

LETTER TO UNITHOLDERS

OVERVIEW

As we look back on 2013, it was an extremely active and successful year where we completed many key priorities that have enhanced our overall business. The results for the year were very strong with an increase in Funds From Operations (“FFO”) on a per unit basis of 37% over last year. Our strategy remains focused on building a diversified portfolio of infrastructure assets that can deliver sustainable and growing cash flows in order to meet our distribution growth objectives. Since launching the Partnership in 2008, we have increased the distribution to unitholders six times at a compound annual growth rate of more than 10%. In 2013, we increased the distribution per unit by 15% and based on our solid performance, significant liquidity and growth prospects, the Board of Directors has approved a 12% increase in our quarterly distribution to 48 cents per unit in 2014.

Following the flurry of investment activity in late 2012, we were focused on strengthening our balance sheet. Our three key financial priorities in 2013 were to enhance our liquidity, extend the term on our debt at a number of our subsidiaries and reduce the financial risk in the business. We also sought to maintain our momentum in growing the business by deploying capital in our platforms and identifying new investment opportunities. The following is a summary of several of our key accomplishments during the year:

- We generated a total of **\$1.5 billion** of proceeds from our asset recycling program, earning returns on equity that exceeded 25% and recording gains of \$500 million. We upsized our corporate credit facility by \$500 million to \$1.4 billion, which together with the proceeds from asset sales provides us with total corporate liquidity at year end of close to \$2 billion.
- We completed **\$4.5 billion** of long-term financings early in the year, taking advantage of historically low interest rates. In doing so, we extended the average term of our debt to 10 years and addressed all significant near-term maturities.
- We invested approximately **\$500 million** in organic growth initiatives, commissioned \$350 million of projects to grow our utilities rate base and brought our \$600 million Australian rail expansion project fully on line. We also added approximately \$600 million of utilities and transport projects to our capital backlog, investments that we plan to make over the next 24-36 months.
- We secured over **\$1.1 billion** of new investments in our transport and energy platforms. During the year we invested \$600 million to increase our ownership in our toll road business in Brazil and to expand our district energy platform in North America. Additionally, we agreed to invest approximately \$500 million into a South American infrastructure logistics business and two container terminal facilities in California. We expect to close both of these transactions in the second quarter of 2014 upon receipt of customary approvals.

Our strong operating results and higher distributions contributed to a total return for unitholders of 16% in 2013. Brookfield Infrastructure's five-year annualized total return of 36% has meaningfully exceeded the S&P 500 index and we have considerable liquidity to invest in our business and maintain our growth momentum.

	Annualized Total Return (for the period ending December 31, 2013)		
	1 Year	3 Year	5 Year
BIP (NYSE)	16%	29%	36%
BIP (TSX)	25%	32%	32%*
S&P 500	32%	16%	18%
DJBG	13%	12%	15%**

*BIP (TSX) 5-year return is for the period beginning 09/10/2009

**No dividend reinvestment for the index

OPERATIONS

Overall, our financial performance has been very strong, both from an FFO generation perspective, and as a result of sizeable valuation gains that were either realized or recorded during the year. Virtually all of our operations performed better than the prior year, benefitting from organic growth and incremental earnings from capital that we deployed particularly in our transport and utilities platforms. FFO for the year was \$682 million, or \$3.30 per unit, representing year-over-year increases of 48% and 37%, respectively. We generated an AFFO yield of 13%, and our payout ratio is conservative, currently at 57%, which is below our long-term target range of 60-70% of FFO.

During the year, we closed five divestitures totalling \$1.5 billion of equity proceeds, realizing approximately \$500 million of capital gains, \$300 million of which were recognized in our financial statements in prior periods in accordance with IFRS. Valuations of our property, plant and equipment also increased by \$250 million across many of our businesses, net of a \$275 million charge recorded on the investment in our North American natural gas transmission business. This is a business which has been negatively impacted by weak market fundamentals caused primarily by excess capacity and low natural gas prices.

Our utilities business generated FFO of \$377 million in 2013, compared to \$308 million in 2012, representing a year-over-year increase of 22%. The increase was primarily due to the acquisition of a UK regulated distribution business and the increased ownership in our Chilean electricity transmission system. On a same store basis, results in this segment increased by 7%, benefitting from inflation indexation, additions to the rate base, as well as lower financing costs. In November, we closed the sale of our 42% interest in an Australasian regulated distribution business, and recently we completed the Texas transmission project and are now demobilizing the construction teams.

During the year, our transport platform generated FFO of \$326 million, compared to \$168 million in the prior year. The substantial increase in FFO was driven by the commissioning of our Australian railroad expansion that we completed in the first quarter and the contribution from our toll road business, where we have been making investments over the past 12 months. We have identified almost \$400 million of organic capital projects across our operations. These are projects that will enhance our networks, add to our capacity, and facilitate increased volume in the future.

Our energy platform earned FFO of \$70 million in 2013, compared to \$76 million the previous year. The contribution from our district energy business and improved performance at our energy distribution businesses were more than offset by weaker results at our North American gas transmission business, which continues to face difficult market pressures from the rapidly changing energy landscape in the U.S. We believe that there could be additional headwinds in this business that may continue to affect our results and potentially lead to a further deleveraging in the future.

CAPITAL FLOWS INTO SECTOR

When we launched Brookfield Infrastructure back in 2008, we felt that there was a remarkable opportunity to acquire essential, long life assets with very attractive cash flow characteristics. The opportunity arose out of the necessity and desire of governments around the world to enlist the private sector to take on a greater role in operating and constructing essential economic and social infrastructure. The urgency for the private sector to assist in the build out of infrastructure is even greater today. In fact, a prominent business journal recently encouraged governments to go even further in their privatization efforts and quantified the potential market for government sales at \$9 trillion.

Our experience in owning infrastructure assets has been extremely positive as demonstrated by our financial performance. However, we were not the only ones to discover this great market opportunity. Over the last five years, a significant amount of capital has entered the sector, with pension plans and other funds increasing allocations to infrastructure. Consequently, there has been speculation that inflows into the sector have been greater than investment opportunities and that this influx of capital

is driving up values to potentially unsustainable levels. We don't believe that to be the case overall, despite there having been a number of instances where highly competitive auctions have resulted in high valuations. In general, the market for infrastructure assets has become much more liquid as the sector has matured, resulting in lower return expectations than when the asset class was in its infancy. Our recent experience suggests that core infrastructure investors are underwriting investments at equity rates of return in the range of 9-11% after tax, although in some cases we've seen evidence of even lower thresholds.

How do we invest in this environment?

So the challenge for Brookfield Infrastructure is that as we seek to grow our business, we are faced with increased competition from investors looking to deploy substantial capital with lower return expectations than ourselves. While this may be the case, we feel that we have the expertise to cope with this challenge and to deliver our return objectives. Our principal means of avoiding "cost of capital shoot-outs" is to create our own proprietary opportunities using a patient, long-term approach and, in 2013, we continued to execute this investment strategy in the following areas:

- ***Invest capital in our existing businesses to facilitate growth for our customers.*** In our franchise areas we generally do not have to compete with others for the right to deploy capital and we can negotiate directly with our customers on what we believe is a win-win basis. The \$600 million expansion of our railroad completed in 2013 and the deployment of capital into our utilities rate base every year are prime examples of this capability.
- ***Leverage our operating platforms to identify tack-on acquisitions.*** We have a demonstrated ability to be a successful participant in auction processes despite competing against other investors with lower return expectations. This is typically achieved in circumstances where we are able to recognize revenue and/or cost synergies with our existing businesses or where we are able to identify growth opportunities that others cannot because they lack the same depth and geographical footprint as our operating platforms. Our recent acquisition of the district energy business in Houston and New Orleans in 2013 is an example where we believe this to have been the case.
- ***Carrying out outreach programs to companies and regions that are capital constrained.*** Our ability to move quickly, take a contrarian view and apply our expertise in structuring and closing transactions often leads to exclusive negotiations with sellers. We employed this strategy when we developed relationships with European construction companies in 2010 to 2012, which led to the successful build-out of our toll road business in South America. More recently, we were rewarded for our efforts in developing relationships with mining and shipping companies. In December, we agreed to terms on two transactions in the rail and port sectors whereby, together with our institutional partners, we agreed to acquire interests in VLI, a Brazilian transportation company, and Trapac, a U.S. based port operator. These transactions came about following lengthy exclusive discussions that resulted in very positive partnership arrangements and transactions underwritten to achieve our return thresholds. The total investment in these businesses represents approximately \$1.2 billion, with our proportionate share of the investments representing approximately \$500 million.
 - VLI provides Brookfield Infrastructure with the opportunity to participate in the evolution and growth of the logistics and transportation industries in Brazil. Its rail consists of approximately 4,000 km under concession, with approximately 17,100 wagons and approximately 680 locomotives, and is integrated with five inland terminals and three ports. VLI expects to deploy over R\$6.0 billion to upgrade and expand operations over the next seven years, allowing it to capture volume growth from increased activity in the agriculture, steel and other industrial sectors in Brazil. The terms of Brookfield's investment include a mechanism guaranteed by the seller, to ensure that a minimum return is achieved on the investment, over a period of up to six years from closing. We

expect closing to occur in the first half of 2014, subject to obtaining all required consents and regulatory approvals.

- Trapac is comprised of gateway container terminals located in the ports of Los Angeles and Oakland. These terminals handled approximately 0.9 million TEUs in 2013 and have surplus capacity to facilitate volume growth in the future. The Los Angeles terminal is undergoing a \$185 million modernization project that will double its capacity, increase efficiency and enhance its low-cost operation. Once complete in 2016, this will be one of the most automated terminals in North America, and in a strong position to benefit from an economic recovery in the United States. Completion of this transaction is expected in the first quarter of 2014, subject to obtaining all required consents and regulatory approvals.

The influx of new competitors into the sector will present its challenges, however the growing interest in the asset class validates the value of our marquee assets and provides an opportunity for us to exit mature investments at attractive prices, as we have done over the past few years. Furthermore we believe there are few investors who have the ability to replicate our investment strategy and thus our unit price should reflect a premium for our ability to invest capital at higher risk-adjusted return levels.

OUTLOOK

The contractual nature of our business positions Brookfield Infrastructure to deliver solid results in a variety of economic environments, however, we believe the full potential of the business will be realized in periods of stronger economic growth and higher inflation, which we believe is ahead of us.

Our business has a solid growth trajectory, as our existing portfolio of assets is expected to generate 6 – 8% FFO per unit growth on a ‘same store’ basis. This growth will be derived from inflation indexation, GDP-linked revenue growth in our toll roads and ports businesses and returns from our organic growth pipeline, which we anticipate funding through retained cash flows.

We are also seeking to invest capital on a value basis by leveraging our global business development capabilities. Our goal is to invest approximately \$500 million to \$1 billion of capital annually, at attractive rates of return which should lead to 2 – 4% FFO per unit growth. Our focus will be on acquiring GDP sensitive assets that provide us with added upside as the global economy continues to recover, and on an opportunistic basis, adding high quality utility assets where we see opportunities to grow the rate base.

In summary, we are striving to deliver annual FFO per unit growth of approximately 10%, which supports our long-term average distribution growth range of 5 – 9%. This year’s 12% distribution increase exceeds the high-end of this range, reflecting the current prospects for the business. On behalf of the board and management of Brookfield Infrastructure, I would like to thank all our unitholders for their ongoing support. I look forward to updating you on our progress in the coming periods.

Sincerely,

“signed”

Sam Pollock
Chief Executive Officer
Brookfield Infrastructure Group L.P.

Note: This letter to unitholders contains forward-looking information within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of 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. The words, “will”, “continue”, “believe”, “growth”, “potential”, “prospect”, “expect”, “target”, “should”, “look forward”, “future”, “could”, “plan”, “seeking”, “goal”, “outlook”, “focus”,

“striving”, derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this letter to unitholders include statements regarding the likelihood and timing of successfully completing the acquisitions and other growth initiatives referred to in this letter to unitholders, the future performance of those acquired businesses and growth projects, financial and operating performance of Brookfield Infrastructure and some of its businesses, availability of investment opportunities, ability to access capital, the continued growth of Brookfield Infrastructure and its businesses in a competitive infrastructure sector, and future revenue and distribution growth prospects in general. Although Brookfield Infrastructure believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on them, or any other forward looking statements or information in this letter. The future performance and prospects of Brookfield Infrastructure are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Partnership and Brookfield Infrastructure to differ materially from those contemplated or implied by the statements in this letter to unitholders include general economic conditions in the jurisdictions in which we operate and elsewhere which may impact the markets for our products or services, the ability to achieve growth within Brookfield Infrastructure’s businesses, some of which depends on access to capital and continuing favourable commodity prices, the impact of market conditions on our businesses, the fact that success of Brookfield Infrastructure is dependent on market demand for an infrastructure company, which is unknown, the availability of equity and debt financing for Brookfield Infrastructure, the ability to effectively complete new acquisitions in the competitive infrastructure space (including the potential acquisitions referred to in this letter to unitholders, some of which remain subject to the satisfaction of conditions precedent) and to integrate acquisitions into existing operations, the market conditions of key commodities, the price, supply or demand for which can have a significant impact upon the financial and operating performance of our business, regulatory decisions affecting our regulated businesses, weather events affecting our business, traffic volumes on our toll road businesses and other risks and factors described in the documents filed by Brookfield Infrastructure with the securities regulators in Canada and the United States including under “Risk Factors” in Brookfield Infrastructure’s most recent Annual Report on Form 20-F and other risks and factors that are described therein. Except as required by law, Brookfield Infrastructure undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.