Harvest cost per unit decreased by 3% compared with the prior year period primarily due to the impact of greater harvest volumes. Overall, EBITDA margin improved 2% from the prior year to approximately 33%. In a normal market environment, we expect our timber operations to generate EBITDA margins in the range of 40%.

### Corporate and Other

The following table presents the components of Corporate and other, on a proportionate basis, for the three months ended December 31, 2012 and 2011:

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>	
	<b>2012</b>	<b>2011</b>
General and administrative costs	\$ (3)	\$ (2)
Base management fee	(25)	(16)
Other income	(3)	(1)
Financing costs	(6)	(6)
Funds from operations (FFO)	(37)	(25)
Deferred taxes and other	21	(19)
Corporate and other	\$ (16)	\$ (44)

For the quarter, general and administrative costs were slightly ahead of prior year due to timing, as our annual spend was consistent with the prior year.

Pursuant to our Master Services Agreement, we pay a quarterly base management fee to Brookfield based on our market value. This fee increased over the prior year due to the equity issuance in August 2012 and the increased trading price of our units.

Financing costs for the quarter were consistent with the prior year as the reduced rates on our corporate credit facility as a result of our investment grade credit rating were offset by increased corporate borrowings, primarily as a result of our C\$400 million corporate bond issuance in October 2012.

## 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 taxes and other items as shown in the reconciliation below. For our social infrastructure operations we also subtract debt amortization from FFO as these are finite life concessions and debt must be fully amortized during the concession term. 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;
- FFO does not include any non-cash fair value adjustments or mark-to-market adjustments recorded to net income; and
- FFO does not include performance fees accrued relating to our Canadian timber operations, which must be paid in cash and represents a fee we expect to accrue in the future.

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 fair value adjustments and mark-to-market adjustments recorded in net income as these are non-cash in nature and indicate a point in time approximation of value on long-term items. Finally, we add back a performance fee payable to Brookfield by Island Timberlands. This performance fee was calculated based upon a percentage of the increased appraised value of the renewable resources and HBU land assets held by our Canadian timber operations over a threshold level. We believe it is appropriate to measure our performance excluding the impact of this accrual as we expect that over time the financial impact of this fee will be more than offset by increased income associated with the increased appraised value of these assets, a benefit which is not reflected in the period in which the related fee accrues. In addition, as a result of our fee-netting mechanism, which is designed to eliminate any duplication of fees, any performance fees will reduce future incentive distributions that may otherwise be made to Brookfield by the Partnership. As this credit is reflected as a reduction in distributions to Brookfield, it would not be reflected in FFO without adding back the performance fee.

The following table reconciles FFO to the most directly comparable IFRS measure, which is net income. We urge you to review the IFRS financial measures within the Supplemental Information and to not rely on any single financial measure to evaluate the Partnership.

<i>MILLIONS, UNAUDITED</i>	<b>Three months ended December 31</b>		<b>Twelve months ended December 31</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 50	\$ 54	\$ 106	\$ 187
Add back or deduct the following:				
Depreciation and amortization	91	49	300	203
Fair value adjustments	(66)	(56)	(63)	(93)
Deferred taxes and other items	55	48	119	95
Funds from operations	\$ 130	\$ 95	\$ 462	\$ 392

The difference between net income and FFO is primarily attributable to depreciation and amortization expenses.

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.

In order to assess our performance as stewards of capital, we track our AFFO yield, which is a proxy for our returns on invested capital. Invested capital is meant to track the initial investment that we make in a business plus all cash flow that we re-invest in the business. We define invested capital as partnership capital adding back the following items: non-cash income statement items net of maintenance capital expenditures as well as other comprehensive income, as shown in the reconciliation below. Invested capital is a measure that is not calculated in accordance with, and does not have any standardized meaning prescribed by IFRS. Invested capital is therefore unlikely to be comparable to similar measures presented by other issuers. Invested capital has limitations as a tool to measure returns on capital invested as follows:

- Invested capital does not fully deduct depreciation expense;
- Invested capital does not include non-cash income statement items; and
- Invested capital does not include accumulated other comprehensive income.

Because of these limitations of invested capital and the limitations of FFO previously discussed, AFFO yield should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under IFRS. We compensate for these limitations by relying on our IFRS results and using AFFO yield only supplementally. However, invested capital is a key measure that we use to evaluate the performance of our operations.

When viewed in conjunction with our IFRS results, we believe that AFFO yield provides a more complete understanding of our investment in each of our businesses. AFFO yield allows us to evaluate our businesses on the basis of cash return on net capital deployed by removing the effect of non-cash impacts on our capital base. We add back maintenance capital expenditures in order to capture the difference between depreciation and our sustaining capital investment which must be reinvested in our business. Minority interest is excluded as this represents capital invested by other shareholders. Non-cash income statement items are not included as these balances do not represent cash returned or reinvested in our assets. The impact of other comprehensive income is not included as these are unrealized adjustments to partnership capital, such as fair value adjustments or non-cash gains or losses on foreign exchange.

The following table reconciles invested capital to the most directly comparable IFRS measure, which is partnership capital:

<i>MILLIONS, UNAUDITED</i>	<b>As of</b>	
	<b>December 31, 2012</b>	December 31, 2011
Partnership capital	\$ 5,024	\$ 4,206
Cumulative differences	(190)	(304)
Maintenance capital expenditures	(109)	(92)
Non-cash income statement items	356	205
Accumulated other comprehensive income	(906)	(388)
Other adjustments	—	1
<b>Invested capital</b>	<b>\$ 4,175</b>	<b>\$ 3,628</b>

Our invested capital by segment is as follows:

<i>MILLIONS, UNAUDITED</i>	<b>As of</b>	
	<b>December 31, 2012</b>	December 31, 2011
<b>Invested capital by segment</b>		
Utilities	\$ 2,104	\$ 1,400
Transport and energy	2,562	1,693
Timber	417	468
Corporate and other	(908)	67
<b>Total invested capital</b>	<b>\$ 4,175</b>	<b>\$ 3,628</b>

We also use EBITDA as a measure of performance. We define EBITDA as FFO excluding the impact of interest expense, cash taxes and other income (expenses). EBITDA is expressed as gross margin in our consolidated statements of operating results.

The following table reconciles our consolidated revenues less direct costs to our proportionate EBITDA for the following periods:

	<b>Three months ended December 31</b>		<b>Twelve months ended December 31</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
<i>MILLIONS, UNAUDITED</i>				
<b>As per Brookfield Infrastructure consolidated financial statements</b>				
Revenues	\$ 578	\$ 404	\$ 2,004	\$ 1,636
Direct operating costs	(315)	(230)	(1,094)	(899)
General and administrative expenses	(28)	(18)	(95)	(61)
Revenues less direct costs	235	156	815	676
Less: Non-controlling interest associated with the above	(83)	(51)	(297)	(227)
	152	105	518	449
Add: Proportionate share of EBITDA of investments in associates	92	76	323	291
<b>Total proportionate EBITDA</b>	<b>\$ 244</b>	<b>\$ 181</b>	<b>\$ 841</b>	<b>\$ 740</b>