

MANAGEMENT'S DISCUSSION AND ANALYSIS

*AS OF JUNE 30, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016*

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is the responsibility of management of Brookfield Infrastructure Partners L.P. (our "partnership" collectively with its subsidiary and operating entities "Brookfield Infrastructure"). This MD&A is dated August 14, 2017, and has been approved by the Board of Directors of the general partner of our partnership for issuance as of that date. The Board of Directors carries out its responsibility for review of this document principally through its audit committee, comprised exclusively of independent directors. The audit committee reviews and, prior to its publication, approves this document, pursuant to the authority delegated to it by the Board of Directors. The terms "Brookfield Infrastructure," "we," "us" and "our" refer to Brookfield Infrastructure Partners L.P., and our partnership's direct and indirect subsidiaries as a group. This MD&A should be read in conjunction with Brookfield Infrastructure Partners L.P.'s most recently issued annual and interim financial statements. Additional information, including Brookfield Infrastructure's Form 20-F, is available on its website at www.brookfieldinfrastructure.com, on SEDAR's website at www.sedar.com and on EDGAR's website at 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 utility, transport, energy and communications infrastructure businesses in North and South America, Asia Pacific 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 segments to acquire infrastructure assets and actively manage them to extract additional value following our initial investment. An integral part of our strategy is to participate with institutional investors in Brookfield Asset Management Inc. (together with its affiliated entities other than us, "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 flows from our operations plus growth through investments in upgrades and expansions of our asset base, as well as acquisitions. If we are successful in growing our funds from operations ("FFO") per unit, we will be able to increase distributions to unitholders. Furthermore, the increase in our FFO per unit should result in capital appreciation (see "Reconciliation of Non-IFRS Financial Measures" on page 56 for more details). We also measure the growth of FFO per unit, which we believe is a proxy for our ability to increase distributions. In addition, we have performance measures that track the key value drivers for each of our operating segments. See "Segmented Disclosures" on page 38 for more detail.

Distribution Policy

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

In light of the current strong prospects for our business, the Board of Directors of our general partner approved an 11% increase in our quarterly distribution to \$0.435 per unit, which started with the distribution paid in March 2017. This increase reflects the forecasted contribution from our recently commissioned capital projects, as well as the expected cash yield on acquisitions that we closed in the past year. Since the spin-off, we have increased our quarterly distribution from \$0.18 per unit to \$0.435 per unit, a compound annual growth rate of 12%. We target 5% to 9% annual distribution growth in light of the per unit FFO growth we foresee in our operations. All historical per unit figures have been adjusted to effect for the change in units due to the three-for-two unit split completed during September 2016.

Basis of Presentation

Our unaudited interim condensed and consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies Brookfield Infrastructure applied in its consolidated financial statements as of and for the year ended December 31, 2016. Our unaudited interim condensed and 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, but does not control, using the equity method.

Our partnership’s equity interests include units held by public unitholders and redeemable partnership units (“Redeemable Partnership Units”) held by Brookfield. Our units and the Redeemable Partnership Units have the same economic attributes in all respects, except that the Redeemable Partnership Units provide Brookfield the right to request that its units be redeemed for cash consideration. In the event that Brookfield exercises this right, our partnership has the right, at its sole discretion, to satisfy the redemption request with our units, rather than cash, on a one-for-one basis. As a result, Brookfield, as holder of Redeemable Partnership Units, participates in earnings and distributions on a per unit basis equivalent to the per unit participation of our partnership. However, given the redeemable feature referenced above, we present the Redeemable Partnership Units as a component of non-controlling interests.

When we discuss the results of our operating segments, we present Brookfield Infrastructure’s proportionate share of results for operations accounted for using consolidation and the equity method, in order to demonstrate the impact of key value drivers of each of these operating segments on our partnership’s overall performance. As a result, segment revenues, costs attributable to revenues, other income, interest expense, depreciation and amortization, deferred taxes, fair value adjustments and other items will differ from results presented in accordance with IFRS as they (1) include Brookfield Infrastructure’s proportionate share of earnings from investments in associates and joint ventures attributable to each of the above noted items, and (2) exclude the share of earnings (losses) of consolidated investments not held by Brookfield Infrastructure apportioned to each of the above noted items. However, net income for each segment is consistent with results presented in accordance with IFRS. See “Reconciliation of Operating Segments” on page 60 for a reconciliation of segment results to our partnership’s statement of operating results in accordance with IFRS.

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

OUR OPERATIONS

We own a portfolio of infrastructure assets that are diversified by sector and by geography. We have a stable cash flow profile with approximately 95% of our Adjusted EBITDA supported by regulated or contracted revenues. In order to assist our unitholders and preferred unitholders in evaluating our performance and assessing our value, we group our businesses into operating segments based on similarities in their underlying economic drivers.

Our operating segments are summarized below:

Operating Segment	Asset Type	Primary Location
Utilities <i>Regulated or contractual businesses which earn a return on their asset base</i>	<ul style="list-style-type: none">• Regulated Transmission• Regulated Distribution• Regulated Terminal	<ul style="list-style-type: none">• North & South America• Europe & South America• Asia Pacific
Transport <i>Provide transportation for freight, bulk commodities and passengers</i>	<ul style="list-style-type: none">• Rail• Toll Roads• Ports	<ul style="list-style-type: none">• Asia Pacific & South America• South America & Asia Pacific• Europe, North America & Asia Pacific
Energy <i>Provide energy transmission, distribution and storage services</i>	<ul style="list-style-type: none">• Energy Transmission, Distribution & Storage• District Energy	<ul style="list-style-type: none">• North America• North America & Asia Pacific
Communications Infrastructure <i>Provide essential services and critical infrastructure to the broadcasting and telecom sectors</i>	<ul style="list-style-type: none">• Tower Infrastructure Operations	<ul style="list-style-type: none">• Europe

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section we review our consolidated performance and financial position as of June 30, 2017 and December 31, 2016 and for the three and six-month periods ended June 30, 2017 and 2016. Further details on the key drivers of our operations and financial position are contained within the “Segmented Disclosures” section on page 38.

US\$ MILLIONS, EXCEPT PER UNIT INFORMATION	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Summary Statements of Operating Results				
Revenues	\$ 934	\$ 462	\$ 1,590	\$ 916
Direct operating costs	(373)	(198)	(716)	(400)
General and administrative expenses	(59)	(40)	(110)	(77)
Depreciation and amortization expense	(206)	(108)	(326)	(208)
Interest expense	(107)	(101)	(201)	(196)
Share of earnings from investments in associates and joint ventures	36	106	59	110
Mark-to-market on hedging items	(29)	32	(66)	40
Other (expense) income	(5)	7	19	62
Income tax expense	(56)	(1)	(68)	—
Net income	135	159	181	247
Net income attributable to our partnership ⁽¹⁾	5	156	21	234
Net (loss) income per limited partnership unit	\$ (0.06)	\$ 0.39	\$ (0.09)	\$ 0.56

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

Three-month periods ended June 30, 2017 and 2016

For the three-month period ended June 30, 2017 we reported net income of \$135 million, of which \$5 million is attributable to our partnership. This is compared to net income of \$159 million in the prior year three-month period, of which \$156 million was attributable to our partnership. Net income decreased as organic growth and acquisitions over the past 12 months, most notably our Brazilian regulated transmission business, were offset by one-time gains associated with the privatization of our Brazilian toll road operations in May 2016, and mark-to-market losses on hedging items during the current period.

Revenues for the three-month period ended June 30, 2017 were \$934 million, an increase of \$472 million compared to the same period in 2016. Our utilities segment contributed additional revenue of \$330 million as a result of the recent acquisition of a Brazilian regulated gas transmission business, the benefit of inflation-indexation and various growth initiatives primarily at our U.K. regulated distribution operation. Our transport operations contributed an additional \$163 million of revenue, mostly due to inflationary tariff increases across a number of our businesses, higher volumes at our Chilean toll roads and the contribution from recently completed acquisitions of toll roads in Peru and a ports business in Australia. Organic growth initiatives within our district energy business and the expansion of our North American gas storage business contributed incremental revenue of \$28 million in our Energy segment. These items were partially offset by \$15 million of foreign exchange, a \$9 million impact of a regulatory rate reset at our Australian regulated terminal operation and a \$25 million decrease due to our capital recycling initiatives completed over the last year.

Direct operating expenses for the three-month period ended June 30, 2017 were \$373 million, which represents an increase of \$175 million compared to the three-month period ended June 30, 2016. The current period includes \$174 million of incremental costs related to recently completed acquisitions and \$16 million of incremental costs resulting from expansion of our systems through our aforementioned organic growth initiatives. The increases have been partially offset by \$6 million of foreign exchange and a \$9 million reduction from costs associated with businesses we sold in 2016.

General and administrative expenses totaled \$59 million for the three-month period ended June 30, 2017, an increase of \$19 million compared to the same period in 2016. This line item primarily consists of the Base Management Fee that is paid to Brookfield, which is equal to 1.25% per annum of our partnership’s market value plus our preferred units and recourse net debt. The Base Management Fee increased from prior year due to a higher unit price and the issuances of medium-term notes and preferred units over the last 12 months, the proceeds of which were used to fund investments made in the last 12 months.

Depreciation and amortization expense for the three-month period ended June 30, 2017 was \$206 million, an increase of \$98 million compared to the prior year. Depreciation and amortization expense increased due to higher asset values resulting from our annual revaluation process, capital expenditures and acquisitions completed over the past year.

Earnings from investments in associates and joint ventures were \$36 million for the three-month period ended June 30, 2017, representing a decrease of \$70 million compared to the same period in 2016. The decrease is predominantly a result of \$98 million of income recognized on the privatization of our Brazilian toll road operations in May 2016. This decrease was partially offset by an additional \$22 million of income from organic growth initiatives within our North American natural gas transmission operation, the benefits from inflationary tariff increases and an increased ownership stake in our Brazilian toll road operations, incremental earnings of \$4 million associated with the acquisition of our Australian ports operations and \$2 million due to foreign exchange.

Mark-to-market losses on hedging items for the three-month period ended June 30, 2017 were \$29 million compared gains of \$32 million for the three-month period ended June 30, 2016. Both the current and comparative periods consist primarily of revaluation mark-to-market movements relating to foreign exchange hedging activities at the corporate level, primarily relating to the Australian dollar, British pound and Euro.

Other expense for the three-month period ended June 30, 2017 totaled \$5 million compared to other income of \$7 million for the same period in 2016. The \$12 million reduction in other income is primarily due to lower income earned on our financial asset program as we have disposed of a number of assets in the last year, using proceeds to fund new acquisitions.

Income tax expense for the three-month period ended June 30, 2017 was \$56 million compared to \$1 million for the same period in 2016. The increase is primarily due to acquisitions that occurred during the past year, as well as an increase in taxable income generated by our operations.

Six-month periods ended June 30, 2017 and 2016

For the six-month period ended June 30, 2017 we reported net income of \$181 million, of which \$21 million is attributable to our partnership. This is compared to net income of \$247 million during the first six months of the prior year, of which \$234 million was attributable to our partnership. Net income decreased as organic growth and acquisitions over the past 12 months, most notably our Brazilian regulated transmission business, were offset by one-time gains associated with our previously held toe-hold interest in Asciano Limited and the privatization of our Brazilian toll road operations in May 2016 during the prior period and mark-to-market losses on hedging items during the current period.

Revenues for the six-month period ended June 30, 2017 were \$1,590 million, an increase of \$674 million compared to the same period in 2016. Our utilities segment contributed additional revenue of \$348 million as a result of the recent acquisition of a Brazilian regulated gas transmission business and the benefit of inflation-indexation and various growth initiatives primarily at our U.K. regulated distribution operation. Our transport operations contributed an additional \$335 million of revenue, primarily due to higher iron ore prices, which resulted in a lower impact of tariff relief extended to one of our clients at our Australian rail operation, the benefit of inflationary tariff increases, the impact of higher volumes at our Chilean toll roads and the contribution from the recently completed acquisitions of toll roads in Peru as well as an Australian ports business. Organic growth initiatives within our district energy business and the expansion of our North American gas storage business contributed incremental revenue of \$83 million relative to the prior year. These items were partially offset by \$18 million of foreign exchange, a \$19 million impact of a rate reset at our Australian regulated terminal operation and a \$55 million decrease due to the sale of the European energy distribution and Ontario electricity transmission businesses in 2016.

Direct operating expenses for the six-month period ended June 30, 2017 were \$716 million, which represent an increase of \$316 million compared to the six-month period ended June 30, 2016. The current period includes \$327 million of costs related to recently completed acquisitions and \$21 million of incremental costs associated with the organic growth initiatives listed above. These increases have been partially offset by \$6 million of foreign exchange and a \$26 million reduction in direct operating expenses associated with businesses sold in the last 12 months.

General and administrative expenses totaled \$110 million for the six-month period ended June 30, 2017, an increase of \$33 million compared to the same period in 2016. This line item primarily consists of the Base Management Fee that is paid to Brookfield, which is equal to 1.25% per annum of our partnership's market value plus our preferred units and recourse net debt. The Base Management Fee increased from prior year due to the issuance of medium-term notes and preferred units over the last 12 months, the proceeds from which were used to fund new investments, and a higher unit trading price.

Depreciation and amortization expense for the six-month period ended June 30, 2017 was \$326 million, an increase of \$118 million compared to the prior year. Depreciation and amortization expense increased due to higher asset values resulting from our annual revaluation process, capital expenditures and incremental charges associated with new businesses acquired in the last year.

Earnings from investments in associates and joint ventures were \$59 million for the six-month period ended June 30, 2017, representing a decrease of \$51 million compared to the same period in 2016. The decrease is predominantly associated with \$98 million of income recorded on the privatization of our Brazilian toll road operations in the prior year. This decrease was partially offset by an additional \$35 million of income from organic growth initiatives within our North American natural gas transmission operations, the benefit of inflationary tariff increases and an increased ownership in our Brazilian toll road operations, \$6 million of earnings associated with the recently acquired Australian ports business and \$6 million due to foreign exchange.

Mark-to-market losses on hedging items for the six-month period ended June 30, 2017 were \$66 million compared to gains of \$40 million for the six-month period ended June 30, 2016. Both the current and comparative periods consist primarily of revaluation mark-to-market movements relating to foreign exchange hedging activities at the corporate level, primarily relating to the Australian dollar, British pound and Euro.

Other income for the first six months of 2017 totaled \$19 million compared to \$62 million for the same period in 2016. Other income includes interest income, dividend income and realized gains or losses on financial assets. The comparative period included a break-fee of \$27 million and a \$13 million dividend associated with our previously held toe-hold interest in Asciano Limited.

Income tax expense for the six-month period ended June 30, 2017 was \$68 million compared to \$nil for the six-month period ended June 30, 2016 primarily due to acquisitions made during the past year as well as an increase in taxable income generated by our operations.

US\$ MILLIONS Summary Statements of Financial Position Key Metrics	As of	
	June 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 468	\$ 786
Total assets	28,304	21,275
Corporate borrowings	2,356	1,002
Non-recourse borrowings	7,751	7,324
Total liabilities	15,680	11,631
Limited Partners' capital	4,253	4,611
General Partner capital	26	27
Non-controlling interest – Redeemable Partnership Units held by Brookfield	1,705	1,860
Non-controlling interest – in operating subsidiaries	6,045	2,771
Preferred unitholders	595	375

Total assets were \$28,304 million at June 30, 2017, compared to \$21,275 million at December 31, 2016, an increase of \$7,029 million or 33%. The increase is primarily due to acquisitions completed over the past six months, most notably our Brazilian regulated gas transmission business and organic growth which have increased total assets by \$6,577 million and a \$452 million impact of foreign exchange, as most foreign currencies in which we operate appreciated against the U.S. dollar.

Corporate borrowings increased to \$2,356 million at June 30, 2017, compared to \$1,002 million at December 31, 2016. The \$1,354 million increase is due to incremental draws of \$774 million on our corporate credit facility, the issuance of \$541 million of medium-term notes and a \$39 million increase in our Canadian dollar denominated corporate debt due to the strengthening of the Canadian dollar against the U.S. dollar.

Non-recourse borrowings increased by \$427 million to \$7,751 million at June 30, 2017 from \$7,324 million at December 31, 2016. The increase is attributable to a \$218 million increase in debt balances denominated in foreign currencies due to the strengthening of foreign currencies against the U.S. dollar since December 31, 2016 and increased borrowings at our operating entities of \$209 million during the period.

Partnership capital decreased by \$514 million to \$5,984 million at June 30, 2017. The decrease is due to distributions paid to our unitholders of \$376 million and comprehensive loss attributable to the partnership of \$149 million, partially offset by \$11 million of units issued as part of our dividend reinvestment plan.

Summary of Quarterly Results

Quarterly results for the eight most recent quarters are as follows:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Three-month period ended								
Revenues	\$ 934	\$ 656	\$ 677	\$ 522	\$ 462	\$ 454	\$ 455	\$ 468
Direct operating costs	(373)	(343)	(396)	(267)	(198)	(202)	(199)	(199)
Earnings from investment in associates and joint ventures	36	23	106	32	106	4	14	18
Expenses								
Interest	(107)	(94)	(98)	(98)	(101)	(95)	(94)	(90)
Corporate costs	(59)	(51)	(44)	(45)	(40)	(37)	(35)	(30)
Valuation items								
Fair value changes and other	(34)	(13)	76	70	39	63	(54)	124
Depreciation and amortization	(206)	(120)	(113)	(126)	(108)	(100)	(82)	(97)
Income tax (expense) recovery	(56)	(12)	(30)	15	(1)	1	29	(11)
Net income	135	46	178	103	159	88	34	183
Net income attributable to others	151	54	79	63	63	47	28	108
Net (loss) income attributable to limited partners	(16)	(8)	99	40	96	41	6	75
Net (loss) income per limited partnership unit	\$ (0.06)	\$ (0.03)	\$ 0.41	\$ 0.16	\$ 0.39	\$ 0.17	\$ 0.03	\$ 0.31

A significant driver of our results continues to be organic growth driven by inflation, volume growth, reinvested capital, and new investments, which add to the ongoing earnings profile of our current businesses. On a constant currency basis, these items contributed to consistent increases in our revenues, operating and interest costs, as well as depreciation expense. In addition to the aforementioned items, net income is impacted by fair value adjustments and other income and expenses.

We do not consider the effects of seasonality to be significant to the business overall. This is primarily due to the diversification of our business from a geographic and a segment perspective.

SEGMENTED DISCLOSURES

In this section, we review the results of our principal operating segments: utilities, transport, energy and communications infrastructure. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations accounted for using the consolidation and equity methods, whereby our partnership either controls or exercises significant influence or joint control over its investments. See "Discussion of Segment Reconciling Items" on page 63 for a reconciliation of segment results to our partnership's statement of operating results in accordance with IFRS.

Utilities Operations

Our utilities segment is comprised of regulated utilities businesses, including regulated distribution (electricity and natural gas connections), regulated electricity and gas transmission businesses and a regulated terminal (coal export terminal). These businesses earn a return on a regulated or notionally stipulated asset base, which we refer to as rate base, or from revenues in accordance with long-term concession agreements. Our rate base increases 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. Concession agreements are typically for 30-year periods with inflation protected revenue streams with no material volume risk. Our diversified portfolio of assets allow us to mitigate exposure to any single regulatory regime. In addition, due to the franchise frameworks and economies of scale of our businesses, we often have significant competitive advantages in competing for projects to expand our rate base and earn incremental revenues. Accordingly, we expect this segment to produce stable revenue and margins overtime that should increase with investment of additional capital and inflation. Nearly all of our utility segment's Adjusted EBITDA is supported by regulated or contractual revenues.

Our objectives for our utilities segment are to invest capital in the expansion of our rate base and in accordance with our concession agreements, as well as 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 and concession agreements. Our performance can be measured by the growth in our rate base, the return on our rate base, and the growth in our adjusted funds from operations ("AFFO").

Our utilities segment is comprised of the following:

Regulated Transmission

- Approximately 2,000 kilometres of natural gas pipelines in Brazil
- Approximately 11,200 kilometres of operating electricity transmission lines in North and South America along with an additional approximately 4,200 kilometres of greenfield electricity transmission developments in South America

Regulated Distribution

- Approximately 2.8 million connections, predominantly electricity and natural gas, and approximately 600,000 installed smart meters

Regulated Terminal

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

Recent Developments

During the period, Brookfield Infrastructure, alongside institutional partners and a Brookfield-sponsored infrastructure fund, acquired an effective 28% interest in a Brazilian regulated gas transmission business, for total consideration by Brookfield Infrastructure of \$1.6 billion (consortium total of \$5.1 billion).

Subsequent to period end, our U.K. regulated distribution business was selected as the preferred bidder to acquire up to 2 million smart meters from a leading energy retailer. If our bid is successful, the transaction is expected to close by the end of the year and will require up to \$500 million of capital (our share).

During 2016, Brookfield Infrastructure, alongside institutional partners and a Brookfield-sponsored infrastructure fund, signed agreements to acquire an effective 28% interest in an Peruvian water irrigation system for an investment of approximately \$15 million (our share). Completion of this transaction is subject to certain closing conditions and regulatory approvals.

Results of Operations

The following table presents our proportionate share of the key metrics of our utility segments:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Rate base	\$ 5,553	\$ 3,961	\$ 5,553	\$ 3,961
Funds from operations (FFO)	168	100	268	200
Maintenance capital expenditures	(3)	(3)	(6)	(6)
Adjusted funds from operations (AFFO)	\$ 165	\$ 97	\$ 262	\$ 194
Return on rate base ^{(1),(2)}	11 %	11 %	11 %	11 %

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

2. Return on rate base excludes impact of connections revenues at our U.K. regulated distribution operation and a return of capital component at our Brazilian regulated gas transmission business.

For the three-month period ended June 30, 2017, our utilities segment generated FFO of \$168 million compared with \$100 million for the same period in the prior year. The current period results benefitted from the recent acquisition of a Brazilian regulated gas transmission business, higher connection activity at our U.K. regulated distribution business and the benefit of inflation-indexation and capital commissioned into the rate base. These increases were partially offset by a lower regulated return following the rate reset at our regulated terminal in July 2016, and the sale of a Canadian transmission business and the impact of foreign exchange.

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Revenue	\$ 278	\$ 176	\$ 454	\$ 341
Costs attributable to revenues	(73)	(42)	(121)	(73)
Adjusted EBITDA	205	134	333	268
Interest expense	(29)	(35)	(58)	(70)
Other (expense) income	(8)	1	(7)	2
Funds from operations (FFO)	168	100	268	200
Depreciation and amortization	(57)	(40)	(89)	(78)
Deferred taxes and other items	(24)	(34)	(46)	(53)
Net income	\$ 87	\$ 26	\$ 133	\$ 69

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

US\$ MILLIONS	Adjusted EBITDA				FFO			
	For the three-month period ended June 30		For the six-month period ended June 30		For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016	2017	2016	2017	2016
Regulated Transmission	\$ 111	\$ 33	\$ 141	\$ 66	\$ 94	\$ 26	\$ 116	\$ 52
Regulated Distribution	69	63	140	126	58	52	118	104
Regulated Terminal	25	38	52	76	16	22	34	44
Total	\$ 205	\$ 134	\$ 333	\$ 268	\$ 168	\$ 100	\$ 268	\$ 200

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Rate base, start of period	\$ 3,949	\$ 4,035	\$ 3,788	\$ 4,018
Acquisitions	1,498	—	1,498	—
Capital expenditures commissioned	50	53	104	107
Inflation and other indexation	4	16	20	39
Regulatory depreciation	(13)	(13)	(25)	(25)
Foreign exchange and other	65	(130)	168	(178)
Rate base, end of period	\$ 5,553	\$ 3,961	\$ 5,553	\$ 3,961

For the three-month period ended June 30, 2017, our regulated transmission operations generated Adjusted EBITDA of \$111 million and FFO of \$94 million compared to \$33 million and \$26 million, respectively, in the prior year. Adjusted EBITDA and FFO increased due to the initial contribution from our Brazilian regulated gas transmission business acquired in April, the benefit of inflation-indexation and additions to rate base, partially offset by the impact of the sale of a transmission business in Ontario in the prior year.

For the three-month period ended June 30, 2017, our regulated distribution operations generated Adjusted EBITDA of \$69 million and FFO of \$58 million, compared to \$63 million and \$52 million, respectively, in the 2016 period. Adjusted EBITDA and FFO increased as a result of the strong performance at our U.K. regulated distribution business driven by an increased rate base, higher connections income, the benefits of inflation-indexation and contributions from smart meters acquired in the last 12 months.

For the three-month period ended June 30, 2017, our regulated terminal reported Adjusted EBITDA of \$25 million and FFO of \$16 million compared to \$38 million and \$22 million, respectively, in the same period of 2016. Adjusted EBITDA and FFO decreased from the prior year as the benefits of inflation-indexation and a higher rate base were more than offset by the impact of the regulatory rate reset effective July 1, 2016 and the impact of foreign exchange.

Depreciation and amortization expenses increased to \$57 million for the three-month period ended June 30, 2017, from \$40 million for the same period in 2016. The increase of \$17 million from 2016 is primarily due to the acquisition of our Brazilian regulated gas transmission business in April and incremental depreciation associated with additions to our regulated asset base and higher asset values from our annual revaluation process, partially offset by the impact of foreign exchange.

Deferred taxes and other items for the three-month period ended June 30, 2017 were a loss of \$24 million compared to \$34 million for the same period in 2016. The variance is due to lower mark-to-market losses on hedging items at our U.K. regulated distribution and Australian regulated terminal operations in the current period.

The following table presents the roll-forward of our proportionate share of capital backlog and capital to be commissioned:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Capital backlog, start of period	\$ 862	\$ 645	\$ 761	\$ 452
Additional capital project mandates	146	180	286	513
Less: capital expenditures	(113)	(96)	(196)	(223)
Foreign exchange and other	15	(28)	59	(41)
Capital backlog, end of period	910	701	910	701
Construction work in progress	223	150	223	150
Total capital to be commissioned	\$ 1,133	\$ 851	\$ 1,133	\$ 851

As of June 30, 2017, total capital to be commissioned was \$1,133 million compared to \$851 million as of June 30, 2016. Our U.K. regulated distribution business, Chilean electricity transmission operations and Brazil transmission system are the largest contributors to capital to be commissioned with approximately \$650 million, \$280 million and \$180 million, respectively.

Transport

Our transport segment is comprised of open access systems that provide transportation, storage and handling services for freight, bulk commodities and passengers, for which we are paid an access fee. Profitability is based on the volume and price achieved for the provision of these services. This operating segment is comprised of businesses with price ceilings as a result of regulation, such as our rail and toll road operations, as well as unregulated businesses, such as our ports. Transport businesses typically have high barriers to entry and, in many instances, have very few substitutes in their local markets. While these businesses have greater sensitivity to market prices and volume than our utilities segment, revenues are generally stable and, in many cases, are supported by contracts or customer relationships. The diversification within our transport segment mitigates the impact of fluctuations in demand from any particular sector, commodity or customer. Approximately 80% of our transport segment's Adjusted EBITDA is supported by contractual revenues.

Our objectives for our transport segment are to provide safe and reliable service to our customers and to satisfy their growth requirements by increasing the utilization of our assets and expanding our capacity in a capital efficient manner. If we do so, we will be able to charge an appropriate price for our services and earn an attractive return on the capital deployed. Our performance can be measured by our revenue growth and our Adjusted EBITDA margin.

Our transport segment is comprised of the following:

Rail

- Sole provider of rail network in south of Western Australia with approximately 5,500 kilometres of track and operator of approximately 4,800 kilometres of rail in South America

Toll Roads

- Approximately 3,600 kilometres of motorways in Brazil, Chile, Peru and India

Ports

- 36 terminals in North America, U.K., Australia and across Europe

Results of Operations

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Growth capital expenditures	\$ 86	\$ 52	\$ 173	\$ 107
Adjusted EBITDA margin ⁽¹⁾	44 %	51 %	44 %	50 %
Funds from operations (FFO)	134	102	257	196
Maintenance capital expenditures	(31)	(20)	(63)	(35)
Adjusted funds from operations (AFFO)	\$ 103	\$ 82	\$ 194	\$ 161

1. EBITDA margin is calculated net of construction revenues and costs of \$1 million and \$4 million which were incurred during three and six-month periods ended June 30, 2017 (2016 - \$nil for the three and six-months periods) at our Peruvian toll road operation during construction.

For the three-month period ended June 30, 2017, our transport segment generated FFO of \$134 million compared to \$102 million for the same period in the prior year. FFO benefitted from inflationary tariff increases at our rail and toll road businesses, the expansion of our toll road operations and the contribution from our Australian ports business acquired in the third quarter of 2016, partially offset by the impact of foreign exchange.

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Revenues	\$ 395	\$ 291	\$ 770	\$ 560
Cost attributed to revenues	(224)	(144)	(434)	(281)
Adjusted EBITDA	171	147	336	279
Interest expense	(38)	(40)	(77)	(74)
Other income (expense)	1	(5)	(2)	(9)
Funds from operations (FFO)	134	102	257	196
Depreciation and amortization	(75)	(60)	(151)	(114)
Deferred taxes and other items	(16)	85	(32)	74
Net income	\$ 43	\$ 127	\$ 74	\$ 156

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

US\$ MILLIONS	Adjusted EBITDA				FFO			
	For the three-month period ended June 30		For the six-month period ended June 30		For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016	2017	2016	2017	2016
Rail	\$ 69	\$ 74	\$ 133	\$ 144	\$ 52	\$ 58	\$ 100	\$ 112
Toll Roads	79	55	158	99	62	32	117	59
Ports	23	18	45	36	20	12	40	25
Total	\$ 171	\$ 147	\$ 336	\$ 279	\$ 134	\$ 102	\$ 257	\$ 196

For the three-month period ended June 30, 2017, our rail business generated Adjusted EBITDA of \$69 million and FFO of \$52 million compared to \$74 million and \$58 million, respectively, in the prior year. Adjusted EBITDA and FFO decreased as the benefits from increased tariffs and higher volumes from a stronger harvest in South America were more than offset by lower commodity volumes at our Australian rail operation and foreign exchange movements.

For the three-month period ended June 30, 2017, our toll roads contributed Adjusted EBITDA of \$79 million and FFO of \$62 million compared to \$55 million and \$32 million, respectively, in the 2016 period. The current period Adjusted EBITDA and FFO benefitted from a 13% increase in average tariffs, the contributions from an increased ownership in our Brazilian toll road business and our newly acquired portfolio in Peru, stronger traffic flows at our South American toll roads and the appreciation of LatAm currencies.

For the three-month period ended June 30, 2017, our port operations reported Adjusted EBITDA of \$23 million and FFO of \$20 million compared to \$18 million and \$12 million, respectively, in 2016. Adjusted EBITDA and FFO increased versus the prior year due to higher volumes and new contracts signed at our U.K. port terminal and the contribution from our Australian ports business, which was acquired in August 2016.

Depreciation and amortization increased to \$75 million for the three-month period ended June 30, 2017, from \$60 million in the comparative period. The increase in depreciation expense arose from acquisitions completed over the past 12 months, incremental depreciation associated with expansionary capital expenditure programs, our annual revaluation process and the impact of foreign exchange.

Deferred taxes and other items for the three-month period ended June 30, 2017 were a loss of \$16 million compared to a gain of \$85 million for the same period in 2016. The decrease is predominantly a result of a non-recurring gain of \$98 million on the privatization of our Brazilian toll road operations recorded in the prior year.

The following table presents the roll-forward of our proportionate share of capital backlog and capital to be commissioned:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Capital backlog, start of period	\$ 656	\$ 514	\$ 721	\$ 467
Additional capital project mandates	122	175	136	251
Less: capital expenditures	(86)	(52)	(173)	(107)
Foreign exchange and other	(22)	50	(14)	76
Capital backlog, end of period	670	687	670	687
Construction work in progress	305	212	305	212
Total capital to be commissioned	\$ 975	\$ 899	\$ 975	\$ 899

As of June 30, 2017, total capital to be commissioned was \$975 million compared to \$899 million as of June 30, 2016. Capital to be commissioned includes projects such as upgrading and expanding our rail networks, increasing and widening lanes on certain toll road routes and deepening berths and enhancing and modernizing existing infrastructure at our ports. Our South American toll road businesses and Brazilian rail operation are the largest contributors at approximately \$740 million and \$140 million, respectively.

Energy

Our energy segment is comprised of systems that provide transportation, storage and distribution services. Profitability is based on the volume and price achieved for the provision of these services. This operating segment is comprised of businesses that are subject to regulation, such as our natural gas transmission business whose services are subject to price ceilings, and businesses that are essentially unregulated like our district energy business. Energy businesses typically have high barriers to entry as a result of significant fixed costs combined with economies of scale or unique positions in their local markets. Our energy segment is expected to benefit from forecasted increases in demand for energy. Although these businesses have greater sensitivity to market prices and volume than our utilities segment, revenues are typically contracted with varying durations and are relatively stable.

Our objectives for our energy segment are to provide safe and reliable service to our customers and to satisfy their growth requirements by increasing the utilization of our assets and expanding our capacity in a capital efficient manner. If we do so, we will be able to charge an appropriate price for our services and earn an attractive return on the capital deployed. Our performance can be measured by our revenue growth, our Adjusted EBITDA margin and our growth in AFFO.

Our energy segment is comprised of the following:

Transmission, Distribution and Storage Operations

- Approximately 15,000 kilometres of natural gas transmission pipelines
- Approximately 600 billion cubic feet (“bcf”) of natural gas storage in the U.S. and Canada

District Energy Operations

- Delivers heating and cooling to customers from centralized systems including heating plants capable of delivering 3,000,000 pounds per hour of steam heating capacity, centralized gas distribution and cogeneration for heating, cooling and energy, 261,000 tons of contracted cooling capacity, as well as servicing approximately 17,800 natural gas, water and wastewater connections

Recent Developments

Subsequent to period end, our North American natural gas transmission business raised \$1.4 billion of corporate bonds with an average term of 7.5 years at an average rate of 4.625%. This follows the the repayment of the operation's 2019 corporate notes in June, which was supported by a capital injection by the company's shareholders (our share - \$200 million).

Results of Operations

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Growth capital expenditures	\$ 24	\$ 19	\$ 46	\$ 33
Adjusted EBITDA margin ⁽¹⁾	51 %	57 %	56 %	57 %
Funds from operations (FFO)	43	43	105	83
Maintenance capital expenditures	(18)	(15)	(25)	(20)
Adjusted funds from operations (AFFO)	\$ 25	\$ 28	\$ 80	\$ 63

1. Adjusted EBITDA margin is Adjusted EBITDA divided by revenues.

For the three-month period ended June 30, 2017, our energy segment generated FFO of \$43 million consistent with the same period in the prior year, as the benefits of higher transportation volumes and newly secured contracts at our North American natural gas transmission business and the recent expansion of our North American gas storage operation, were offset by the impact of the sale of the Channel Islands gas distribution business in the second quarter of 2016.

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Revenues	\$ 123	\$ 116	\$ 265	\$ 242
Cost attributed to revenues	(60)	(50)	(116)	(104)
Adjusted EBITDA	63	66	149	138
Interest expense	(23)	(23)	(50)	(56)
Other income	3	—	6	1
Funds from operations (FFO)	43	43	105	83
Depreciation and amortization	(35)	(31)	(68)	(60)
Deferred taxes and other items	(7)	(2)	(19)	(3)
Net income	\$ 1	\$ 10	\$ 18	\$ 20

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

US\$ MILLIONS	Adjusted EBITDA				FFO			
	For the three-month period ended June 30		For the six-month period ended June 30		For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016	2017	2016	2017	2016
Energy Transmission, Distribution & Storage	\$ 50	\$ 54	\$ 124	\$ 114	\$ 32	\$ 32	\$ 84	\$ 62
District Energy	13	12	25	24	11	11	21	21
Total	\$ 63	\$ 66	\$ 149	\$ 138	\$ 43	\$ 43	\$ 105	\$ 83

For the three-month period ended June 30, 2017, our energy transmission, distribution and storage operations generated Adjusted EBITDA of \$50 million and FFO of \$32 million compared to \$54 million and \$32 million, respectively, during the same period of 2016. Adjusted EBITDA decreased versus prior year as the benefit from higher transportation volumes predominately associated with newly secured contracts at our North American natural gas transmission operation and the contribution from our recently acquired North American gas storage business, were more than offset by the impact of the sale of a Channel Islands gas distribution business. FFO remained consistent with the same period in 2016 as the impact of the aforementioned items were offset by lower interest expense due to deleveraging activities completed at our North American natural gas transmission operation.

For the three-month period ended June 30, 2017, our district energy business generated Adjusted EBITDA of \$13 million and FFO of \$11 million, compared to \$12 million and \$11 million during the comparative period. Adjusted EBITDA increased due to incremental contribution from tuck-in acquisitions completed in the U.S. and Canada over the past 12 months. This increase was offset by higher interest expense associated with increased borrowings to fund growth opportunities, resulting in FFO being consistent with the prior year.

Depreciation and amortization increased to \$35 million for the three-month period ended June 30, 2017, from \$31 million in the comparative period. The increase is primarily due to additional depreciation as a result of recent acquisitions completed over the past 12 months.

Deferred taxes and other items for the three-month period ended June 30, 2017 were a loss of \$7 million compared to a loss of \$2 million for the same period in 2016. The variance is mainly attributable to higher taxable income from acquisitions completed during the past 12 months.

The following table presents the roll-forward of our proportionate share of capital backlog and capital to be commissioned:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Capital backlog, start of period	\$ 145	\$ 186	\$ 147	\$ 181
Additional capital project mandates	4	6	24	22
Less: capital expenditures	(24)	(19)	(46)	(33)
Foreign exchange and other	—	(3)	—	—
Capital backlog, end of period	125	170	125	170
Construction work in progress	69	45	69	45
Total capital to be commissioned	\$ 194	\$ 215	\$ 194	\$ 215

As of June 30, 2017, total capital to be commissioned was \$194 million compared to \$215 million as of June 30, 2016. Capital commissioned includes approximately \$115 million within our energy transmission, distribution and storage operations primarily relating to the first phase of the Gulf Coast Reversal project which is anchored by a 20-year, 385,000 dekatherms per day contract with a large LNG operator. District energy backlog totals \$80 million and primarily relates to energy network and district water expansions in Australia.

Communications Infrastructure

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

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

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

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

Recent Developments

During the quarter, our French telecommunications infrastructure business secured its second fibre-to-the-home contract, bringing total contracted households to 195,000, representing a \$50 million investment (our share).

During 2016, Brookfield Infrastructure, alongside a Brookfield-sponsored infrastructure fund, signed agreements to acquire an effective 29% interest in an Indian telecommunications business for an investment of approximately \$200 million (our share). Completion of this transaction is subject to the merger of Reliance Communications with Aircel and other certain closing conditions and regulatory approvals.

Results of Operations

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Growth capital expenditures	\$ 8	\$ 6	\$ 17	\$ 11
Adjusted EBITDA margin ⁽¹⁾	56 %	58 %	56 %	53 %
Funds from operations (FFO)	19	19	38	38
Maintenance capital expenditures	(3)	(3)	(6)	(5)
Adjusted funds from operations (AFFO)	\$ 16	\$ 16	\$ 32	\$ 33

1. Adjusted EBITDA margin is Adjusted EBITDA divided by revenues.

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Revenues	\$ 41	\$ 40	\$ 80	\$ 83
Cost attributed to revenues	(18)	(17)	(35)	(39)
Adjusted EBITDA	23	23	45	44
Interest expense	(3)	(3)	(6)	(5)
Other expenses	(1)	(1)	(1)	(1)
Funds from operations (FFO)	19	19	38	38
Depreciation and amortization	(19)	(19)	(36)	(38)
Deferred taxes and other items	2	—	3	2
Net income	\$ 2	\$ —	\$ 5	\$ 2

For the three-month period ended June 30, 2017, our communications infrastructure segment generated Adjusted EBITDA and FFO of \$23 million and \$19 million, respectively, were consistent with the prior year. The benefits of inflationary tariff increases and increased points-of-presence were offset by the impact of foreign exchange.

For the three-month period ended June 30, 2017, depreciation and amortization, and deferred taxes and other items were relatively consistent with the prior year at \$19 million and \$2 million, respectively.

Corporate and other

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
General and administrative costs	\$ (2)	\$ (2)	\$ (5)	\$ (4)
Base management fee	(57)	(38)	(105)	(73)
Adjusted EBITDA	(59)	(40)	(110)	(77)
Other income	7	18	27	47
Financing costs	(17)	(12)	(29)	(23)
Funds from operations (FFO)	(69)	(34)	(112)	(53)
Deferred taxes and other items	(59)	27	(97)	40
Net loss	<u>\$ (128)</u>	<u>\$ (7)</u>	<u>\$ (209)</u>	<u>\$ (13)</u>

General and administrative costs for the three-month period ended June 30, 2017 were \$2 million, consistent with the same period in 2016.

Pursuant to our Master Services Agreement, we pay Brookfield an annual base management fee equal to 1.25% of our market value plus net recourse debt. The base management fee has increased from prior the year due to an increase in our trading price and the impact of additional capital raised in the last 12 months to finance new investments.

Other income includes interest and distribution income as well as realized gains or losses earned on corporate financial assets. The decrease during the three-month period ended June 30, 2017 versus the comparative period is primarily attributable to the disposal of investments in financial assets over the past 12 months to fund new investments.

Corporate financing costs include interest expense and standby fees on our committed credit facility and corporate medium-term notes, less interest earned on cash balances. Financing costs have increased compared to the prior year due to higher borrowings used to fund newly acquired businesses.

Deferred taxes and other items for the three-month period ended June 30, 2017 were a loss of \$59 million compared to a gain of \$27 million in 2016. The variance is due to fair value changes recorded on our foreign currency hedging program as the currencies we hedge appreciated relative to the U.S. dollar during the current period.

SELECTED STATEMENTS OF OPERATING RESULTS AND FINANCIAL POSITION INFORMATION

To measure performance, we focus on net income, an IFRS measure, as well as certain non-IFRS measures, including, but not limited to, FFO, AFFO, Adjusted EBITDA and Adjusted Earnings, along with other measures. We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. We define AFFO as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). We define Adjusted EBITDA as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. We define Adjusted Earnings as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses.

Along with net income and other IFRS measures, FFO, AFFO, and Adjusted EBITDA are key measures of our financial performance that we use to assess the operating results and performance of our operations on a segmented basis. Adjusted Earnings is another measure of operating performance used to assess the ability of our businesses to generate recurring earnings, which allows users to better understand and evaluate financial performance of our partnership.

Since they are not calculated in accordance with, and do not have any standardized meanings prescribed by IFRS, FFO, AFFO, Adjusted EBITDA and Adjusted Earnings are unlikely to be comparable to similar measures presented by other issuers and have limitations as analytical tools. Specifically, our definition of FFO may differ from the definition used by other organizations, as well as the definition of funds from operations used by the Real Property Association of Canada (“REALPAC”) and the National Association of Real Estate Investment Trusts, Inc. (“NAREIT”), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS.

For further details regarding our use of FFO, AFFO, Adjusted EBITDA and Adjusted Earnings, as well as a reconciliation of net income to these measures, see the “Reconciliation of Non-IFRS Financial Measures” section of this MD&A.

US\$ MILLIONS, EXCEPT PER UNIT INFORMATION	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Key Metrics				
Net income ⁽¹⁾	\$ 135	\$ 159	\$ 181	\$ 247
Net (loss) income per limited partnership unit ⁽²⁾	(0.06)	0.39	(0.09)	0.56
Funds from operations (FFO) ⁽³⁾	295	230	556	464
Per unit FFO ⁽⁴⁾	0.80	0.67	1.51	1.35
Adjusted funds from operations (AFFO) ⁽⁵⁾	240	189	456	398
Adjusted EBITDA ⁽⁶⁾	403	330	753	652
Adjusted earnings ⁽⁷⁾	135	109	275	273
Adjusted earnings per unit ⁽⁴⁾	0.29	0.25	0.59	0.67
Distributions per unit	0.435	0.38	0.87	0.76
Payout ratio ⁽⁸⁾	<u>66 %</u>	<u>66 %</u>	<u>70 %</u>	<u>66 %</u>

1. Net income attributable to limited partners, non-controlling interest attributable to redeemable partnership units and the general partner.
2. Average number of limited partnership units outstanding on a time weighted average basis for the three and six-month periods was 259.6 million and 259.5 million (2016: 243.2 million for the three and six-month periods).
3. FFO is defined as net income excluding the impact of depreciation and amortization deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Refer to the "Reconciliation of Non-IFRS Financial Measures" section of this MD&A for reconciliation from net income to FFO.
4. Average units outstanding during the three and six-month periods of 369.6 million and 369.5 million (2016: 345.1 million for the three and six-month periods).
5. AFFO is defined as FFO less maintenance capital expenditures. Refer to the "Reconciliation of Non-IFRS Financial Measures" section of this MD&A for reconciliation from net income to AFFO.
6. Adjusted EBITDA is defined as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Refer to the "Reconciliation of Non-IFRS Financial Measures" section of this MD&A for reconciliation from net income to Adjusted EBITDA.
7. Adjusted Earnings is defined as net income attributable to our partnership, excluding the impact of depreciation and amortization expense from revaluing property, plant and equipment and the effects of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. Refer to the "Reconciliation of Non-IFRS Financial Measures" section of this MD&A for reconciliation from net income to Adjusted Earnings.
8. Payout ratio is defined as distributions paid (inclusive of GP incentive and preferred unit distributions) divided by FFO.

For the three-month period ended June 30, 2017, our FFO totaled \$295 million (\$0.80 per unit) compared to FFO of \$230 million (\$0.67 per unit) for the same quarter in 2016. FFO and FFO per unit increased by 28% and 19%, respectively, reflecting the contribution from new investments and solid organic growth across a number of our businesses, partially offset by the impact of foreign exchange. Our partnership paid distributions of \$0.435 per unit during the second quarter, an increase of 14% compared to the same period in 2016.

The following tables present selected statement of operating results and financial position information by operating segment on a proportionate basis:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Statements of Operating Results				
Net income (loss) by segment				
Utilities	\$ 87	\$ 26	\$ 133	\$ 69
Transport	43	127	74	156
Energy	1	10	18	20
Communications Infrastructure	2	—	5	2
Corporate and other	(128)	(7)	(209)	(13)
Net income	<u>\$ 5</u>	<u>\$ 156</u>	<u>\$ 21</u>	<u>\$ 234</u>
Adjusted EBITDA by segment				
Utilities	\$ 205	\$ 134	\$ 333	\$ 268
Transport	171	147	336	279
Energy	63	66	149	138
Communications Infrastructure	23	23	45	44
Corporate and other	(59)	(40)	(110)	(77)
Adjusted EBITDA	<u>\$ 403</u>	<u>\$ 330</u>	<u>\$ 753</u>	<u>\$ 652</u>
FFO by segment				
Utilities	\$ 168	\$ 100	\$ 268	\$ 200
Transport	134	102	257	196
Energy	43	43	105	83
Communications Infrastructure	19	19	38	38
Corporate and other	(69)	(34)	(112)	(53)
FFO	<u>\$ 295</u>	<u>\$ 230</u>	<u>\$ 556</u>	<u>\$ 464</u>

US\$ MILLIONS	As of	
	June 30, 2017	December 31, 2016
Statements of Financial Position		
Total assets by segment		
Utilities	\$ 6,078	\$ 4,605
Transport	6,412	6,160
Energy	3,062	3,032
Communications Infrastructure	982	933
Corporate and other	(894)	(510)
Total assets	<u>\$ 15,640</u>	<u>\$ 14,220</u>
Net debt by segment		
Utilities	\$ 3,039	\$ 2,798
Transport	2,703	2,611
Energy	1,262	1,468
Communications Infrastructure	426	392
Corporate and other	2,226	453
Net debt	<u>\$ 9,656</u>	<u>\$ 7,722</u>
Partnership capital by segment		
Utilities	\$ 3,039	\$ 1,807
Transport	3,709	3,549
Energy	1,800	1,564
Communications Infrastructure	556	541
Corporate and other	(3,120)	(963)
Partnership capital	<u>\$ 5,984</u>	<u>\$ 6,498</u>

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We measure return on Invested Capital as Adjusted Funds From Operations (“AFFO”) divided by the weighted average Invested Capital for the period.

We define Invested Capital as partnership capital removing the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes.

Weighted average Invested Capital for the six-month period ended June 30, 2017 was \$6,503 million. See “Reconciliation of Non-IFRS Financial Measures” on page 56 for more details.

CAPITAL RESOURCES AND LIQUIDITY

The nature of our asset base and the quality of our associated cash flows enable us to maintain a stable and low cost capital structure. We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances and maintain a relatively high distribution of our FFO to unitholders. Our principal sources of liquidity are cash flows from our operations, undrawn credit facilities and access to public and private capital markets. We also structure the ownership of our assets to enhance our ability to monetize them to provide additional liquidity, if necessary. Certain subsidiaries may be subject to limitations on their ability to declare and pay dividends to our partnership. Any limitations existing at June 30, 2017 and December 31, 2016 were insignificant and would not adversely impact our ability to meet cash obligations.

Our group-wide liquidity at June 30, 2017 was \$2.6 billion and consisted of the following:

<u>US\$ MILLIONS</u>	<u>As of</u>	
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Corporate cash and cash equivalents	\$ 130	\$ 549
Committed corporate credit facility	1,975	1,975
Subordinate corporate credit facility	500	500
Draws under corporate credit facility	(774)	—
Commitments under corporate credit facility	(47)	(46)
Proportionate cash retained in businesses	277	283
Proportionate availability under subsidiary credit facilities	584	634
Group-wide liquidity	<u>\$ 2,645</u>	<u>\$ 3,895</u>

At June 30, 2017, we believe that group-wide liquidity is sufficient to meet Brookfield Infrastructure’s present requirements. We finished the quarter with group-wide liquidity of \$2.6 billion, down from \$3.9 billion at December 31, 2016 primarily as a result of funds used for the acquisition of our Brazilian regulated gas transmission operation in April 2017.

We finance our assets principally at the operating company level with debt that generally has long-term maturities, few restrictive covenants and no recourse to either Brookfield Infrastructure or our other operations. On a proportionate basis as of June 30, 2017, scheduled principal repayments over the next five years are as follows:

US\$ MILLIONS	Average Term (years)	2017	2018	2019	2020	2021	Beyond	Total
Recourse borrowings								
Corporate borrowings	4	\$ 308	\$ 96	\$ —	\$ 289	\$ —	\$ 1,663	\$ 2,356
Total recourse borrowings	4	308	96	—	289	—	1,663	2,356
Non-recourse borrowings⁽¹⁾								
Utilities								
Regulated Distribution	10	—	—	—	120	—	1,157	1,277
Electricity Transmission	11	38	23	5	9	4	700	779
Regulated Terminal	5	—	—	58	163	316	510	1,047
	9	38	23	63	292	320	2,367	3,103
Transport								
Rail	6	6	13	24	116	120	820	1,099
Toll Roads	9	133	139	122	82	87	689	1,252
Ports	4	58	22	101	195	62	68	506
	8	197	174	247	393	269	1,577	2,857
Energy								
Energy Transmission, Distribution & Storage	5	625	59	159	7	—	229	1,079
District Energy	10	21	11	2	31	3	155	223
	6	646	70	161	38	3	384	1,302
Communications Infrastructure								
Telecommunications Infrastructure	6	—	40	—	67	—	338	445
	6	—	40	—	67	—	338	445
Total non-recourse borrowings⁽¹⁾	8	881	307	471	790	592	4,666	7,707
Total borrowings⁽²⁾	7	\$ 1,189	\$ 403	\$ 471	\$ 1,079	\$ 592	\$ 6,329	\$ 10,063
Cash retained in businesses								
Utilities								\$ 64
Transport								154
Energy								40
Communications Infrastructure								19
Corporate								130
Total cash retained								\$ 407
Net debt								
Utilities								\$ 3,039
Transport								2,703
Energy								1,262
Communications Infrastructure								426
Corporate								2,226
								\$ 9,656
Total net debt		12 %	4 %	5 %	10 %	6 %	63 %	100 %

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

2. As of June 30, 2017, approximately 24% has been issued as floating rate debt. Brookfield Infrastructure and its subsidiaries have entered into interest rate swaps whereby the floating rate debt has been converted to fixed rate debt, effectively reducing floating rate debt maturities to approximately 17% of our total borrowings. Excluding working capital and capital expenditure facilities, floating rate debt maturities approximate 16% of our total borrowings, inclusive of the impact of interest rate swaps.

Our debt has an average term of seven years. On a proportionate basis, our net debt-to-capitalization ratio as of June 30, 2017 was 56%. The weighted average cash interest rate is 4.6% for the overall business (2016: 5.1%), in which our utilities, transport, energy, communications infrastructure and corporate segments were 4.0%, 6.6%, 6.3%, 2.6% and 3.2%, respectively (2016: 4.1%, 7.4%, 7.4%, 2.6% and 2.6%, respectively).

Proportionate debt can be reconciled to consolidated debt as follows:

US\$ MILLIONS	As of	
	June 30, 2017	December 31, 2016
Consolidated debt	\$ 10,107	\$ 8,236
Add: proportionate share of debt of investments in associates:		
Utilities	779	727
Transport	1,076	1,083
Energy	927	1,146
Communications Infrastructure	445	410
Less: borrowings attributable to non-controlling interest	(2,807)	(2,619)
Premium on debt and cross currency swaps	(464)	(429)
Proportionate debt	\$ 10,063	\$ 8,554

CONTRACTUAL OBLIGATIONS

The table below outlines Brookfield Infrastructure's contractual obligations as at June 30, 2017:

US\$ MILLIONS	Payments due by period				Total contractual cash flows
	Less than 1 year	1-2 years	2-5 years	5+ years	
Accounts payable and other liabilities	\$ 766	\$ 37	\$ 17	\$ 112	\$ 932
Corporate borrowing	308	96	637	1,315	2,356
Non-recourse borrowing	240	459	1,928	5,120	7,747
Financial liabilities	276	67	68	947	1,358
Interest expense:					
Corporate borrowing	45	48	118	37	248
Non-recourse borrowing	358	351	866	1,346	2,921

In addition, pursuant to the Master Services Agreement, on a quarterly basis we pay a base management fee to Brookfield equal to 0.3125% (1.25% annually) of the market value of our partnership plus net recourse debt. This fee is estimated to be approximately \$228 million per year based on the June 30, 2017 market capitalization of our partnership plus preferred units and recourse corporate net debt.

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

FINANCIAL INSTRUMENTS

Foreign Currency Hedging Strategy

To the extent that we believe it is economic to do so, our strategy is to hedge a portion of our equity investments and/or cash flows exposed to foreign currencies. The following key principles form the basis of our foreign currency hedging strategy:

- We leverage any natural hedges that may exist within our operations
- We utilize local currency debt financing to the extent possible
- We may utilize derivative contracts to the extent that natural hedges are insufficient

The following table presents our hedged position in foreign currencies as of June 30, 2017:

US\$ MILLIONS	Net Investment Hedges									
	USD	AUD	GBP	BRL	CLP	CAD	EUR	COP	PEN	INR
Equity Investment – US\$	\$ (211)	\$ 1,523	\$ 1,049	\$ 3,047	\$ 93	\$ (500)	\$ 757	\$ 65	\$ 119	\$ 42
FX contracts – US\$	3,424	(1,523)	(1,049)	—	—	(95)	(757)	—	—	—
Net unhedged – US\$	\$ 3,213	\$ —	\$ —	\$ 3,047	\$ 93	\$ (595)	\$ —	\$ 65	\$ 119	\$ 42
% of equity investment hedged	N/A %	100 %	100 %	— %	— %	N/A %	100 %	— %	— %	— %

At June 30, 2017, we had hedges in place to convert a total of 54% of our net equity investment to U.S. Dollars. For the three months ended June 30, 2017, we recorded losses in comprehensive income of \$76 million related to these contracts.

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 period:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Funds from operations (FFO)	\$ 295	\$ 230	\$ 556	\$ 464
Maintenance capital expenditures	(55)	(41)	(100)	(66)
Funds available for distribution (AFFO)	240	189	456	398
Distributions paid	(196)	(153)	(390)	(306)
Funds available for reinvestment	44	36	66	92
Growth capital expenditures	(231)	(173)	(432)	(374)
Debt funding of growth capex	134	92	219	214
Asset level repayments	(26)	—	(77)	(7)
New investments, net of disposals	(1,572)	(502)	(1,650)	(519)
Draws on corporate credit facility, net of repayments	319	636	774	787
Partnership unit issuances	5	2	11	5
Proceeds from debt issuance	309	—	537	—
Proceeds from preferred units issuance	—	—	220	—
Changes in working capital and other	(67)	(15)	(93)	110
Change in proportionate cash	(1,085)	76	(425)	308
Opening, proportionate cash	1,492	775	832	543
Closing, proportionate cash	\$ 407	\$ 851	\$ 407	\$ 851

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

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Growth capital expenditures by segment				
Utilities	\$ 113	\$ 96	\$ 196	\$ 223
Transport	86	52	173	107
Energy	24	19	46	33
Communications Infrastructure	8	6	17	11
	<u>\$ 231</u>	<u>\$ 173</u>	<u>\$ 432</u>	<u>\$ 374</u>

Growth capital expenditures for the three-month period ended June 30, 2017 were \$231 million, an increase from \$173 million in the same period in 2016. The increase in growth capital expenditures reflects higher connections activity and the investment in our smart meter program at our U.K. regulated distribution business and increased ownership in our South American toll road business, partially offset by the impact of depreciation of most foreign currencies in which we operate versus the U.S. dollar.

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

US\$ MILLIONS	Actual Capex					
	Quarterly Estimated Maintenance Capex		For the three-month period ended June 30		For the six-month period ended June 30	
	Low	High	2017	2016	2017	2016
Maintenance capital expenditures by segment						
Utilities	\$ 3	\$ 4	\$ 3	\$ 3	\$ 6	\$ 6
Transport	31	34	31	20	63	35
Energy	16	19	18	15	25	20
Communications Infrastructure	1	2	3	3	6	5
	<u>\$ 51</u>	<u>\$ 59</u>	<u>\$ 55</u>	<u>\$ 41</u>	<u>\$ 100</u>	<u>\$ 66</u>

We estimate annual maintenance capital expenditures to be \$10-15 million, \$125-135 million, \$65-75 million, and \$5-10 million for our utilities, transport, energy, and communication infrastructure segments, respectively, for a total range between \$205-235 million. For the three and six-month periods ended June 30, 2017, our maintenance capital expenditures were below our quarterly estimated range, primarily due to seasonality of spending in our energy segment which occur in the second and third quarters.

PARTNERSHIP CAPITAL

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

	As of	
	June 30, 2017	December 31, 2016
Redeemable Partnership Units, held by Brookfield	108,401,992	108,401,992
Special Limited Partner Units	1,600,410	1,600,410
Managing General Partner Units	259,733,735	259,450,045
Total	<u>369,736,137</u>	<u>369,452,447</u>

An affiliate of Brookfield in its capacity as the special limited partner of the Holding LP is entitled to incentive distributions which are based on the amount by which quarterly distributions on the limited partnership units exceed specified target levels. To the extent distributions on limited partnership units exceed \$0.203 per quarter, the incentive distribution rights entitle the special limited partner to 15% of incremental distributions above this threshold to \$0.22 per unit.

To the extent that distributions on limited partnership units exceed \$0.22 per unit, the incentive distribution rights entitled the special limited partner to 25% of incremental distributions above this threshold. During the three and six-month periods ended June 30, 2017, an incentive distribution of \$28 million and \$56 million was paid to the general partner (2016: \$19 million and \$38 million respectively).

CAPITAL MANAGEMENT

Our partnership's approach to capital management is focused on maximizing returns to unitholders and ensuring capital is deployed in a manner consistent with achieving our investment return objectives.

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We measure return on Invested Capital as Adjusted Funds From Operations ("AFFO") divided by the weighted average Invested Capital for the period.

We define Invested Capital as partnership capital removing the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes. Weighted average Invested Capital for the six-month period ended June 30, 2017 was \$6,503 million. See "Reconciliation of Non-IFRS Financial Measures" on page 56 for more details.

Our partnership has met its investment return objectives with return on Invested Capital of 14% for the six month-period ended June 30, 2017.

RELATED PARTY TRANSACTIONS

In the normal course of operations, Brookfield Infrastructure entered into the transactions below with related parties. The immediate parent of Brookfield Infrastructure is our partnership. The ultimate parent of Brookfield Infrastructure is Brookfield. Other related parties of Brookfield Infrastructure represent its subsidiary and operating entities.

a) Transactions with the immediate parent

Throughout the year, the General Partner, in its capacity as our partnership's general partner, incurs director fees, a portion of which are charged at cost to our partnership in accordance with the limited partnership agreement. Less than \$1 million in director fees were incurred during the three and six-month periods ended June 30, 2017 (2016: less than \$1 million for the three and six-month periods).

b) Transactions with other related parties

Since inception, Brookfield Infrastructure has had a management agreement (the "Master Services Agreement") with certain service providers (the "Service Provider"), which are wholly-owned subsidiaries of Brookfield.

Pursuant to the Master Services Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee, referred to as the Base Management Fee, to the Service Provider equal to 0.3125% per quarter (1.25% annually) of the market value of our partnership. The Base Management Fee was \$57 million and \$105 million, respectively, for the three and six-month periods ended June 30, 2017 (2016: \$38 million and \$73 million, respectively).

For purposes of calculating the Base Management Fee, the market value of our partnership is equal to the aggregate value of all the outstanding units of our partnership (assuming full conversion of Brookfield's Redeemable Partnership Units in the Holdings LP into units of our partnership), preferred units and securities of the other Service Recipients (as defined in Brookfield Infrastructure's Master Services Agreement) that are not held by Brookfield Infrastructure, plus all outstanding third party debt with recourse to a Service Recipient, less all cash held by such entities.

Brookfield Infrastructure, from time to time, will place funds on deposit with Brookfield. As at June 30, 2017, Brookfield Infrastructure's deposit balance with Brookfield was \$4 million (December 31, 2016: \$255 million) and earned interest of less than \$1 million and \$1 million, respectively, for the three and six-month periods ended June 30, 2017 (2016: less than \$1 million for the three and six-month periods).

Brookfield Infrastructure's North American district energy operation provides heating and cooling services and leases office space on market terms with subsidiaries of Brookfield Office Properties Inc. The North American district energy operation also utilizes consulting and engineering services provided by a wholly-owned subsidiary of Brookfield on market terms. For the three and six-month periods ended June 30, 2017, revenues of \$1 million and \$3 million, respectively, were generated (2016: less than \$1 million for the three and six-month periods) and expenses of \$1 million and \$1 million were incurred, respectively (2016: less than \$1 million for the three and six-month periods).

Brookfield Infrastructure utilizes a wholly-owned subsidiary of Brookfield to negotiate and purchase insurance and assess the adequacy of insurance on behalf of our partnership and certain subsidiaries. During the three and six-month periods ended June 30, 2017, Brookfield Infrastructure paid less than \$1 million for these services (2016: less than \$1 million for the three and six-month periods).

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

We, on behalf of our subsidiaries, provide letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance. As at June 30, 2017, letters of credit issued by our subsidiaries amounted to \$47 million (2016: \$46 million).

In the normal course of operations, we execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions and acquisitions, construction projects, capital projects, and sales and purchases of assets and services. We have also agreed to indemnify our directors and certain of our officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount that we could be required to pay third parties, as many of the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we have made no significant payments under such indemnification agreements.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

We focus on FFO to measure operating performance, along with IFRS measures such as net income. In addition, we also assess AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital.

These measures are not calculated in accordance with and do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital have limitations as analytical tools. Therefore FFO, AFFO, Adjusted EBITDA, Adjusted Earnings and Invested Capital should not be considered as the sole measures of our performance and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under IFRS.

Net income attributable to our partnership is the most directly comparable IFRS measure to FFO, AFFO, Adjusted EBITDA and Adjusted Earnings. Partnership capital is the most directly comparable IFRS measure to Invested Capital. We urge you to review the IFRS financial measures within the MD&A and to not rely on any single financial measure to evaluate our partnership.

We define FFO as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses.

FFO has limitations as an analytical tool:

- FFO does not include depreciation and amortization expense; because we own capital assets with finite lives, depreciation and amortization expense recognizes the fact that we must maintain or replace our asset base in order to preserve our revenue generating capability;
- FFO does not include deferred income taxes, which may become payable if we own our assets for a long period of time; and
- FFO does not include breakage and transaction costs or non-cash valuation gains, losses and impairment charges.

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 along 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 be sustained over time, provided we make all necessary maintenance expenditures. We add back deferred income taxes because we do not believe this item reflects the present value of the actual cash tax obligations we will be required to pay, particularly if our operations are held for a long period of time. We add back non-cash valuation gains or losses recorded in net income as they are non-cash and indicate a point-in-time approximation of value on items we consider long-term. We also add back breakage and transaction costs as they are capital in nature.

In addition, we focus on adjusted funds from operations or AFFO, which is defined as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). While FFO provides a basis for assessing current operating performance, it does not take into consideration the cost to sustain the operating performance of our partnership's asset base. In order to assess the long-term, sustainable operating performance of our businesses, we observe that in addition to FFO, investors use AFFO by taking into account the impact of maintenance capital expenditures.

We also focus on Adjusted EBITDA which we define as net income excluding the impact of depreciation and amortization, interest expense, current and deferred income taxes, breakage and transaction costs and non-cash valuation gains or losses. Adjusted EBITDA provides a supplemental understanding of the performance of our business and enhanced comparability across periods and relative to our peers. Adjusted EBITDA excludes the impact of interest expense and current income taxes to remove the effect of the current capital structure and tax profile in assessing the operating performance of our businesses.

Adjusted Earnings is a measure that can be used to evaluate the performance of our operations, defined as net income attributable to our partnership, excluding any incremental depreciation and amortization expense associated with the revaluation of our property, plant and equipment and the impact of purchase price accounting, mark-to-market on hedging items and disposition gains or losses. While we believe that maintenance capital expenditures are the best measure of the cost to preserve our revenue generating capability, we acknowledge that investors may view historical depreciation as a more relevant proxy. Adjusted Earnings also excludes mark-to-market on hedging items recorded in net income or disposition gains or losses as we believe these items are not reflective of the ongoing performance of our underlying operations.

When viewed with our IFRS results, we believe that Adjusted Earnings provides a supplemental understanding of the performance of our underlying operations and also gives users enhanced comparability of our ongoing performance relative to peers in certain jurisdictions and across periods.

Invested Capital, which tracks the amount of capital that has been contributed to our partnership, is a measure we utilize to assess returns on capital deployed, relative to targeted returns. Investment decisions are based on, amongst other measures and factors, targeted returns on Invested Capital of 12% to 15% annually over the long-term. We measure return on Invested Capital as Adjusted Funds From Operations ("AFFO") divided by the weighted average Invested Capital for the period. We define Invested Capital as partnership capital removing the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes.

The following table reconciles net income attributable to our partnership, the most directly comparable IFRS measure, to FFO and AFFO, non-IFRS financial metrics:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS ⁽¹⁾	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Net income attributable to partnership ⁽²⁾	\$ 5	\$ 156	\$ 21	\$ 234
Add back or deduct the following:				
Depreciation and amortization	186	150	344	290
Deferred income taxes	5	(11)	8	(13)
Mark-to-market on hedging items	39	(24)	85	(9)
Valuation losses (gains) and other	60	(41)	98	(38)
FFO	295	230	556	464
Maintenance capital expenditures	(55)	(41)	(100)	(66)
AFFO	\$ 240	\$ 189	\$ 456	\$ 398

1. Please see "Reconciliation of Operating Segments" for a detailed reconciliation of Brookfield Infrastructure's proportionate results to our partnership's Consolidated Statements of Operating Results.
2. Includes net income attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.

For the three-month period ended June 30, 2017, the difference between net income attributable to partnership and FFO is due to depreciation and amortization expenses of \$186 million (2016: \$150 million), deferred tax expense of \$5 million (2016: deferred tax recovery of \$11 million), mark-to-market losses on hedging items of \$39 million (2016: gains of \$24 million) and valuation losses and other of \$60 million (2016: gains of \$41 million).

For the six-month period ended June 30, 2017, the difference between net income attributable to partnership and FFO is due to depreciation and amortization expenses of \$344 million (2016: \$290 million), deferred tax expense of \$8 million (2016: deferred tax recovery of \$13 million), mark-to-market losses on hedging items of \$85 million (2016: gains of \$9 million) and valuation losses and other of \$98 million (2016: gains of \$38 million).

The following table reconciles net income attributable to our partnership, the most directly comparable IFRS measure, to Adjusted EBITDA, a non-IFRS measure. Adjusted EBITDA is presented based on our proportionate share of results in operations accounted for using the consolidation and the equity methods.

US\$ MILLIONS ⁽¹⁾	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Net income attributable to partnership ⁽²⁾	\$ 5	\$ 156	\$ 21	\$ 234
Add back or deduct the following:				
Depreciation and amortization	186	150	344	290
Deferred income taxes	5	(11)	8	(13)
Mark-to-market on hedging items and other	99	(65)	183	(47)
Interest expense	110	113	220	228
Other income	(2)	(13)	(23)	(40)
Adjusted EBITDA	\$ 403	\$ 330	\$ 753	\$ 652

1. Please see "Reconciliation of Operating Segments" for a detailed reconciliation of Brookfield Infrastructure's proportionate results to our partnership's Consolidated Statements of Operating Results.
2. Includes net income attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.

For the three-month period ended June 30, 2017, the difference between net income attributable to partnership and Adjusted EBITDA is primarily due to depreciation and amortization expenses of \$186 million (2016: \$150 million) and interest expense of \$110 million (2016: \$113 million).

For the six-month period ended June 30, 2017, the difference between net income attributable to partnership and Adjusted EBITDA is primarily due to depreciation and amortization expenses of \$344 million (2016: \$290 million) and interest expense of \$220 million (2016: \$228 million).

The following table reconciles net income attributable to our partnership, the most directly comparable IFRS measure, to Adjusted Earnings, a non-IFRS financial metric:

US\$ MILLIONS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Net income attributable to partnership ⁽¹⁾	\$ 5	\$ 156	\$ 21	\$ 234
Add back or deduct the following:				
Depreciation and amortization expense due to application of revaluation model and acquisition accounting	91	75	169	146
Mark-to-market on hedging items	39	(24)	85	(9)
Gains on sale of subsidiaries or ownership changes	—	(98)	—	(98)
Adjusted earnings	\$ 135	\$ 109	\$ 275	\$ 273

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

For the three-month period ended June 30, 2017, the difference between net income attributable to partnership and Adjusted Earnings is due to depreciation and amortization expense attributable to the application of the revaluation model and acquisition accounting of \$91 million (2016: \$75 million) and mark-to-market losses on hedging items of \$39 million (2016: gains of \$24 million). Adjusted Earnings increased from the prior year primarily due to acquisitions completed over the past 12 months, most notably the acquisition of our Brazilian regulated gas transmission business, and a non-recurring gain of \$98 million related to our toll roads business during the comparative period.

For the six-month period ended June 30, 2017, the difference between net income attributable to partnership and Adjusted Earnings is due to depreciation and amortization expense attributable to application of the revaluation model and acquisition accounting of \$169 million (2016: \$146 million) and mark-to-market losses on hedging items of \$85 million (2016: gains of \$9 million). Adjusted Earnings increased from the prior year primarily due to acquisitions completed over the past 12 months, most notably the acquisition of our Brazilian regulated gas transmission business, and a non-recurring gain of \$98 million related to our toll roads business during the comparative period.

Net income per limited partnership unit is the most directly comparable IFRS measure for per unit FFO and Adjusted Earnings per unit.

The following table reconciles net (loss) income per limited partnership unit, the most directly comparable IFRS measure, to FFO per unit, a non-IFRS financial metric:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS ⁽¹⁾	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Net (loss) income per limited partnership unit ⁽²⁾	\$ (0.06)	\$ 0.39	\$ (0.09)	\$ 0.56
Add back or deduct the following:				
Depreciation and amortization	0.50	0.43	0.93	0.84
Deferred income taxes	0.01	(0.03)	0.02	(0.04)
Mark-to-market on hedging items	0.11	(0.07)	0.23	(0.03)
Valuation losses (gains) and other	0.24	(0.05)	0.42	0.02
Per unit FFO ⁽³⁾	\$ 0.80	\$ 0.67	\$ 1.51	\$ 1.35

1. Please see "Reconciliation of Operating Segments" for a detailed reconciliation of Brookfield Infrastructure's proportionate results to our partnership's Consolidated Statements of Operating Results.
2. During the three and six-month periods ended June 30, 2017, on average there were 259.6 million and 259.5 million limited partnership units outstanding (2016: 243.2 million for the three and six-month periods).
3. During the three and six-month periods ended June 30, 2017, on average there were 369.6 million and 369.5 million units outstanding (2016 : 345.1 million for the three and six-month periods).

The following table reconciles net (loss) income per limited partnership unit, the most directly comparable IFRS measure, to Adjusted Earnings per unit, a non-IFRS financial metric:

US\$ MILLIONS, EXCEPT PER UNIT AMOUNTS	For the three-month period ended June 30		For the six-month period ended June 30	
	2017	2016	2017	2016
Net (loss) income per limited partnership unit ⁽¹⁾	\$ (0.06)	\$ 0.39	\$ (0.09)	\$ 0.56
Add back or deduct the following:				
Depreciation and amortization expense due to application of revaluation model & acquisition accounting	0.24	0.21	0.45	0.42
Mark-to-market on hedging items	0.11	(0.07)	0.23	(0.03)
Losses on sale of subsidiaries or ownership changes and other	—	(0.28)	—	(0.28)
Adjusted earnings per unit ⁽²⁾	\$ 0.29	\$ 0.25	\$ 0.59	\$ 0.67

1. During the three and six-month periods ended June 30, 2017, on average there were 259.6 million and 259.5 million limited partnership units outstanding (2016: 243.2 million for the three and six-month periods).
2. During the three and six-month periods ended June 30, 2017, on average there were 369.6 million and 369.5 million units outstanding (2016 : 345.1 million for the three and six-month periods).

The following reconciles partnership capital, the most directly comparable IFRS measure, to Invested Capital, a non-IFRS financial metric:

US\$ MILLIONS	As of	
	June 30, 2017	December 31, 2016
Partnership Capital	\$ 12,624	\$ 9,644
Remove impact of the following items since inception:		
Non-controlling interest - in operating subsidiaries	(6,045)	(2,771)
Deficit (Earnings)	1,052	697
Accumulated Other Comprehensive Income	(904)	(1,074)
Ownership Changes	(109)	(109)
Invested Capital	\$ 6,618	\$ 6,387

Invested capital has increased as a result of the issuance of \$220 million of Series 7 preferred units in January 2017, and \$11 million related to units issued under our partnership's distribution reinvestment plan.

OTHER RELEVANT MEASURES

The following section contains information to assist users in the calculation of the enterprise value of our partnership.

Enterprise Value

We define Enterprise Value as the market value of our partnership plus preferred units and proportionate debt, net of proportionate cash.

The following table presents Enterprise Value as of June 30, 2017 and December 31, 2016:

US\$ MILLIONS	As of	
	June 30, 2017	December 31, 2016
Partnership units outstanding, end of period ⁽¹⁾	369.7	369.5
Price ⁽²⁾	\$ 41.0573	\$ 33.4719
Market capitalization	15,179	12,368
Preferred units ⁽³⁾	595	375
Proportionate net debt ⁽⁴⁾	9,656	7,722
Enterprise value	\$ 25,430	\$ 20,465

1. Includes limited partner, general partner and redeemable partnership units held by Brookfield.

2. Market value of our partnership is calculated based on the price per unit referencing the volume weighted average of the trading price of our units on the New York Stock Exchange for the last five trading days of a period.

3. Preferred units on Brookfield Infrastructure's Consolidated Statements of Financial Position.

4. Please see "Capital Resources and Liquidity" for a detailed reconciliation of Brookfield Infrastructure's proportionate net debt to our partnership's consolidated debt on the Consolidated Statements of Financial Position.

Reconciliation of Operating Segments

Adjusted EBITDA, FFO and AFFO are presented based on our proportionate share of results in operations accounted for using consolidation and the equity method whereby we either control or exercise significant influence over the investment respectively, in order to demonstrate the impact of key value drivers of each of these operating segments on our overall performance. As a result, segment depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses are reconciling items that will differ from results presented in accordance with IFRS as these reconciling items (1) include our proportionate share of earnings from investments in associates attributable to each of the above-noted items, and (2) exclude the proportionate share of earnings (loss) of consolidated investments not held by us apportioned to each of the above-noted items.

The following tables present each segment's results in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account our ownership in operations accounted for using the consolidation and equity method whereby we either control or exercise significant influence over the investment, respectively. These tables reconcile our proportionate results to our partnership's consolidated statements of operating results on a line by line basis by aggregating the components comprising the earnings from our investments in associates and reflecting the portion of each line item attributable to non-controlling interests. See "Discussion of Segment Reconciling Items" on page 63 for a reconciliation of segment results to our statement of operating results in accordance with IFRS.

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2017 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non-controlling interest	As per IFRS financials
	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total			
Revenues	\$ 278	\$ 395	\$ 123	\$ 41	\$ —	\$ 837	\$ (408)	\$ 505	\$ 934
Costs attributed to revenues	(73)	(224)	(60)	(18)	—	(375)	220	(218)	(373)
General and administrative costs	—	—	—	—	(59)	(59)	—	—	(59)
Adjusted EBITDA	205	171	63	23	(59)	403	(188)	287	
Other (expense) income	(8)	1	3	(1)	7	2	1	(16)	(13)
Interest expense	(29)	(38)	(23)	(3)	(17)	(110)	44	(41)	(107)
FFO	168	134	43	19	(69)	295	(143)	230	
Depreciation and amortization	(57)	(75)	(35)	(19)	—	(186)	91	(111)	(206)
Deferred taxes	(12)	2	5	3	(3)	(5)	(3)	(10)	(18)
Mark-to-market on hedging items and other	(12)	(18)	(12)	(1)	(56)	(99)	19	21	(59)
Share of earnings from associates	—	—	—	—	—	—	36	—	36
Net income attributable to non-controlling interest and preferred unitholders	—	—	—	—	—	—	—	(130)	(130)
Net income (loss) attributable to partnership ⁽¹⁾	\$ 87	\$ 43	\$ 1	\$ 2	\$ (128)	\$ 5	\$ —	\$ —	\$ 5

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2016 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non-controlling interest	As per IFRS financials
	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total			
Revenues	\$ 176	\$ 291	\$ 116	\$ 40	\$ —	\$ 623	\$ (311)	\$ 150	\$ 462
Costs attributed to revenues	(42)	(144)	(50)	(17)	—	(253)	154	(99)	(198)
General and administrative costs	—	—	—	—	(40)	(40)	—	—	(40)
Adjusted EBITDA	134	147	66	23	(40)	330	(157)	51	
Other income (expense)	1	(5)	—	(1)	18	13	6	(4)	15
Interest expense	(35)	(40)	(23)	(3)	(12)	(113)	43	(31)	(101)
FFO	100	102	43	19	(34)	230	(108)	16	
Depreciation and amortization	(40)	(60)	(31)	(19)	—	(150)	78	(36)	(108)
Deferred taxes	(2)	4	2	4	3	11	(8)	4	7
Mark-to-market on hedging items and other	(32)	81	(4)	(4)	24	65	(68)	19	16
Share of earnings from associates	—	—	—	—	—	—	106	—	106
Net income attributable to non-controlling interest and preferred unitholders	—	—	—	—	—	—	—	(3)	(3)
Net income (loss) attributable to partnership ⁽¹⁾	\$ 26	\$ 127	\$ 10	\$ —	\$ (7)	\$ 156	\$ —	\$ —	\$ 156

Total attributable to Brookfield Infrastructure

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 US\$ MILLIONS	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total	Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials
Revenues	\$ 454	\$ 770	\$ 265	\$ 80	\$ —	\$ 1,569	\$ (788)	\$ 809	\$ 1,590
Costs attributed to revenues	(121)	(434)	(116)	(35)	—	(706)	411	(421)	(716)
General and administrative costs	—	—	—	—	(110)	(110)	—	—	(110)
Adjusted EBITDA	333	336	149	45	(110)	753	(377)	388	
Other (expense) income	(7)	(2)	6	(1)	27	23	7	(16)	14
Interest expense	(58)	(77)	(50)	(6)	(29)	(220)	93	(74)	(201)
FFO	268	257	105	38	(112)	556	(277)	298	
Depreciation and amortization	(89)	(151)	(68)	(36)	—	(344)	179	(161)	(326)
Deferred taxes	(18)	7	—	5	(2)	(8)	(1)	(9)	(18)
Mark-to-market on hedging items and other	(28)	(39)	(19)	(2)	(95)	(183)	40	32	(111)
Share of earnings from associates	—	—	—	—	—	—	59	—	59
Net income attributable to non-controlling interest and preferred unitholders	—	—	—	—	—	—	—	(160)	(160)
Net income (loss) attributable to partnership ⁽¹⁾	\$ 133	\$ 74	\$ 18	\$ 5	\$ (209)	\$ 21	\$ —	\$ —	\$ 21

Total attributable to Brookfield Infrastructure

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016 US\$ MILLIONS	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total	Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials
Revenues	\$ 341	\$ 560	\$ 242	\$ 83	\$ —	\$ 1,226	\$ (604)	\$ 294	\$ 916
Costs attributed to revenues	(73)	(281)	(104)	(39)	—	(497)	300	(203)	(400)
General and administrative costs	—	—	—	—	(77)	(77)	—	—	(77)
Adjusted EBITDA	268	279	138	44	(77)	652	(304)	91	
Other income (expense)	2	(9)	1	(1)	47	40	8	(2)	46
Interest expense	(70)	(74)	(56)	(5)	(23)	(228)	90	(58)	(196)
FFO	200	196	83	38	(53)	464	(206)	31	
Depreciation and amortization	(78)	(114)	(60)	(38)	—	(290)	153	(71)	(208)
Deferred taxes	(8)	6	5	6	4	13	(10)	9	12
Mark-to-market on hedging items and other	(45)	68	(8)	(4)	36	47	(47)	44	44
Share of earnings from associates	—	—	—	—	—	—	110	—	110
Net income attributable to non-controlling interest and preferred unitholders	—	—	—	—	—	—	—	(13)	(13)
Net income (loss) attributable to partnership ⁽¹⁾	\$ 69	\$ 156	\$ 20	\$ 2	\$ (13)	\$ 234	\$ —	\$ —	\$ 234

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

The following tables provide each segment's assets in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account our ownership in operations using consolidation and the equity method whereby we either control or exercise significant influence over the investment respectively. These tables reconcile our proportionate assets to total assets presented on our Consolidated Statements of Financial Position by removing net liabilities contained within investments in associates and reflecting the assets attributable to non-controlling interests, and adjusting for working capital assets which are netted against working capital liabilities.

AS OF JUNE 30, 2017 US\$ MILLIONS	Total Attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non-controlling interest	Working capital adjustment and other	As per IFRS financials
	Utilities	Transport	Energy	Comm. Infrastructure	Other	Brookfield Infrastructure				
Total assets	\$ 6,078	\$ 6,412	\$ 3,062	\$ 982	\$(894)	\$ 15,640	\$ (2,764)	\$ 11,359	\$ 4,069	\$ 28,304

AS OF DECEMBER 31, 2016 US\$ MILLIONS	Total Attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non-controlling interest	Working capital adjustment and other	As per IFRS financials
	Utilities	Transport	Energy	Comm. Infrastructure	Other	Brookfield Infrastructure				
Total assets	\$ 4,605	\$ 6,160	\$ 3,032	\$ 933	\$(510)	\$ 14,220	\$ (2,996)	\$ 6,496	\$ 3,555	\$ 21,275

Discussion of Segment Reconciling Items

The following tables detail and provide discussion, where applicable, of material changes between reporting periods for each operating segment, the reconciliation of contributions from investments in associates and attribution of non-controlling interest in the determination of Adjusted EBITDA, FFO and net income attributable to our partnership in order to facilitate the understanding of the nature of and changes to reconciling items.

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2017 US\$ MILLIONS

	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total
Adjustments to items comprising Adjusted EBITDA⁽¹⁾						
Contributions from investments in associates	\$ (32)	\$ (87)	\$ (45)	\$ (23)	\$ (1)	\$ (188)
Attribution to non-controlling interest	229	38	23	—	(3)	287
Adjusted EBITDA	197	(49)	(22)	(23)	(4)	99
Adjustments to items comprising FFO⁽²⁾						
Contributions from investments in associates	9	15	19	3	(1)	45
Attribution to non-controlling interest	(32)	(11)	(12)	—	(2)	(57)
FFO	174	(45)	(15)	(20)	(7)	87
Adjustments to items comprising net income attributable to partnership⁽³⁾						
Contributions from investment in associates	23	72	26	20	2	143
Attribution to non-controlling interest	(197)	(27)	(11)	—	5	(230)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2016 US\$ MILLIONS

	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total
Adjustments to items comprising Adjusted EBITDA⁽¹⁾						
Contributions from investment in associates	\$ (28)	\$ (63)	\$ (43)	\$ (23)	\$ —	\$ (157)
Attribution to non-controlling interest	39	23	15	—	(26)	51
Adjusted EBITDA	11	(40)	(28)	(23)	(26)	(106)
Adjustments to items comprising FFO⁽²⁾						
Contributions from investments in associates	6	19	20	4	—	49
Attribution to non-controlling interest	(14)	(14)	(6)	—	(1)	(35)
FFO	3	(35)	(14)	(19)	(27)	(92)
Adjustments to items comprising net income attributable to partnership⁽³⁾						
Contributions from investment in associates	22	44	23	19	—	108
Attribution to non-controlling interest	(25)	(9)	(9)	—	27	(16)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

FOR THE SIX-MONTH PERIOD ENDED

JUNE 30, 2017

US\$ MILLIONS

	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total
Adjustments to items comprising Adjusted EBITDA⁽¹⁾						
Contributions from investments in associates	\$ (63)	\$ (166)	\$ (101)	\$ (46)	\$ (1)	\$ (377)
Attribution to non-controlling interest	266	76	64	—	(18)	388
Adjusted EBITDA	203	(90)	(37)	(46)	(19)	11
Adjustments to items comprising FFO⁽²⁾						
Contributions from investments in associates	19	34	41	7	(1)	100
Attribution to non-controlling interest	(44)	(21)	(17)	—	(8)	(90)
FFO	178	(77)	(13)	(39)	(28)	21
Adjustments to items comprising net income attributable to partnership⁽³⁾						
Contributions from investment in associates	44	132	60	39	2	277
Attribution to non-controlling interest	(222)	(55)	(47)	—	26	(298)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

FOR THE SIX-MONTH PERIOD ENDED

JUNE 30, 2016

US\$ MILLIONS

	Utilities	Transport	Energy	Comm. Infrastructure	Other	Total
Adjustments to items comprising Adjusted EBITDA⁽¹⁾						
Contributions from investment in associates	\$ (56)	\$ (112)	\$ (92)	\$ (44)	\$ —	\$ (304)
Attribution to non-controlling interest	77	41	31	—	(58)	91
Adjusted EBITDA	21	(71)	(61)	(44)	(58)	(213)
Adjustments to items comprising FFO⁽²⁾						
Contributions from investments in associates	12	33	47	6	—	98
Attribution to non-controlling interest	(27)	(23)	(11)	—	1	(60)
FFO	6	(61)	(25)	(38)	(57)	(175)
Adjustments to items comprising net income attributable to partnership⁽³⁾						
Contributions from investment in associates	44	79	45	38	—	206
Attribution to non-controlling interest	(50)	(18)	(20)	—	57	(31)
Net income attributable to partnership	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

1. Revenues, costs attributed to revenues, general and administrative costs.

2. Other income, interest expense and cash taxes.

3. Depreciation and amortization, deferred taxes, fair value adjustments, other expenses, share of earnings from associates, net income attributable to non-controlling interest.

Contributions from investments in associates and joint ventures decreased compared to the second quarter of 2016 primarily due to income recognized due to the privatization of our Brazilian toll road operations in May 2016, which was partially offset by additional income from organic growth initiatives within our North American natural gas transmission operation, the benefits from inflationary tariff increases and an increased ownership stake in our Brazilian toll road operations, incremental earnings associated with the acquisition of our Australian ports operations and the impact of foreign exchange.

Attribution to non-controlling interest increased compared to the first quarter of 2016 due to acquisitions completed over the past 12 months.

Critical Accounting Policies and Estimates

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments made by management and utilized in the normal course of preparing Brookfield Infrastructure's consolidated financial statements are outlined below.

Financial instruments

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

Revaluation of property, plant and equipment

Property, plant and equipment is revalued on a regular basis. The critical estimates and assumptions underlying the valuation of property, plant and equipment are set out in Note 12, Property, Plant and Equipment in our December 31, 2016 audited consolidated financial statements. Our partnership's property, plant, and equipment is measured at fair value on a recurring basis with an effective date of revaluation for all asset classes as of December 31, 2016. Brookfield Infrastructure determined fair value under the income method with due consideration to significant inputs such as the discount rate, terminal value multiple and overall investment horizon.

Impairment of goodwill, intangibles with indefinite lives and investment in associates and joint ventures

Our partnership assesses the impairment of goodwill and intangible assets with indefinite lives by reviewing the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill or the intangible asset has been allocated. Brookfield Infrastructure uses the following critical assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit; discount rates; terminal capitalization rates; terminal valuation dates; useful lives and residual values.

The impairment assessment of investments in associates and joint ventures requires estimation of the recoverable amount of the asset.

Other estimates utilized in the preparation of our partnership's financial statements are: depreciation and amortization rates and useful lives; recoverable amount of goodwill and intangible assets; ability to utilize tax losses and other tax measurements.

Recently adopted accounting standard amendments

Brookfield Infrastructure applied, for the first time, certain amendments to Standards applicable to Brookfield Infrastructure that became effective January 1, 2017. The impact of adopting these amendments on our partnership's accounting policies and disclosures are as follows:

IAS 7 Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7, effective for annual periods beginning on or after January 1, 2017. The amendment requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. Amendments to IAS 7 were applied prospectively and Brookfield Infrastructure's 2017 annual financial statement disclosures will contain information to reflect this amendment.

Standards issued but not yet adopted

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The Standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The Standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied for periods beginning on or after January 1, 2018 with early application permitted.

Our partnership has a global team in place to evaluate the financial statements and the administrative impact of adopting the standard, has participated in strategic planning sessions with Brookfield and developed an adoption plan. Our partnership has also identified major revenue streams to be assessed, and is currently in the process of accumulating, identifying and inventorying detailed information on major contracts that may be impacted by the changes at the transition date. Next steps involve completing the overall analysis, assessing any potential impact to IT systems and internal controls, and reviewing the additional disclosure required

Our partnership has concluded, on a preliminary basis, to apply the modified retrospective transition method, in which a cumulative catch-up adjustment will be recorded through equity upon initial adoption. Additionally, our partnership continues to monitor international developments in the interpretation of the Standard as a component of our ongoing impact evaluation

IFRS 9 Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39, *Financial Instruments*. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with an entity’s risk management activities. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will allow more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. Our partnership has a global team in place to evaluate the financial statements and administrative impact of IFRS 9 on its consolidated financial statements. Our partnership has concluded, on a preliminary basis, to adopt the standard retrospectively with no restatement of comparatives. A cumulative catch-up adjustment, if any, will be recorded through equity upon initial adoption. Additionally, our partnership has commenced the issue identification phase of the transition project and expects to commence the impact assessment phase in the third quarter. Additionally, we continue to monitor developments in the interpretation of the Standard as a component of our ongoing impact evaluation.

IFRS 16 Leases (“IFRS 16”)

The IASB has published a new standard, IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, *Leases and related interpretations* and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. Brookfield Infrastructure is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

Amendments and Interpretations, not yet adopted

IFRIC 22 Foreign Currency Transactions (“IFRIC 22”)

In December 2016, the IASB issued IFRIC 22, effective for annual periods beginning on or after January 1, 2018. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Interpretation may be applied either retrospectively or prospectively. Brookfield Infrastructure is currently evaluating the impact of IFRIC 22 on its consolidated financial statements, including the adoption method.

IFRIC 23 Uncertainty over Income Tax Treatments (“IFRIC 23”)

In June 2017, the IASB published IFRIC 23, effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. Brookfield Infrastructure is currently evaluating the impact of IFRIC 23 on its consolidated financial statements.

CONTROLS AND PROCEDURES

No changes were made in our internal control over financial reporting during the three-month period ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Excluded from our evaluation were internal controls over financial reporting at Niska Gas Storage Partners L.P., for which control was acquired on July 19, 2016, Linx Cargo Care Group Pty Ltd, for which control was acquired on August 18, 2016 and Nova Transportadora do Sudeste S.A., for which control was acquired on April 4, 2017. The financial statements of these entities constitute, in aggregate, 29% of total assets, 43% of partnership capital, 40% of revenue and substantially all of the net income of the consolidated financial statements of our partnership as of and for the six-month period ended June 30, 2017.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We may make such statements in this report, in other filings with Canadian regulators or the SEC and in other public communications. The words "tend", "seek", "target", "foresee", "believe," "expect," "could", "aim to," "intend," "objective", "outlook", "endeavour", "estimate", "likely", "continue", "plan", 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 Management's Discussion and Analysis 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 businesses as on the performance and growth of those businesses, the extent of our corporate, general and administrative expenses, our ability to close acquisitions (including acquisitions referred to in this Management's Discussion and Analysis and other planned transactions), our capacity to take advantage of opportunities in the marketplace, the future prospects of the assets that we operate or will operate, partnering with institutional investors, ability to identify, acquire and integrate new acquisition opportunities, long-term target return on our assets, 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, our 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, 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 plans for our 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 customers of our businesses 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, weakening demand in the natural gas market, 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 us with the securities regulators in Canada and the United States, including our 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.