

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**INDEX TO FINANCIAL STATEMENTS**

	<u>Page</u>
Audited Financial Statements of Brookfield Infrastructure Partners L.P. as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 . . . . .	F-7

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners and Board of Directors of  
Brookfield Infrastructure Partners L.P.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Brookfield Infrastructure Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2019 and 2018, the related consolidated statements of operating results, comprehensive income (loss), partnership capital, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2020 expressed an unqualified opinion on the Partnership’s internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 3 to the financial statements, effective January 1, 2019, the Partnership adopted IFRS 16, *Leases*, using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## ***Revaluation of Property, Plant and Equipment - Refer to Notes 3 and 14 to the financial statements***

### *Critical Audit Matter Description*

The Partnership has elected the revaluation method for all classes of property, plant and equipment, and accordingly measures certain classes of property, plant and equipment at fair value subsequent to initial recognition on the statement of financial position using a discounted cash flow approach.

While there are several assumptions that are required to determine the fair value of property, plant and equipment, the significant inputs with the highest degree of subjectivity and impact on fair value are the future revenues and operating margins, terminal value multiples and discount rates for those classes of property, plant and equipment where such inputs significantly impact the revaluation. Given the revaluation of property, plant and equipment requires management to make significant assumptions relating to significant inputs of future revenues and operating margins, terminal value multiples and discount rates for certain asset classes of property, plant and equipment, auditing these assumptions required a high degree of auditor judgment as the estimations made by management contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve fair value specialists.

### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the future revenues and operating margins, terminal value multiples and discount rates for certain classes of property, plant and equipment included the following, among others:

- Evaluated the effectiveness of controls over revaluation, including those over the estimates of future revenues and operating margins, terminal value multiples and discount rates.
- Evaluated management's ability to accurately estimate future revenue and operating margins by comparing actual results to management's historical forecasts.
- Assessed the reasonableness of management's estimated future revenues and operating margins by comparing the projections to historical results, objective contractual terms, observable macroeconomic indicators and independent market data, where applicable.
- With the assistance of fair value specialists, we evaluated the reasonableness of the terminal value multiples and discount rates, by (1) testing the source information underlying the terminal value multiples and discount rates, and (2) developing a range of independent estimates and comparing those to the terminal value multiples and discount rates selected by management.

## ***Valuation of Investments in Associates and Joint Ventures - Refer to Notes 3 and 13 to the financial statements***

### *Critical Audit Matter Description*

The Partnership applies the equity method for interests in investments where significant influence or joint control exists. When indicators of impairment or impairment reversals are identified, management of the Partnership is required to estimate the recoverable amount of the equity-accounted investment. Management prepares discounted cash flow models to evaluate whether an impairment or a previous impairment reversal occurred.

While there are several assumptions that are required to determine recoverable amount, the judgments with the highest degree of subjectivity and impact on fair values are future cash flow

projections, terminal value multiples and discount rates. Given the determination of recoverability requires management to make significant estimates and assumptions relating to the forecasts of future cash flow projections, terminal value multiples and discount rates, performing audit procedures to evaluate the reasonableness of such estimates and assumptions required a high degree of auditor judgment as the estimations made by management contains significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve fair value specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the future cash flow projections, terminal value multiples and discount rates included the following, among others:

- Evaluated the effectiveness of controls over the determination of recoverable amount, including those over the forecasts of future cash flow projections, terminal value multiples, and discount rates.
- Evaluated management's ability to accurately forecast future cash flow projections by comparing actual results to management's historical forecasts.
- Assessed the reasonableness of management's estimated future cash flow projections by comparing the projections to historical results, objective contractual terms, observable macroeconomic indicators and independent market data, where applicable.
- With the assistance of fair value specialists, we evaluated the reasonableness of the terminal value multiples and discount rates, by (1) testing the source information underlying the determination of terminal value multiples and discount rates, and (2) developing a range of independent estimates and comparing those to the discount rates and terminal value multiples selected by management.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
February 28, 2020

We have served as the Partnership's auditor since 2007.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners and Board of Directors of  
Brookfield Infrastructure Partners L.P.

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Brookfield Infrastructure Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Partnership and our report dated February 28, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Partnership’s adoption of IFRS 16, *Leases*.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at the federally regulated portion of Enbridge Inc.’s Canadian natural gas midstream business, for which control was acquired on December 31, 2019, Genesee and Wyoming Inc., for which control was acquired on December 30, 2019, Wireless Infrastructure Group, for which control was acquired on December 19, 2019, East-West Pipeline, for which control was acquired on March 22, 2019, and DCI Data Centers, for which control was acquired on January 4, 2019. The financial statements of these entities constitute, in aggregate, 30% of total assets, 38% of partnership capital, 4% of revenues and 15% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2019. Accordingly, our audit did not include the internal control over financial reporting at the federally regulated portion of Enbridge Inc.’s Canadian natural gas midstream business, Genesee and Wyoming Inc., Wireless Infrastructure Group, East-West Pipeline, and DCI Data Centers.

### **Basis for Opinion**

The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
February 28, 2020

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<u>US\$ MILLIONS</u>	Notes	As of December 31, 2019	As of December 31, 2018
<b>Assets</b>			
Cash and cash equivalents	8, 9	\$ 827	\$ 540
Financial assets	8, 10	432	424
Accounts receivable and other	8, 11	1,960	1,171
Inventory	12	242	141
Assets classified as held for sale	6	<u>2,380</u>	<u>—</u>
Current assets		5,841	2,276
Property, plant and equipment	14	23,013	12,814
Intangible assets	15	14,386	11,635
Investments in associates and joint ventures	13	4,967	4,591
Investment properties	17	416	190
Goodwill	16	6,553	3,859
Financial assets	8, 10	763	921
Other assets	11	257	219
Deferred income tax asset	26	112	75
Total assets		<u>\$ 56,308</u>	<u>\$ 36,580</u>
<b>Liabilities and Partnership Capital</b>			
<b>Liabilities</b>			
Accounts payable and other	8, 18	2,410	1,308
Non-recourse borrowings	8, 20	1,381	985
Financial liabilities	8, 19	329	124
Liabilities directly associated with assets classified as held for sale	6	<u>1,319</u>	<u>—</u>
Current liabilities		5,439	2,417
Corporate borrowings	8, 20, 21	2,475	1,993
Non-recourse borrowings	8, 20	17,163	12,128
Financial liabilities	8, 19	1,844	1,156
Other liabilities	18	2,570	777
Deferred income tax liability	26	4,620	3,421
Preferred shares	8, 22	20	20
Total liabilities		<u>34,131</u>	<u>21,912</u>
<b>Partnership capital</b>			
Limited partners		5,048	4,513
General partner		24	22
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield		2,039	1,823
Exchange LP Units	27	18	71
Interest of others in operating subsidiaries		14,113	7,303
Preferred unitholders		<u>935</u>	<u>936</u>
Total partnership capital		<u>22,177</u>	<u>14,668</u>
Total liabilities and partnership capital		<u>\$ 56,308</u>	<u>\$ 36,580</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF OPERATING RESULTS**

<u>US\$ MILLIONS (except per unit information)</u>	Notes	For the year ended December 31,		
		2019	2018	2017
Revenues .....	4	<b>\$6,597</b>	\$4,652	\$3,535
Direct operating costs .....		<b>(3,395)</b>	(2,208)	(1,509)
General and administrative expenses .....		<b>(279)</b>	(223)	(239)
Depreciation and amortization expense .....	14, 15	<b>(1,214)</b>	(801)	(671)
		<b>1,709</b>	1,420	1,116
Interest expense .....	23	<b>(904)</b>	(555)	(428)
Share of earnings (losses) from investments in associates and joint ventures .....	13	<b>224</b>	(13)	118
Mark-to-market on hedging items .....	8	<b>57</b>	137	(66)
Gain on sale of associate .....	5	—	338	—
Other (expense) income .....		<b>(158)</b>	(157)	7
Income before income tax .....		<b>928</b>	1,170	747
Income tax expense				
Current .....	26	<b>(250)</b>	(318)	(106)
Deferred .....	26	<b>(28)</b>	(46)	(67)
Net income .....		<b>\$ 650</b>	\$ 806	\$ 574
<b>Attributable to:</b>				
Limited partners .....		<b>\$ 52</b>	\$ 192	\$ 11
General partner .....		<b>159</b>	137	113
Non-controlling interest attributable to:				
Redeemable Partnership Units held by Brookfield .....		<b>22</b>	81	1
Exchange LP Units .....		—	—	—
Interest of others in operating subsidiaries .....		<b>417</b>	396	449
Basic and diluted income (loss) per unit attributable to:				
Limited partners .....	27	<b>\$ 0.07</b>	\$ 0.59	\$ (0.04)

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<u>US\$ MILLIONS</u>	Notes	For the year ended December 31,		
		2019	2018	2017
Net income .....		<b>\$ 650</b>	<b>\$ 806</b>	<b>\$ 574</b>
Other comprehensive income (loss):				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Revaluation of property, plant and equipment .....	14	719	462	418
Marketable securities .....	8	47	(47)	5
Unrealized actuarial (losses) gains .....		(6)	28	8
Taxes on the above items .....	26	(148)	(100)	(206)
Share of income from investments in associates and joint ventures .....	13	108	117	259
		<b>720</b>	<b>460</b>	<b>484</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation .....		64	(1,577)	38
Cash flow hedge .....	8	(33)	(71)	137
Net investment hedge .....	8	(113)	97	(266)
Taxes on the above items .....	26	6	3	6
Share of (losses) income from investments in associates and joint ventures .....	13	(54)	143	(76)
		<b>(130)</b>	<b>(1,405)</b>	<b>(161)</b>
Total other comprehensive income (loss) .....		<b>590</b>	<b>(945)</b>	<b>323</b>
Comprehensive income (loss) .....		<b>\$1,240</b>	<b>\$ (139)</b>	<b>\$ 897</b>
<b>Attributable to:</b>				
Limited partners .....	28	\$ 298	\$ (13)	\$ 139
General partner .....	28	160	137	112
Non-controlling interest attributable to:				
Redeemable Partnership Units held by Brookfield .....	28	125	(6)	57
Exchange LP Units .....		1	4	—
Interest of others in operating subsidiaries .....		<b>656</b>	<b>(261)</b>	<b>589</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF PARTNERSHIP CAPITAL**

US\$ MILLIONS	Limited Partners				General Partner					Non-Controlling Interest—Redeemable Partnership Units held by Brookfield								
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Limited partners	General partner capital	Retained earnings	Accumulated other comprehensive income <sup>(1)</sup>	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Non-Controlling Interest—Redeemable Partnership Units held by Brookfield	Non-controlling interest—Exchange LP Units	Non-controlling interest—in operating subsidiaries	Preferred Unitholders Capital	Total partners' capital
Balance as at January 1, 2019	\$ 4,911	\$ (856)	\$ 249	\$ 209	\$ 4,513	\$ 19	\$ —	\$ 3	\$ 22	\$ 2,078	\$ (370)	\$ 3	\$ 112	\$ 1,823	\$ 71	\$ 7,303	\$ 936	\$ 14,668
Net income	—	52	—	—	52	—	159	—	159	—	22	—	22	—	417	—	650	
Other comprehensive income	—	—	—	246	246	—	—	1	1	—	—	—	103	103	1	239	—	590
Comprehensive income	—	52	—	246	298	—	159	1	160	—	22	—	103	125	1	656	—	1,240
Unit issuance (note 27)	559	—	—	—	559	—	—	—	—	250	—	—	—	250	—	—	—	809
Unit repurchases (note 27)	(28)	—	—	—	(28)	—	—	—	—	—	—	—	—	—	—	—	(1)	(29)
Partnership distributions (note 29)	—	(575)	—	—	(575)	—	(158)	—	(158)	—	(241)	—	—	(241)	(4)	—	—	(978)
Partnership preferred distributions (note 29)	—	(33)	—	—	(33)	—	—	—	—	—	(16)	—	—	(16)	—	—	—	(49)
Acquisition of subsidiaries (note 7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,559	—	7,559
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,216)	—	(1,216)
Other items (note 28)	53	(18)	261	18	314	—	—	—	—	—	(8)	98	8	98	(50)	(189)	—	173
Balance as at December 31, 2019	\$ 5,495	\$ (1,430)	\$ 510	\$ 473	\$ 5,048	\$ 19	\$ 1	\$ 4	\$ 24	\$ 2,328	\$ (613)	\$ 101	\$ 223	\$ 2,039	\$ 18	\$ 14,113	\$ 935	\$ 22,177

(1) Refer to Note 28 Accumulated Other Comprehensive Income (Loss) for an analysis of accumulated other comprehensive income (loss) by item.

US\$ MILLIONS	Limited Partners				General Partner				Non-Controlling Interest—Redeemable Partnership Units held by Brookfield									
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Limited partners	General partner capital	Retained earnings	Accumulated other comprehensive income <sup>(1)</sup>	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Non-Controlling Interest—Redeemable Partnership Units held by Brookfield	Non-controlling interest—Exchange LP Units	Non-controlling interest—in operating subsidiaries	Preferred Unitholders Capital	Total partners' capital
Balance as at December 31, 2017	\$ 4,907	\$ (953)	\$ 149	\$ 864	\$ 4,967	\$ 19	\$ —	\$ 6	\$ 25	\$ 2,078	\$ (413)	\$ (40)	\$ 387	\$ 2,012	\$ —	\$ 5,875	\$ 595	\$ 13,474
Changes in accounting policies <sup>(2)</sup>	—	4	—	—	4	—	—	—	—	—	2	—	—	2	—	10	—	16
Balance as at January 1, 2018	4,907	(949)	149	864	4,971	19	—	6	25	2,078	(411)	(40)	387	2,014	—	5,885	595	13,490
Net income	—	192	—	—	192	—	137	—	137	—	81	—	—	81	—	396	—	806
Other comprehensive (loss) income	—	—	—	(205)	(205)	—	—	—	—	—	—	—	(87)	(87)	4	(657)	—	(945)
Comprehensive income (loss)	—	192	—	(205)	(13)	—	137	—	137	—	81	—	(87)	(6)	4	(261)	—	(139)
Unit issuance (note 27)	14	—	—	—	14	—	—	—	—	—	—	—	—	—	232	—	342	588
Unit repurchases (note 27)	(30)	—	—	—	(30)	—	—	—	—	—	—	—	—	—	—	—	(1)	(31)
Partnership distributions (note 29)	—	(520)	—	—	(520)	—	(140)	—	(140)	—	(216)	—	—	(216)	(2)	—	—	(878)
Partnership preferred distributions (note 29)	—	(29)	—	—	(29)	—	—	—	—	—	(12)	—	—	(12)	—	—	—	(41)
Acquisition of subsidiaries (note 7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,232	—	3,232
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(676)	—	(676)
Capital provided to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(877)	—	(877)
Other items (note 28)	20	450	100	(450)	120	—	3	(3)	—	—	188	43	(188)	43	(163)	—	—	—
Balance as at December 31, 2018	\$ 4,911	\$ (856)	\$ 249	\$ 209	\$ 4,513	\$ 19	\$ —	\$ 3	\$ 22	\$ 2,078	\$ (370)	\$ 3	\$ 112	\$ 1,823	\$ 71	\$ 7,303	\$ 936	\$ 14,668

(1) Refer to Note 28 Accumulated Other Comprehensive Income (Loss) for an analysis of accumulated other comprehensive income (loss) by item.

(2) Refer to Note 3 Significant Accounting Policies.

US\$ MILLIONS	Limited Partners				General Partner				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield								
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Limited partners	General partner capital	Retained earnings	Accumulated other comprehensive income <sup>(1)</sup>	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income <sup>(1)</sup>	Non-Controlling Interest—Redeemable Partnership Units held by Brookfield	Non-controlling interest—in operating subsidiaries	Preferred Unitholders Capital	Total partners' capital
Balance as at January 1, 2017	\$ 4,215	\$ (483)	\$ 143	\$ 736	\$ 4,611	\$ 19	\$ 1	\$ 7	\$ 27	\$ 1,778	\$ (215)	\$ (34)	\$ 331	\$ 1,860	\$ 2,771	\$ 375	\$ 9,644
Net income	—	11	—	—	11	—	113	—	113	—	1	—	—	1	449	—	574
Other comprehensive income	—	—	—	128	128	—	—	(1)	(1)	—	—	—	56	56	140	—	323
Comprehensive income	—	11	—	128	139	—	113	(1)	112	—	1	—	56	57	589	—	897
Unit issuance (note 27)	692	—	—	—	692	—	—	—	—	300	—	—	—	300	—	220	1,212
Partnership distributions (note 29)	—	(459)	—	—	(459)	—	(114)	—	(114)	—	(191)	—	—	(191)	—	—	(764)
Partnership preferred distributions (note 29)	—	(22)	—	—	(22)	—	—	—	—	—	(8)	—	—	(8)	—	—	(30)
Acquisition of subsidiaries (note 7)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,523	—	3,523
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(831)	—	(831)
Disposition of interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(177)	—	(177)
Other items (note 28)	—	—	6	—	6	—	—	—	—	—	—	(6)	—	(6)	—	—	—
Balance as at December 31, 2017	\$ 4,907	\$ (953)	\$ 149	\$ 864	\$ 4,967	\$ 19	\$ —	\$ 6	\$ 25	\$ 2,078	\$ (413)	\$ (40)	\$ 387	\$ 2,012	\$ 5,875	\$ 595	\$ 13,474

(1) Refer to Note 28 Accumulated Other Comprehensive Income (Loss) for an analysis of accumulated other comprehensive income (loss) by item.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<u>US\$ MILLIONS</u>	Notes	For the year ended December 31,		
		2019	2018	2017
<b>Operating Activities</b>				
Net income		\$ 650	\$ 806	\$ 574
Adjusted for the following items:				
Earnings from investments in associates and joint ventures, net of distributions received	13	30	72	(52)
Depreciation and amortization expense	14, 15	1,214	801	671
Mark-to-market on hedging items, provisions and other	8	153	99	90
Gain on sale of associate	5	—	(338)	—
Deferred income tax expense	26	28	46	67
Changes in non-cash working capital, net	37	68	(124)	131
Cash from operating activities		2,143	1,362	1,481
<b>Investing Activities</b>				
Acquisition of subsidiaries, net of cash acquired	7	(10,271)	(5,825)	(4,223)
Disposal of subsidiaries, net of cash disposed		272	—	—
Investments in associates and joint ventures	13	(539)	(61)	(620)
Disposal of investments in associates and joint ventures	5	135	1,289	—
Purchase of long lived assets	14, 15, 17	(1,182)	(839)	(714)
Disposal of long lived assets	14, 15, 17	38	23	47
Purchase of financial assets		(176)	(202)	(318)
Sale of financial assets and other		278	104	258
Net settlement of foreign exchange hedging items		73	(53)	(151)
Cash used by investing activities		(11,372)	(5,564)	(5,721)
<b>Financing Activities</b>				
Distributions to general partner	29	(158)	(140)	(114)
Distributions to other unitholders	29	(869)	(779)	(680)
Subsidiary distributions to non-controlling interest		(1,216)	(676)	(831)
Capital provided by non-controlling interest	7	6,902	2,610	2,847
Capital provided to non-controlling interest	7	—	(877)	—
Proceeds from corporate borrowings	20	376	377	537
Repayment of corporate borrowings	20	(288)	(94)	(306)
Proceeds from partial disposition of subsidiaries to non-controlling interest, net of taxes	5	165	—	—
Proceeds from corporate credit facility	20	4,651	1,303	2,403
Repayment of corporate credit facility	20	(4,341)	(1,582)	(1,614)
Proceeds from non-recourse borrowings	20	8,625	5,601	668
Repayment of non-recourse borrowings	20	(5,052)	(1,650)	(308)
Lease liability repaid		(106)	—	—
Preferred units and preferred shares issued, net of repurchases	27	72	341	220
Partnership units issued, net of costs and repurchases	27	781	(16)	992
Cash from financing activities		9,542	4,418	3,814
<b>Cash and cash equivalents</b>				
Change during the year		313	216	(426)
Impact of foreign exchange on cash		(13)	(50)	14
Cash reclassified as held for sale		(13)	—	—
Balance, beginning of year		540	374	786
Balance, end of year		\$ 827	\$ 540	\$ 374

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS**

Brookfield Infrastructure Partners L.P. (our “partnership” and, together with its subsidiaries and operating entities, “Brookfield Infrastructure”) owns and operates utilities, transport, energy and data infrastructure businesses in North and South America, Europe and the Asia Pacific region. Our partnership was formed as a limited partnership established under the laws of Bermuda, pursuant to a limited partnership agreement dated May 17, 2007, as amended and restated. Our partnership is a subsidiary of Brookfield Asset Management Inc. (“Brookfield”). Our partnership’s units are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbols “BIP” and “BIP.UN”, respectively. Our cumulative Class A preferred limited partnership units, Series 1, Series 3, Series 5, Series 7, Series 9 and Series 11 are listed on the Toronto Stock Exchange under the symbols “BIP.PR.A”, “BIP.PR.B”, “BIP.PR.C”, “BIP.PR.D”, “BIP.PR.E” and “BIP.PR.F”, respectively. Our partnership’s registered office is 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

In these notes to the consolidated financial statements, references to “units” are to the limited partnership units in our partnership other than the preferred units, references to our “preferred units” are to preferred limited partnership units in our partnership and references to our “unitholders” and “preferred unitholders” are to the holders of our units and preferred units, respectively. References to “Class A Preferred Units”, “Series 1 Preferred Units”, “Series 3 Preferred Units”, “Series 5 Preferred Units”, “Series 7 Preferred Units”, “Series 9 Preferred Units” and “Series 11 Preferred Units” are to cumulative Class A preferred limited partnership units, cumulative Class A preferred limited partnership units, Series 1, cumulative Class A preferred limited partnership units, Series 3, cumulative Class A preferred limited partnership units, Series 5, cumulative Class A preferred limited partnership units, Series 7, cumulative Class A preferred limited partnership units, Series 9, and cumulative Class A preferred limited partnership units, Series 11 in our partnership, respectively.

**NOTE 2. SUBSIDIARIES**

The following provides information about our partnership’s wholly-owned subsidiaries as of December 31, 2019 and 2018:

Defined Name	Name of entity	Country of incorporation	Ownership interest (%)	
			2019	2018
<i>Transport</i>				
Australian rail operation . . . . .	Arc Infrastructure Holdings No. 1 Pty Ltd	Australia	<b>100</b>	100
<i>Energy</i>				
Australian energy distribution operation . . . . .	Tas Gas Networks Pty Ltd	Australia	—	100

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following table presents details of non-wholly owned subsidiaries of our partnership:

Defined Name	Name of entity	Country of incorporation	Effective Ownership Interest (%)		Voting interest (%)	
			2019	2018	2019	2018
<i>Utilities</i>						
U.K. regulated distribution operation	BUUK Infrastructure (Jersey) Limited	U.K.	<b>80</b>	80	<b>80</b>	80
Australian regulated terminal operation	DBCT Management Pty Ltd <sup>(1)</sup>	Australia	<b>71</b>	71	<b>100</b>	100
Colombian regulated distribution operation	Empresa de Energia de Boyaca S.A. <sup>(1),(3)</sup>	Colombia	<b>17</b>	17	<b>100</b>	100
Brazilian regulated gas transmission operation	Nova Transportadora do Sudeste S.A. <sup>(1)</sup>	Brazil	<b>28</b>	28	<b>90</b>	90
Colombian natural gas distribution operation	Gas Natural, S.A. ESP <sup>(1),(2)</sup>	Colombia	<b>16</b>	16	<b>55</b>	55
Brazilian electricity transmission operation	Odoya Transmissora de Energia S.A. & Esperanza Transmissora de Energia S.A. <sup>(1),(2)</sup>	Brazil	<b>31</b>	—	<b>100</b>	—
<i>Transport</i>						
North American rail operation	Genesee & Wyoming Inc. <sup>(1),(2)</sup>	U.S.	<b>9</b>	—	<b>72</b>	—
U.K. ports operation	Brookfield Port Acquisitions (UK) Limited <sup>(1)</sup>	U.K.	<b>59</b>	59	<b>100</b>	100
Australian port operation	Linx Cargo Care Group Pty Ltd <sup>(1)</sup>	Australia	<b>27</b>	27	<b>67</b>	67
Chilean toll roads	Sociedad Concesionaria Vespucio Norte Express S.A. <sup>(1)</sup>	Chile	<b>34</b>	51	<b>60</b>	89
Indian toll roads	BIF India Holdings Pte Ltd <sup>(1)</sup>	Singapore	<b>40</b>	40	<b>93</b>	93
Peruvian toll roads	Rutas de Lima S.A.C <sup>(1)</sup>	Peru	<b>17</b>	17	<b>57</b>	57
Indian toll roads	Simhapuri Expressway Limited <sup>(1),(2)</sup>	India	<b>29</b>	29	<b>93</b>	93
Indian toll roads	Rayalseema Expressway Private Limited <sup>(1),(2)</sup>	India	<b>26</b>	26	<b>84</b>	84
<i>Energy</i>						
North American gas storage operation	Warwick Gas Storage L.P. <sup>(1)</sup>	Canada	<b>25</b>	25	<b>100</b>	100
Canadian district energy operation	Enwave Energy Corporation <sup>(1)</sup>	Canada	<b>25</b>	25	<b>100</b>	100
U.S. district energy operation	Enwave USA <sup>(1)</sup>	U.S.	<b>40</b>	40	<b>100</b>	100
North American gas storage operation	Lodi Gas Storage <sup>(1)</sup>	U.S.	<b>40</b>	40	<b>100</b>	100
North American gas storage operation	Rockpoint Gas Storage Partners L.P. <sup>(1)</sup>	U.S.	<b>40</b>	40	<b>100</b>	100
Western Canadian natural gas gathering and processing operation	NorthRiver Midstream Inc. <sup>(1),(2)</sup>	Canada	<b>29</b>	29	<b>100</b>	100

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

North American residential energy infrastructure operation . . . . .	Enercare Inc. <sup>(1),(2)</sup>	Canada	<b>30</b>	30	<b>100</b>	100
Indian natural gas operations . . . . .	Pipeline Infrastructure Pvt. Ltd. <sup>(1),(2)</sup>	India	<b>24</b>	—	<b>83</b>	—
<i>Data Infrastructure</i>						
U.S. data center operation . . . . .	Dawn Acquisitions LLC <sup>(1),(2)</sup>	U.S.	<b>29</b>	29	<b>100</b>	100
Australian data center operation . . . . .	Ruby Pooling Hold Trust <sup>(1),(2)</sup>	Australia	<b>29</b>	—	<b>100</b>	—
U.K. telecom towers operation . . . . .	WIG Holdings I Limited <sup>(1),(2)</sup>	U.K.	<b>25</b>	—	<b>100</b>	—
<i>Corporate</i>						
Holding LP . . . . .	Brookfield Infrastructure L.P.	Bermuda	<b>70</b>	70	<b>100</b>	100

(1) For the above noted subsidiaries, our partnership has entered into voting arrangements to provide our partnership with the ability to direct the relevant activities of the investee. Our partnership controls these investees given that our partnership is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Our partnership exercises judgment to determine the level of variability that will achieve control over an investee, particularly in circumstances where our partnership's voting interest differs from its ownership interest in an investee. The following were considered to determine whether our partnership controls these investees: the degree of power (if any) held by other investors, the degree of exposure to variability of each investor, the determination of whether any general partner removal rights are substantive and the purpose and design of the investee.

(2) See Note 7 Acquisition of Businesses for further details.

(3) See Note 6 Assets and Liabilities Classified as Held for Sale

**NOTE 3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2020.

**(b) Basis of Preparation**

The consolidated financial statements are prepared on a going concern basis.

*(i) Subsidiaries*

These consolidated financial statements include the accounts of our partnership and subsidiaries over which our partnership has control. Subsidiaries are consolidated from the date of acquisition, being the date on which our partnership obtains control, and continue to be consolidated until the date when control is lost. Our partnership (investor) controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Together, our partnership and its subsidiaries are referred to as “Brookfield Infrastructure” in these financial statements.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in partnership capital in addition to changes in ownership interests. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Holding LP has issued Redeemable Partnership Units held by Brookfield, which may, at the request of the holder, require the Holding LP to redeem the Redeemable Partnership Units for cash consideration equal to the market price of our partnership's units. This right is subject to our partnership's right of first refusal which entitles it, at its sole discretion, to elect to acquire any Redeemable Partnership Unit so presented to Holding LP in exchange for one of our partnership's units subject to certain customary adjustments.

All intercompany balances, transactions, revenues and expenses are eliminated in full.

#### *(ii) Associates and Joint Ventures*

Associates and joint ventures are entities over which our partnership has significant influence or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control. Our partnership accounts for investments over which it has significant influence using the equity method, and are recorded as Investments in associates and joint ventures on the Consolidated Statements of Financial Position.

Interests in investments accounted for using the equity method are initially recorded at cost. If the cost of the associate is lower than the proportionate share of the investment's underlying fair value, our partnership records a gain on the difference between the cost and the underlying fair values of the identifiable net assets of the associate. If the cost of the associate is greater than our partnership's proportionate share of the underlying fair value, goodwill and other adjustments arising from the purchase price allocation relating to the associate is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of our partnership's interest in an investee is adjusted for our partnership's share of comprehensive income or loss and distributions from the investee.

Profits or losses resulting from transactions with an associate are recognized in the consolidated financial statements based on the interests of unrelated investors in the associate.

#### **(c) Foreign Currency Translation**

The U.S. dollar is the functional and presentation currency of Brookfield Infrastructure. Each of Brookfield Infrastructure's subsidiaries, associates and jointly controlled entities determines its own functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of other comprehensive income. On disposal of a foreign operation resulting in the loss of control, the component of other comprehensive income due to accumulated foreign currency translation relating to that foreign operation is reclassified to net income. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these operations are reported in the same manner. On partial disposal of a foreign operation in which control is retained, the proportionate share of the component of other comprehensive income or loss relating to that foreign operation is reclassified to non-controlling interests in that foreign operation.

Foreign currency denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income. Gains and losses on transactions which hedge these items are also included in net income or loss. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

#### **(d) Business Combinations**

Business acquisitions in which control is acquired are accounted for using the acquisition method, other than those between and among entities under common control. The consideration of each acquisition is measured at the aggregate of the fair values at the acquisition date of assets transferred by the acquirer, liabilities incurred or assumed, and equity instruments issued by Brookfield Infrastructure in exchange for control of the acquiree. Acquisition related costs are recognized in the Consolidated Statement of Operating Results as incurred and included in other expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as liabilities will be recognized in the Consolidated Statements of Operating Results, whereas changes in the fair values of contingent consideration classified within partnership capital are not subsequently re-measured.

Where a business combination is achieved in stages, Brookfield Infrastructure's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, that is, the date Brookfield Infrastructure attains control and the resulting gain or loss, if any, is recognized in the Consolidated Statements of Operating Results. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the Consolidated Statements of Operating Results, where such treatment would be appropriate if that interest were disposed of.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Brookfield Infrastructure reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date Brookfield Infrastructure obtains complete information about facts and circumstances that existed as of the acquisition date. The measurement period is subject to a maximum of one year subsequent to the acquisition date.

If, after reassessment, Brookfield Infrastructure's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree if any, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") and the amount initially recognized less cumulative amount of income recognized in accordance with IFRS 15, *Revenue from Contracts with Customers*.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Accounts Receivable**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

**(g) Property, Plant and Equipment**

Brookfield Infrastructure uses the revaluation method of accounting for all classes of property, plant and equipment. Property, plant and equipment is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are made on at least an annual basis, and on a sufficient basis to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income or loss and accumulated in equity within the revaluation surplus reserve, unless the increase reverses a previously recognized impairment recorded through net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in net income. Revaluation gains are included in other comprehensive income, but are not subsequently recycled into profit or loss.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statements of Operating Results. However, any balance accumulated in revaluation surplus is subsequently recorded in retained earnings when an asset is derecognized and not transferred to profit or loss.

Depreciation of an asset commences when it is available for use. Property, plant and equipment are depreciated on a straight-line or declining-balance basis over the estimated useful lives of each component of the assets as follows:

Buildings .....	Up to 75 years
Transmission stations, towers and related fixtures .....	Up to 40 years
Leasehold improvements .....	Up to 50 years
Plant and equipment .....	Up to 40 years
Network systems .....	Up to 65 years
Track .....	Up to 40 years
District energy systems .....	Up to 50 years
Gas storage assets .....	Up to 50 years

Depreciation on property, plant and equipment is calculated on a straight-line or declining-balance basis so as to depreciate the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

**(h) Investment Property**

Brookfield Infrastructure uses the fair value method to account for assets classified as investment property. An asset is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in profit or loss.

Fair values are primarily determined by valuation of the lease term and freehold reversion. An income capitalization approach is used by applying a yield to the rental income of the capitalization rate that is reflective of the characteristics, location and market of each property. Fair value is estimated by management of our partnership with due consideration given to observable market inputs, where available.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

#### (i) Asset Impairment

At each reporting date Brookfield Infrastructure assesses whether for assets, other than those measured at fair value with changes in values recorded in profit or loss, there is any indication that such assets are impaired. This assessment includes a review of internal and external factors which includes, but is not limited to, changes in the technological, political, economic or legal environment in which the entity operates in, structural changes in the industry, changes in the level of demand, physical damage and obsolescence due to technological changes. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal or the discounted future cash flows generated from use and eventual disposal from an asset or cash generating unit is less than its carrying value. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

#### (j) Intangible Assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Brookfield Infrastructure's intangible assets are comprised primarily of conservancy rights, service concession arrangements, customer order backlogs and customer contracts and relationships.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization unless indefinite-lived and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Public service concessions that provide Brookfield Infrastructure the right to charge users for a service in which the service and fee is regulated by the grantor are accounted for as an intangible asset under IFRIC 12, *Service Concession Arrangements*.

Concession arrangements were acquired as part of the acquisition of the Australian regulated terminal operation, Brazilian regulated gas transmission operation, Brazilian electricity transmission operation and Chilean, Indian and Peruvian toll roads and were initially recognized at their fair values. The intangible asset at the Australian regulated terminal operation relates to use of a specific coal port terminal for a contractual length of time and is amortized over the life of the contractual arrangement with 81 years remaining on a straight-line basis. The intangible assets at the Brazilian regulated gas transmission operation and Brazilian electricity transmission operation relate to concession contracts, and are amortized on a straight-line basis over the life of the contractual arrangement. The intangible assets at the Chilean, Indian and Peruvian toll roads relate to the right to operate a road and charge users a specified tariff for a contractual length of time and is amortized over the life of the contractual arrangement with an average of 14, 17, and 23 years remaining, respectively.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

See Note 15 Intangible Assets for additional information.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

#### (k) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit or units to which it relates. Brookfield Infrastructure identifies cash generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal or the value in use. Impairment losses recognized in respect of a cash generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. In the year of a business acquisition, the recoverability of the acquired goodwill is assessed by revisiting the assumptions of the related underwriting model.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal of the operation.

#### (l) Revenue Recognition

Our partnership previously adopted IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) as of January 1, 2018 retrospectively with no restatement of comparative periods. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. This standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. IFRS 15 superseded 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.

Our partnership recognizes revenue when it transfers control of a product or service to a customer.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Brookfield Infrastructure recognizes revenue when the specific criteria have also been met for each of Brookfield Infrastructure’s activities as described below. Cash received by Brookfield Infrastructure from customers is recorded as deferred revenue until revenue recognition criteria are met.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

***Utilities***

Revenue from utilities infrastructure is derived from the transmission of energy and natural gas, the distribution of energy and from Brookfield Infrastructure's Australian regulated terminal operation. Distribution and transmission revenue each contain a single performance obligation that is recognized over time. The connection revenue relating to Brookfield Infrastructure's regulated distribution operation contains a distinct performance obligation that is recognized over the period that the connection is constructed, based on an input method of progress recognition on the basis that this methodology is most reflective of the underlying transfer of control. Terminal infrastructure revenue contains both a capacity charge and a handling charge associated with operating the terminal. The terminal infrastructure service contracts contain a performance obligation recognized over time pertaining to capacity for the period the services are provided and for handling services based on tons of coal shipped through the terminal when service is provided. The payment terms for all of our businesses in the utilities segment require payment upon completion, except for connections income whereby payment is typically collected up-front prior to the completion of any services.

***Transport***

Revenue from transport infrastructure consists primarily of freight, toll road operations and transportation services revenue. These services consist of a single performance obligation and revenue is recognized over time when services are rendered, based primarily on usage or volume during the period. The payment terms for all of our businesses in the transport segment require payment upon completion of the underlying transportation service.

***Energy***

Revenue from energy infrastructure consists primarily of natural gas midstream and storage services and distributed energy control infrastructure. Natural gas midstream services revenue consists of a single performance obligation and is recognized over time as services are rendered, based primarily on volume throughput or contracted capacity. Gas storage revenues contain both a capacity charge and a variable charge, however the associated services are highly interdependent and represent a single performance obligation that is satisfied over time as the services are provided. Performance obligations relating to distributed energy control contracts are satisfied over time as the services are rendered. The sale of district energy solutions to customers contains a distinct performance obligation and revenue is recognized when installation is completed. The payment terms for all of our businesses in the energy segment require payment upon completion of the underlying service within a given period.

***Data Infrastructure***

Revenues from data transmission and distribution operations are derived from contracts with media broadcasting and telecom customers to access infrastructure, and revenue from data storage operations are generated from providing data storage services to enterprise customers. These contracts consist of performance obligations that are satisfied over time in accordance with the underlying agreements. The payment terms require upfront and recurring payments to utilize space on towers to host the customers' equipment at our data transmission and distribution operations, and to receive colocation services, mainly leased space and power, at our data storage operations. The differing payment terms do not constitute separate performance obligations as revenue is recognized over time for the period the services are provided.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**(m) Financial Instruments and Hedge Accounting**

*(i) Financial Instrument Classification*

Our partnership previously adopted IFRS 9, *Financial Instruments* (“IFRS 9”) as of January 1, 2018 retrospectively with no restatement of comparative periods. IFRS 9 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. The standard includes changes regarding the classification of certain financial instruments as discussed below. These changes have not had a material impact on our partnership’s consolidated financial statements. The standard also includes a new general hedge accounting standard which aligns 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 allows more hedging strategies that are used for risk management purposes to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship.

Our partnership classifies cash and cash equivalents and accounts receivable and other as amortized cost. Additionally, our partnership maintains a portfolio of marketable securities comprised of liquid equity and debt securities. The marketable securities are classified either as fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). Derivative assets are classified as FVTPL, except for derivatives in certain hedging relationships. Other financial assets are classified as either amortized cost or FVTOCI.

Financial assets classified as FVTPL or FVTOCI are subsequently measured at fair value at each reporting date. For financial assets classified as FVTPL, the change in fair value is recorded through profit or loss. For financial assets classified as FVTOCI, the change in fair value is recorded in other comprehensive income. The cumulative gains or losses related to FVTOCI equity instruments are not reclassified to profit or loss on disposal, whereas the cumulative gains or losses on all other FVTOCI assets are reclassified to profit or loss on disposal. For financial instruments at amortized cost or debt instruments at FVTOCI, the partnership assesses if there have been significant increases in credit risk since initial recognition to determine whether lifetime or 12-month expected credit losses should be recognized. Any related loss allowances are recorded through profit or loss.

Borrowings, accounts payable and other, and preferred shares are classified as amortized cost, except for derivatives embedded in related financial instruments. Embedded derivatives and any other derivative liabilities are classified as FVTPL and are subsequently measured at fair value, except for derivatives in certain hedging relationships. Other financial liabilities are classified as either FVTPL or amortized cost.

Financial instruments classified as amortized cost upon adoption of IFRS 9 were previously classified as loans and receivables. Financial assets classified as FVTOCI and certain marketable securities classified as FVTPL were previously classified as available-for-sale securities. The changes in classification had no impact on the carrying values and there were no changes to the classification of the remainder of financial assets classified as FVTPL.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

*(ii) Hedge Accounting*

Brookfield Infrastructure selectively utilizes derivative financial instruments primarily to manage financial risks, including interest rate and foreign exchange risks. Derivative financial instruments are recorded at fair value. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and that the hedging relationship meets all of the hedge effectiveness requirements. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting is recognized in profit or loss over the remaining term of the original hedging relationship as amounts related to the hedged item are recognized in profit or loss. The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments are recorded in financial assets and financial liabilities, respectively.

Realized and unrealized gains and losses on foreign exchange contracts, designated as hedges of currency risks relating to a net investment in a subsidiary with a functional currency other than the U.S. dollar are included in equity and are included in net income in the period in which the subsidiary is disposed of or to the extent partially disposed and control is not retained. Derivative financial instruments that are designated as hedges to offset corresponding changes in the fair value of assets and liabilities and cash flows are measured at estimated fair value with changes in fair value recorded in profit or loss or as a component of equity as applicable.

Unrealized gains and losses on interest rate contracts designated as hedges of future variable interest payments are included in equity as a cash flow hedge when the interest rate risk relates to an anticipated variable interest payment. The periodic exchanges of payments on interest rate swap contracts designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense.

**(n) Income Taxes**

Income tax expense represents the sum of the tax accrued in the period and deferred income tax.

*(i) Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in partnership capital are also recognized directly in partnership capital and other comprehensive income.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

#### (ii) *Deferred income tax*

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the consolidated financial statements. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income, other than in a business combination. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where Brookfield Infrastructure is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflect the tax consequences that would follow from the manner in which Brookfield Infrastructure expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity or Brookfield Infrastructure intends to settle its current tax assets and liabilities on a net basis in the case where there exist different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

#### (o) **Assets Held for Sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification subject to limited exceptions.

When Brookfield Infrastructure is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether Brookfield Infrastructure will retain a non-controlling interest in its former subsidiary after the sale.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group are presented separately from other assets in the Consolidated Statements of Financial Position and are classified as current. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statements of Financial Position.

Once classified as held for sale, property, plant and equipment and intangible assets are not depreciated or amortized, respectively.

#### **(p) Provisions**

Provisions are recognized when Brookfield Infrastructure has a present obligation, either legal or constructive, as a result of a past event, it is probable that Brookfield Infrastructure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **(q) Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

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

*(i) Common control transactions*

IFRS 3 (2008) *Business Combinations* does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, Brookfield Infrastructure has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. Brookfield Infrastructure's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying value on the transferor's financial statements, and to have the Consolidated Statements of Financial Position, Consolidated Statements of Operating Results, Consolidated Statements of Comprehensive Income and Statements of Cash Flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

*(ii) Financial instruments*

Brookfield Infrastructure's accounting policies relating to derivative financial instruments are described in Note 3(m), Financial Instruments and Hedge Accounting. The critical judgments inherent in these policies relate to applying the criteria to the assessment of the effectiveness of hedging relationships. 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 our partnership and counterparty; estimated future cash flows; and discount rates.

*(iii) 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 14, Property, Plant and Equipment.

*(iv) Fair values in business combinations*

Brookfield Infrastructure accounts for business combinations using the acquisition method of accounting. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often predicated on estimates and judgments including future cash flows discounted at an appropriate rate to reflect the risk inherent in the acquired assets and liabilities (refer to Note 7, Acquisition of Businesses for details of business combinations). The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time required to obtain independent valuations of individual assets and to complete assessments of provisions. When the accounting for a business combination has not been completed as at the reporting date, this is disclosed in the financial statements, including observations on the estimates and judgments made as of the reporting date.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

(v) *Assets held for sale*

Brookfield Infrastructure applies judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and that its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. Conditions that support a highly probable sale include the following: an appropriate level of management is committed to a plan to sell the asset or disposal group, an active program to locate a buyer is initiated, the asset is being actively marketed for sale at a price reasonable in relation to its fair value, the sale is highly probably within 12 months of classification as held for sale, and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

(vi) *Impairment of goodwill, intangibles with indefinite lives and investment in associates and joint ventures*

The impairment assessment of goodwill and intangible assets with indefinite lives requires estimation of the value-in-use or fair value less costs of disposal of the cash-generating units or groups of 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 units; discount rates; terminal capitalization rates; terminal valuation dates and useful lives.

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.

Other critical judgments utilized in the preparation of our partnership's financial statements include the methodologies for calculating amortization, determination of operating segments and determination of control.

**(r) Recently adopted accounting standards**

Brookfield Infrastructure applied, for the first time, certain new standards applicable to our partnership that we early adopted or became effective on or after January 1, 2019. The impact of adopting these new standards on our partnership's accounting policies are as follows:

***IFRS 16 Leases ("IFRS 16")***

In January 2016, the IASB published a new standard, IFRS 16. The new standard brings most leases on balance sheet, 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* ("IAS 17") and related interpretations and is effective for periods beginning on or after January 1, 2019.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The partnership adopted the standard using a modified retrospective approach, whereby any transitional impact is recorded in equity as at January 1, 2019, and comparative periods are not restated. In applying IFRS 16 for the first time, the partnership has applied the following practical expedients permitted by the standard on a lease-by-lease basis. These practical expedients are only available upon adoption and cannot be applied for any new lease executed after adoption:

- The accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases; and
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics. Furthermore, the partnership has applied the policy choice options on adoption to measure right-of-use assets at an amount equal to the lease liability.

The partnership has elected to apply the following practical expedients in its application of the standard:

- To not allocate contract consideration between lease and non-lease components, but rather account for each lease and non-lease component as a single lease component; and
- To recognize the payments associated with short-term and low-value leases on a straight-line basis as an expense over the lease term.

The adoption of IFRS 16 resulted in the recognition of lease liabilities that are recorded in accounts payable and other, other liabilities, and right-of-use assets (“ROU”) that are classified as property, plant, and equipment of \$1.2 billion. The adoption of IFRS 16 did not have an impact on partnership capital. The weighted average incremental borrowing rate used in determining the lease liabilities is approximately 5%. The difference between the present value of operating lease commitments disclosed applying IAS 17 as at December 31, 2018 and the lease liabilities recognized as at January 1, 2019 is due to finance lease liabilities recognized as at December 31, 2018, short-term and low-value leases recognized as expense, and adjustments as a result of different treatment for extension and termination options and variable lease payments relating to changes in indices or rates.

Our partnership assesses whether a contract is or contains a lease, at inception of a contract and recognizes an ROU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low value. The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease, if that rate can be determined, or otherwise the incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise of i) fixed lease payments, including in-substance fixed payments, less any lease incentives; ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; iii) the amount expected to be payable by the lessee under residual value guarantees; iv) the exercise price of purchase options, if it is reasonably certain that the option will be exercised; and v) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The partnership remeasures lease liabilities and makes a corresponding adjustment to the related ROU assets when i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; ii) the lease payments have changed due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or iii) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The partnership has applied critical judgments in the application of IFRS 16, including: i) identifying whether a contract (or part of a contract) includes a lease; ii) determining whether it is reasonably certain that lease extension or termination option will be exercised in determining lease term; and iii) determining whether variable payments are in-substance fixed. The partnership also uses critical estimates in the application of IFRS 16, including the estimation of lease term and determination of the appropriate rate to discount the lease payments.

#### ***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. Our partnership has adopted the standard as of January 1, 2019 on a modified retrospective basis. The adoption did not have a significant impact on our partnership’s consolidated financial statements.

#### ***IFRS 3 Business Combinations (“IFRS 3”)***

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020. The amendment clarifies the definition of a business and provides illustrative examples in determining whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that to be considered a business, an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create outputs. Effective January 1, 2019, our partnership has early adopted the standard prospectively. The adoption did not have a significant impact on our partnership’s consolidated financial statements.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

After the adoption of IFRS 3 amendments, the partnership continues to account for business combinations in which control is acquired under the acquisition method. When an acquisition is made, the partnership considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. When the acquired set of activities and assets lack a substantive process in place but will be integrated into the partnership's existing operations, the acquisition ceases to meet the definition of a business and is accounted for as an asset acquisition. Assets acquired through asset acquisitions are initially measured at cost, which includes the transaction costs incurred for the acquisitions. Acquisitions that continue to meet the definition of a business combination are accounted for under the same acquisition method.

#### ***Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures***

The partnership adopted Interest Rate Benchmark Reform - Amendments to IFRS 9, and IFRS 7, issued by the IASB in September 2019 ("IBOR Amendments"), effective October 1, 2019 in advance of its mandatory effective date. The IBOR Amendments have been applied retrospectively to hedging relationships existing at the start of the reporting period or designated subsequently, and to the amount accumulated in the cash flow hedge reserve at that date. The IBOR Amendments provide temporary relief from applying specific hedge accounting requirements to the partnership's hedging relationships that are directly affected by IBOR reform, which primarily include US\$ LIBOR, £ LIBOR, and € EURIBOR. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. In assessing whether a hedge is expected to be highly effective on a forward-looking basis, the partnership assumes the interest rate benchmark on which the cash flows of the derivative which hedges borrowings is not altered by IBOR reform. These reliefs cease to apply to a hedged item or hedging instrument, as applicable, at the earlier of (i) when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the interest rate benchmark based future cash flows, and (ii) when the hedging relationship is discontinued. The amendments had no impact on the Partnership since these amendments enable the Partnership to continue hedge accounting for hedging relationships which have been previously designated.

It is currently expected that Secured Overnight Financing Rate ("SOFR") will replace US\$ LIBOR, Sterling Overnight Index Average ("SONIA") will replace £ LIBOR, and Euro Short-term Rate ("€STR") will replace € EURIBOR. All of these are expected to become effective prior to December 31, 2021. The partnership is currently finalizing and implementing its transition plan to address the impact and effect changes as a result of amendments to the contractual terms of IBOR referenced floating-rate borrowings, interest rate swaps, and interest rate caps, and updating hedge designations.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**NOTE 4. SEGMENT INFORMATION**

IFRS 8, *Operating Segments*, requires operating segments to be determined based on information that is regularly reviewed by the Executive Management and the Board of Directors for the purpose of allocating resources to the segment and to assess its performance. Key measures used by the Chief Operating Decision Maker (“CODM”) in assessing performance and in making resource allocation decisions are Funds from Operations (“FFO”) and adjusted earnings before interest, tax, depreciation and amortization (“Adjusted EBITDA”), which enable the determination of return on the equity deployed. FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, and non-cash valuation gains or losses. Adjusted EBITDA is calculated 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.

FOR THE YEAR ENDED DECEMBER 31, 2019 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Total			
Revenues <sup>(2)</sup> .....	\$ 1,125	\$ 1,390	\$ 1,014	\$ 336	\$ —	\$ 3,865	\$ (1,424)	\$ 4,156	\$ 6,597
Costs attributed to revenues ..	(366)	(668)	(500)	(161)	—	(1,695)	649	(2,349)	(3,395)
General and administrative costs .....	—	—	—	—	(279)	(279)	—	—	(279)
Adjusted EBITDA .....	759	722	514	175	(279)	1,891	(775)	1,807	
Other (expense) income .....	(41)	1	24	3	91	78	11	(117)	(28)
Interest expense .....	(141)	(193)	(126)	(42)	(83)	(585)	173	(492)	(904)
FFO .....	577	530	412	136	(271)	1,384	(591)	1,198	
Depreciation and amortization .....	(179)	(355)	(231)	(129)	(1)	(895)	399	(718)	(1,214)
Deferred taxes .....	(68)	31	(34)	10	(16)	(77)	52	(3)	(28)
Mark-to-market on hedging items and other .....	30	(160)	30	(30)	(49)	(179)	(84)	(60)	(323)
Gain on sale of associate, net of tax .....	—	—	—	—	—	—	—	—	—
Share of earnings from associates .....	—	—	—	—	—	—	224	—	224
Net income attributable to non-controlling interest ..	—	—	—	—	—	—	—	(417)	(417)
<b>Net income (loss) attributable to partnership<sup>(3)</sup> .....</b>	<b>\$ 360</b>	<b>\$ 46</b>	<b>\$ 177</b>	<b>\$ (13)</b>	<b>\$ (337)</b>	<b>\$ 233</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 233</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

FOR THE YEAR ENDED DECEMBER 31, 2018 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Total			
Revenues <sup>(2)</sup> .....	\$ 1,055	\$ 1,612	\$ 668	\$ 170	\$ —	\$ 3,505	\$ (1,524)	\$ 2,671	\$ 4,652
Costs attributed to revenues ..	(322)	(930)	(340)	(77)	—	(1,669)	833	(1,372)	(2,208)
General and administrative costs .....	—	—	—	—	(223)	(223)	—	—	(223)
Adjusted EBITDA .....	733	682	328	93	(223)	1,613	(691)	1,299	
Other (expense) income .....	(30)	2	22	(4)	72	62	11	(107)	(34)
Interest expense .....	(127)	(166)	(81)	(12)	(58)	(444)	134	(245)	(555)
FFO .....	576	518	269	77	(209)	1,231	(546)	947	
Depreciation and amortization .....	(187)	(345)	(154)	(72)	—	(758)	370	(413)	(801)
Deferred taxes .....	(49)	47	(3)	7	10	12	(44)	(14)	(46)
Mark-to-market on hedging items and other .....	(82)	(208)	(73)	(6)	85	(284)	233	(124)	(175)
Gain on sale of associate, net of tax .....	—	—	—	—	209	209	—	—	209
Share of losses from associates .....	—	—	—	—	—	—	(13)	—	(13)
Net income attributable to non-controlling interest ..	—	—	—	—	—	—	—	(396)	(396)
Net income attributable to partnership <sup>(3)</sup> .....	<u>\$ 258</u>	<u>\$ 12</u>	<u>\$ 39</u>	<u>\$ 6</u>	<u>\$ 95</u>	<u>\$ 410</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 410</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

FOR THE YEAR ENDED DECEMBER 31, 2017 US\$ MILLIONS	Total attributable to Brookfield Infrastructure						Contribution from investments in associates	Attributable to non- controlling interest	As per IFRS financials <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Total			
Revenues <sup>(2)</sup> .....	\$ 988	\$ 1,589	\$ 559	\$ 165	\$ —	\$ 3,301	\$ (1,624)	\$ 1,858	\$ 3,535
Costs attributed to revenues ..	(250)	(895)	(278)	(75)	—	(1,498)	861	(872)	(1,509)
General and administrative costs .....	—	—	—	—	(239)	(239)	—	—	(239)
Adjusted EBITDA .....	738	694	281	90	(239)	1,564	(763)	986	
Other (expense) income .....	(14)	(4)	15	(2)	45	40	7	(108)	(61)
Interest expense .....	(114)	(158)	(87)	(12)	(63)	(434)	172	(166)	(428)
FFO .....	610	532	209	76	(257)	1,170	(584)	712	
Depreciation and amortization .....	(186)	(312)	(151)	(77)	—	(726)	382	(327)	(671)
Deferred taxes .....	(52)	(1)	11	21	14	(7)	(22)	(38)	(67)
Mark-to-market on hedging items and other .....	(59)	(80)	(37)	(9)	(127)	(312)	106	102	(104)
Share of earnings from associates .....	—	—	—	—	—	—	118	—	118
Net income attributable to non-controlling interest ..	—	—	—	—	—	—	—	(449)	(449)
Net income (loss) attributable to partnership <sup>(3)</sup> .....	<u>\$ 313</u>	<u>\$ 139</u>	<u>\$ 32</u>	<u>\$ 11</u>	<u>\$ (370)</u>	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 125</u>

- (1) The above table provides each segment's results in the format that management organizes its reporting segments to make operating decisions and assess performance. 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 under IFRS. The above table reconciles Brookfield Infrastructure's 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 partnership's investments in associates and reflecting the portion of each line item attributable to non-controlling interests.
- (2) Revenues on a consolidated basis were \$2,990 million (2018: \$2,563 million, 2017: \$1,785 million) from our utilities segment, \$1,309 million (2018: \$1,322 million, 2017: \$1,290 million) from our transport segment, \$1,982 million (2018: \$767 million, 2017: \$460 million) from our energy segment and \$316 million (2018: \$nil, 2017: \$nil) from our data infrastructure segment.
- (3) Includes net income (loss) attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, non-controlling interests—Exchange LP Units, general partner and limited partners.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**Segment assets**

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, attributable to each segment.

The following is an analysis of Brookfield Infrastructure's assets by reportable operating segment:

AS AT DECEMBER 31, 2019 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 <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Brookfield Infrastructure				
<b>Total assets</b>	<u>\$ 5,825</u>	<u>\$ 6,916</u>	<u>\$ 5,589</u>	<u>\$ 2,204</u>	<u>\$ (1,284)</u>	<u>\$ 19,250</u>	<u>\$ (2,884)</u>	<u>\$ 32,621</u>	<u>\$ 7,321</u>	<u>\$ 56,308</u>

AS AT DECEMBER 31, 2018 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 <sup>(1)</sup>
	Utilities	Transport	Energy	Data Infrastructure	Corporate	Brookfield Infrastructure				
<b>Total assets</b>	<u>\$ 4,864</u>	<u>\$ 6,424</u>	<u>\$ 4,722</u>	<u>\$ 1,446</u>	<u>\$ (929)</u>	<u>\$ 16,527</u>	<u>\$ (2,350)</u>	<u>\$ 17,545</u>	<u>\$ 4,858</u>	<u>\$ 36,580</u>

(1) The above table provides each segment's assets in the format that management organizes its reporting segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations using consolidation and the equity method whereby our partnership either controls or exercises significant influence over the investment respectively. The above table reconciles Brookfield Infrastructure's proportionate assets to total assets presented on our partnership's Consolidated Statements of Financial Position by removing net liabilities contained within investments in associates and joint ventures and reflecting the assets attributable to non-controlling interests, and adjusting for working capital assets which are netted against working capital liabilities.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**Geographic Information**

**Revenues from external customers**

Substantially all of our partnership's revenues are recognized over time as services are rendered. The following table disaggregates revenues by geographical region.

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Brazil .....	<b>\$ 1,142</b>	\$ 1,112	\$ 938
Colombia .....	<b>1,054</b>	693	161
Australia .....	<b>1,031</b>	1,104	1,093
Canada .....	<b>976</b>	379	193
United States .....	<b>921</b>	293	183
United Kingdom .....	<b>688</b>	653	565
India .....	<b>399</b>	60	57
Chile .....	<b>163</b>	168	153
Peru .....	<b>107</b>	92	103
Other .....	<b>116</b>	98	89
	<b><u>\$ 6,597</u></b>	<b><u>\$ 4,652</u></b>	<b><u>\$ 3,535</u></b>

Brookfield Infrastructure's customer base is comprised predominantly of investment grade companies. Our revenues are well diversified by region and counterparty with only one customer that makes up greater than 10% of our partnership's consolidated revenues. For the year ended December 31, 2019, revenue generated from this customer within the utilities segment was \$1,142 million (2018: \$1,112 million).

**Non-current assets**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
United States .....	<b>\$ 13,671</b>	\$ 4,569
Canada .....	<b>9,243</b>	6,867
United Kingdom .....	<b>7,196</b>	4,708
Brazil .....	<b>7,103</b>	6,829
Australia .....	<b>5,488</b>	5,304
India .....	<b>3,150</b>	982
Peru .....	<b>1,337</b>	1,308
Colombia .....	<b>1,166</b>	1,857
Chile .....	<b>821</b>	940
Europe .....	<b>764</b>	863
Other .....	<b>528</b>	77
	<b><u>\$ 50,467</u></b>	<b><u>\$ 34,304</u></b>

## **NOTE 5. DISPOSITION OF BUSINESSES**

### **a) Disposition of Australian District Energy Operation**

In November 2019, Brookfield Infrastructure completed the sale of its wholly-owned district energy business in Australia. The Australian district energy business was previously included in the energy operating segment and was sold to a third party for net proceeds of \$277 million. After recognizing our share of earnings and foreign currency translation until the date of sale, the partnership's carrying value of the operation was \$215 million. On disposition of the business, the partnership recognized a gain of \$62 million in the Consolidated Statement of Operating Results, net of transaction costs of \$5 million. As a result of the disposition, accumulated revaluation surplus of \$12 million (net of tax) was reclassified from accumulated other comprehensive income directly to retained earnings and recorded within Other items on the Consolidated Statements of Partnership Capital. Net losses of \$35 million relating to foreign currency translation and net investment hedges were reclassified from accumulated other comprehensive income to other (expense) income on the Consolidated Statement of Operating Results.

### **b) Partial Disposition of our Interest in Chilean Toll Road Business**

On February 7, 2019, Brookfield Infrastructure completed the sale of a 17% interest in its Chilean toll road business for total after-tax proceeds of \$365 million. Proceeds included a \$200 million distribution from a local financing completed at the business prior to the sale of our interest. Our partnership received \$165 million. Brookfield Infrastructure retained control over the business subsequent to the sale. As a result of the disposition, a gain of \$354 million (net of taxes) was recognized directly in equity. Net losses of \$38 million relating to foreign currency translation and net investment hedges were reclassified from accumulated other comprehensive income directly to retained earnings (deficit) on the Consolidated Statements of Partnership Capital.

### **c) Disposition of Chilean Electricity Transmission Operation**

On March 15, 2018, Brookfield Infrastructure sold its 27.8% interest in a Chilean electricity transmission operation, ETC Transmission Holdings, S.L. (ETC Holdings), the parent company of Transelec S.A. The Chilean electricity transmission operation was previously included in the utilities operating segment and was sold to a third party for total proceeds of \$1.3 billion. After recognizing our share of earnings and foreign currency translation until March 15, 2018, the partnership's carrying value of ETC Holdings was \$951 million. On disposition of the business, the partnership recognized a gain of \$338 million in the Consolidated Statement of Operating Results, net of transaction costs of \$11 million, along with the associated income tax expense of \$129 million. As a result of the disposition, accumulated revaluation surplus of \$641 million (net of tax) was reclassified from accumulated other comprehensive income directly to retained earnings and recorded within other (expense) income on the Consolidated Statements of Partnership Capital. Accumulated other comprehensive losses of \$35 million were reclassified to share of earnings (losses) from associates and joint ventures on the Consolidated Statement of Operating Results.

## NOTE 6. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the year ended December 31, 2019, Brookfield Infrastructure agreed to sell its interest in a Texas electricity transmission business and a Colombian regulated distribution business. As a result, the assets and liabilities of these businesses have been classified as held for sale as at December 31, 2019.

The major classes of assets and liabilities of the businesses classified as held for sale are as follows:

<u>US\$ MILLIONS</u>	<u>December 31, 2019</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 13
Accounts receivable and other current assets	56
Current assets	69
Property, plant and equipment	680
Investments in associates and joint ventures	38
Intangible assets and other non-current assets	10
<b>Total assets classified as held for sale</b>	<b>797</b>
<b>Liabilities</b>	
Accounts payable and other liabilities	260
Non-recourse borrowings	167
<b>Total liabilities associated with assets held for sale</b>	<b>427</b>
<b>Net assets classified as held for sale<sup>(1)</sup></b>	<b>\$ 370</b>

(1) On December 30, 2019, Brookfield Infrastructure, acquired an effective 9% interest in Genesee & Wyoming Inc, a North American rail infrastructure business. For further details, see Note 7 Acquisition of Businesses. Concurrent with the acquisition, Brookfield Infrastructure entered into a share purchase agreement to sell the Australian portion of its operation. As at December 31, 2019, net assets of \$691 million relating to the Australian portion of its operation are classified as held for sale. Account balances have been excluded from the table above.

On January 14, 2020, Brookfield Infrastructure sold its 17% interest in its Colombian regulated distribution operation for total consideration of approximately \$90 million.

On February 15, 2020, Brookfield Infrastructure completed the sale of the Australian portion of its North American rail infrastructure business for no gain or loss.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**NOTE 7. ACQUISITION OF BUSINESSES**

**a) Acquisition of a Western Canadian natural gas midstream business (federally regulated)**

On December 31, 2019, Brookfield Infrastructure, alongside institutional partners (the “NorthRiver consortium”), acquired an effective 29% interest in the federally regulated portion of Enbridge Inc.’s Canadian natural gas midstream business for total consideration of \$377 million (NorthRiver consortium total of \$1.3 billion). Under Brookfield’s ownership, the business will be operated alongside the provincial assets acquired in 2018 and rebranded NorthRiver Midstream Inc. (“NorthRiver”). The acquisition was funded through equity of \$246 million (NorthRiver consortium total of \$861 million) and the remainder with asset level debt raised on closing. Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective December 31, 2019. Acquisition costs of \$8 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2019.

*Consideration transferred*

US\$ MILLIONS

Cash .....	\$ 377
<b>Total Consideration</b> .....	<b>\$ 377</b>

*Fair value of assets and liabilities acquired as of December 31, 2019 (provisional)<sup>(1)</sup>:*

US\$ MILLIONS

Accounts receivable and other .....	\$ 5
Property, plant and equipment .....	1,198
Intangible assets .....	74
Goodwill .....	218
Deferred income tax assets .....	41
Accounts payable and other liabilities .....	<u>(218)</u>
Net assets acquired before non-controlling interest .....	1,318
Non-controlling interest <sup>(2)</sup> .....	<u>(941)</u>
Net assets acquired .....	<u>\$ 377</u>

(1) *The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date, pending finalization of the determination of the fair values of the acquired assets and liabilities. Our partnership is in the process of obtaining additional information primarily related to the fair value of property, plant and equipment, intangible assets and the resulting impact to goodwill as at the date of acquisition.*

(2) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

The goodwill recorded on acquisition is largely reflective of the potential to obtain long-term contracts for the business’ unutilized capacity and production growth in certain locations. The goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2019, NorthRiver (federally regulated) contributed revenues of \$nil and net income of \$nil.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**b) Acquisition of a North American rail business**

On December 30, 2019, Brookfield Infrastructure, alongside institutional partners (the “G&W consortium”), acquired an effective 9% interest in Genesee & Wyoming Inc. (“G&W”), a North American rail infrastructure business, for total consideration of approximately \$602 million (G&W consortium total of \$6.5 billion). The acquisition was funded through equity of \$502 million (G&W consortium total of \$5.4 billion) and the remainder with asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with affiliates of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective December 30, 2019. Acquisition costs of \$38 million were recorded within Other (expense) income in the Consolidated Statements of Operating Results in 2019.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

*Consideration transferred*

US\$ MILLIONS

Cash .....	\$ 602
<b>Total Consideration .....</b>	<b><u>\$ 602</u></b>

*Fair value of assets and liabilities acquired as of December 30, 2019 (provisional)<sup>(1)</sup>:*

US\$ MILLIONS

Cash and cash equivalents	\$ 67
Accounts receivable and other	509
Assets classified as held for sale <sup>(2)</sup>	1,584
Property, plant and equipment	5,283
Intangible assets <sup>(3)</sup>	1,992
Investment in associate	48
Goodwill	2,042
Accounts payable and other liabilities	(612)
Non-recourse borrowings	(1,567)
Liabilities directly associated with assets classified as held for sale <sup>(2)</sup>	(893)
Other liabilities	(566)
Deferred income tax liabilities	<u>(1,111)</u>
Net assets acquired before non-controlling interest	6,776
Non-controlling interest <sup>(4)</sup>	<u>(6,174)</u>
Net assets acquired	<b><u>\$ 602</u></b>

(1) *The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date, pending finalization of the determination of the fair values of the acquired assets and liabilities. Our partnership is in the process of obtaining additional information primarily in order to assess the fair values of property, plant and equipment, intangible assets, deferred income taxes and other tax matters, provisions and the resulting impact to goodwill as at the date of the acquisition.*

(2) *Brookfield Infrastructure agreed to sell the Australian operations of G&W. As a result, the assets and liabilities of these businesses have been classified as held for sale as at December 31, 2019. The sale was completed subsequent to year-end. Refer to Note 6 Assets and Liabilities Classified as Held for Sale.*

(3) *Refer to Note 15 Intangible Assets for details.*

(4) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

The goodwill recorded on acquisition reflects potential growth prospects and a strong market position as a key provider of rail infrastructure in North America. None of the goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2019, G&W contributed revenues of \$nil and a net income of \$nil.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**c) Acquisition of a U.K. telecommunication business**

On December 19, 2019, Brookfield Infrastructure, alongside institutional partners (the “consortium”), acquired an effective 25% interest in Wireless Infrastructure Group Limited (“WIG”), a U.K. telecommunication business, for total consideration by Brookfield Infrastructure of approximately \$141 million (consortium total of \$564 million). Brookfield Infrastructure’s consideration consists of \$73 million in cash (consortium total of \$293 million) and deferred consideration of \$68 million (consortium total of \$270 million) payable over two years from the close of the transaction. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective December 19, 2019. Acquisition costs of \$6 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2019.

*Consideration transferred*

**US\$ MILLIONS**

Cash .....	\$ 73
Deferred consideration .....	<u>68</u>
<b>Total Consideration .....</b>	<b><u>\$ 141</u></b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

*Fair value of assets and liabilities acquired as of December 19, 2019 (provisional)<sup>(1)</sup>:*

<u>US\$ MILLIONS</u>	
Cash and cash equivalents .....	\$ 9
Accounts receivable and other .....	18
Property, plant and equipment .....	95
Intangible assets <sup>(2)</sup> .....	465
Goodwill .....	301
Accounts payable and other liabilities .....	(53)
Non-recourse borrowings .....	(195)
Deferred income tax liability .....	(76)
Net assets acquired before non-controlling interest .....	<u>564</u>
Non-controlling interest <sup>(3)</sup> .....	<u>(423)</u>
Net assets acquired .....	<u><u>\$ 141</u></u>

(1) *The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date, pending finalization of the determination of the fair values of the acquired assets and liabilities. Our partnership is in the process of obtaining additional information primarily in order to assess the fair values of property, plant and equipment, intangible assets, non-recourse borrowings, deferred income taxes and other tax matters, and the resulting impact to goodwill as at the date of the acquisition.*

(2) *Refer to Note 15 Intangible Assets for details.*

(3) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

Upon consolidation of WIG, an additional deferred tax liability of \$25 million was recorded. The deferred income tax liability arose as the tax bases of the net assets acquired were lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of \$25 million, which is recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred. The remaining goodwill recognized on acquisition is largely reflective of potential customer growth, arising from the business' position as one of the key telecommunication infrastructure providers in the U.K., and the increasing reliance on core telecom networks.

For the year ended December 31, 2019, WIG contributed revenues of \$nil and a net income of \$nil.

**d) Acquisition of a natural gas pipeline in India**

On March 22, 2019, Brookfield Infrastructure, along with institutional partners (the "EWPL consortium"), acquired an effective 24% interest in a cross country gas pipeline business in India, East-West Pipeline ("EWPL"), for total consideration of \$443 million (EWPL consortium total of \$1,879 million). The partnership's share of the acquisition was funded through equity of \$226 million (EWPL consortium total of \$959 million) and \$217 million (EWPL consortium total of \$920 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective March 22, 2019. Acquisition costs of \$3 million were recorded within Other (expense) income in the Consolidated Statements of Operating Results in 2019.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

*Consideration transferred*

<u>US\$ MILLIONS</u>	
Cash .....	\$ 443
<b>Total Consideration</b> .....	<b><u>\$ 443</u></b>

*Fair value of assets and liabilities acquired as of March 22, 2019 (provisional)<sup>(1)</sup>:*

<u>US\$ MILLIONS</u>	
Accounts receivable and other .....	\$ 94
Property, plant and equipment .....	2,134
Intangible assets .....	295
Accounts payable and other liabilities .....	<u>(66)</u>
Net assets acquired before non-controlling interest .....	2,457
Non-controlling interest <sup>(2)</sup> .....	<u>(2,014)</u>
Net assets acquired .....	<b><u>\$ 443</u></b>

(1) The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date, pending finalization of the determination of the fair values of the acquired assets and liabilities. Our partnership is in the process of obtaining additional information primarily in order to assess the fair values of property, plant and equipment, intangible assets and the resulting impact to goodwill as at the date of the acquisition.

(2) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

For the year ended December 31, 2019, EWPL contributed revenues of \$266 million and net losses of \$51 million.

**e) Acquisition of DCI Data Centers**

On January 4, 2019, Brookfield Infrastructure, alongside institutional partners (the “DCI consortium”), acquired an effective 29% interest in DCI Data Centers (“DCI”), an Australian data storage business, for total consideration of \$78 million (DCI consortium total of \$272 million). The partnership’s share of the acquisition was funded through equity of \$48 million (DCI consortium total of \$166 million) and the remainder with asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective January 4, 2019. Acquisition costs of \$11 million were recorded within Other (expense) income in the Consolidated Statements of Operating Results in 2019.

*Consideration transferred*

<u>US\$ MILLIONS</u>	
Cash .....	\$ 78
<b>Total Consideration</b> .....	<b><u>\$ 78</u></b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

*Fair value of assets and liabilities acquired as of January 4, 2019 (provisional)<sup>(1)</sup>:*

<u>US\$ MILLIONS</u>	
Accounts receivable and other .....	\$ 2
Investment properties .....	211
Goodwill .....	68
Accounts payable and other liabilities .....	<u>(9)</u>
Net assets acquired before non-controlling interest .....	272
Non-controlling interest <sup>(2)</sup> .....	<u>(194)</u>
Net assets acquired .....	<u><u>\$ 78</u></u>

(1) *The fair values of certain acquired assets and liabilities for this operation have been determined on a provisional basis given the proximity of the acquisition to the reporting date, pending finalization of the determination of the fair values of the acquired assets and liabilities. Our partnership is in the process of obtaining additional information in order to assess the fair value of investment properties, goodwill and deferred tax liabilities as at the date of acquisition.*

(2) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

The goodwill recorded on acquisition is largely reflective of potential customer growth, arising from the business' position as one of the key data storage providers in Australia, and the increasing rate of worldwide data consumption. None of the goodwill recognized is deductible for income tax purposes.

For the year ended December 31, 2019, DCI contributed revenues of \$20 million and net income of \$8 million.

**f) Individually insignificant business combinations**

The following table summarizes the purchase price allocation in aggregate of individually insignificant business combinations that have been completed in 2019.

<u>US\$ MILLIONS</u>	
Cash .....	\$ 24
Pre-existing interest in business <sup>(1)</sup> .....	<u>30</u>
<b>Total Consideration</b> .....	<u><u>\$ 54</u></u>

(1) *Prior to the acquisition, Brookfield held an interest in two of the acquirees which were accounted for using the equity method.*

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

*Fair value of assets and liabilities acquired during the year to date (provisional)<sup>(1)</sup>:*

US\$ MILLIONS

Cash and cash equivalents .....	\$ 16
Accounts receivable and other .....	6
Intangible assets .....	422
Goodwill .....	15
Accounts payable and other liabilities .....	(21)
Non-recourse borrowings .....	(210)
Deferred income tax liabilities .....	(55)
Net assets acquired before non-controlling interest .....	173
Non-controlling interest <sup>(2)</sup> .....	(119)
Net assets acquired .....	<u>\$ 54</u>

(1) *The fair values of certain acquired assets and liabilities have been determined on a provisional basis given the proximity of the acquisition to the reporting date. Our partnership is in the process of obtaining additional information primarily related to the fair value of intangible assets, goodwill and provisions as at the date of acquisition.*

(2) *Non-controlling interest represents the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**g) Acquisition of Evoque Data Center Solutions**

On December 31, 2018, Brookfield Infrastructure, alongside institutional partners (the “Evoque consortium”), acquired an effective 29% interest in AT&T’s large-scale data center business for total consideration of \$315 million (Evoque consortium total of \$1,103 million). Under Brookfield’s ownership, the business was renamed Evoque Data Center Solutions (“Evoque”). The acquisition was funded through equity of \$164 million (Evoque consortium total of \$577 million of which \$413 million was provided by non-controlling interests subsequent to year-end), and \$151 million (Evoque consortium total of \$526 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective December 31, 2018. Acquisition costs of \$10 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

US\$ MILLIONS

Cash .....	<u>\$ 315</u>
<b>Total Consideration .....</b>	<b><u>\$ 315</u></b>

*Fair value of assets and liabilities acquired as of December 31, 2018:*

US\$ MILLIONS

Accounts receivable and other .....	\$ 4
Property, plant and equipment .....	408
Intangible assets .....	232
Goodwill <sup>(2)</sup> .....	486
Accounts payable and other liabilities .....	<u>(27)</u>
Net assets acquired before non-controlling interest .....	1,103
Non-controlling interest <sup>(1)</sup> .....	<u>(788)</u>
Net assets acquired .....	<b><u>\$ 315</u></b>

(1) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

(2) *Adjustments to the purchase price allocation of property, plant and equipment, intangible assets and other liabilities resulted in a \$23 million increase to goodwill.*

The goodwill recorded on acquisition is largely reflective of potential customer growth, arising from the business’ position as one of the largest colocation providers in the United States and the increasing rate of worldwide data consumption.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**h) Acquisition of Rayalseema Expressway Private Limited (“REPL”)**

On November 5, 2018, Brookfield Infrastructure, alongside institutional partners (the “REPL consortium”), acquired an effective 26% interest in an Indian toll road business, REPL, for total consideration of \$5 million (REPL consortium total of \$16 million). The consideration consists of \$3 million in cash (REPL consortium total of \$10 million) and contingent consideration of \$2 million (REPL consortium total of \$6 million), measured at fair value based on a probability-weighted average. Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective November 5, 2018. Acquisition costs of less than \$1 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

<u>US\$ MILLIONS</u>	
Cash .....	\$ 3
Contingent consideration .....	2
<b>Total Consideration .....</b>	<b><u>\$ 5</u></b>

*Fair value of assets and liabilities acquired as of November 5, 2018:*

<u>US\$ MILLIONS</u>	
Accounts receivable and other .....	\$ 3
Intangible assets .....	226
Accounts payable and other liabilities .....	(60)
Non-recourse borrowings .....	<u>(151)</u>
Net assets acquired before non-controlling interest .....	18
Non-controlling interest <sup>(1)</sup> .....	<u>(13)</u>
Net assets acquired .....	<b><u>\$ 5</u></b>

---

(1) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**i) Acquisition of Enercare Inc.**

On October 16, 2018, Brookfield Infrastructure, alongside institutional partners (the “Enercare consortium”), acquired an effective 30% interest in Enercare Inc. (“Enercare”), a North American residential energy infrastructure business, for total consideration of \$723 million (Enercare consortium total of \$2.4 billion). As part of the transaction, certain Enercare shareholders were given the right to elect to receive, in lieu of cash consideration, 0.5509 exchangeable units (“Exchange LP Units”) to be issued by a subsidiary of our partnership (“Exchange LP”) for each share of Enercare Inc. The Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for units of our partnership. The acquisition was funded through equity of \$427 million (Enercare consortium total of \$2.0 billion), \$232 million of Exchange LP Units (5.7 million units issued by Exchange LP), and \$64 million (Enercare consortium total of \$216 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective October 16, 2018. Acquisition costs of \$4 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

US\$ MILLIONS

Cash .....	\$ 491
Exchange LP Units .....	232
<b>Total Consideration .....</b>	<b><u>\$ 723</u></b>

*Fair value of assets and liabilities acquired as of October 16, 2018:*

US\$ MILLIONS

Cash and cash equivalents .....	\$ 24
Accounts receivable and other .....	187
Property, plant and equipment .....	669
Intangible assets <sup>(1)</sup> .....	1,863
Inventory .....	23
Goodwill .....	1,260
Accounts payable and other liabilities .....	(235)
Deferred income tax liabilities .....	(472)
Non-recourse borrowings .....	(877)
Net assets acquired before non-controlling interest .....	2,442
Non-controlling interest <sup>(2)</sup> .....	(1,719)
Net assets acquired .....	<b><u>\$ 723</u></b>

(1) Refer to Note 15 Intangible Assets for details.

(2) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

The goodwill recorded on acquisition reflects potential growth prospects and a strong market position as a key provider of residential energy infrastructure in North America. None of the goodwill recognized is deductible for income tax purposes.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**j) Acquisition of Western Canadian natural gas midstream business (provincially regulated)**

On October 1, 2018, Brookfield Infrastructure, alongside institutional partners (the “NorthRiver consortium”), acquired an effective 29% interest in the provincially regulated portion of Enbridge Inc.’s Canadian natural gas midstream business for total consideration of \$559 million (NorthRiver consortium total of \$2.0 billion). Under Brookfield’s ownership, the business was renamed NorthRiver Midstream Inc. (“NorthRiver”). The acquisition was funded through equity of \$281 million (NorthRiver consortium total of \$982 million) and \$278 million (NorthRiver consortium total of \$974 million) of asset level debt raised on closing. Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective October 1, 2018. Acquisition costs of \$3 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

**US\$ MILLIONS**

Cash .....	<b>\$ 559</b>
<b>Total Consideration</b> .....	<b><u>\$ 559</u></b>

*Fair value of assets and liabilities acquired as of October 1, 2018:*

**US\$ MILLIONS**

Cash and cash equivalents .....	<b>\$ 10</b>
Accounts receivable and other .....	<b>55</b>
Property, plant and equipment .....	<b>1,442</b>
Intangible assets .....	<b>157</b>
Goodwill .....	<b>524</b>
Accounts payable and other liabilities .....	<b>(46)</b>
Deferred income tax liabilities .....	<b>(186)</b>
Net assets acquired before non-controlling interest .....	<b><u>1,956</u></b>
Non-controlling interest <sup>(1)</sup> .....	<b><u>(1,397)</u></b>
Net assets acquired .....	<b><u>\$ 559</u></b>

(1) *Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.*

The goodwill recorded on acquisition is largely reflective of the potential to obtain long-term contracts for the business’ unutilized capacity and production growth in certain locations. None of the goodwill recognized is deductible for income tax purposes.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**k) Acquisition of Simhapuri Expressway Limited (“SEL”)**

On September 7, 2018, Brookfield Infrastructure, along with institutional partners (the “SEL consortium”), expanded its toll road operations through the acquisition of an effective 29% interest in an Indian toll road business, SEL, for total consideration by Brookfield Infrastructure of \$53 million (SEL consortium total of \$182 million). Concurrently, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective September 7, 2018. Acquisition costs of \$1 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

US\$ MILLIONS

Cash .....	\$ 53
<b>Total Consideration</b> .....	<b>\$ 53</b>

*Fair value of assets and liabilities acquired as of September 7, 2018:*

US\$ MILLIONS

Cash and cash equivalents .....	\$ 1
Accounts receivable and other .....	33
Intangible assets .....	488
Goodwill .....	23
Accounts payable and other liabilities .....	(61)
Deferred income tax liabilities .....	(23)
Non-recourse borrowings .....	<u>(279)</u>
Net assets acquired before non-controlling interest .....	182
Non-controlling interest <sup>(1)</sup> .....	<u>(129)</u>
Net assets acquired .....	<u>\$ 53</u>

(1) Non-controlling interest represents the consideration paid for the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

(2) Adjustments to the purchase price allocation of deferred income tax liabilities resulted in a \$14 million reduction to goodwill.

Upon consolidation of SEL, a deferred tax liability of \$23 million was recorded. The deferred income tax liability arose as the tax bases of the net assets acquired were lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of \$23 million, which is recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred. None of the goodwill recognized is deductible for income tax purposes.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**l) Acquisition of Colombian natural gas distribution business**

On June 1, 2018, Brookfield Infrastructure, alongside institutional partners (the “GN consortium”), acquired an effective 16% interest in Gas Natural, S.A. ESP (“GN”), a Colombian natural gas distribution business, for total consideration of \$150 million (GN consortium total of \$522 million). The acquisition was funded through equity of \$88 million (GN consortium total of \$309 million) and \$62 million (GN consortium total of \$213 million) with asset level debt raised concurrently on closing. On acquisition, Brookfield Infrastructure entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to direct the relevant activities of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective June 1, 2018. Acquisition costs of \$2 million were recorded as Other (expense) income within the Consolidated Statements of Operating Results in 2018.

*Consideration transferred*

<u>US\$ MILLIONS</u>	
Cash .....	\$ 118
Pre-existing interest of GN <sup>(1)</sup> .....	32
<b>Total Consideration</b> .....	<b><u>\$ 150</u></b>

(1) Brookfield Infrastructure acquired a 3% interest in GN in December 2017, which had a fair market value of \$32 million as at the date of acquisition. No gain or loss resulted from the deemed disposition of this interest upon acquisition of control.

*Fair value of assets and liabilities acquired as of June 1, 2018:*

<u>US\$ MILLIONS</u>	
Cash and cash equivalents .....	\$ 36
Accounts receivable and other .....	245
Property, plant and equipment .....	394
Intangible assets .....	253
Goodwill .....	621
Accounts payable and other liabilities .....	(165)
Deferred income tax liabilities .....	(143)
Non-recourse borrowings .....	<u>(177)</u>
Net assets acquired before non-controlling interest .....	1,064
Non-controlling interest <sup>(1)</sup> .....	<u>(914)</u>
Net assets acquired .....	<b><u>\$ 150</u></b>

(1) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure, measured at fair value at the acquisition date.

The goodwill recorded on acquisition is largely reflective of potential customer growth and growth under existing contracts arising from the business’ position as a key distributor of natural gas in various markets of Colombia. None of the goodwill recognized is deductible for income tax purposes.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

#### **m) Supplemental information**

Had the acquisitions of NorthRiver (federally regulated), G&W, WIG, EWPL and DCI been effective January 1, 2019, the revenue and net income of Brookfield Infrastructure would have been approximately \$9.2 billion (unaudited) and \$0.9 billion (unaudited), respectively, for the year ended December 31, 2019.

In determining the pro-forma revenue and net income attributable to our partnership, management has:

- Calculated depreciation of property, plant and equipment and amortization of intangible assets acquired on the basis of the fair values at the time of the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements and;
- Based borrowing costs on the funding levels, credit ratings and debt and equity position of Brookfield Infrastructure after the business combination.

#### **NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined by reference to quoted bid or ask prices, as appropriate. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates such as bid and ask prices, as appropriate for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analyses, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, Brookfield Infrastructure looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. The fair value of interest rate swap contracts which form part of financing arrangements is calculated by way of discounted cash flows using market interest rates and applicable credit spreads.

#### **Classification of Financial Instruments**

Financial instruments classified as fair value through profit or loss are carried at fair value on the Consolidated Statements of Financial Position. Changes in the fair values of financial instruments classified as fair value through profit or loss are recognized in profit or loss. Mark-to-market adjustments on hedging items for those in an effective hedging relationship and changes in the fair value of securities designated as fair value through other comprehensive income are recognized in other comprehensive income.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**Carrying Value and Fair Value of Financial Instruments**

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2019:

US\$ MILLIONS

**Financial Instrument Classification**

MEASUREMENT BASIS	Fair value through profit or loss	Fair value through OCI	Amortized Cost	Total
<b>Financial assets</b>				
Cash and cash equivalents	\$ —	\$ —	\$ 827	\$ 827
Accounts receivable and other	—	—	1,960	1,960
Financial assets (current and non-current) <sup>(1)</sup>	893	16	144	1,053
Marketable securities	69	73	—	142
Total	<u>\$ 962</u>	<u>\$ 89</u>	<u>\$ 2,931</u>	<u>\$ 3,982</u>
<b>Financial liabilities</b>				
Corporate borrowings	\$ —	\$ —	\$ 2,475	\$ 2,475
Non-recourse borrowings (current and non-current)	—	—	18,544	18,544
Accounts payable and other	—	—	2,410	2,410
Preferred shares <sup>(2)</sup>	—	—	20	20
Financial liabilities (current and non-current) <sup>(1)</sup>	490	—	1,683	2,173
Total	<u>\$ 490</u>	<u>\$ —</u>	<u>\$ 25,132</u>	<u>\$ 25,622</u>

(1) Derivative instruments which are elected for hedge accounting totaling \$694 million are included in financial assets and \$285 million of derivative instruments are included in financial liabilities.

(2) \$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2018:

<b>US\$ MILLIONS</b>				
<b>Financial Instrument Classification</b>				
<b>MEASUREMENT BASIS</b>	<b>Fair value through profit or loss</b>	<b>Fair value through OCI</b>	<b>Amortized Cost</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	\$ —	\$ —	\$ 540	\$ 540
Accounts receivable and other	—	—	1,171	1,171
Financial assets (current and non-current) <sup>(1)</sup>	989	17	166	1,172
Marketable securities	126	47	—	173
<b>Total</b>	<b>\$ 1,115</b>	<b>\$ 64</b>	<b>\$ 1,877</b>	<b>\$ 3,056</b>
<b>Financial liabilities</b>				
Corporate borrowings	\$ —	\$ —	\$ 1,993	\$ 1,993
Non-recourse borrowings (current and non-current)	—	—	13,113	13,113
Accounts payable and other	—	—	1,308	1,308
Preferred shares <sup>(2)</sup>	—	—	20	20
Financial liabilities (current and non-current) <sup>(1)</sup>	373	—	907	1,280
<b>Total</b>	<b>\$ 373</b>	<b>\$ —</b>	<b>\$ 17,341</b>	<b>\$ 17,714</b>

(1) Derivative instruments which are elected for hedge accounting totaling \$718 million are included in financial assets and \$109 million of derivative instruments are included in financial liabilities.

(2) \$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.

The following table provides the carrying values and fair values of financial instruments as at December 31, 2019 and December 31, 2018:

<b>US\$ MILLIONS</b>	<b>Dec. 31, 2019</b>		<b>Dec. 31, 2018</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial assets</b>				
Cash and cash equivalents	\$ 827	\$ 827	\$ 540	\$ 540
Accounts receivable and other	1,960	1,960	1,171	1,171
Financial assets (current and non-current)	1,053	1,053	1,172	1,172
Marketable securities	142	142	173	173
<b>Total</b>	<b>\$ 3,982</b>	<b>\$ 3,982</b>	<b>\$ 3,056</b>	<b>\$ 3,056</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	Dec. 31, 2019		Dec. 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial liabilities</b>				
Corporate borrowings <sup>(1)</sup> .....	\$ 2,475	\$ 2,507	\$ 1,993	\$ 1,978
Non-recourse borrowings <sup>(2)</sup> .....	18,544	18,891	13,113	13,372
Accounts payable and other .....	2,410	2,410	1,308	1,308
Preferred shares <sup>(3)</sup> .....	20	20	20	20
Financial liabilities (current and non-current) .....	2,173	2,173	1,280	1,280
	\$ 25,622	\$ 26,001	\$ 17,714	\$ 17,958

(1) Corporate borrowings are classified under level 1 of the fair value hierarchy; quoted prices in an active market are available.

(2) Non-recourse borrowings are classified under level 2 of the fair value hierarchy with the exception of certain borrowings at the U.K. port operation, which are classified under level 1. For level 2 fair values, future cash flows are estimated based on observable forward interest rates at the end of the reporting period.

(3) \$20 million of preferred shares issued to wholly-owned subsidiaries of Brookfield.

### Hedging Activities

Brookfield Infrastructure uses derivatives and non-derivative financial instruments to manage or maintain exposures to interest and currency risks. For certain derivatives which are used to manage exposures, Brookfield Infrastructure determines whether hedge accounting can be applied. When hedge accounting can be applied, a hedge relationship can be designated as a fair value hedge, cash flow hedge or a hedge of foreign currency exposure of a net investment in a foreign operation with a functional currency other than the U.S. dollar. To qualify for hedge accounting, the derivative must be designated as a hedge of a specific exposure and the hedging relationship must meet all of the hedge effectiveness requirements in accomplishing the objective of offsetting changes in the fair value or cash flows attributable to the hedged risk both at inception and over the life of the hedge. If it is determined that the hedging relationship does not meet all of the hedge effectiveness requirements, hedge accounting is discontinued prospectively.

### Cash Flow Hedges

Brookfield Infrastructure uses interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability and highly probable forecasted issuances of debt. The settlement dates coincide with the dates on which the interest is payable on the underlying debt, and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss. For the year ended December 31, 2019, pre-tax net unrealized losses of \$33 million (2018: losses of \$71 million, 2017: gains of \$50 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31, 2019, there was a net derivative asset balance of \$363 million relating to derivative contracts designated as cash flow hedges (2018: asset balance of \$542 million).

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

#### Net Investment Hedges

Brookfield Infrastructure uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures arising from net investments in foreign operations having a functional currency other than the U.S. dollar. For the year ended December 31, 2019, losses of \$113 million (2018: gains of \$97 million, 2017: losses of \$202 million) were recorded in other comprehensive income relating to the effective portion of hedges of net investments in foreign operations. Further, Brookfield Infrastructure paid \$62 million (2018: \$53 million, 2017: \$151 million) relating to the settlement of foreign exchange contracts in the period. Consistent with our risk management objectives, these contracts are replaced at expiration; therefore, no reclassification to profit or loss has been recorded during the period. As at December 31, 2019, there was a net unrealized derivative asset balance of \$46 million relating to derivative contracts designated as net investment hedges (2018: net unrealized derivative asset balance of \$67 million).

#### Fair Value Hierarchical Levels—Financial Instruments

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation inputs of these assets and liabilities, and are as follows:

- Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Inputs other than quoted prices included in Level 1 are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets and liabilities that are included in this category are primarily certain derivative contracts and other financial assets carried at fair value in an inactive market.
- Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to determining the estimate. Fair valued assets and liabilities that are included in this category are interest rate swap contracts, derivative contracts, certain equity securities carried at fair value which are not traded in an active market and the non-controlling interest's share of net assets of limited life funds.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The fair value of our partnership's financial assets and financial liabilities are measured at fair value on a recurring basis. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's financial assets and financial liabilities:

<u>US\$ MILLIONS</u>	<u>Fair value hierarchy</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
<b>Marketable securities</b> .....	Level 1 <sup>(1)</sup>	\$ 142	\$ 173
<b>Foreign currency forward contracts</b> .....	Level 2 <sup>(2)</sup>		
Financial asset .....		\$ 140	\$ 241
Financial liability .....		97	23
<b>Interest rate swaps &amp; other</b> .....	Level 2 <sup>(2)</sup>		
Financial asset .....		\$ 765	\$ 718
Financial liability .....		311	257
<b>Other contracts</b> .....	Level 3 <sup>(3)</sup>		
Financial asset .....		\$ 4	\$ 47
Financial liability .....		82	93

(1) Valuation technique: Quoted bid prices in an active market.

(2) Valuation technique: Discounted cash flow. Future cash flows are estimated based on forward exchange and interest rates (from observable forward exchange and interest rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects our credit risk and the credit risk of various counterparties.

(3) Valuation technique: Discounted cash flow. Future cash flows primarily driven by assumptions concerning the amount and timing of estimated future cash flows and discount rates.

Assets and liabilities measured at fair value on a recurring basis include \$1,051 million (2018: \$1,179 million) of financial assets and \$490 million (2018: \$373 million) of financial liabilities which are measured at fair value using valuation inputs based on management's best estimates.

During the year, no transfers were made between level 1 and 2 or level 2 and 3. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input.

<u>US\$ MILLIONS</u>	<u>Dec. 31, 2019</u>			<u>Dec. 31, 2018</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial assets</b>						
Marketable securities .....	\$ 142	\$ —	\$ —	\$ 173	\$ —	\$ —
Financial assets (current and non-current) .....	—	905	4	—	959	47
<b>Financial liabilities</b>						
Financial liabilities (current and non-current) .....	\$ —	\$ 408	\$ 82	\$ —	\$ 280	\$ 93

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**NOTE 9. CASH AND CASH EQUIVALENTS**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Cash .....	\$ 467	\$ 294
Cash equivalents <sup>(1)</sup> .....	232	150
Restricted cash <sup>(2)</sup> .....	128	96
<b>Total cash and cash equivalents</b> .....	<b>\$ 827</b>	<b>\$ 540</b>

(1) Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(2) Restricted cash primarily relates to our partnership's financing arrangements, including debt service accounts.

**NOTE 10. FINANCIAL ASSETS**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Current:</b>		
Marketable securities .....	\$ 142	\$ 173
Foreign currency forward contracts .....	112	123
Cross currency interest rate swaps .....	92	—
Loans and receivables .....	61	61
Other .....	25	67
<b>Total current</b> .....	<b>\$ 432</b>	<b>\$ 424</b>
<b>Non-current:</b>		
Foreign currency forward contracts .....	\$ 29	\$ 118
Cross currency interest rate swaps .....	542	594
Loans and receivables .....	85	97
Other .....	107	112
<b>Total non-current</b> .....	<b>\$ 763</b>	<b>\$ 921</b>

**NOTE 11. ACCOUNTS RECEIVABLE AND OTHER**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Current:</b>		
Accounts receivable .....	\$1,741	\$1,044
Prepayments & other assets .....	219	127
<b>Total current</b> .....	<b>\$1,960</b>	<b>\$1,171</b>
<b>Non-current:</b>		
Tax recovery receivables .....	\$ 27	\$ 39
Other assets .....	230	180
<b>Total non-current</b> .....	<b>\$ 257</b>	<b>\$ 219</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The table below outlines Brookfield Infrastructure's undiscounted lease payments to be received under operating and finance leases as at December 31, 2019:

<u>December 31, 2019</u> <u>US\$ MILLIONS</u>	<u>Less than</u> <u>1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>5+ years</u>	<u>Total lease</u> <u>payment</u> <u>receivable</u>
Receivables from lease contracts <sup>(1)</sup>	\$ 367	\$ 339	\$ 322	\$ 302	\$ 278	\$ 1,440	\$ 3,048

(1) IFRS 16 does not change substantially how a lessor accounts for leases. In addition to operating leases, the lease payments receivable include leases that are classified as finance leases, short-term leases and low-value leases. See Note 3 Significant Accounting Policies for further details.

**NOTE 12. INVENTORY**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Current:</b>		
Natural gas inventory	\$ 127	\$ 94
Raw materials and other	<u>115</u>	<u>47</u>
Carrying amount of inventories	<u>\$ 242</u>	<u>\$ 141</u>

During the year ended December 31, 2019, Brookfield Infrastructure recognized \$626 million (2018: \$502 million, 2017: \$418 million) worth of inventories as an expense in the Consolidated Statements of Operating Results and \$3 million (2018: \$nil, 2017: \$nil) relating to impairments of inventory.

**NOTE 13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

Our partnership's investment in associates and joint ventures are reviewed and reported on a segmented basis. Investments in the utilities segment include a 15% interest in a Brazilian electricity transmission operation, a 13% and 11% interest in two businesses collectively referred to as our regulated natural gas transmission business in Mexico and four associates of our Colombian natural gas distribution operation. Transport investments include a 45% interest in a Brazilian toll road business, an 11% interest in a Brazilian rail and port logistics business, a 19% ownership interest of a North American west coast container terminal, our 13% and 26% interests in port operations in Australia, and a 50% interest in an associate of our North American rail business. In our energy segment, investments in associates and joint ventures include our 50% interest in a North American natural gas business and a 20% interest in a North American gas storage operation. Our investments in the data infrastructure segment include our 21% interest in a European telecommunications infrastructure operation, a 12% interest in a Brazilian data center operation and a 13% interest in a New Zealand data distribution business.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following table represents the change in the balance of investments in associates and joint ventures:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<u>\$4,591</u>	<u>\$5,572</u>
Share of earnings for the year <sup>(1)</sup>	224	(13)
Foreign currency translation and other	(62)	(296)
Share of other comprehensive income	54	260
Distributions	(254)	(59)
Disposition of interest <sup>(1),(2)</sup>	(135)	(951)
Held for sale <sup>(3)</sup>	(38)	—
Acquisitions <sup>(4),(5),(6)</sup>	587	78
Balance at end of year <sup>(7)</sup>	<u>\$4,967</u>	<u>\$4,591</u>

- (1) In March 2018, Brookfield Infrastructure sold its ownership in ETC Transmission Holdings, S.L. for \$1.3 billion. On disposition, Brookfield Infrastructure recognized a gain on sale of \$338 million (\$209 million, net of taxes) presented within gain on sale of associate on the Consolidated Statements of Operating Results. In association with the gain, \$35 million of accumulated other comprehensive losses were reclassified to share of losses from associates and joint ventures on the Consolidated Statements of Operating Results. Please refer to Note 5 Disposition of Businesses for additional details.
- (2) In June 2019, Brookfield Infrastructure sold its 40% interest in its European port operation to a third party for \$135 million.
- (3) On December 19, 2019, Brookfield Infrastructure agreed to sell its 11% interest in a Texas electricity transmission operation for total consideration of approximately \$60 million. The investment has been classified as held for sale as of December 31, 2019. Refer to Note 6 Assets and Liabilities Classified as Held for Sale.
- (4) In March 2019, Brookfield Infrastructure, alongside its institutional partners, acquired an effective 12% interest in a Brazilian data center operation, Ascenty Participacoes S.A (“Ascenty”), for approximately \$190 million. Brookfield maintains 50% of the voting rights of Ascenty in a joint venture with Digital Realty Trust Inc. Brookfield Infrastructure has joint control through its position in the business. Accordingly, our partnership equity accounts for the entity. Subsequent to the initial acquisition, Brookfield Infrastructure has made additional injections into the business to fund growth capital expenditures.
- (5) In July 2019, Brookfield Infrastructure, alongside its institutional partners, acquired an effective 12% interest in a New Zealand integrated data provider, Vodafone New Zealand (“VNZ”), for approximately \$170 million. Brookfield maintains 50% of the voting rights of VNZ in a joint venture with Infratil Limited Brookfield Infrastructure has joint control through its position in the business. Accordingly, our partnership equity accounts for the entity.
- (6) Brookfield Infrastructure acquired a 13% interest in Ramones II Norte (“Norte”) on October 7, 2019 and an 11% interest in Ramones II Sur (“Sur”) on October 21, 2019, collectively the regulated natural gas transmission business in Mexico (“Los Ramones”), for approximately \$140 million. Brookfield maintains 50% of the voting rights in Norte and 45% of the voting rights in Sur. Brookfield Infrastructure has joint control of Los Ramones through its ownership interest and governance rights.
- (7) Investments in associates include a shareholder loan of \$500 million receivable from our North American natural gas transmission operation.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables present the gross assets and liabilities of Brookfield Infrastructure's investments in associates and joint ventures:

		As at December 31, 2019								
		Total						Attributable to		
US\$ MILLIONS	Ownership and Voting Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share
Utilities	11-20%	\$ 870	\$ 6,499	\$ 7,369	\$ 686	\$ 4,152	\$ 4,838	\$ 2,531	\$ 2,286	\$ 245
Transport	11-50%	1,233	18,327	19,560	1,948	8,444	10,392	9,168	6,770	2,398
Energy	20-50%	166	5,696	5,862	275	4,013	4,288	1,574	307	1,267
Data infrastructure	12-29%	912	11,636	12,548	1,042	4,908	5,950	6,598	5,569	1,029
Corporate	25-50%	8	133	141	13	56	69	72	44	28
Total		<u>\$ 3,189</u>	<u>\$ 42,291</u>	<u>\$ 45,480</u>	<u>\$ 3,964</u>	<u>\$ 21,573</u>	<u>\$ 25,537</u>	<u>\$19,943</u>	<u>\$ 14,976</u>	<u>\$ 4,967</u>

		As at December 31, 2018								
		Total						Attributable to		
US\$ MILLIONS	Ownership and Voting Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share
Utilities	11-20%	\$ 289	\$ 2,227	\$ 2,516	\$ 325	\$ 1,391	\$ 1,716	\$ 800	\$ 708	\$ 92
Transport	11-50%	1,520	15,892	17,412	1,876	6,447	8,323	9,089	6,592	2,497
Energy	20-50%	178	5,307	5,485	162	2,875	3,037	2,448	1,265	1,183
Data infrastructure	21%	447	6,692	7,139	438	2,902	3,340	3,799	3,089	710
Corporate	25-50%	105	386	491	99	55	154	337	228	109
Total		<u>\$ 2,539</u>	<u>\$ 30,504</u>	<u>\$ 33,043</u>	<u>\$ 2,900</u>	<u>\$ 13,670</u>	<u>\$ 16,570</u>	<u>\$16,473</u>	<u>\$ 11,882</u>	<u>\$ 4,591</u>

The following tables present the gross amounts of revenue, net income, other comprehensive income from Brookfield Infrastructure's investments in associates and joint ventures for the years ended December 31, 2019, 2018, and 2017:

		Year ended December 31, 2019					
		Total			Attributable to		
US\$ MILLIONS		Revenue	Net Income	OCI	Total Comprehensive Income	Other Ownership Interests	Partnership's Share
Utilities		\$ 1,046	\$ 354	\$ 26	\$ 380	\$ 323	\$ 57
Transport		3,351	22	364	386	384	2
Energy		734	351	(54)	297	113	184
Data infrastructure		1,447	(38)	57	19	28	(9)
Corporate		17	(38)	(156)	(194)	(184)	(10)
Total		<u>\$ 6,595</u>	<u>\$ 651</u>	<u>\$ 237</u>	<u>\$ 888</u>	<u>\$ 664</u>	<u>\$ 224</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	Year ended December 31, 2018					
	Total			Attributable to		
	Revenue	Net Income	OCI	Total Comprehensive Income	Other Ownership Interests	Partnership's Share
Utilities .....	\$ 541	\$ 92	\$ 110	\$ 202	\$ 146	\$ 56
Transport .....	3,747	(74)	(856)	(930)	(597)	(333)
Energy .....	739	91	8	99	53	46
Data infrastructure .....	804	64	244	308	234	74
Corporate .....	41	(132)	356	224	169	55
Total .....	<u>\$ 5,872</u>	<u>\$ 41</u>	<u>\$ (138)</u>	<u>\$ (97)</u>	<u>\$ 5</u>	<u>\$ (102)</u>

US\$ MILLIONS	Year ended December 31, 2017					
	Total			Attributable to		
	Revenue	Net Income	OCI	Total Comprehensive Income	Other Ownership Interests	Partnership's Share
Utilities .....	\$ 1,164	\$ 101	\$ 779	\$ 880	\$ 642	\$ 238
Transport .....	3,796	213	718	931	744	187
Energy .....	724	22	(37)	(15)	(22)	7
Data infrastructure .....	783	58	435	493	409	84
Corporate .....	2	(16)	(145)	(161)	(108)	(53)
Total .....	<u>\$ 6,469</u>	<u>\$ 378</u>	<u>\$ 1,750</u>	<u>\$ 2,128</u>	<u>\$ 1,665</u>	<u>\$ 463</u>

As at December 31, 2019 and 2018, none of the associates or joint ventures have quoted prices in an active market.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables present the cash flow activities of Brookfield Infrastructure's investments in associates and joint ventures for the years ended December 31, 2019, 2018, and 2017:

US\$ MILLIONS	Year ended December 31, 2019					
	Total			Attributable to		
	Operating	Investing	Financing	Total Cash Flows	Other Ownership Interests	Partnership's Share
Utilities	\$ 108	\$ (1,109)	\$ 1,548	\$ 547	\$ 471	\$ 76
Transport	692	(852)	11	(149)	(76)	(73)
Energy	357	(267)	(95)	(5)	(3)	(2)
Data infrastructure	531	(2,707)	2,201	25	30	(5)
Corporate	—	—	—	—	—	—
<b>Total</b>	<b>\$ 1,688</b>	<b>\$ (4,935)</b>	<b>\$ 3,665</b>	<b>\$ 418</b>	<b>\$ 422</b>	<b>\$ (4)</b>

US\$ MILLIONS	Year ended December 31, 2018					
	Total			Attributable to		
	Operating	Investing	Financing	Total Cash Flows	Other Ownership Interests	Partnership's Share
Utilities	\$ 380	\$ 6,189	\$ (6,716)	\$ (147)	\$ (106)	\$ (41)
Transport	776	(1,018)	369	127	77	50
Energy	320	(288)	(46)	(14)	(10)	(4)
Data infrastructure	323	(305)	19	37	29	8
Corporate	7	(7)	—	—	—	—
<b>Total</b>	<b>\$ 1,806</b>	<b>\$ 4,571</b>	<b>\$ (6,374)</b>	<b>\$ 3</b>	<b>\$ (10)</b>	<b>\$ 13</b>

US\$ MILLIONS	Year ended December 31, 2017					
	Total			Attributable to		
	Operating	Investing	Financing	Total Cash Flows	Other Ownership Interests	Partnership's Share
Utilities	\$ 433	\$ (803)	\$ 494	\$ 124	\$ 102	\$ 22
Transport	1,000	(1,673)	1,121	448	370	78
Energy	261	(171)	(77)	13	6	7
Data infrastructure	338	(226)	(57)	55	44	11
Corporate	1	(10)	4	(5)	(3)	(2)
<b>Total</b>	<b>\$ 2,033</b>	<b>\$ (2,883)</b>	<b>\$ 1,485</b>	<b>\$ 635</b>	<b>\$ 519</b>	<b>\$ 116</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**NOTE 14. PROPERTY, PLANT AND EQUIPMENT**

US\$ MILLIONS	Utility Assets	Transport Assets	Energy Assets	Data Infrastructure Assets	Total Assets
<b>Gross Carrying Amount:</b>					
Balance at January 1, 2018	\$ 3,471	\$ 2,657	\$ 2,629	\$ —	\$ 8,757
Additions, net of disposals	441	77	140	4	662
Non-cash (disposals) additions	(19)	(4)	6	—	(17)
Acquisitions through business combinations <sup>(1)</sup>	394	—	2,111	440	2,945
Net foreign currency exchange differences	(267)	(245)	(205)	—	(717)
<b>Balance at December 31, 2018</b>	<b>\$ 4,020</b>	<b>\$ 2,485</b>	<b>\$ 4,681</b>	<b>\$ 444</b>	<b>\$11,630</b>
Change in accounting policies <sup>(2)</sup>	21	356	197	633	1,207
Additions, net of disposals	467	122	419	8	1,016
Non-cash (disposals) additions	(2)	49	(270)	(51)	(274)
Acquisitions through business combinations <sup>(1)</sup>	—	5,283	3,332	95	8,710
Assets reclassified as held for sale	(458)	—	—	—	(458)
Net foreign currency exchange differences	135	4	72	2	213
<b>Balance at December 31, 2019</b>	<b>\$ 4,183</b>	<b>\$ 8,299</b>	<b>\$ 8,431</b>	<b>\$ 1,131</b>	<b>\$22,044</b>
<b>Accumulated depreciation:</b>					
Balance at January 1, 2018	\$ (510)	\$ (687)	\$ (383)	\$ —	\$ (1,580)
Depreciation expense	(149)	(147)	(134)	—	(430)
Disposals	7	22	8	—	37
Non-cash disposals	(2)	—	(1)	—	(3)
Net foreign currency exchange differences	41	68	18	—	127
<b>Balance at December 31, 2018</b>	<b>\$ (613)</b>	<b>\$ (744)</b>	<b>\$ (492)</b>	<b>\$ —</b>	<b>\$ (1,849)</b>
Depreciation expense	(171)	(178)	(328)	(87)	(764)
Disposals	7	2	(4)	—	5
Assets reclassified as held for sale	194	—	—	—	194
Non-cash disposals (additions)	3	(27)	50	—	26
Net foreign currency exchange differences	(14)	(3)	(11)	(1)	(29)
<b>Balance at December 31, 2019</b>	<b>\$ (594)</b>	<b>\$ (950)</b>	<b>\$ (785)</b>	<b>\$ (88)</b>	<b>\$ (2,417)</b>
<b>Accumulated fair value adjustments:</b>					
Balance at January 1, 2018	\$ 1,258	\$ 873	\$ 629	\$ —	\$ 2,760
Fair value adjustments	220	18	224	—	462
Net foreign currency exchange differences	(77)	(81)	(31)	—	(189)
<b>Balance at December 31, 2018</b>	<b>\$ 1,401</b>	<b>\$ 810</b>	<b>\$ 822</b>	<b>\$ —</b>	<b>\$ 3,033</b>
Assets reclassified as held for sale	(416)	—	—	—	(416)
Fair value adjustments	347	45	327	—	719
Net foreign currency exchange differences	38	2	22	—	62
Non-cash disposals	—	—	(12)	—	(12)
<b>Balance at December 31, 2019</b>	<b>\$ 1,370</b>	<b>\$ 857</b>	<b>\$ 1,159</b>	<b>\$ —</b>	<b>\$ 3,386</b>
<b>Net book value:</b>					
<b>December 31, 2019<sup>(3)</sup></b>	<b>\$ 4,959</b>	<b>\$ 8,206</b>	<b>\$ 8,805</b>	<b>\$ 1,043</b>	<b>\$23,013</b>
December 31, 2018	\$ 4,808	\$ 2,551	\$ 5,011	\$ 444	\$12,814

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

- (1) See Note 7 Acquisition of Businesses for additional information.
- (2) See Note 3 Significant Accounting Policies for additional information.
- (3) Includes right-of-use assets of \$20 million in our utilities segment, \$1,329 million in our transport segment, \$252 million in our energy segment and \$560 million in our data infrastructure segment.

The 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 of December 31, 2019 and 2018. Brookfield Infrastructure determined fair value under the income method or on a depreciated replacement cost basis. Assets under development were revalued where fair value could be reliably measured.

The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's property, plant and equipment assets valued using the income method, categorized by segment.

Segment	Dec. 31, 2019				Dec. 31, 2018			
	Valuation Technique	Discount Rate	Terminal Value Multiple	Investment Horizon	Valuation Technique	Discount Rate	Terminal Value Multiple	Investment Horizon
Utilities	Discounted cash flow model	7% to 14%	8x to 21x	10 to 20 yrs	Discounted cash flow model	7% to 14%	8x to 22x	10 to 20 yrs
Transport	Discounted cash flow model	9% to 14%	9x to 14x	10 to 20 yrs	Discounted cash flow model	10% to 13%	9x to 14x	10 to 20 yrs
Energy	Discounted cash flow model	12% to 15%	10x to 17x	5 to 10 yrs	Discounted cash flow model	12% to 15%	10x to 14x	10 yrs
Data Infrastructure	Discounted cash flow model	13% to 15%	11x to 17x	10 to 11 yrs	Discounted cash flow model	13% to 15%	10x to 11x	10 yrs

An increase in the discount rate would lead to a decrease in the fair value of property, plant and equipment. Conversely, an increase to the terminal value multiple would increase the fair value of property, plant and equipment. Our partnership has classified all property, plant and equipment under level 3 of the fair value hierarchy.

At December 31, 2019, Brookfield Infrastructure carried out an assessment of the fair value of its Utilities property, plant and equipment, resulting in a gain from revaluation of \$347 million (2018: \$220 million) which was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. Key drivers behind the revaluation gain recorded include; growth in underlying cash flows at our U.K. regulated distribution business associated with new connections and smart meter adoptions made during the year.

At December 31, 2019, Brookfield Infrastructure carried out an assessment of the fair value of its Transport property, plant and equipment. A gain from revaluation of \$45 million (2018: \$18 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. Underlying valuation assumptions in the Transport segment remain relatively consistent with the prior year with the current year's gain attributable to increasing cash flows.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

At December 31, 2019, Brookfield Infrastructure carried out an assessment of the fair value of its Energy property, plant and equipment. A gain from revaluation of \$327 million (2018: \$224 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The revaluation gain was primarily associated with growth in underlying cash flows at our North American district energy operations associated with new customer connections during the last 12 months and a more robust pipeline of growth opportunities which resulted in an increase in our terminal value assumption to align our values with observable market transactions.

At December 31, 2019, Brookfield Infrastructure carried out an assessment of the fair value of its Data Infrastructure property, plant and equipment. A gain from revaluation of \$nil (2018: \$nil) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income due to the recent acquisitions of the businesses in this segment.

The following table summarizes the carrying amount of property, plant and equipment that would have been recognized had assets been carried under the cost model.

<u>US\$ MILLIONS</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Utilities .....	\$ 3,589	\$ 3,407
Transport .....	7,349	1,741
Energy .....	7,646	4,189
Data Infrastructure .....	1,043	444

**NOTE 15. INTANGIBLE ASSETS**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Cost .....	\$ 15,695	\$ 12,515
Accumulated amortization .....	(1,309)	(880)
Net intangible assets .....	<u>\$ 14,386</u>	<u>\$ 11,635</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Intangible assets are allocated to the following cash generating units:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Brazilian regulated gas transmission operation . . . . .	\$ 3,885	\$ 4,211
North American rail operations . . . . .	1,992	—
North American residential energy infrastructure operation . . . . .	1,806	1,763
Australian regulated terminal . . . . .	1,758	1,766
Peruvian toll roads . . . . .	1,159	1,118
Chilean toll roads . . . . .	814	928
Indian toll roads <sup>(1)</sup> . . . . .	769	843
U.K. telecom towers operation . . . . .	472	—
Brazilian electricity transmission operation . . . . .	401	—
U.K. port operation . . . . .	283	273
Other <sup>(2)</sup> . . . . .	1,047	733
<b>Total . . . . .</b>	<b>\$ 14,386</b>	<b>\$ 11,635</b>

(1) Indian toll roads include \$680 million of intangible assets at our investments in Simhapuri Expressway Limited and Rayalseema Expressway Limited and \$89 million at BIF India Holdings Pte Ltd.

(2) Other intangibles are comprised of customer contracts at our Australian port operation, Western Canadian natural gas gathering and processing operation, U.S. data center operation, Colombian natural gas transmission operation, natural gas operation in India and contracted order book at our U.K. regulated distribution operation.

The intangible assets at Brookfield Infrastructure’s Brazilian regulated gas transmission operation, Brazilian electricity transmission operation, Australian regulated terminal operation, and Chilean, Peruvian and Indian toll roads relate to service concession arrangements.

The terms and conditions of concession arrangements at the Brazilian regulated gas transmission operation are regulated by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (“ANP”). Each gas transportation agreement (“GTA”) took into account a return on regulatory asset base (“RAB”), and the tariffs were calculated on an inflation adjusted regulatory weighted average cost of capital (“WACC”) fixed for the GTA life. Upon expiry of the authorizations, the assets shall be returned to the government and will be subject to concession upon public bidding. These assets operate as authorizations that expire between 2039 and 2041.

The intangible asset at Brookfield Infrastructure’s North American rail operations mainly relate to customer relationships, operating network agreements and track access rights. The intangible assets at Brookfield Infrastructure’s residential infrastructure operation comprise contractual customer relationships, customer contracts, proprietary technology and brands. The contractual customer relationships and customer contracts represent ongoing economic benefits from leasing customers and annuity-based management agreements. Proprietary technology is recognized for the development of new metering technology, which allows the business to generate revenue through its sub-metering business. Brands represent the intrinsic value customers place on the operation’s various brand names. Brands are classified as having an indefinite life and are subject to annual impairment reviews. The remaining intangible assets are amortized straight-line over 10 to 20 years.

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The terms and conditions of access to the Australian regulated terminal's services, including tariffs that can be charged to the users, are regulated by the Queensland Competition Authority. Brookfield Infrastructure's Australian regulated terminal operation has Standard Access Agreements with the users of the terminal which entails 100% take-or-pay contracts at a designated tariff rate based on the asset value. The concession arrangement has an expiration date of 2051 with an option to extend the arrangement for an additional 49 years.

The terms and conditions of the Peruvian toll roads concession, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the Municipalidad Metropolitana de Lima ("MML") and its municipal arm, Fondo Metropolitano de Inversiones. The service concession provides the operator the right to charge a tariff to vehicles which use the road network over the life of the concession in exchange for the design, construction, improvement, maintenance and operation of the road network. Until December 2018, tariffs are increased by fixed amounts and on specified dates, and thereafter, are adjusted annually for the Lima Metropolitana Consumer Price Index. For the year ended December 31, 2019, revenue and profit related to construction contracts were \$14 million (2018: \$13 million, 2017: \$12 million) and \$nil (2018: \$nil, 2017: \$nil), respectively. Due to construction services relating to the concession arrangement \$3 million (2018: \$3 million, 2017: \$6 million) of borrowing costs were capitalized as an intangible asset, based on the stage of project completion. The concession arrangement has an expiration date of 2043 at which point the underlying concession assets will be returned to the MML.

The terms and conditions of the Chilean toll roads concession, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the Ministerio de Obras Publicas ("MOP"). The service concession provides the operator the right to charge a tariff to vehicles which use the road over the term of the concession in exchange for operating the road, including preserving the road based on a defined maintenance and construction schedule. Tariffs are adjusted annually for the Chilean Consumer Price Index, in addition to congestion charges which may be levied should specified traffic levels be reached. The concession arrangement has an expiration date of 2033, at which point the underlying concessions assets will be returned to the MOP.

The terms and conditions of the Simhapuri Expressway ("SEL"), Rayalseema Expressway ("REPL") and Mumbai Nasik ("MNEL") Indian toll road concessions, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the National Highways Authority of India ("NHAI"). The Service Concession Agreements provides the operators the right to charge a tariff to vehicles which use the road over the term of the concession in exchange for operating the road, including preserving the road based on a defined maintenance schedule. Tariffs are revised annually for the Indian Wholesale Price Index. The Concession Arrangements have expiration dates of 2041, 2040 and 2026, respectively, for SEL, REPL and MNEL, at which point the underlying concessions assets will be returned to the NHAI.

The intangible asset at Brookfield Infrastructure's U.K telecom tower operation primarily relates to customer contracts and related relationships. The contractual customer contracts and customer relationships represent ongoing economic benefits from leasing space on the existing portfolio of towers and distributed antenna systems. Intangible assets are amortized straight-line over the average remaining contractual period plus a reasonable expectation of long term renewals.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The terms and conditions of the Brazilian electricity transmission concession are regulated by the Brazilian Electricity Regulatory Agency (“ANEEL”). The concession agreement grants the right to construct, maintain and operate the transmission lines, in exchange for a regulated return (“RAP”) during the concession period. Concessions are awarded for a period of 30 years and RAP is adjusted for inflation annually and updated every five years to reflect changes in third-party cost of capital.

The intangible asset at Brookfield Infrastructure’s U.K. port operation relates to a conservancy right. As a right in perpetuity issued by the Statutory Harbour Authority in the U.K., the conservancy right is classified as having an indefinite life, and is subject to an annual impairment review.

The carrying value as at December 31, 2019, of Brookfield Infrastructure’s indefinite lived intangibles is \$667 million (2018: \$653 million).

The following table presents the change in the cost balance of intangible assets:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Cost at beginning of the year	\$ 12,515	\$ 10,470
Additions, net of disposals	109	117
Acquisitions through business combinations <sup>(1)</sup>	3,248	3,208
Held for sale	(1)	—
Non-cash additions (disposals)	15	7
Foreign currency translation	(191)	(1,287)
Cost at end of year	<u>\$ 15,695</u>	<u>\$ 12,515</u>

(1) See Note 7 Acquisition of Businesses for additional information.

The following table presents the accumulated amortization for Brookfield Infrastructure’s intangible assets:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Accumulated amortization at beginning of year	\$ (880)	\$ (576)
Disposals	12	—
Amortization	(450)	(371)
Foreign currency translation	9	67
Accumulated amortization at end of year	<u>\$ (1,309)</u>	<u>\$ (880)</u>

**NOTE 16. GOODWILL**

The following table presents the carrying amount for Brookfield Infrastructure’s goodwill:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Balance at beginning of the year</b>	<b>\$ 3,859</b>	<b>\$ 1,301</b>
Acquisitions through business combinations <sup>(1)</sup>	2,644	2,905
Foreign currency translation and other	50	(347)
<b>Balance at end of the year</b>	<b><u>\$ 6,553</u></b>	<b><u>\$ 3,859</u></b>

(1) See Note 7 Acquisition of Businesses for additional information.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal or the value in use. During 2019, the carrying amount of each cash-generating unit was determined to not exceed its recoverable amount.

Goodwill is allocated to the following cash generating units, or group of cash generating units:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
North American rail operations <sup>(1)</sup> .....	\$ 2,042	\$ —
North American residential energy infrastructure operation <sup>(1)</sup> .....	1,274	1,209
Western Canadian natural gas gathering and processing operation <sup>(1)</sup> .....	749	492
Brazilian regulated gas transmission operation .....	632	657
Colombian natural gas distribution operation .....	542	547
U.S. data center operation <sup>(1)</sup> .....	486	463
Other <sup>(1)</sup> .....	828	491
Total .....	<u>\$ 6,553</u>	<u>\$ 3,859</u>

*(1) See Note 7 Acquisition of Businesses for additional information.*

The recoverable amount of the goodwill has been determined using a discounted cash flow model whereby the fair value measurement is classified under level 3 on the fair value hierarchy. The key inputs in determining the fair value of each cash generating unit under the discounted cash flow model are the utilization of discount rates ranging from 12% to 14%, terminal value multiples of 8x to 12x and discrete cash flow periods from 7 to 20 years.

Goodwill at our Brazilian regulated gas transmission operation was predominantly the result of deferred income tax liability recognized on acquisition. The deferred tax liability arose as the tax bases of the net assets acquired were lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill which is recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**NOTE 17. INVESTMENT PROPERTIES**

The following table presents the carrying amount for Brookfield Infrastructure's investment properties:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Balance at beginning of the year</b> .....	<b>\$ 190</b>	<b>\$ 192</b>
Acquisitions through business combinations <sup>(1)</sup> .....	<b>211</b>	—
Additions, net of disposals .....	<b>2</b>	—
Non-cash additions .....	<b>5</b>	—
Fair value adjustments .....	—	13
Foreign currency translation .....	<b>8</b>	<b>(15)</b>
<b>Balance at end of the year</b> .....	<b>\$ 416</b>	<b>\$ 190</b>

(1) See Note 7 Acquisition of Businesses for additional information.

Investment properties are measured at fair value on a recurring basis and the effective date of revaluation is December 31, 2019 and 2018. The fair value of our partnership's investment properties are determined by management of our partnership with due consideration given to other relevant market conditions. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's investment property. Our partnership has classified all assets below under level 3 of the fair value hierarchy:

<u>Segment</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs</u>
<i>Transport</i>	Direct Income Capitalization	Capitalization Rate	6% to 14%
<i>Data Infrastructure</i>	Direct Income Capitalization	Capitalization Rate	6% to 8%

An increase in the capitalization rate would lead to a decrease in the fair value of investment property, with the opposite impact for a decrease in the capitalization rate.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**NOTE 18. ACCOUNTS PAYABLE AND OTHER**

<u>US\$ MILLIONS</u>	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Current:</b>			
Accounts payable .....		\$ 854	\$ 463
Accrued & other liabilities .....		838	585
Deferred revenue .....	(i)	307	154
Provisions <sup>(1)</sup> .....		214	106
Lease liabilities <sup>(2)</sup> .....		197	—
<b>Total current</b> .....		<b>\$ 2,410</b>	<b>\$ 1,308</b>
<b>Non-current:</b>			
Lease liabilities <sup>(2)</sup> .....		\$ 1,606	\$ —
Provisions <sup>(1)</sup> .....		327	148
Deferred revenue .....	(i)	246	323
Pension liabilities <sup>(3)</sup> .....		148	81
Other liabilities .....		243	225
<b>Total non-current</b> .....		<b>\$ 2,570</b>	<b>\$ 777</b>

(1) Provisions primarily relate to decommissioning liabilities at our Western Canadian natural gas gathering and processing operation.

(2) The impact of the adoption of IFRS 16 requires the recognition of lease liabilities, including short-term and low-value leases. See Note 3 Significant Accounting Policies for further details.

(3) See Note 32 Retirement Benefit Plans for further details.

Brookfield Infrastructure's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 35, Financial Risk Management.

**(i) Deferred revenue**

Deferred revenue relates primarily to cash contributions from third parties to build or upgrade existing network capabilities at our Australian rail operation, for future natural gas and electricity connections at our U.K. regulated distribution operation and for future transportation of gas at our Indian natural gas operation. The deferred revenue is recorded on receipt of cash payments and recognized as revenue as services are rendered over the life of the contracted track access, connections arrangement or gas transportation agreement.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**NOTE 19. FINANCIAL LIABILITIES**

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Current:</b>		
Deferred consideration .....	\$ 131	\$ 3
Foreign currency forward contracts .....	61	16
Other financial liabilities .....	<u>137</u>	<u>105</u>
<b>Total current financial liabilities</b> .....	<b><u>\$ 329</u></b>	<b><u>\$ 124</u></b>
<b>Non-current:</b>		
Deferred consideration .....	\$1,115	\$ 953
Interest rate swaps .....	113	100
Foreign currency forward contracts .....	36	7
Inflation swaps .....	71	78
Other financial liabilities .....	<u>509</u>	<u>18</u>
<b>Total non-current financial liabilities</b> .....	<b><u>\$1,844</u></b>	<b><u>\$1,156</u></b>

**NOTE 20. BORROWINGS**

**(a) Corporate Borrowings**

Brookfield Infrastructure has a \$1.975 billion senior unsecured revolving credit facility used for general working capital including acquisitions. The \$1.975 billion is available on a revolving basis for the full term of the facility. All amounts outstanding under this facility will be repayable on June 28, 2024. All obligations of Brookfield Infrastructure under the facility are guaranteed by our partnership. Loans under this facility accrue interest at a floating rate based on LIBOR plus 1.2%. Brookfield Infrastructure is required to pay an unused commitment fee under the facility of 13 basis points per annum. As at December 31, 2019, draws on the credit facility were \$820 million (2018: \$510 million) and \$54 million of letters of credit were issued (2018: \$47 million).

	<u>Maturity</u>	<u>Annual Rate</u>	<u>Currency</u>	<u>2019</u>	<u>2018</u>
Corporate revolving credit facility .....	June 28, 2024	LIBOR plus 1.2%	US\$	<b>820</b>	510
Medium Term Notes <sup>(1)</sup> :					
<b>Non-Current:</b>					
Public - Canadian .....	October 30, 2020	3.5%	C\$	—	275
Public - Canadian .....	March 11, 2022	3.5%	C\$	<b>346</b>	330
Public - Canadian .....	February 22, 2024	3.3%	C\$	<b>231</b>	220
Public - Canadian .....	February 22, 2024	3.3%	C\$	<b>308</b>	293
Public - Canadian .....	September 11, 2028	4.2%	C\$	<b>384</b>	365
Public - Canadian .....	October 9, 2029	3.4%	C\$	<u><b>386</b></u>	—
<b>Total</b> .....				<b><u>\$2,475</u></b>	<b><u>\$1,993</u></b>

(1) See Note 21 Subsidiary Public Issuers for further details.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

On October 7, 2019, Brookfield Infrastructure Finance ULC issued C\$500 million of medium-term notes maturing October 9, 2029 with a coupon of 3.4%. On November 6, 2019, the proceeds were used to early redeem C\$375 million of medium-term notes maturing October 30, 2020.

On October 30, 2018, Brookfield Infrastructure Finance ULC repaid C\$125 million of maturing medium-term notes.

On September 10, 2018, Brookfield Infrastructure Finance ULC issued C\$500 million of medium-term notes maturing September 11, 2028 with a coupon of 4.2%. The proceeds were swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.7%.

The increase in corporate borrowings of \$482 million during the year ended December 31, 2019 is due to net draws of \$310 million on the corporate revolving credit facility, the issuance of C\$500 million of medium-term notes, and the impact of a stronger Canadian dollar relative to the U.S. dollar. These increases were partially offset by the early redemption of C\$375 million medium-term notes.

Brookfield Infrastructure has entered into a \$500 million revolving credit facility with Brookfield to provide additional liquidity for general corporate purposes and capital expenditures, if required. The revolving credit facility has an effective date of February 8, 2018 and automatically renews for four consecutive one year terms on the first, second, third and fourth anniversary of such effective date, which would result in it ultimately maturing on February 8, 2023. Brookfield has the option to terminate the agreement prior to February 8 each year by providing Brookfield Infrastructure with written notice. All obligations of Brookfield Infrastructure under the facility were guaranteed by our partnership. Loans under this facility accrued interest on LIBOR plus 2.0% and no commitment fees were incurred for any undrawn balance. As of December 31, 2019, there were \$nil (2018: \$nil) of borrowings outstanding.

#### (b) Non-Recourse Borrowings

The current and non-current balances of non-recourse borrowings are as follows:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Current .....	<u>\$ 1,381</u>	<u>\$ 985</u>
Non-current .....	<u>17,163</u>	<u>12,128</u>
Total .....	<u>\$18,544</u>	<u>\$13,113</u>

Non-recourse borrowings have increased by \$5.4 billion since year-end. This increase is due to additional borrowings primarily associated with our recent acquisitions and the impact of foreign exchange, partially offset by non-recourse borrowings reclassified to held for sale.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Principal repayments on non-recourse borrowings due over the next five years and thereafter are as follows:

<u>US\$ MILLIONS</u>	<u>Utilities</u>	<u>Transport</u>	<u>Energy</u>	<u>Data Infrastructure</u>	<u>Total</u>
2020 .....	\$ 463	\$ 362	\$ 498	\$ 82	\$ 1,405
2021 .....	418	355	240	6	1,019
2022 .....	330	489	750	111	1,680
2023 .....	1,936	361	618	12	2,927
2024 .....	830	560	1,107	6	2,503
Thereafter .....	1,749	4,475	2,193	725	9,142
Total principal repayments .....	5,726	6,602	5,406	942	18,676
Deferred financing costs and other .....	5	(58)	(60)	(19)	(132)
<b>Total - Dec. 31, 2019</b> .....	<b>\$ 5,731</b>	<b>\$ 6,544</b>	<b>\$ 5,346</b>	<b>\$ 923</b>	<b>\$ 18,544</b>
Total - Dec. 31, 2018 .....	\$ 5,397	\$ 3,444	\$ 3,155	\$ 1,117	\$ 13,113

The weighted average interest rates of non-recourse borrowings are as follows:

<u>US\$ MILLIONS</u>	<u>Utilities</u>	<u>Transport</u>	<u>Energy</u>	<u>Data Infrastructure</u>	<u>Total</u>
<b>Dec. 31, 2019</b> .....	<b>4%</b>	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>
Dec. 31, 2018 .....	4%	6%	6%	6%	5%

Principal repayments on non-recourse borrowings in their local currency are as follows:

<u>US\$ MILLIONS, except as noted</u>	<u>Dec. 31, 2019</u>	<u>Local Currency</u>	<u>Dec. 31, 2018</u>	<u>Local Currency</u>
U.S. dollars .....	\$ 7,801	USD 7,801	\$ 5,317	USD \$ 5,317
Canadian dollars .....	2,473	CAD 3,212	1,388	CAD 1,893
British pounds .....	2,411	GBP 1,819	1,847	GBP 1,447
Brazilian real .....	1,489	BRL 6,002	1,342	BRL 5,200
Indian rupees .....	1,427	INR 101,929	565	INR 39,236
Chilean Unidad de Fomento <sup>(1)</sup> .....	1,099	UF 29	837	UF 21
Australian dollars .....	1,010	AUD 1,439	925	AUD 1,312
Peruvian soles .....	452	PEN 1,497	441	PEN 1,486
Colombian pesos .....	342	COP 1,124,325	411	COP 1,337,497
New Zealand dollars .....	40	NZD 59	40	NZD 60

(1) Chilean Unidad de Fomento is an inflation adjusted unit of account indexed to the Chilean Peso.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**(c) Supplemental Information**

Details of the “Changes in liabilities from financing activities”, including both changes arising from cash flows and non-cash changes are as follows:

<u>US\$ MILLIONS</u>	<u>2018</u>	<u>Cash Flows</u>	<u>Acquisitions</u>	<u>Foreign Exchange Movement and Other</u>	<u>2019</u>
Corporate borrowings .....	\$ 1,993	\$ 398	\$ —	\$ 84	\$ 2,475
Non-recourse borrowings .....	13,113	3,573	1,972	(114)	18,544

**NOTE 21. SUBSIDIARY PUBLIC ISSUERS**

An indenture dated as of October 10, 2012 between certain wholly-owned subsidiaries of our partnership, Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Pty Ltd and Brookfield Infrastructure Finance Limited (collectively, the “Debt Issuers”), and Computershare Trust Company of Canada, as supplemented and amended from time to time (“Indenture”) provides for the issuance of one or more series of unsecured notes of the Debt Issuers.

On October 7, 2019, the Debt Issuers issued C\$500 million of medium-term notes under the Indenture maturing October 9, 2029 in the Canadian bond market with a coupon of 3.4%. On November 6, 2019, the proceeds were used to early redeem C\$375 million of medium-term notes maturing October 30, 2020.

On September 10, 2018, the Debt Issuers issued C\$500 million of medium-term notes under the Indenture maturing September 11, 2028 in the Canadian bond market with a coupon of 4.2%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.7%.

On April 17, 2017, the Debt Issuers issued C\$400 million of medium-term notes under the Indenture maturing February 22, 2024 in the Canadian bond market with a coupon of 3.3%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.0%.

On February 22, 2017, the Debt Issuers issued C\$300 million of medium-term notes under the Indenture maturing February 22, 2024 in the Canadian bond market with a coupon of 3.3%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 4.1%.

As they matured, the Debt Issuers repaid C\$400 million of medium-term notes on October 10, 2017 and C\$125 million of medium-term notes on October 30, 2018.

These notes are fully and unconditionally guaranteed by our partnership and its subsidiaries, the Holding LP, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited (collectively, the “Guarantors”).

The Guarantors will also fully and unconditionally guarantee the payment obligations of Brookfield Infrastructure Preferred Equity Inc. (“Pref Finco” and collectively with the Debt Issuers, the “Fincos”) in respect of any Class A preference shares issued to the public by the Pref Finco, if and when issued.

A base shelf prospectus of BIP Investment Corporation (“BIPIC”) dated as of November 23, 2018 provides for the issuance of one or more series of senior preferred shares of BIPIC. The Guarantors will fully and unconditionally guarantee the payment obligations of BIPIC in respect of any senior preferred shares issued by BIPIC under the prospectus.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

Each of the Fincos and BIPIC are subsidiaries of our partnership. In the tables below, information relating to the Fincos has been combined. The Fincos have not guaranteed the obligations of BIPIC, nor has BIPIC guaranteed the obligations of the Fincos.

On February 5, 2019, BIPIC issued 4 million Series 1 Senior Preferred Shares at C\$25 per share with a quarterly fixed dividend at a rate of 5.85% annually for the initial period ending March 31, 2024. In total, C\$100 million or \$75 million of gross proceeds were raised, \$2 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred. The preferred shares are retractable at the option of the holders and are therefore classified as liabilities.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables set forth consolidated summary financial information for our partnership, the Fincos and BIPIC:

For the year ended December 31, 2019 US\$ MILLIONS	Our partnership <sup>(2)</sup>	The Fincos	BIPIC	Subsidiaries of our partnership other than the Fincos and BIPIC <sup>(3)</sup>	Consolidating adjustments <sup>(4)</sup>	Our partnership consolidated
Revenues	\$ —	\$ —	\$ —	\$ —	\$ 6,597	\$ 6,597
Net income attributable to partnership <sup>(1)</sup>	52	—	—	233	(52)	233
<b>For the year ended December 31, 2018</b>						
Revenues	\$ —	\$ —	\$ —	\$ —	\$ 4,652	\$ 4,652
Net income attributable to partnership <sup>(1)</sup>	192	—	—	410	(192)	410
<b>For the year ended December 31, 2017</b>						
Revenues	\$ —	\$ —	\$ —	\$ —	\$ 3,535	\$ 3,535
Net income attributable to partnership <sup>(1)</sup>	11	—	—	125	(11)	125
<b>As at December 31, 2019</b>						
Current assets	\$ —	\$ —	\$ —	\$ —	\$ 5,841	\$ 5,841
Non-current assets	5,983	—	889	8,905	34,690	50,467
Current liabilities	—	—	75	—	5,364	5,439
Non-current liabilities	—	1,655	—	—	27,037	28,692
Non-controlling interests— Redeemable Partnership Units held by Brookfield	—	—	—	—	2,039	2,039
Non-controlling interests— Exchange LP Units	—	—	—	—	18	18
Non-controlling interests—in operating subsidiaries	—	—	—	—	14,113	14,113
Preferred unitholders	—	—	—	—	935	935
<b>As at December 31, 2018</b>						
Current assets	\$ —	\$ —	\$ —	\$ —	\$ 2,276	\$ 2,276
Non-current assets	5,449	—	568	8,281	20,006	34,304
Current liabilities	—	—	—	—	2,417	2,417
Non-current liabilities	—	1,483	—	—	18,012	19,495
Non-controlling interests— Redeemable Partnership Units held by Brookfield	—	—	—	—	1,823	1,823
Non-controlling interests— Exchange LP Units	—	—	—	—	71	71
Non-controlling interests—in operating subsidiaries	—	—	—	—	7,303	7,303
Preferred unitholders	—	—	—	—	936	936

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

- (1) Includes net income attributable to non-controlling interest—Exchange LP Units and non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.
- (2) Includes investments in all subsidiaries of our partnership under the equity method.
- (3) Includes investments in all subsidiaries of the Holding LP, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited under the equity method.
- (4) Includes elimination of intercompany transactions and balances necessary to present our partnership on a consolidated basis.

#### NOTE 22. PREFERRED SHARES

As at December 31, 2019, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited (wholly owned subsidiaries of Brookfield Infrastructure) have issued 196,000, 1 and 400,000 preferred shares, respectively, to wholly owned subsidiaries of Brookfield, for proceeds of \$5 million, \$5 million and \$10 million, respectively. Each preferred share is non-voting and is redeemable at \$25 per share except in the case of the preferred share issued by Brookfield Infrastructure US Holdings I Corporation, which is redeemable for \$5 million. Each of these preferred shares is redeemable, together with any accrued and unpaid dividends, at the option of the issuer on or after the tenth anniversary of the date of issue, subject to certain restrictions. Further, these preferred shares entitle the holders thereof to a fixed cumulative 6% preferential cash dividend payable quarterly as and when declared by the issuer's board of directors. At December 31, 2019, there were no dividends in arrears (2018: \$nil).

#### NOTE 23. INTEREST EXPENSE

US\$ MILLIONS	2019	2018	2017
Interest on corporate facility	\$ 20	\$ 4	\$ 12
Interest on corporate debt	63	56	51
Interest on non-recourse borrowings	738	483	361
Other financing fees	83	12	4
	<u>\$ 904</u>	<u>\$ 555</u>	<u>\$ 428</u>

#### NOTE 24. PAYROLL EXPENSE

Our partnership has no key employees; therefore, Brookfield Infrastructure does not remunerate key management personnel. Key decision makers of Brookfield Infrastructure are all employees of the ultimate parent company who provide management services under Brookfield Infrastructure's Master Services Agreement. Details of the management fees paid are disclosed in Note 33, Related Party Transactions.

Throughout the year, the General Partner in its capacity as our partnership's general partner, incurs director fees, a portion of which are charged to our partnership in accordance with the limited partnership agreement.

For the year ended December 31, 2019, payroll expense across all of Brookfield Infrastructure's subsidiaries was \$704 million, inclusive of benefits (2018: \$588 million, 2017: \$519 million).

#### NOTE 25. NON-WHOLLY OWNED SUBSIDIARIES

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Financial Position:

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	As of December 31, 2019					
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Non-Controlling Interest in Operating Subsidiaries	Partnership Capital <sup>(1)</sup>
<i>Utilities</i>						
U.K. regulated distribution operation	\$ 159	\$ 4,653	\$ 294	\$ 2,888	\$ 318	\$ 1,312
Australian regulated terminal operation	139	1,994	347	1,688	34	64
Colombian regulated distribution operation <sup>(2)</sup>	759	—	427	—	274	58
Brazilian regulated gas transmission operation	435	4,606	199	3,195	1,305	342
Colombian natural gas distribution operation	214	1,166	299	314	684	83
Brazilian electricity transmission operation	21	401	12	252	110	48
<i>Transport</i>						
North American rail operation	2,150	9,392	1,409	4,889	4,747	497
U.K. port operation	47	934	78	370	218	315
Australian port operation	126	927	124	488	317	124
Chilean toll roads	95	821	67	1,112	(320)	57
Peruvian toll roads	122	1,337	19	683	638	119
Indian toll roads <sup>(3)</sup>	75	868	83	570	203	87
<i>Energy</i>						
North American gas storage operation	200	1,449	112	661	543	333
Canadian district energy operation	29	974	47	506	337	113
U.S. district energy operation	37	964	41	747	118	95
Western Canadian natural gas gathering and processing operation	119	3,721	147	1,845	1,320	528
North American residential energy infrastructure operation	171	3,997	337	1,925	1,341	565
Indian natural gas operation	155	2,272	181	910	1,157	179
<i>Data Infrastructure</i>						
U.S. data center operation	105	1,665	112	1,130	376	152
Australian data center operation	10	280	5	112	124	49
U.K. telecom towers operation	26	874	190	419	219	72
<i>Corporate</i>						
Holding LP and other	529	111	735	2,480	50	(2,625)
<b>Total</b>	<b>\$5,723</b>	<b>\$ 43,406</b>	<b>\$ 5,265</b>	<b>\$ 27,184</b>	<b>\$ 14,113</b>	<b>\$ 2,567</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	As of December 31, 2018					
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Non-Controlling Interest in Operating Subsidiaries	Partnership Capital <sup>(1)</sup>
<i>Utilities</i>						
U.K. regulated distribution operation	\$ 131	\$ 3,844	\$ 248	\$ 2,452	\$ 247	\$ 1,028
Australian regulated terminal operation	34	2,074	27	1,943	45	93
Colombian regulated distribution operation	51	708	32	396	273	58
Brazilian regulated gas transmission operation	310	4,955	106	3,185	1,540	434
Colombian natural gas distribution operation	230	1,149	235	374	691	79
<i>Transport</i>						
U.K. port operation	48	847	71	347	195	282
Australian port operation	141	593	239	59	319	117
Chilean toll roads	82	940	59	862	43	58
Peruvian toll roads	104	1,308	20	654	622	116
Indian toll roads <sup>(3)</sup>	90	975	65	667	229	104
<i>Energy</i>						
North American gas storage	281	1,273	155	566	515	318
Canadian district energy operation	25	754	32	387	269	91
U.S. district energy operation	42	834	26	681	90	79
Western Canadian natural gas gathering and processing operation	86	2,069	84	1,161	650	260
North American residential energy infrastructure operation	196	3,647	152	1,551	1,506	634
<i>Data Infrastructure</i>						
U.S. data center operation	17	1,131	438	562	(12)	160
<i>Corporate</i>						
Holding LP and other	320	248	336	2,031	83	(1,882)
<b>Total</b>	<b>\$2,188</b>	<b>\$ 27,349</b>	<b>\$ 2,325</b>	<b>\$ 17,878</b>	<b>\$ 7,305</b>	<b>\$ 2,029</b>

- (1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, non-controlling interest—Exchange LP Units, general partner and limited partners.
- (2) On January 14, 2020, Brookfield Infrastructure sold its 17% interest in its Colombian regulated distribution operation for total consideration of approximately \$90 million. The net assets were classified as held for sale as of December 31, 2019. Refer to Note 6 Assets and Liabilities Classified as Held for Sale.
- (3) Indian toll roads include our investments in BIF India Holdings Pte Ltd, Simhapuri Expressway Limited and Rayalseema Expressway Private Limited.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Operating Results:

US\$ MILLIONS	Year ended December 31, 2019				
	Revenue	Attributable to non-controlling interest		Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>					
U.K. regulated distribution operation	\$ 478	\$ 24	\$ 71	\$ 103	\$ 278
Australian regulated terminal operation	308	15	(3)	43	(8)
Colombian regulated distribution operation <sup>(1)</sup>	179	10	(9)	2	(2)
Brazilian regulated gas transmission operation	1,141	349	(83)	132	(33)
Colombian natural gas distribution operation	874	51	(4)	7	—
Brazilian electricity transmission operation	2	15	(2)	7	(1)
<i>Transport</i>					
North American rail operation	—	—	(10)	—	(1)
U.K. port operation	197	4	19	7	27
Australian port operation	462	(24)	(1)	(7)	—
Chilean toll roads	162	—	27	2	16
Peruvian toll roads	107	5	10	1	2
Indian toll roads <sup>(2)</sup>	130	(19)	(6)	(9)	(3)
<i>Energy</i>					
North American gas storage operation	143	12	52	9	32
Canadian district energy operation	121	6	85	2	29
U.S. district energy operation	158	(14)	49	(9)	32
Western Canadian natural gas gathering and processing operation	256	35	31	14	12
North American residential energy infrastructure operation	956	3	63	2	26
Indian natural gas operation	266	(39)	(33)	(12)	(10)
<i>Data Infrastructure</i>					
U.S. data center operation	294	(22)	(10)	(7)	(4)
Australian data center operation	20	6	(3)	2	(1)
U.K. telecom towers operation	—	—	(2)	—	(1)
<i>Corporate</i>					
Holding LP and other	25	(5)	—	(295)	(26)
<b>Total</b>	<b>\$6,279</b>	<b>\$ 412</b>	<b>\$ 241</b>	<b>\$ (6)</b>	<b>\$ 364</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	Year ended December 31, 2018				
	Revenue	Attributable to non-controlling interest		Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>					
U.K. regulated distribution operation . . . . .	\$ 449	\$ 22	\$ 19	\$ 99	\$ 86
Australian regulated terminal operation . . . . .	307	14	(6)	34	(16)
Colombian regulated distribution operation . . . . .	177	15	(11)	3	(2)
Brazilian regulated gas transmission operation . . . . .	1,112	357	(469)	139	(190)
Colombian natural gas distribution operation . . . . .	516	34	(91)	7	(14)
<i>Transport</i>					
U.K. port operation . . . . .	205	12	3	19	4
Australian port operation . . . . .	522	(6)	(33)	(3)	(11)
Chilean toll roads . . . . .	168	(1)	(7)	(1)	(7)
Peruvian toll roads . . . . .	92	3	(25)	1	(5)
Indian toll roads <sup>(2)</sup> . . . . .	61	(12)	2	(6)	(1)
<i>Energy</i>					
North American gas storage operation . . . . .	150	(16)	22	(12)	15
Canadian district energy operation . . . . .	118	7	32	3	11
U.S. district energy operation . . . . .	149	(13)	35	(8)	23
Western Canadian natural gas gathering and processing operation . . . . .	61	3	(53)	1	(21)
North American residential energy infrastructure operation . . . . .	191	4	(73)	1	(30)
<i>Data Infrastructure</i>					
U.S. data center operation . . . . .	—	—	(1)	—	—
<i>Corporate</i>					
Holding LP and other . . . . .	23	(26)	(1)	108	44
<b>Total . . . . .</b>	<b>\$4,301</b>	<b>\$ 397</b>	<b>\$ (657)</b>	<b>\$ 385</b>	<b>\$ (114)</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	Year ended December 31, 2017				
	Revenue	Attributable to non-controlling interest		Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>					
U.K. regulated distribution operation . . . . .	\$ 385	\$ 21	\$ 29	\$ 114	\$ 118
Australian regulated terminal operation . . . . .	301	15	3	35	7
Colombian regulated distribution operation . . . . .	161	12	38	2	7
Brazilian regulated gas transmission operation . . . . .	938	349	(160)	146	(72)
<i>Transport</i>					
U.K. port operation . . . . .	180	8	21	22	29
Australian port operation . . . . .	501	(7)	28	(3)	9
Chilean toll roads . . . . .	154	—	7	—	8
Peruvian toll roads . . . . .	103	12	22	2	5
Indian toll roads . . . . .	57	(2)	4	(1)	3
<i>Energy</i>					
North American gas storage operation . . . . .	149	30	74	18	47
Canadian district energy operation . . . . .	95	(2)	39	—	13
U.S. district energy operation . . . . .	131	10	40	7	26
<i>Corporate</i>					
Holding LP and other . . . . .	22	(3)	1	(349)	(410)
<b>Total . . . . .</b>	<b>\$3,177</b>	<b>\$ 443</b>	<b>\$ 146</b>	<b>\$ (7)</b>	<b>\$ (210)</b>

- (1) On January 14, 2020, Brookfield Infrastructure sold its 17% interest in its Colombian regulated distribution operation for total consideration of approximately \$90 million.
- (2) Indian toll roads include our investments in BIF India Holdings Pte Ltd, Simhapuri Expressway Limited and Rayalseema Expressway Private Limited.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Cash Flows:

US\$ MILLIONS	Cash Flow Activities					
	Year ended December 31, 2019			Year ended December 31, 2018		
	Operating	Investing	Financing	Operating	Investing	Financing
<i>Utilities</i>						
U.K. regulated distribution operation . . . . .	\$ 271	\$ (416)	\$ 147	\$ 226	\$ (413)	\$ 179
Australian regulated terminal operation . . . . .	91	(23)	(55)	85	(21)	(63)
Colombian regulated distribution operation <sup>(1)</sup> . . . . .	26	(24)	(4)	11	(26)	—
Brazilian regulated gas transmission operation . . . . .	839	(21)	(702)	868	(26)	(792)
Colombian natural gas distribution operation . . . . .	72	(38)	(73)	94	(217)	205
Brazilian electricity transmission operation . . . . .	22	(4)	(6)	—	—	—
<i>Transport</i>						
North American rail operation . . . . .	—	(6,460)	6,578	—	—	—
U.K. port operation . . . . .	27	(43)	9	27	(17)	(8)
Australian port operation . . . . .	52	(45)	(10)	42	(68)	22
Chilean toll roads . . . . .	62	(2)	(55)	74	(1)	(82)
Peruvian toll roads . . . . .	47	(39)	—	91	(33)	—
Indian toll roads <sup>(2)</sup> . . . . .	7	(9)	(29)	18	(184)	209
<i>Energy</i>						
North American gas storage operation . . . . .	83	(10)	(63)	—	(8)	7
Canadian district energy operation . . . . .	53	(68)	14	39	(42)	(45)
U.S. district energy operation . . . . .	22	(29)	2	24	(16)	(18)
Western Canadian natural gas gathering and processing operation . . . . .	92	(1,396)	1,339	48	(1,923)	1,910
North American residential energy infrastructure operation . . . . .	128	(228)	87	16	(2,182)	2,188
Indian natural gas operation . . . . .	208	(1,950)	1,746	—	—	—
<i>Data Infrastructure</i>						
U.S. data center operation . . . . .	51	(6)	(35)	(1)	(1,103)	1,118
Australian data center operation . . . . .	—	(277)	286	—	—	—
U.K. telecom towers operation . . . . .	3	(280)	289	—	—	—
<i>Corporate</i>						
Holding LP and other . . . . .	(46)	243	(128)	(417)	794	(379)
<b>Total . . . . .</b>	<b>\$ 2,110</b>	<b>\$ (11,125)</b>	<b>\$ 9,337</b>	<b>\$ 1,245</b>	<b>\$ (5,486)</b>	<b>\$ 4,451</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	Cash Flow Activities		
	Year ended December 31, 2017		
	Operating	Investing	Financing
<i>Utilities</i>			
U.K. regulated distribution operation . . . . .	\$ 220	\$ (343)	\$ 129
Australian regulated terminal operation . . . . .	96	(9)	(87)
Colombian regulated distribution operation . . . . .	7	(22)	26
Brazilian regulated gas transmission operation . . . . .	819	83	(839)
<i>Transport</i>			
U.K. port operation . . . . .	46	(40)	(10)
Australian port operation . . . . .	37	(39)	12
Chilean toll roads . . . . .	56	(5)	(88)
Peruvian toll roads . . . . .	46	(67)	—
Indian toll roads . . . . .	30	(7)	(22)
<i>Energy</i>			
North American gas storage operation . . . . .	55	(9)	(76)
Canadian district energy operation . . . . .	26	(82)	102
U.S. district energy operation . . . . .	24	8	(28)
<i>Corporate</i>			
Holding LP and other . . . . .	(98)	(5,089)	4,721
Total . . . . .	<u>\$ 1,364</u>	<u>\$ (5,621)</u>	<u>\$ 3,840</u>

- (1) On January 14, 2020, Brookfield Infrastructure sold its 17% interest in its Colombian regulated distribution operation for total consideration of approximately \$90 million.
- (2) Indian toll roads include our investments in BIF India Holdings Pte Ltd, Simhapuri Expressway Limited and Rayalseema Expressway Private Limited.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**NOTE 26. INCOME TAXES**

Our partnership is a flow through entity for tax purposes and as such is not subject to taxation. However, income taxes are recognized for the amount of taxes payable by the partnership's corporate subsidiaries and for the impact of deferred tax assets and liabilities related to such subsidiaries.

**(a) Deferred Income Tax Balances**

The sources of deferred income tax balances are as follows:

<u>US\$ MILLIONS</u>	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>Deferred income tax assets</b>		
Tax losses carried forward .....	\$ 397	\$ 394
Financial instruments and other .....	<b>350</b>	77
	<u>\$ 747</u>	<u>\$ 471</u>
<b>Deferred income tax liabilities</b>		
Property, plant and equipment and investment properties .....	\$(2,541)	\$(1,702)
Intangible assets .....	<b>(2,714)</b>	(2,115)
	<u>\$(5,255)</u>	<u>\$(3,817)</u>
<b>Net deferred income tax liabilities</b> .....	<u>\$(4,508)</u>	<u>\$(3,346)</u>
Reflected in the Consolidated Statements of Financial Position as follows: .....		
Deferred income tax assets .....	\$ 112	\$ 75
Deferred income tax liabilities .....	<b>(4,620)</b>	(3,421)
<b>Net deferred income tax liabilities</b> .....	<u>\$(4,508)</u>	<u>\$(3,346)</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The sources of deferred income tax balances and movements are as follows:

<u>US\$ MILLIONS</u>	Recognized in					<u>Dec. 31, 2019</u>
	<u>Jan. 1, 2019</u>	<u>Net Income</u>	<u>Other Comprehensive Income</u>	<u>Other<sup>(1)</sup></u>	<u>Acquisitions/ Dispositions</u>	
Deferred income tax assets related to non-capital losses and capital losses .....	\$ 394	\$ 40	\$ —	\$ (22)	\$ (15)	\$ 397
Deferred income tax liabilities related to differences in tax and book basis, net .....	<u>(3,740)</u>	<u>(68)</u>	<u>(142)</u>	<u>54</u>	<u>(1,009)</u>	<u>(4,905)</u>
Net deferred income tax liabilities ..	<u>\$ (3,346)</u>	<u>\$ (28)</u>	<u>\$ (142)</u>	<u>\$ 32</u>	<u>\$ (1,024)</u>	<u>\$ (4,508)</u>

  

<u>US\$ MILLIONS</u>	Recognized in					<u>Dec. 31, 2018</u>
	<u>Jan. 1, 2018</u>	<u>Net Income</u>	<u>Other Comprehensive Income</u>	<u>Other<sup>(1)</sup></u>	<u>Acquisitions/ Dispositions</u>	
Deferred income tax assets related to non-capital losses and capital losses .....	\$ 361	\$ (13)	\$ —	\$ 8	\$ 38	\$ 394
Deferred income tax liabilities related to differences in tax and book basis, net .....	<u>(3,144)</u>	<u>(33)</u>	<u>(97)</u>	<u>266</u>	<u>(732)</u>	<u>(3,740)</u>
Net deferred income tax liabilities ..	<u>\$ (2,783)</u>	<u>\$ (46)</u>	<u>\$ (97)</u>	<u>\$ 274</u>	<u>\$ (694)</u>	<u>\$ (3,346)</u>

(1) Other items relates to foreign exchange as deferred income taxes are calculated based on the functional currency of each operating entity.

The amount of non-capital and capital losses and deductible temporary differences for which no deferred income tax assets have been recognized is approximately \$990 million (2018: \$765 million). Of the \$990 million (2018: \$765 million) deductible temporary differences not recognized, \$332 million (2018: \$433 million) relates to capital losses which can be carried forward indefinitely and have no expiry dates. The remaining \$658 million (2018: \$332 million) relates to non-capital losses, of which \$335 million (2018: \$26 million) expire between 2022 to 2032 and \$323 million (2018: \$306 million) that carry forward indefinitely and have no expiry dates.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**(b) Income Tax Recognized in Profit or Loss**

The major components of income tax expense include the following:

<u>US\$ MILLIONS</u>	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Tax expense comprises:</b>			
Current income tax expense .....	<b>\$ 250</b>	\$ 318	\$ 106
Deferred income tax expense (recovery) .....			
Origination and reversal of temporary differences .....	<b>29</b>	53	92
Changes in tax rates or the imposition of new taxes .....	<b>(20)</b>	(11)	(41)
Previously unrecognized deferred taxes .....	<b>19</b>	4	16
<b>Total income tax expense .....</b>	<b>\$ 278</b>	<b>\$ 364</b>	<b>\$ 173</b>
<b>Net income before income tax expense reconciles to income tax expense as follows:</b>			
Net income before income tax .....	<b>\$ 928</b>	\$1,170	\$ 747
Income tax expense calculated at the domestic rates applicable to profits in the country concerned .....	<b>354</b>	278	304
Change in substantively enacted tax rates .....	<b>(20)</b>	(11)	(41)
Earnings from investments in associates and joint ventures .....	<b>(50)</b>	(3)	(12)
Portion of gains subject to different tax rates .....	<b>34</b>	141	2
Taxable income attributable to non-controlling interests .....	<b>(62)</b>	(35)	(65)
International operations subject to different tax rates .....	<b>(6)</b>	(17)	(39)
Deferred tax assets not recognized .....	<b>19</b>	4	15
Permanent differences and other .....	<b>9</b>	7	9
<b>Income tax expense recognized in profit or loss .....</b>	<b>\$ 278</b>	<b>\$ 364</b>	<b>\$ 173</b>

As the partnership is not subject to tax, the above reconciliation has been prepared using a composite statutory rate for jurisdictions where Brookfield Infrastructure's subsidiaries operate. The composite rate has decreased due to changes in the related operating income in the various subsidiaries and changes in local statutory rates.

The partnership has approximately \$2,441 million (2018: \$2,867 million) of temporary differences associated with investments in subsidiaries, and associates for which no deferred income taxes have been provided.

**(c) Income Tax Recognized Directly in Other Comprehensive Income**

<u>US\$ MILLIONS</u>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Deferred income tax arising on income and expenses recognized in other comprehensive income:</b>			
Revaluation of property, plant and equipment .....	<b>\$ (148)</b>	\$ (95)	\$ (204)
Cash flow hedges .....	<b>3</b>	3	8
Other .....	<b>3</b>	(5)	(4)
<b>Total income tax expense recognized directly in other comprehensive income .....</b>	<b>\$ (142)</b>	<b>\$ (97)</b>	<b>\$ (200)</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**NOTE 27. PARTNERSHIP CAPITAL**

As at December 31, 2019, our partnership's capital structure was comprised of three classes of partnership units: units, preferred units and general partnership units. Units entitle the holder to their proportionate share of distributions. Preferred units entitle the holder to cumulative preferential cash distributions in accordance with their terms. General partnership units entitle the holder the right to govern the financial and operating policies of our partnership. The Holding LP's capital structure is composed of four classes of partnership units: Special General Partner Units, Holding LP Class A Preferred Units, Managing General Partner Units and Redeemable Partnership Units held by Brookfield.

In its capacity as the holder of the Special General Partner Units of the Holding LP, the special general partner is entitled to incentive distribution rights which are based on the amount by which quarterly distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed specified target levels. To the extent distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed \$0.203 per quarter, the incentive distribution rights entitle the special general partner to 15% of incremental distributions above this threshold. To the extent that distributions on the Holding LP's units (other than Holding LP Class A Preferred Units) exceed \$0.22 per unit, the incentive distribution rights entitle the special general partner to 25% of incremental distributions above this threshold. During the year, the Holding LP paid incentive distributions of \$158 million (2018: \$136 million, 2017: \$113 million).

The Holding LP has issued 122 million Redeemable Partnership Units to Brookfield, which may, at the request of the holder, require the Holding LP to redeem the Redeemable Partnership Units for cash in an amount equal to the market value of our units. This right is subject to our partnership's right of first refusal which entitles it, at its sole discretion, to elect to acquire any Redeemable Partnership Units so presented to the Holding LP in exchange for one of our partnership's units (subject to certain customary adjustments). Both the units issued by our partnership and the Redeemable Partnership Units issued by the Holding LP have the same economic attributes in all respects, except for the redemption right described above. The Redeemable Partnership Units participate in earnings and distributions on a per Redeemable Partnership Unit basis equivalent to the per unit participation of the units of our partnership. Our partnership reflects the Redeemable Partnership Units issued to Brookfield by the Holding LP as non-controlling interest—Redeemable Partnership Units held by Brookfield.

**(a) Special and Limited Partnership Capital**

UNITS MILLIONS	Special General Partner Units			Limited Partnership Units			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Opening balance</b> .....	<b>1.6</b>	1.6	1.6	<b>277.3</b>	276.6	259.4	<b>278.9</b>	278.2	261.0
Issued for cash .....	—	—	—	<b>13.8</b>	0.3	17.2	<b>13.8</b>	0.3	17.2
Conversion from Exchange LP Units .....	—	—	—	<b>3.2</b>	1.3	—	<b>3.2</b>	1.3	—
Repurchased and cancelled .....	—	—	—	<b>(0.8)</b>	(0.9)	—	<b>(0.8)</b>	(0.9)	—
<b>Ending balance</b> .....	<b>1.6</b>	1.6	1.6	<b>293.5</b>	277.3	276.6	<b>295.1</b>	278.9	278.2

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

US\$ MILLIONS	Special General Partner			Limited Partners			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Opening balance</b> .....	\$ 19	\$ 19	\$ 19	\$4,911	\$4,907	\$4,215	\$4,930	\$4,926	\$4,234
Unit issuance .....	—	—	—	559	14	692	559	14	692
Conversion from Exchange LP Units .....	—	—	—	53	20	—	53	20	—
Repurchased and cancelled .....	—	—	—	(28)	(30)	—	(28)	(30)	—
<b>Ending balance</b> .....	<b>\$ 19</b>	<b>\$ 19</b>	<b>\$ 19</b>	<b>\$5,495</b>	<b>\$4,911</b>	<b>\$4,907</b>	<b>\$5,514</b>	<b>\$4,930</b>	<b>\$4,926</b>

In July 2019, Brookfield Infrastructure issued 13.5 million L.P units at \$42.50 per unit under shelf registrations in the U.S. and Canada. In total, \$575 million of gross proceeds were raised through the issuance and \$24 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued approximately 6.1 million Redeemable Partnership Units to Brookfield for gross proceeds of \$250 million. As Brookfield participated in the unit offering at a percentage greater than its ownership interest in the Holding LP prior to the equity offering, this resulted in a slight decrease in our partnership's ownership interest in the Holding LP without resulting in a loss of control. The difference between the proportionate amount by which the non-controlling interest in Holding LP was increased and the proceeds of the Redeemable Partnership Unit offering resulted in a gain of \$8 million that was recognized directly in equity.

During the year ended December 31, 2019, Brookfield Infrastructure repurchased and cancelled 0.8 million units for \$28 million (2018: 0.9 million for \$30 million, 2017: nil) and incurred less than \$1 million in commission costs (2018: less than \$1 million, 2017: \$nil).

In September 2017, Brookfield Infrastructure issued 16.6 million limited partnership units at \$42 per unit under shelf registrations in the United States and Canada. In total, \$700 million of gross proceeds were raised through the issuance and \$28 million in equity issuance costs were incurred. Concurrently, Brookfield Infrastructure issued 7.4 million Redeemable Partnership Units to Brookfield for proceeds of \$300 million. As Brookfield participated in the unit offering at a percentage greater than its ownership interest in the Holding LP prior to the equity offering, this resulted in a slight decrease in our partnership's ownership interest in the Holding LP without resulting in a loss of control. The difference between the proportionate amount by which the non-controlling interest in Holding LP was increased and the proceeds of the Redeemable Partnership Unit offering resulted in a gain of \$6 million that was recognized directly in equity.

The gain on changes in ownership interest recognized in equity is recorded as ownership changes within the Consolidated Statements of Partnership Capital. Amounts in accumulated other comprehensive income at the date of the unit offering that were attributable to the limited partners were ratably allocated to accumulated other comprehensive income attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

In June 2010, we implemented a distribution reinvestment plan (the “Plan”) that allows eligible holders of our partnership to purchase additional units by reinvesting their cash distributions. Under the Plan, units are acquired at a price per unit calculated by reference to the volume weighted average of the trading price for our units on the NYSE for the five trading days immediately preceding the relevant distribution date. During the year ended December 31, 2019, our partnership issued less than 1 million units for proceeds of \$8 million (2018: less than 1 million units for proceeds of \$14 million, 2017: less than 1 million units for proceeds of \$20 million) under the Plan.

The weighted average number of Special General Partner Units outstanding for the year ended December 31, 2019 was 1.6 million (2018: 1.6 million, 2017: 1.6 million). The weighted average number of limited partnership units outstanding for the year ended December 31, 2019 was 285.6 million (2018: 276.9 million, 2017: 264.6 million).

Net income per limited partnership unit was \$0.07 for the year ended December 31, 2019 (2018: \$0.59, 2017: loss per unit of \$0.04). Net income per limited partnership unit is calculated as the total net income attributable to limited partnership units, less preferred partnership distributions, divided by the average number of limited partnership units outstanding during the year ended December 31, 2019.

**(b) Non-controlling interest—Redeemable Partnership Units held by Brookfield**

<u>UNITS MILLIONS</u>	<b>Non-controlling interest— Redeemable Partnership Units held by Brookfield</b>		
	<b>2019</b>	2018	2017
<b>Opening balance</b> .....	<b>115.8</b>	115.8	108.4
Issued for cash .....	<b>6.1</b>	—	7.4
<b>Ending balance</b> .....	<b>121.9</b>	115.8	115.8

  

<u>US\$ MILLIONS</u>	<b>Non-controlling interest— Redeemable Partnership Units held by Brookfield</b>		
	<b>2019</b>	2018	2017
<b>Opening balance</b> .....	<b>\$2,078</b>	\$2,078	\$1,778
Unit issuance .....	<b>250</b>	—	300
<b>Ending balance</b> .....	<b>\$2,328</b>	\$2,078	\$2,078

In July 2019, Brookfield Infrastructure issued 6.1 million Redeemable Partnership Units to Brookfield for proceeds of \$250 million.

In September 2017, Brookfield Infrastructure issued 7.4 million Redeemable Partnership Units to Brookfield for proceeds of \$300 million.

The weighted average number of Redeemable Partnership Units outstanding for the year ended December 31, 2019 was 118.6 million (2018: 115.8 million, 2017: 110.6 million).

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**(c) Non-controlling interest—Exchange LP Units**

<u>UNITS MILLIONS</u>	Non-controlling interest— Exchange LP Units held by Brookfield		
	2019	2018	2017
<b>Opening balance</b> .....	<b>4.4</b>	—	—
Unit issuance .....	—	5.7	—
Exchange LP conversion .....	<b>(3.2)</b>	(1.3)	—
<b>Ending balance</b> .....	<b>1.2</b>	4.4	—

  

<u>US\$ MILLIONS</u>	Non-controlling interest— Exchange LP Units held by Brookfield		
	2019	2018	2017
<b>Opening balance</b> .....	<b>\$ 212</b>	\$ —	\$ —
Unit issuance .....	—	232	—
Exchange LP conversion .....	<b>(53)</b>	(20)	—
<b>Ending balance</b> .....	<b>\$ 159</b>	\$ 212	\$ —

On October 16, 2018, Exchange LP, a subsidiary of our partnership, issued 5.7 million Exchange LP Units for proceeds of \$232 million in connection with the privatization of Enercare Inc. The Exchange LP Units provide holders with economic terms that are substantially equivalent to those of our units and are exchangeable, on a one-for-one basis, for our units. Given the exchangeable feature, we present the Exchange LP Units as a component of non-controlling interests.

During the year ended December 31, 2019, Exchange LP unitholders exchanged 3.2 million Exchange LP Units for \$53 million of our units.

During the year ended December 31, 2018, Exchange LP unitholders exchanged 1.3 million Exchange LP Units for \$20 million of our units.

**(d) Preferred Unitholders' Capital**

<u>UNITS MILLIONS</u>	Preferred Units		
	2019	2018	2017
<b>Opening balance</b> .....	<b>49.9</b>	32.0	20.0
Issued for cash .....	—	18.0	12.0
Repurchased and cancelled .....	—	(0.1)	—
<b>Ending balance</b> .....	<b>49.9</b>	49.9	32.0

  

<u>US\$ MILLIONS</u>	Preferred Units		
	2019	2018	2017
<b>Opening balance</b> .....	<b>\$ 936</b>	\$ 595	\$ 375
Unit issuance .....	—	342	220
Repurchased and cancelled .....	<b>(1)</b>	(1)	—
<b>Ending balance</b> .....	<b>\$ 935</b>	\$ 936	\$ 595

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

During the year ended December 31, 2019, Brookfield Infrastructure repurchased and cancelled less than 0.1 million (2018: 0.1 million) preferred units for \$1 million (2018: \$1 million). No preferred units were repurchased and cancelled in 2017.

On September 12, 2018, our partnership issued 10 million Series 11 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.10% annually for the initial period ending December 31, 2023. In total, C\$250 million or \$190 million of gross proceeds were raised, \$4 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

On January 23, 2018, our partnership issued 8 million Series 9 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2023. In total, C\$200 million or \$161 million of gross proceeds were raised, \$4 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

On January 26, 2017, our partnership issued 12 million Series 7 Preferred Units at C\$25 per unit with a quarterly fixed distribution at a rate of 5.00% annually for the initial period ending March 31, 2022. In total, C\$300 million or \$225 million of gross proceeds were raised, \$5 million in underwriting costs were incurred and less than \$1 million in issuance costs were incurred.

**NOTE 28. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

**(a) Attributable to Limited Partners**

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Marketable Securities	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at December 31, 2017 .....	\$ 976	\$ (835)	\$ 28	\$ (26)	\$ —	\$ (27)	\$ 748	\$ 864
Other comprehensive income (loss) <sup>(1)</sup> .....	141	(501)	67	(70)	(33)	9	182	(205)
Other items <sup>(1)</sup> .....	(450)	—	—	—	—	—	—	(450)
<b>Balance at December 31, 2018 .....</b>	<b>\$ 667</b>	<b>\$ (1,336)</b>	<b>\$ 95</b>	<b>\$ (96)</b>	<b>\$ (33)</b>	<b>\$ (18)</b>	<b>\$ 930</b>	<b>\$ 209</b>
Other comprehensive income (loss) .....	240	(8)	(71)	14	33	—	38	246
Other items <sup>(2),(3)</sup> .....	(8)	20	6	—	—	—	—	18
<b>Balance at December 31, 2019 .....</b>	<b>\$ 899</b>	<b>\$ (1,324)</b>	<b>\$ 30</b>	<b>\$ (82)</b>	<b>\$ —</b>	<b>\$ (18)</b>	<b>\$ 968</b>	<b>\$ 473</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

**(b) Attributable to General Partner**

<u>US\$ MILLIONS</u>	<u>Revaluation Surplus</u>	<u>Foreign Currency Translation</u>	<u>Net Investment Hedges</u>	<u>Cash Flow Hedges</u>	<u>Marketable Securities</u>	<u>Unrealized Actuarial Losses</u>	<u>Equity accounted investments</u>	<u>Accumulated Other Comprehensive Income</u>
Balance at December 31, 2017 .....	\$ 7	\$ (6)	\$ 1	\$ —	\$ —	\$ —	\$ 4	\$ 6
Other comprehensive income (loss) <sup>(1)</sup> .....	1	(3)	1	—	—	—	1	—
Other items <sup>(1)</sup> .....	(3)	—	—	—	—	—	—	(3)
<b>Balance at December 31, 2018 .....</b>	<b>\$ 5</b>	<b>\$ (9)</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ 3</b>
Other comprehensive income (loss) .....	1	—	—	—	—	—	—	1
Other items .....	—	—	—	—	—	—	—	—
<b>Balance at December 31, 2019 .....</b>	<b>\$ 6</b>	<b>\$ (9)</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ 4</b>

**(c) Attributable to Non-controlling interest—Redeemable Partnership Units held by Brookfield**

<u>US\$ MILLIONS</u>	<u>Revaluation Surplus</u>	<u>Foreign Currency Translation</u>	<u>Net Investment Hedges</u>	<u>Cash Flow Hedges</u>	<u>Marketable Securities</u>	<u>Unrealized Actuarial Losses</u>	<u>Equity accounted investments</u>	<u>Accumulated Other Comprehensive Income</u>
Balance at December 31, 2017 .....	\$ 425	\$ (339)	\$ 11	\$ (14)	\$ (2)	\$ (8)	\$ 314	\$ 387
Other comprehensive income (loss) <sup>(1)</sup> .....	59	(213)	29	(29)	(14)	4	77	(87)
Other items <sup>(1)</sup> .....	(188)	—	—	—	—	—	—	(188)
<b>Balance at December 31, 2018 .....</b>	<b>\$ 296</b>	<b>\$ (552)</b>	<b>\$ 40</b>	<b>\$ (43)</b>	<b>\$ (16)</b>	<b>\$ (4)</b>	<b>\$ 391</b>	<b>\$ 112</b>
Other comprehensive income (loss) .....	99	(3)	(29)	6	14	—	16	103
Other items <sup>(2),(3)</sup> .....	(4)	9	3	—	—	—	—	8
<b>Balance at December 31, 2019 .....</b>	<b>\$ 391</b>	<b>\$ (546)</b>	<b>\$ 14</b>	<b>\$ (37)</b>	<b>\$ (2)</b>	<b>\$ (4)</b>	<b>\$ 407</b>	<b>\$ 223</b>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**d) Attributable to Non-controlling interest—Exchange LP Units**

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Marketable Securities	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at December 31, 2017 .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss) .....	2	1	—	(1)	—	—	2	4
<b>Balance at December 31, 2018 .....</b>	<b>\$ 2</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ 4</b>
Other comprehensive income (loss) .....	1	—	—	—	—	—	—	1
Other items .....	—	—	—	—	—	—	—	—
<b>Balance at December 31, 2019 .....</b>	<b>\$ 3</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ 5</b>

- (1) In relation to the sale of our Chilean electricity transmission business, \$641 million of revaluation surplus previously recognized within accumulated other comprehensive income was reclassified directly to retained earnings in the Consolidated Statements of Partnership Capital. Additionally, \$127 million of deferred tax expense previously recognized within accumulated other comprehensive income was reclassified as current income tax expense within accumulated other comprehensive income. Refer to Note 5 Disposition of Businesses for further details.
- (2) In relation to the sale of our Australian district energy business, \$12 million of revaluation surplus previously recognized within accumulated other comprehensive income was reclassified directly to retained earnings in the Consolidated Statements of Partnership Capital. Refer to Note 5 Disposition of Businesses for further details.
- (3) In relation to the partial disposition of a 17% interest in our Chilean toll road business, \$38 million of accumulated other comprehensive loss was reclassified directly to retained earnings in the Consolidated Statements of Partnership Capital. Refer to Note 5 Disposition of Businesses for further details.

**NOTE 29. DISTRIBUTIONS**

For the year ended December 31, 2019, distributions to partnership unitholders were \$820 million or \$2.01 per unit (2018: \$742 million or \$1.88 per unit, 2017: \$651 million or \$1.74 per unit). Additionally, incentive distributions were made to the special general partner of \$158 million (2018: \$136 million, 2017: \$113 million).

On February 7, 2020, the board of directors of our General Partner approved a 7% increase in our annual distributions to \$2.15 per unit, or \$0.5375 per unit quarterly, payable on March 31, 2020 to unitholders on record as of the close of business on February 28, 2020.

For the year ended December 31, 2019, our partnership declared preferred unit distributions of \$49 million or \$0.98 per preferred unit on a prorated basis (2018: \$41 million, 2017: \$30 million).

**NOTE 30. CONTINGENT ASSETS & LIABILITIES**

Brookfield Infrastructure, including its associates, had bank and customs guarantees and letters of credit outstanding to third parties totaling \$604 million (2018: \$195 million). These guarantees are generally supported by cash on deposit with banks.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

Our partnership and its subsidiaries are contingently liable with respect to litigation and claims that arise in the normal course of operations.

#### NOTE 31. CONTRACTUAL COMMITMENTS

In the normal course of business, our partnership will enter into contractual obligations which include commitments relating primarily to contracted project costs for various growth initiatives, committed expenditures associated with gas and electricity sales contracts at our U.K. regulated distribution operation, and operating leases associated with our U.S. data center operation, Australian port operation and North American gas storage operations. As at December 31, 2019, our partnership had \$3,801 million (2018: \$2,466 million) of commitments outstanding, of which 15% mature in less than one year, 29% between two and five years, and 56% after five years.

In addition, pursuant to the Master Service Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee to the Service Provider equal to 0.3125% per quarter (1.25% annually) of the market value of our partnership. This fee is recorded on the Consolidated Statements of Operating Results in general and administrative expenses.

#### NOTE 32. RETIREMENT BENEFIT PLANS

Brookfield Infrastructure offers pension plans to certain employees of its subsidiaries. Brookfield Infrastructure's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' expense for 2019 was \$9 million (2018: \$2 million, 2017: \$10 million). The discount rate used was 2.5% (2018: 4.5%, 2017: 4.1%) with a rate of compensation of 2.8% (2018: 3.0%, 2017: 3.5%).

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Plan assets .....	\$ 686	\$ 287
Less accrued benefit obligation .....	(851)	(368)
<b>Accrued benefit liability</b> <sup>(1)</sup> .....	<u>\$ (165)</u>	<u>\$ (81)</u>

(1) Presented within 'Accounts payable and other' of the consolidated statements of financial position.

#### NOTE 33. 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 our limited partnership agreement. Director fees of \$1 million were incurred during the year ended December 31, 2019 (2018: \$1 million, 2017: \$1 million).

## **BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

#### **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 \$270 million for the year ended December 31, 2019 (2018: \$214 million, 2017: \$230 million). As of December 31, 2019, \$76 million was outstanding as payable to the Service Provider (2018: \$51 million).

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.

As of December 31, 2019, Brookfield Infrastructure had a receivable balance of \$21 million from subsidiaries of Brookfield (December 31, 2018: \$20 million) and loans payable of \$99 million to subsidiaries of Brookfield (December 31, 2018: \$73 million). The loans are payable in full between 2019 and 2026 with interest rates ranging from 3.8% to 8.5% per annum.

Brookfield Infrastructure, from time to time, will place deposits with, or receive deposits from, Brookfield. As at December 31, 2019, Brookfield Infrastructure’s deposit balance with Brookfield was less than \$1 million (December 31, 2018: less than \$1 million) and earned interest of less than \$1 million for the year ended December 31, 2019 (2018: less than \$1 million, 2017: less than \$1 million). As at December 31, 2019, Brookfield Infrastructure’s deposit balance from Brookfield was \$nil (2018: \$nil, 2017: \$nil) and Brookfield Infrastructure incurred interest expense of \$4 million for year ended December 31, 2019 (2018: \$nil 2017: \$nil). Deposits bear interest at market rates and were provided to Brookfield Infrastructure to fund our partnership’s recent acquisitions.

Brookfield Infrastructure has entered into a \$500 million revolving credit facility with Brookfield to provide additional liquidity for general corporate purposes and capital expenditures, if required. As of December 31, 2019, there were \$nil (December 31, 2018: \$nil) borrowings outstanding.

Brookfield Infrastructure’s subsidiaries provide heating, cooling, and connection services in the normal course of operations on market terms to subsidiaries and associates of Brookfield Property Partners L.P. In addition, our subsidiaries lease office space and obtain construction, consulting and engineering services in the normal course of operations on market terms from subsidiaries and associates of Brookfield Property Partners L.P. For the year ended December 31, 2019, revenues of \$33 million were generated (2018: \$16 million, 2017: \$8 million) and expenses of \$15 million were incurred (2018: \$5 million, 2017: \$4 million). In addition, subsidiaries of Brookfield Infrastructure reported lease assets and liabilities with Brookfield Property Partners L.P. of \$11 million (2018: \$nil).

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

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 year ended December 31, 2019, Brookfield Infrastructure paid less than \$1 million for these services (2018: less than \$1 million, 2017: less than \$1 million).

Brookfield Infrastructure's U.K. port operation provides port marine services on market terms to a subsidiary acquired by Brookfield Business Partners L.P. during 2017. For the year ended December 31, 2019, \$4 million of revenues were generated (December 31, 2018: \$4 million).

Brookfield Infrastructure's subsidiaries purchase electricity from, and distribute electricity on behalf of, a subsidiary of Brookfield Renewable Partners L.P. in the normal course of operations on market terms. For the year ended December 31, 2019, revenues of \$3 million were generated (2018: \$1 million) and expenses of \$52 million were incurred (2018: \$11 million).

**NOTE 34. DERIVATIVE FINANCIAL INSTRUMENTS**

Brookfield Infrastructure's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, commodity risk and other price risk), credit risk and liquidity risk. Brookfield Infrastructure and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

The aggregate notional amount of Brookfield Infrastructure's derivative positions at December 31, 2019 and 2018 were as follows:

<u>US\$ MILLIONS</u>	<u>Note</u>	<u>2019</u>	<u>2018</u>
Foreign exchange contracts .....	<b>(a)</b>	\$ 4,626	\$ 3,482
Interest rates swaps and other .....	<b>(b)</b>	11,229	6,484
		<u>\$ 15,855</u>	<u>\$ 9,966</u>

The following table presents the change in fair values of Brookfield Infrastructure's derivative positions during the years ended December 31, 2019 and 2018:

<u>US\$ MILLIONS</u>	<u>Unrealized Gains on Derivative Financial Assets</u>	<u>Unrealized Losses on Derivative Financial Liabilities</u>	<u>Net Change During 2019</u>	<u>Net Change During 2018</u>
Foreign exchange derivatives .....	\$ 25	\$ (153)	\$ (128)	\$ 355
Interest rate derivative .....	155	(186)	(31)	(142)
	<u>\$ 180</u>	<u>\$ (339)</u>	<u>\$ (159)</u>	<u>\$ 213</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**(a) Foreign Exchange**

Brookfield Infrastructure held the following foreign exchange contracts with notional amounts at December 31, 2019 and 2018.

<u>US\$ MILLIONS</u>	Notional Amount (U.S. Dollars)		Average Exchange Rate	
	2019	2018	2019	2018
Foreign exchange contracts				
British pounds .....	<b>\$2,882</b>	\$1,263	<b>1.31</b>	1.36
Australian dollars .....	<b>1,102</b>	1,184	<b>0.73</b>	0.75
European Union euros .....	<b>365</b>	461	<b>1.25</b>	1.22
Chilean pesos .....	<b>242</b>	255	<b>0.0015</b>	0.0015
Colombian peso .....	<b>19</b>	—	<b>0.0003</b>	—
Peruvian soles .....	<b>12</b>	11	<b>0.29</b>	0.30
Canadian dollars .....	<b>4</b>	308	<b>0.76</b>	0.78
	<b>\$4,626</b>	\$3,482		

**(b) Interest Rates**

At December 31, 2019, Brookfield Infrastructure held interest rate and cross currency interest rate swap contracts having an aggregate notional amount of \$10,996 million (2018: \$6,324 million). Brookfield Infrastructure has inflation linked swaps with an aggregate notional amount of \$167 million (2018: \$160 million). Our partnership has an aggregate notional amount of \$3,445 million floating interest rate derivatives that are benchmarked against the LIBOR, \$1,916 million floating interest rates derivatives that are benchmarked against the bank bill swap rate and \$1,501 million floating interest rates derivatives that are benchmarked against the CDOR that could be impacted by the IBOR reform. Please refer to Note 3 Significant Accounting Policies for more details.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**Other Information Regarding Derivative Financial Instruments**

The following table presents the notional amounts underlying Brookfield Infrastructure's derivative instruments by term to maturity as at December 31, 2019 and the comparative notional amounts at December 31, 2018, for both derivatives that are classified as fair value through profit or loss and derivatives that qualify for hedge accounting:

US\$ MILLIONS	2019			2018	
	< 1 year	1 to 5 years	> 5 years	Total Notional Amount	Total Notional Amount
<b>Fair value through profit or loss</b>					
Foreign exchange derivatives	\$ 651	\$ 765	\$ —	\$ 1,416	\$ 1,768
Interest rate derivatives					
Interest rate swaps, cross currency interest rate swaps and other	66	53	—	119	300
Inflation linked swaps	—	—	167	167	160
	<u>\$ 717</u>	<u>\$ 818</u>	<u>\$ 167</u>	<u>\$ 1,702</u>	<u>\$ 2,228</u>
<b>Elected for hedge accounting</b>					
Foreign exchange derivatives	\$ 2,051	\$ 1,159	\$ —	\$ 3,210	\$ 1,714
Interest rate derivatives					
Interest rate and cross currency interest rate swaps	522	5,870	4,551	10,943	6,024
	<u>\$ 2,573</u>	<u>\$ 7,029</u>	<u>\$ 4,551</u>	<u>\$ 14,153</u>	<u>\$ 7,738</u>

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2019 and 2018 as either cash flow hedges or net investment hedges. Changes in the fair value of the effective portion of the hedges are recorded in either other comprehensive income or net income, depending on the hedge classification, whereas changes in the fair value of the ineffective portion of the hedge are recorded in net income:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	2019			2018		
	Notional	Effective Portion	Ineffective Portion	Notional	Effective Portion	Ineffective Portion
Cash flow hedges	\$ 10,943	\$ (33)	\$ (1)	\$ 6,024	\$ (101)	\$ (1)
Net investment hedges	3,210	(113)	16	1,714	189	9
	<u>\$ 14,153</u>	<u>\$ (146)</u>	<u>\$ 15</u>	<u>\$ 7,738</u>	<u>\$ 88</u>	<u>\$ 8</u>

Our partnership settles the difference between the contracted fixed and floating rates of its interest rate swaps on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce our partnership's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the borrowings occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on borrowings affect profit or loss.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**NOTE 35. FINANCIAL RISK MANAGEMENT**

Brookfield Infrastructure is exposed to the following risks as a result of holding financial instruments: capital risk; liquidity risk; market risk (i.e. interest rate risk and foreign currency risk); and credit risk. The following is a description of these risks and how they are managed:

**(a) Liquidity Risk Management**

Brookfield Infrastructure manages its capital structure to be able to continue as a going concern while maximizing the return to stakeholders. Brookfield Infrastructure's overall capital strategy remains unchanged from 2018. Our non-recourse borrowings have increased due to recently completed acquisitions while maintaining our net debt to capitalization ratio consistent with the prior year.

The capital structure of Brookfield Infrastructure consists of debt, offset by cash and cash equivalents, and partnership capital comprised of issued capital and accumulated gains.

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
Corporate borrowings .....	\$ 2,475	\$ 1,993
Non-recourse borrowings .....	18,544	13,113
Subsidiary and corporate borrowings .....	21,019	15,106
Preferred shares .....	20	20
Cash and cash equivalents <sup>(1)</sup> .....	(969)	(713)
Net debt .....	20,070	14,413
Total partnership capital .....	22,177	14,668
Total capital and net debt .....	\$ 42,247	\$ 29,081
Net debt to capitalization ratio .....	48%	50%

*(1) Includes marketable securities.*

The Board, along with senior management of the Service Provider, reviews Brookfield Infrastructure's capital structure and as part of this review, considers the cost of capital and the risk associated with each class of capital.

Brookfield Infrastructure manages its debt exposure by financing its operations on a non-recourse basis with prudent levels of debt, ensuring a diversity of funding sources as well as laddering its maturity profile to minimize refinance risk. Brookfield Infrastructure also borrows in the currency where the asset operates, where possible, in order to hedge its currency risk.

Generally, Brookfield Infrastructure's equity strategy is to issue equity in conjunction with acquisitions or outsized organic growth initiatives or acquisition activity at our businesses. The equity portion of capital expenditures and normal levels of acquisition of activity will be fully self-funded through operating cash flows retained in the business and capital recycling. However, Brookfield Infrastructure may also issue equity opportunistically to enhance its liquidity to pursue investments. Brookfield Infrastructure maintains active shelf registrations to enable it to issue securities in both the U.S. and Canadian markets.

## BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

Brookfield Infrastructure's financing plan is to fund its recurring growth capital expenditures with cash flow generated by its operations after maintenance capital expenditure, as well as debt financing that is sized to maintain its credit profile. To fund large scale development projects and acquisitions, Brookfield Infrastructure will evaluate a variety of capital sources including proceeds from selling non-core assets, equity and debt financing. Our partnership will seek to raise additional equity if Brookfield Infrastructure believes it can earn returns on these investments in excess of the cost of the incremental partnership capital.

As disclosed within Note 20, Borrowings, Brookfield Infrastructure has various loan facilities in place. In certain cases, the facilities have financial covenants which are generally in the form of interest coverage ratios and leverage ratios. Brookfield Infrastructure does not have any market capitalization covenants attached to any of its borrowings, nor does it have any other externally imposed capital requirements.

During the years ended December 31, 2019 and 2018, there were no breaches of any loan covenants within Brookfield Infrastructure.

Brookfield Infrastructure attempts to maintain sufficient financial liquidity at all times so that it is able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances and maintain its distribution of FFO to unitholders. Brookfield Infrastructure's principal sources of liquidity are cash flows from its operations, undrawn credit facilities and access to public and private capital markets. Brookfield Infrastructure also structures the ownership of its assets to enhance its ability to monetize them to provide additional liquidity, if necessary.

Brookfield Infrastructure's corporate liquidity as at December 31 was as follows:

<u>US\$ MILLIONS<sup>(1)</sup></u>	<u>2019</u>	<u>2018</u>
Corporate cash and financial assets .....	\$ 273	\$ 238
Availability under committed credit facilities .....	2,475	2,475
Draws on credit facility .....	(820)	(510)
Commitments under credit facility .....	(54)	(47)
Corporate liquidity .....	<u>\$ 1,874</u>	<u>\$ 2,156</u>

(1) Corporate level only.

Brookfield Infrastructure's \$1.975 billion committed revolving credit facility and \$500 million credit facility with Brookfield are available for investments and acquisitions, as well as general corporate purposes. Commitments under the committed revolving credit facility will be available on a revolving basis until June 28, 2024. All amounts outstanding at that time will be repayable in full. The facility is intended to be a bridge to equity financing rather than a permanent source of capital. At December 31, 2019, there was \$820 million drawn on this facility (2018: \$510 million) and \$54 million was committed to letters of credit (2018: \$47 million).

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables detail the contractual maturities for Brookfield Infrastructure's financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which Brookfield Infrastructure can be required to pay. The tables include both interest and principal cash flows:

December 31, 2019 US\$ MILLIONS	Less than 1 year	1-2 years	2-5 years	5+ years	Total contractual cash flows
Accounts payable and other liabilities	\$ 1,702	\$ 94	\$ 41	\$ 254	\$ 2,091
Corporate borrowings	—	—	1,705	770	2,475
Non-recourse borrowings	1,405	1,019	7,110	9,142	18,676
Financial liabilities	327	293	1,080	473	2,173
Lease liabilities <sup>(1)</sup>	223	194	475	1,903	2,795
<b>Interest Expense:</b>					
Corporate borrowings	74	74	165	123	436
Non-recourse borrowings	715	660	1,762	2,483	5,620
December 31, 2018 US\$ MILLIONS	Less than 1 year	1-2 years	2-5 years	5+ years	Total contractual cash flows
Accounts payable and other liabilities	\$ 1,048	\$ 48	\$ 36	\$ 220	\$ 1,352
Corporate borrowings	—	—	605	1,388	1,993
Non-recourse borrowings	995	794	5,127	6,290	13,206
Financial liabilities	124	26	1,037	93	1,280
Lease liabilities <sup>(1)</sup>	—	—	—	—	—
<b>Interest Expense:</b>					
Corporate borrowings	67	66	178	75	386
Non-recourse borrowings	595	542	1,397	1,771	4,305

(1) The impact of the adoption of IFRS 16 requires the recognition of lease liabilities. Please refer to Note 3 Significant Accounting Policies for further details.

**(b) Market Risk**

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by Brookfield Infrastructure will fluctuate because of the change in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and equity prices.

Brookfield Infrastructure seeks to minimize the risks associated with foreign currency exchange rates and interest rates primarily through the use of derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by Brookfield Infrastructure's Treasury Policy. Brookfield Infrastructure does not enter into, or trade financial instruments, including derivative financial instruments, for speculative purposes.

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The Treasury Policy provides written principles on the use of financial derivatives. With respect to its treasury policy, the Service Provider performs the monitoring, review and approval role and report to the Board on a regular basis.

Financial instruments held by Brookfield Infrastructure that are subject to market risk include other financial assets, borrowings, derivative instruments, such as interest rate and foreign currency contracts, and marketable securities. Our partnership is exposed to equity price risks arising from marketable securities. As at December 31, 2019 the balance of the portfolio was \$142 million (2018: \$173 million), a 10% change in the value of the portfolio would impact our equity by \$14 million and result in an impact on the Consolidated Statements of Operating Results of \$7 million and Consolidated Statements of Comprehensive Income of \$7 million.

***Interest Rate Risk Management***

Brookfield Infrastructure’s primary objectives with respect to interest rate risk management are to ensure that:

- Brookfield Infrastructure is not exposed to interest rate movements that could adversely impact its ability to meet financial obligations;
- Earnings and distributions are not adversely affected;
- Volatility of debt servicing costs is managed within acceptable parameters; and
- All borrowing covenants under various borrowing facilities, including interest coverage ratios, are complied with.

To achieve these objectives, in general terms, Brookfield Infrastructure’s funding mix comprises both fixed and floating rate debt. Fixed rate debt is achieved either through fixed rate debt funding or through the use of financial derivative instruments. In addition, where possible, interest rate risk is minimized by matching the terms of interest rate swap contracts in regulated businesses to the term of the rate period, thus providing natural hedges.

The sensitivity analyses below reflect Brookfield Infrastructure’s exposure to interest rates for both derivative and non-derivative instruments at the reporting date, assuming that a 10 basis point increase or decrease in rates takes place at the beginning of the financial year and is held constant throughout the reporting period. The sensitivity analyses assume a 10 basis point change to reflect the current methodology employed by Brookfield Infrastructure in assessing interest rate risk. Such parallel shift in the yield curve by 10 basis points would have had the following impact, assuming all other variables were held constant:

<u>US\$ MILLIONS</u>	2019		2018		2017	
	10 bp decrease	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease	10 bp increase
Net income .....	\$ 1	\$ (1)	\$ 1	\$ (1)	\$ —	\$ —
Other comprehensive income (loss) .....	(2)	2	(2)	2	(1)	1

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017

***Foreign Currency Risk Management***

Brookfield Infrastructure has exposure to foreign currency risk in respect of currency transactions, the value of Brookfield Infrastructure's net investment, cash flows and capital expenditures that are denominated outside of the U.S. Brookfield Infrastructure's approach to foreign currency risk management is:

- Brookfield Infrastructure leverages any natural hedges that may exist within its operations;
- Brookfield Infrastructure utilizes local currency debt financing to the extent possible; and
- Brookfield Infrastructure may utilize derivative contracts to the extent that natural hedges are insufficient.

The tables below set out Brookfield Infrastructure's currency exposure at December 31, 2019, 2018 and 2017:

2019

<u>US\$ MILLIONS</u>	<u>USD</u>	<u>AUD</u>	<u>GBP</u>	<u>BRL</u>	<u>CLP</u>	<u>CAD</u>	<u>EUR</u>	<u>COP</u>	<u>PEN</u>	<u>INR</u>	<u>NZD &amp; Other</u>	<u>Total</u>
<b>Assets:</b>												
Current assets . . . . .	\$ 1,232	\$ 1,914	\$ 430	\$ 456	\$ 95	\$ 316	\$ 23	\$ 971	\$ 122	\$ 231	\$ 51	\$ 5,841
Non-current assets . . . . .	14,594	5,488	7,195	6,889	821	8,541	764	1,166	1,337	3,143	529	50,467
	<u>\$15,826</u>	<u>\$7,402</u>	<u>\$7,625</u>	<u>\$7,345</u>	<u>\$ 916</u>	<u>\$8,857</u>	<u>\$ 787</u>	<u>\$2,137</u>	<u>\$1,459</u>	<u>\$3,374</u>	<u>\$ 580</u>	<u>\$56,308</u>
<b>Liabilities:</b>												
Current liabilities . . . . .	\$ 1,345	\$ 1,530	\$ 749	\$ 211	\$ 68	\$ 456	\$ 24	\$ 724	\$ 19	\$ 265	\$ 48	\$ 5,439
Non-current liabilities . . . . .	8,908	3,703	4,211	3,448	1,112	4,639	73	314	683	1,482	119	28,692
	<u>10,253</u>	<u>5,233</u>	<u>4,960</u>	<u>3,659</u>	<u>1,180</u>	<u>5,095</u>	<u>97</u>	<u>1,038</u>	<u>702</u>	<u>1,747</u>	<u>167</u>	<u>34,131</u>
Non-controlling interest—in operating subsidiaries and preferred unitholders . . . . .	5,704	475	754	1,414	(320)	4,066	—	957	638	1,360	—	15,048
Non-controlling interest—Redeemable Partnership Units held by Brookfield . . . . .	(37)	485	547	650	16	(87)	197	41	34	76	117	2,039
Non-controlling interest—Exchange LP . . . . .	—	4	5	6	—	(1)	2	—	—	1	1	18
Net investment attributable to limited partners and general partner . . . . .	<u>\$ (94)</u>	<u>\$1,205</u>	<u>\$1,359</u>	<u>\$1,616</u>	<u>\$ 40</u>	<u>\$ (216)</u>	<u>\$ 491</u>	<u>\$ 101</u>	<u>\$ 85</u>	<u>\$ 190</u>	<u>\$ 295</u>	<u>\$ 5,072</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

2018

US\$ MILLIONS	USD	AUD	GBP	BRL	CLP	CAD	EUR	COP	PEN	INR	NZD & Other	Total
<b>Assets:</b>												
Current assets	\$ 695	\$ 245	\$ 185	\$ 310	\$ 82	\$ 258	\$ —	\$ 279	\$ 104	\$ 90	\$ 28	\$ 2,276
Non-current assets	5,237	5,303	4,708	6,828	940	6,206	861	1,857	1,308	976	80	34,304
	<u>\$5,932</u>	<u>\$5,548</u>	<u>\$4,893</u>	<u>\$7,138</u>	<u>\$1,022</u>	<u>\$6,464</u>	<u>\$861</u>	<u>\$2,136</u>	<u>\$1,412</u>	<u>\$1,066</u>	<u>\$ 108</u>	<u>\$36,580</u>
<b>Liabilities:</b>												
Current liabilities	\$1,031	\$ 316	\$ 320	\$ 106	\$ 60	\$ 187	\$ —	\$ 262	\$ 20	\$ 65	\$ 50	\$ 2,417
Non-current liabilities	3,836	3,628	2,798	3,185	861	3,093	—	772	654	668	—	19,495
	<u>4,867</u>	<u>3,944</u>	<u>3,118</u>	<u>3,291</u>	<u>921</u>	<u>3,280</u>	<u>—</u>	<u>1,034</u>	<u>674</u>	<u>733</u>	<u>50</u>	<u>21,912</u>
Non-controlling interest —in operating subsidiaries and preferred unitholders	1,261	372	442	1,540	43	2,766	—	964	622	229	—	8,239
Non-controlling interest —Redeemable Partnership Units held by Brookfield	(55)	349	378	654	16	119	244	39	33	29	17	1,823
Non-controlling interest —Exchange LP	(4)	14	15	25	1	5	10	2	1	1	1	71
Net investment attributable to limited partners and general partner	<u>\$ (137)</u>	<u>\$ 869</u>	<u>\$ 940</u>	<u>\$1,628</u>	<u>\$ 41</u>	<u>\$ 294</u>	<u>\$607</u>	<u>\$ 97</u>	<u>\$ 82</u>	<u>\$ 74</u>	<u>\$ 40</u>	<u>\$ 4,535</u>

2017

US\$ MILLIONS	USD	AUD	GBP	BRL	CLP	CAD	EUR	COP	PEN	INR	NZD	Total
<b>Assets:</b>												
Current assets	\$ 358	\$ 276	\$ 151	\$ 322	\$ 85	\$ 78	\$ —	\$ 68	\$ 100	\$ 57	\$ 17	\$ 1,512
Non-current assets	4,400	5,770	4,431	8,184	1,117	814	836	764	1,356	256	37	27,965
	<u>\$4,758</u>	<u>\$6,046</u>	<u>\$4,582</u>	<u>\$8,506</u>	<u>\$1,202</u>	<u>\$ 892</u>	<u>\$836</u>	<u>\$ 832</u>	<u>\$1,456</u>	<u>\$ 313</u>	<u>\$ 54</u>	<u>\$29,477</u>
<b>Liabilities:</b>												
Current liabilities	\$ 641	\$ 227	\$ 414	\$ 73	\$ 59	\$ 55	\$ —	\$ 26	\$ 18	\$ 30	\$ 21	\$ 1,564
Non-current liabilities	3,093	3,983	2,614	2,015	989	443	—	438	673	185	6	14,439
	<u>3,734</u>	<u>4,210</u>	<u>3,028</u>	<u>2,088</u>	<u>1,048</u>	<u>498</u>	<u>—</u>	<u>464</u>	<u>691</u>	<u>215</u>	<u>27</u>	<u>16,003</u>
Non-controlling interest —in operating subsidiaries and preferred unitholders	602	417	396	3,082	75	891	—	302	644	60	1	6,470
Non-controlling interest —Redeemable Partnership Units held by Brookfield	(50)	407	332	959	23	28	240	19	35	11	8	2,012
Net investment attributable to limited partners and general partner	<u>\$ 472</u>	<u>\$1,012</u>	<u>\$ 826</u>	<u>\$2,377</u>	<u>\$ 56</u>	<u>\$ (525)</u>	<u>\$596</u>	<u>\$ 47</u>	<u>\$ 86</u>	<u>\$ 27</u>	<u>\$ 18</u>	<u>\$ 4,992</u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following tables detail Brookfield Infrastructure's sensitivity to a 10% increase and decrease in the U.S. dollar against the relevant foreign currencies, with all other variables held constant as at reporting date. 10% is the sensitivity rate used when reporting foreign currency risk internally. The sensitivity analysis is performed as follows:

- Outstanding foreign currency denominated monetary items (excluding foreign exchange derivative contracts) are adjusted at period end for a 10% change in foreign currency rates from the rate at which they are translated;
- Foreign currency derivative contracts are measured as the change in fair value of the derivative as a result of a 10% change in the spot currency rate; and
- The impact on net income results from performing a sensitivity of a 10% change in foreign exchange rates applied to the profit or loss contribution from foreign operations (after considering the impact of foreign exchange derivative contracts).

US\$ MILLIONS	Impact on Net Income					
	2019		2018		2017	
	-10%	10%	-10%	10%	-10%	10%
USD/AUD	\$ 4	\$ (4)	\$ (20)	\$ 20	\$ (18)	\$ 18
USD/EUR	—	—	(19)	19	(9)	9
USD/GBP	7	(7)	(11)	11	(3)	3
USD/CLP	—	—	(3)	3	1	(1)
USD/COP	1	(1)	1	(1)	—	—
USD/BRL	18	(18)	10	(10)	21	(21)
USD/CAD	1	(1)	(2)	2	(1)	1
USD/PEN	—	—	—	—	—	—
USD/INR	(2)	2	(1)	1	—	—
USD/NZD	—	—	—	—	—	—

US\$ MILLIONS	Impact on Partnership Capital					
	2019		2018		2017	
	-10%	10%	-10%	10%	-10%	10%
USD/AUD	\$ 12	\$ (12)	\$ —	\$ —	\$ —	\$ —
USD/EUR	—	—	—	—	—	—
USD/GBP	—	—	—	—	—	—
USD/CLP	(24)	24	(28)	28	8	(8)
USD/COP	2	(2)	8	(8)	7	(7)
USD/BRL	227	(227)	231	(231)	334	(334)
USD/CAD	—	—	—	—	—	—
USD/PEN	11	(11)	11	(11)	12	(12)
USD/INR	27	(27)	10	(10)	4	(4)
USD/NZD	—	—	—	—	—	—

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

**(c) Credit Risk Management**

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations.

From a treasury perspective, counterparty credit risk is managed through the establishment of authorized counterparty credit limits which are designed to ensure that Brookfield Infrastructure only deals with creditworthy counterparties and that counterparty concentration is addressed and the risk of loss is mitigated. Credit limits are sufficiently low to restrict Brookfield Infrastructure from having credit exposures concentrated with a single counterparty but rather encourages spreading such risks among several parties. The limits are set at levels that reflect Brookfield Infrastructure's scale of activity and allow it to manage its treasury business competitively.

Brookfield Infrastructure does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Exposure to credit risk is limited to the carrying amount of the assets on the Consolidated Statements of Financial Position.

**NOTE 36. 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"), less estimated returns of capital on operations that are not perpetual in nature, divided by the weighted average Invested Capital for the period.

We define AFFO as FFO less capital expenditures required to maintain the current performance of our operations (maintenance capital expenditures). We define Invested Capital as partnership capital removing the impact of the following items: non-controlling interest - in operating subsidiaries, retained earnings or deficit, accumulated other comprehensive income and ownership changes.

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Partnership Capital</b> .....	<b>\$ 22,177</b>	<b>\$ 14,668</b>
Remove impact of the following items since inception:		
Non-controlling interest - in operating subsidiaries .....	<b>(14,113)</b>	(7,303)
Deficit .....	<b>2,048</b>	1,228
Accumulated other comprehensive income .....	<b>(705)</b>	(328)
Ownership changes .....	<b>(398)</b>	(109)
Invested Capital .....	<u><b>\$ 9,009</b></u>	<u><b>\$ 8,156</b></u>

**BROOKFIELD INFRASTRUCTURE PARTNERS L.P.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017**

The following table presents the change in Invested Capital during year ended December 31, 2019:

<u>US\$ MILLIONS</u>	<u>2019</u>	<u>2018</u>
<b>Opening balance</b> .....	<b>\$ 8,156</b>	\$ 7,599
Issuance of preferred units, net of repurchases .....	72	341
Issuances of limited partnership units and redeemable partnership units, net of repurchases .....	781	(16)
Issuance of Exchange LP Units .....	—	232
<b>Ending balance</b> .....	<b>\$ 9,009</b>	\$ 8,156
<b>Weighted Average Invested Capital</b> .....	<b>\$ 8,563</b>	\$ 7,858

**NOTE 37. SUPPLEMENTAL CASH FLOW INFORMATION**

<u>US\$ MILLIONS</u>	<b>For the year ended December 31,</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest paid .....	\$ 829	\$ 507	\$ 451
Income taxes paid .....	\$ 179	\$ 427	\$ 132

Amounts paid and received for interest were reflected as operating cash flows in the Consolidated Statements of Cash Flows. Interest paid is net of debt related hedges.

Amounts paid for income taxes were reflected as either operating cash flows or investing cash flows in the Consolidated Statements of Cash Flows depending upon the nature of the underlying transaction.

Details of “Changes in non-cash working capital, net” on the Consolidated Statements of Cash Flows are as follows:

<u>US\$ MILLIONS</u>	<b>For the year ended December 31,</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accounts receivable .....	\$ 42	\$ 176	\$ (31)
Prepayments .....	(120)	5	4
Accounts payable and other .....	146	(305)	158
Changes in non-cash working capital, net .....	<b>\$ 68</b>	\$ (124)	\$ 131

**NOTE 38. SUBSEQUENT EVENTS**

**Partial Disposition of our Interest in Chilean Toll Road Business**

On February 6, 2020, Brookfield Infrastructure completed the sale of a further 17% interest in its Chilean toll road business for total consideration of approximately \$170 million. Brookfield Infrastructure retained control over the business after the sale.