**Brookfield** Infrastructure Partners L.P.

## LETTER TO UNITHOLDERS

### OVERVIEW

In the first quarter of 2013, we posted strong results that began to fully reflect the investments that we made over the last two years. Our funds from operations ("FFO") increased by 48% to $160 million, driven by our Australian railroad expansion project that was commissioned during the past year and acquisitions in our utilities and transport platforms that closed in the fourth quarter of 2012. Our FFO per unit was $0.80, a 38% increase over the prior year, as all of the investments funded by our August 2012 unit offering meaningfully contributed to cash flow. Including a 15% increase in our distribution in February 2013, our payout ratio was 59%, which is below our target range of 60%-70%.

Since year end, we have been very focused on our asset recycling and capital raising initiatives. We closed two asset-level, debt financings that resulted in repatriation of approximately $350 million. We also sold a non-core asset, the Peterborough Hospital public private partnership (PPP), for $40 million. With many of our initiatives now complete, we are well positioned to continue the momentum established in 2012 on the acquisition front. Our business development teams have been actively working to originate new investment opportunities, and we believe that our deal pipeline is currently as attractive as it was last year.

### OPERATIONS

**Utilities**

During the quarter, our utilities platform generated FFO of $92 million compared with $65 million in the first quarter of 2012. The year-over-year increase in FFO was primarily attributable to the recently completed merger and recapitalization of our UK regulated distribution business, which doubled its size, and the increase in ownership of our Chilean electricity transmission system. Excluding these investments, results from our utilities businesses increased due to inflation indexation and additions to the rate base of our existing operations. Our utilities platform generated an AFFO yield of 14%, which is very attractive in light of the low-risk profile of these businesses.

On the organic growth front, we are continuing to progress construction of our Texas transmission system, which is currently at its peak level of activity. As of now, we have set 86% of the system's foundations (1,608 of 1,870), and 56% of the towers (1,039 of 1,870) have been erected. Transmission wire has been strung over 76 miles of the system's 376 mile path, and 30% of the total cable is now in place. All three of the substations for the first two line segments have been assembled and are undergoing final testing. This project is expected to be fully commissioned in the third quarter.

Subsequent to quarter end, we also completed the refinancing of a bridge facility at our UK regulated distribution business. We raised approximately £600 million of U.S. private placement debt with an average term of over 13 years and an average GBP equivalent coupon of 4.4%. The notes have a rating of Baa2 from Moody's. In early April we closed an approximate $40 million financing at our Ontario transmission operations. Over the past several years, we have equity funded the growth of its rate base, and this business is now able to support more debt, while maintaining its investment grade credit metrics. The proceeds of the financing will be repatriated for use in future investments.

**Transport**

Our transport platform generated FFO of $67 million in the first quarter of 2013 compared to $38 million in the first quarter of 2012. The significant increase in FFO was driven by the commissioning of our Australian railroad's expansion program, as well as the contribution from the South American toll roads that we acquired in the fourth quarter of 2012. For the quarter, FFO from our ports business declined nominally as a result of lower volumes at our bulk and container terminals due to the recession in much of Europe. Overall, our transport platform produced an AFFO yield of 13%. We expect our FFO to increase over the balance of the year as our largest railroad customer commenced service on the last of its four contracted train paths in the beginning of March of this year.

At the end of the quarter, our Australian railroad raised $1.2 billion of permanent financing comprised of a $500 million term loan and $700 million of notes issued in the U.S. private placement market. These financings, which have a BBB (stable) rating from Standard & Poor's, have an average Australian equivalent coupon of 6.2% and an average maturity of seven years. Upon closing, we repatriated $300 million of capital for use in future investments.

**Energy**

Our energy business generated FFO of $22 million in the first quarter of 2013 compared to $24 million in the first quarter of 2012, despite investments of equity last year to deleverage our North American natural gas transmission system and to acquire our first district energy asset. As a result of weak market fundamentals, we expect that our natural gas transmission system will continue to face headwinds in the near term. However, we are confident in its longer-term outlook due to supply growth from the emerging shale gas basins served by our system, as well as increased demand from gas-fired power generation as the U.S. economy recovers. Overall, our energy platform produced an AFFO yield of 7%, well below our long-term expectations.

Our North American district energy business had a strong first full quarter of operations. We own one of the world's largest district energy systems in Toronto. As a result of its deep lake cooling technology, our system has low variable costs and generates very high margins. In December, we executed a long-term contract with a data centre for volume that exceeded our underwriting assumptions. Data centre customers are particularly attractive as they require year-round cooling due to heat that is produced by their equipment, and they have loads that are four times the typical weather-sensitive cooling customers.

**Timber**

Our Timber business had a strong first quarter, reporting FFO of $11 million versus $6 million in the prior year period. Excluding the impact of the divestiture of a portion of our Canadian timber operation, our results were more than double the prior year, driven by price increases in both the domestic and export markets. In the first quarter, the recovery of the U.S. housing market continued to gain momentum with seasonally adjusted, annualized U.S. housing starts reaching 1,036,000 in March, which was 47% above prior year levels. In order to take advantage of such conditions, we leveraged the flexibility of our operations to ramp up production in the winter months when many of our competitors were unable to increase their harvest levels. For the quarter, our log exports were 45% of total sales, which was consistent with the prior year, and our AFFO yield for this platform was 10%.

OUTLOOK

In 2012, during a period of considerable uncertainty in the global economy, we successfully invested over $1.4 billion of equity to acquire high quality infrastructure assets in our utilities, transport and energy platforms. Entering 2013, we believe that the global economic recovery is accelerating, albeit unevenly across regions due to varying levels of consumer confidence, government austerity and exposure to commodities. For the most part, we have an optimistic view of the long-term outlook of markets in which we operate. In such an environment, we have found that capital flows tend to vary considerably by region and by sector. This provides an opportunity for us to originate acquisitions by leveraging our international presence and access to capital to invest in sectors and regions where capital is constrained.

Over the past few years, we have built-out our platforms such that we now operate over $20 billion of assets with scale in the utilities, transport and energy sectors. Furthermore, within Brookfield's infrastructure group, we have over 100 professionals, including business development originators in each of our targeted regions. In order to generate deal flow, each of our local teams identifies high quality assets that we would like to acquire and develops relationships with the owners of these assets. As a result, we have considerable flexibility to be opportunistic and make investments by sector and by geography that offer the most attractive risk adjusted returns. Thus, while certain sectors such as the midstream sector in North America appear to be richly priced, we are well positioned to capitalize on attractive opportunities in such areas as the port, rail and toll road sectors in a number of different geographies. Over the years, this opportunistic approach has enabled us to successfully invest on a value basis. While we will continue to organically expand our operations, we expect that mergers and acquisitions that result from these pro-active business development initiatives will drive near-term growth in the current market environment.

I would like to take the opportunity to thank Lou Maroun and Lars Rodert who are stepping down from our board for all of their contributions to Brookfield Infrastructure. I would also like to welcome new directors John Fees, Donald Mackenzie and Rafael Miranda who have joined our board and who I believe will be excellent additions to our team.

On behalf of the board and management of Brookfield Infrastructure, I would like to thank all our unitholders for their ongoing support, and I look forward to updating you on our progress in the coming periods.

Sincerely,
"signed"

Sam Pollock
Chief Executive Officer
Brookfield Infrastructure Group Corp.

*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", "expect", "intention", "target", "should", "look forward", "anticipate", "forecast", "future", "could", "plan", "tend to", "estimate", "outlook", "on track to", "going forward" 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, 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 competitive business environment for our timber operations and market conditions, the impact of market conditions on our gas* *transmission business, 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) 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.*