Letter to Unitholders

Overview

Brookfield Infrastructure delivered another quarter of record financial results. Funds from operations (FFO) for the quarter was $513 million, representing a 30% increase over the prior year result of $394 million. Our strong financial results were attributable to outperformance within our transport segment, inflation linked tariffs and contributions from new acquisitions completed in the past year.

Investment and disposition activity was high throughout the period. We agreed to acquire two marquee European companies, the $6 billion take-private of HomeServe and an investment in Deutsche Telecom's €17.5 billion telecom tower portfolio for a combined equity commitment for Brookfield Infrastructure of $1.9 billion. For the year, we have already deployed or secured new investments totaling approximately $2.8 billion, well in excess of our annual target and on track to exceed the strong deployment level of 2021.

We are also well advanced in executing our current capital recycling initiatives. In the past several weeks, we signed definitive agreements to sell four assets generating nearly $900 million in aggregate proceeds to BIP. Our investment activity is fully funded from asset sale proceeds completed or underway and the capital sourced from our 2021 equity offering.

We maintain our favorable outlook despite softening macroeconomic conditions, as our business tends to perform well throughout all business cycles. We expect our portfolio companies to generate reliable cash flow in all market conditions, given the essential services they provide and the highly regulated or contracted revenue frameworks they operate under. Many of our businesses are also well positioned to benefit from increased expenditures related to decarbonization and digitalization trends, which are only starting to show in our results.

Operating Results

FFO increased 30% compared with the same period last year, while FFO per unit was 20% higher at $0.67. Organic growth was robust at 10%, reflecting the benefits of elevated inflation impacting tariffs, as well as the commissioning of approximately $1 billion of new capital projects, and over $3 billion of capital deployed in new investments over the last 12 months.

Utilities

FFO from our utilities segment was in-line with the prior year at $188 million. Results benefited from inflation indexation, the commissioning of approximately $500 million of capital into the rate base during the last 12 months and the contribution from two Australian utility acquisitions completed this year. Interest expense across our Brazilian assets increased by $25 million compared with the prior year as a result of higher rates and incremental debt, as we executed a $1 billion financing to fund a deferred consideration payment related to our regulated gas transmission operation. After removing the impact of additional financing costs, FFO increased by 12% over the same period last year. Prior year results also included contributions from our U.K. smart meter portfolio and the North American district energy platform that we sold last year.

Our U.K. regulated distribution business continues to perform well as connections activity increased 17% compared to last year. Our orderbook of 1.5 million connections is at a record high, reflecting a backlog of new home deliveries that were delayed due to the pandemic. These are expected to drive strong growth into the second half of the year.

We continue to advance tuck-in acquisitions across our North American residential infrastructure business. We closed the acquisition of the largest New York based submetering provider, which adds 80,000 connections and establishes a platform for us to accelerate our growth in the U.S. We also acquired a portfolio of 9,000 submetering connections in British Columbia and Alberta, further expanding our existing footprint in Western Canada.

Our European residential infrastructure business became one of the first installers in Germany to provide customers access to electric heat pumps under long-term rental agreements. The business sells both traditional and hybrid boilers that utilize solar panels, offering a more environmentally friendly product. Switching to a heat pump usually carries a high upfront cost and results in a tedious transition process for customers. By offering a rental product with a carefree package, we were able to double our expected sales in the first month. We anticipate increasing customer penetration to those looking for an easy transition to environmentally friendly heat pumps.

Transport

Our transport segment continues to experience elevated demand as global supply chains remain constrained. FFO was $199 million for the quarter, an increase of 15% compared with the prior year. Across our global toll road portfolio, FFO was up 16%, driven by inflationary increases on tariffs and an 8% increase in traffic levels. At our diversified terminal operations, performance continues to benefit from higher rates, congestion surcharges and the contribution from our U.S. liquefied natural gas (LNG) export terminal, which commissioned a sixth commercial liquefaction train earlier in the year. Performance has also remained strong at our rail networks, with inflationary increases on our tariffs offsetting softer volumes and the impact of foreign exchange.

Our North American rail operation announced it will serve a new U.S. based electric vehicle (EV) ecosystem. Hyundai Motor Group will invest $5.5 billion into a dedicated EV and battery manufacturing facility along our Georgia Central Railway that is scheduled to begin commercial production in the first half of 2025. Our railway network is strategically located to transport inbound materials to support production, as well as provide outbound transportation of new vehicles to markets across the U.S.

In May, the Western Australian Government formally announced the first package of Federal and State Government funding toward the Western Australia Agricultural Supply Chain Improvement program. Of the A$200 million program, we expect our Australian rail network will receive A$60 million to upgrade our track to handle incremental capacity. The program, combined with our existing capital plans, will facilitate the shifting of more grain freight from trucks to trains. Not only should this generate cost savings for growers, but it will improve the sustainability of the grain transportation network from a safety and environmental perspective.

Midstream

Our midstream segment generated $170 million of FFO, nearly triple the prior year results, primarily due to the acquisition of our diversified Canadian midstream operation. Same store results were favorably impacted by the robust commodity price environment and higher utilization of our existing infrastructure compared to the prior year.

Commissioning at our Heartland Petrochemical Complex is progressing in-line with our expectations. During the quarter, we completed the startup of our polypropylene plant and shipped our first railcars of product to customers. The entire Heartland Complex is scheduled for an integrated start-up in the third quarter. Once fully in-service, approximately 70% of our volumes are contracted on a nine-year weighted average term. These agreements are structured to provide cash flow stability and eliminate direct commodity price exposure, similar to our other midstream operations.

Data

FFO from our data segment was consistent with the prior year at $60 million. Strong underlying growth from additional points of presence, incremental megawatts commissioned, and inflationary price escalators were offset by the impact of foreign exchange.

Our French telecom operation has been selected by the Bonneville local authority to roll out 15,000 fiber connections to the home. This is an estimated €22 million growth capital project underpinned by a 25-year concession agreement with the local authority. This is an attractive addition to our existing fiber network of over 730,000 connections. Our fiber business expects to complete the roll out in 2023, with commercialization rates significantly exceeding plan levels.

As part of our strategy to reposition our U.S. colocation data center operation, we acquired a 68% interest in a greenfield expansion opportunity in Nashville, Tennessee. The market is undersupplied, with high demand from the major technology companies providing cloud services. The investment consists of 60 acres of land and has the ability to host 25 megawatts of capacity, with an estimated capital cost of $250 million (net to BIP – $75 million) to be spent over the multi-year construction period. Once complete, we expect to generate returns above our target range.

Strategic Initiatives

We have had a very successful first half of the year with respect to new investment activity, which has put us on track to nearly double our annual new investment target of $1.5 billion. To date, we have deployed approximately $700 million across two Australian utilities and have secured three additional acquisitions in the utilities and data segments for a further capital commitment of $2.1 billion.

- **Uniti Group Ltd.** – Uniti provides wholesale and retail telecommunications services in Australia. Total Brookfield equity required for the investment is estimated to be $850 million (BIP's share – approximately $200 million). We have received shareholder and court approvals and the transaction is expected to close in early August.

- **HomeServe PLC** – HomeServe provides subscription-based, recurring home repair policies for homeowners covering critical infrastructure inside the home across North America and Europe. It also offers installation and repair of residential heating, ventilation and air conditioning (HVAC), as well as an online platform to match contractors with end clients. On a standalone basis, the business is compelling due to its leading market position, attractive subscription economics and inflation protection mechanisms. We are particularly excited about the growth prospects for this business as it will complement our well-established North American residential infrastructure business, as well as our growth stage residential infrastructure investments in the U.K. and Germany. The total equity investment required is approximately $5 billion (BIP's share – approximately $1.3 billion) and the acquisition is expected to close in Q4.

- **German telecom towers** – In July, we agreed to acquire a 51% interest in a €17.5 billion German tower portfolio alongside another institutional investor. This marquee portfolio of approximately 36,000 telecom towers in Germany and Austria was acquired from Deutsche Telekom (DT), Europe's largest telecom operator. DT will retain a 49% stake in the assets and continue to be an anchor customer under a 30-year master service agreement. The German tower market is attractive because it has lagged other large economies on national digitalization but is now growing quickly. We expect significant organic growth in this portfolio from inflation indexation, built-to-suit tower rollouts and new lease ups from network densification efforts. In addition, there are opportunities to use this large-scale portfolio to consolidate smaller portfolios of towers in Europe. The total Brookfield equity investment is expected to be $2.5 billion (BIP's share – approximately $600 million).

Balance Sheet and Funding Plan

This quarter we accessed the capital markets and made significant progress on our asset recycling strategy. We raised C$600 million in the Canadian debt capital markets and secured nearly $900 million of proceeds from the sale of four mature businesses at attractive valuations.

- **U.S. Container Terminals** – In June, we signed an agreement and closed the sale of our 49% interest in U.S. container terminals in Los Angeles and Oakland to our existing partner. We acquired our stake in the business in 2014 for approximately $280 million (net to BIP – $110 million). Over our eight-year hold period, we successfully executed our business plan to grow and diversify volumes, as well as fully automate operations at the Los Angeles terminal. This is the first and only fully automated terminal in North America, which has resulted in increased container handling capabilities, operating margin improvements and reduced carbon emissions. These business enhancements combined with a supportive market backdrop, constrained terminal capacity and outsized demurrage revenues have created an opportune time to monetize the business at an attractive valuation. Our exit multiple was over 40x pre-pandemic EBITDA and was approximately 20x last year's normalized EBITDA, which was a record year for the business. The sale resulted in an IRR of 19% during our holding period, with proceeds after debt repayment of approximately $700 million (approximately $280 million net to BIP).

- **Indian Toll Roads** – We signed an agreement to sell our Indian Toll Road portfolio for proceeds of over $600 million (approximately $200 million net to BIP). This transaction was executed at an exit EBITDA multiple of over 14x. We recently completed the expansion of two roads and the buyer was attracted to the high-quality asset base and inflation-linked tariffs. Closing is expected in Q4 and is subject to customary regulatory approvals.

- **New Zealand Telecom Tower Portfolio** – In mid-July, we signed an agreement to sell a 1,500 mobile telecom tower portfolio that was previously owned within our New Zealand telecom business. In 2019, we acquired a 50% stake in a fully integrated telecom network for approximately 7x EBITDA. Three years later, we were able to successfully exit the towers at a 34x fiscal year 2023 pro forma EBITDA and return nearly all our invested capital, while retaining a valuable fiber network and one of the country's leading retail mobile network operator brands. The transaction is expected to generate proceeds of approximately $1.0 billion (net to BIP – $140 million) in Q4 of this year following customary regulatory approvals.

- **Brazilian transmission lines** – Also in July, we reached an agreement to carve out and sell a portfolio of 2,400 kilometers of newly constructed electricity transmission lines in Brazil. Total proceeds will be approximately $800 million (approximately $240 million net to BIP), which implies an IRR of 22% in USD. We expect the transaction will close in Q4, and we will be focused on the organic build out of the remaining approximately 3,000 kilometers of transmission lines.

In addition to these asset sales, we are progressing the closing of the previously announced sale of our freehold landlord port in Victoria, Australia. BIP's share of the sale proceeds is approximately $100 million. For the balance of the year, we have three additional sale processes underway that combined are expected to generate $1.5 billion of proceeds that will be used to fund future acquisitions.

Our corporate and asset level balance sheets are well capitalized, with limited exposure to rising interest rates through the proactive issuance of fixed rate debt and long dated maturity profile. We have significant corporate liquidity of $2.8 billion that will increase to over $3.4 billion upon the closing of the recently signed asset sales.

Capital markets remain open and supportive of our business due to our strong investment grade credit profile and high-quality assets. As mentioned, in April, we proactively issued a C$600 million corporate note issuance. The offering was significantly oversubscribed and split between a 12-year and 30-year tranche, with an average coupon of approximately 5.5%. Also during the quarter, we completed several asset-level financings to reduce risk by opportunistically locking-in fixed rates and extending our average duration, most notably in investment grade markets at our diversified Canadian midstream operation and our U.K. regulated distribution business. Following this activity and in countries where fixed rate debt is available, approximately 90% of our borrowings have been fixed for an average duration of over eight years, with less than 1% maturing over the balance of the year.

Decarbonization as a Catalyst for Growth

The decarbonization of the global economy will be a multi-decade initiative requiring substantial infrastructure investment to improve and replace the existing energy supply chain. To achieve the aggressive net-zero targets that countries we invest in have set, governments, businesses and individuals must balance increasing energy consumption with the goal of reducing their carbon footprints. This fundamental shift in how the world is powered is expected to be a catalyst for growth in our existing businesses, both organically and through new investment activity.

To date, attention has been focused on the industries and companies directly responsible for the emissions, referred to as "supply side". It is our view that the fuels used today to power the global economy will either transition to a net-zero economy or be run-off safely and responsibly. Both paths can lead to compelling investment opportunities at an appropriate value-based entry point and conservative forecasts. Our existing midstream assets are natural gas weighted, highly utilized and strategically located. We believe these characteristics favorably position us to participate in the energy transition through the adoption of emerging technologies, as well as through the shift in global energy mix from coal to natural gas, liquefied natural gas, and eventually to hydrogen.

A second important, yet often overlooked, aspect of decarbonization is investment opportunities driven by consumer preferences for energy efficient solutions, or "demand side" decarbonization. Corporations, communities and consumers are seeking ways to increase energy efficiency, lower energy consumption and reduce reliance on fossil fuels. Electrification is the most obvious illustration of this trend that we expect will drive significant value in several of our existing operations and recently acquired infrastructure investments, including:

- **Residential energy infrastructure businesses** – We are building platforms in North America and Europe to provide products and services for consumer decarbonization initiatives. The combination of evolving regulatory requirements and growing preference for low-carbon, high-efficiency, in-home energy solutions provide significant tailwinds for this segment. As essential in-home infrastructure increases in cost and complexity, customers should be more inclined to enroll in our rental model to alleviate the high up-front cost of new technology like heat pumps and solar panels. Through HomeServe, we will extend our rental model value chain by offering homeowners subscription-based, recurring repair policies for residential infrastructure products. This investment creates an opportunity to scale our existing residential energy operations in North America, where we currently have a large presence. In the U.S. alone, HVAC installation, replacement and subscription-based repair memberships currently have an addressable market of over $40 billion that is expected to grow at a 5% compound annual growth rate over the long term. In Europe, where we have a smaller presence, this acquisition accelerates our growth plans and provides a model for expansion into other markets we know well.

- **Submetering** – We operate a North American commercial submetering franchise through Metergy, a residential infrastructure portfolio company acquired as part of the Enercare take-private. Submeters play the same role for commercial real estate as smart meters do for homeowners. Buildings that have a central meter to measure total utility consumption are unable to manage or allocate costs based on usage resulting in energy inefficiencies. Building owners and tenants benefit from submetering through usage-based cost allocation and lower overall building consumption, which for multi-unit residential buildings can be up to 40%. We continue to expand our footprint, most recently through the tuck-in acquisition of a New York based submetering services provider adding 80,000 submeters to our current Canadian portfolio of 200,000 meters. We are now leaders in submetering in Toronto and New York City and are excited about the growth prospects of this business. This opportunity draws parallels to our district energy platform, notably: a sustainable investment thesis; highly fragmented market; and an ability to leverage Brookfield's commercial real estate platform to enhance returns.

- **Residential smart metering business** – We are a leading provider of electricity smart meters in Australia and New Zealand. Smart meters are next generation multi-utility meters enabling energy demand management through real time information about energy usage that consumers can monitor and alter their energy consumption. In addition to real-time insights, smart meters can optimize the home for solar power, batteries and electric vehicles significantly contributing to the energy transition and the creation of a more flexible, digitized and decarbonized economy. We expect significant organic growth from high customer demand, supported by regulatory requirements and a concentrated industry structure with high barriers to entry. Additionally, smart meter penetration is low in Australia and we expect the addressable market to more than quadruple over the next 10 years.

As the global economy moves closer to net-zero targets, all new investment opportunities will have transition elements given our focus on generating sustainable, long-term returns for our unitholders. Our operating capabilities, extensive development experience and ability to leverage our sister companies leading renewable and transition platform, positions Brookfield Infrastructure well to secure future supply and demand side decarbonization investment opportunities.

Outlook

The macroeconomic outlook has continued to evolve as central banks are making a concerted effort to tackle high inflation by way of substantial interest rate hikes. Consequently, these actions have increased the probability of recessionary conditions in many markets in which we operate. While an economic slowdown will generally have negative consequences for many companies, the highly contracted and regulated nature of the revenue frameworks at our assets should cushion the effects on Brookfield Infrastructure. Nonetheless we will continue to operate our businesses prudently, by monitoring inflationary cost pressures within our business and maintaining high levels of liquidity.

From a new investment perspective, we may be entering a period where we can buy for value. Generally, we expect that infrastructure assets will hold their value through recessionary conditions given their resilient nature. However, should liquidity in the market become tighter, certain owners of high-quality assets may become overextended, allowing us to use our liquidity and access to capital to make investments at attractive entry points. Following an active start to the year, we are focused on a number of new investment opportunities that if successful, will begin contributing toward our 2023 capital deployment target.

For the remainder of the year, our priority will be to complete the investments and asset sales that we have secured or are in the process of securing. We will once again exceed our investment deployment target for the year and thus the financial results for the year should remain strong and well ahead of last year.

The Board and management team are excited about the balance of the year for Brookfield Infrastructure and wish to thank our unitholders and shareholders for their ongoing support.

Sincerely,

Sam Pollock
Chief Executive Officer

August 3, 2022

Forward-Looking Statement

Note: This letter to unitholders contains forward-looking information within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words, "will", "continue", "believe", "growth", "potential", "prospect", "expect", "target", "should", "future", "could", "plan", "anticipate", "outlook", "focus", "plan to", derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this letter to unitholders include statements regarding the likelihood and timing of successfully completing the transactions and other growth initiatives referred to in this letter to unitholders, the integration of newly acquired businesses into our existing operations, the future performance of those acquired businesses and growth projects, financial and operating performance of Brookfield Infrastructure and some of its businesses, commissioning of our capital backlog, availability of investment opportunities, including tuck-in acquisitions, the state of political and economic climates in the jurisdictions in which we operate or intend to operate, the expansion of our businesses and operating segments into new jurisdictions,, the adoption of new and emerging technologies in the jurisdictions in which *we operate, performance of global capital markets and our strategies to hedge against risk in such markets, ability to access capital, anticipated capital amounts required for the growth of our businesses, the continued growth of Brookfield Infrastructure and its businesses in a competitive infrastructure sector, the effect expansion and growth projects of our customers will have on our businesses, and future revenue and distribution growth prospects in general. Although Brookfield Infrastructure believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on them, or any other forward-looking statements or information in this letter. The future performance and prospects of Brookfield Infrastructure are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Partnership and Brookfield Infrastructure to differ materially from those contemplated or implied by the statements in this letter to unitholders include general economic, social and political conditions in the jurisdictions in which we operate or intend to operate and elsewhere which may impact the markets for our products or services, the ability to achieve growth within Brookfield Infrastructure's businesses, some of which depends on access to capital and continuing favorable commodity prices, the impact of political, economic and other market conditions on our businesses, the fact that success of Brookfield Infrastructure is dependent on market demand for an infrastructure company, which is unknown, the availability and terms of equity and debt financing for Brookfield Infrastructure, the impact of health pandemics such as COVID-19 on our business and operations (including the availability, distribution and acceptance of effective vaccines), the ability to effectively complete transactions in the competitive infrastructure space (including the ability to complete announced and potential transactions referred to in this letter to unitholders, some of which remain subject to the satisfaction of conditions precedent, and the inability to reach final agreement with counterparties to such transactions, given that there can be no assurance that any such transactions will be agreed to or completed) and to integrate acquisitions into existing operations, changes in technology which have the potential to disrupt the businesses and industries in which we invest, the market conditions of key commodities, the price, supply or demand for which can have a significant impact upon the financial and operating performance of our business, regulatory decisions affecting our regulated businesses, weather events affecting our business, the effectiveness of our hedging strategies, completion of growth and expansion projects by customers of our businesses, traffic volumes on our toll road businesses and other risks and factors described in the documents filed by Brookfield Infrastructure with the securities regulators in Canada and the United States including under "Risk Factors" in Brookfield Infrastructure's most recent Annual Report on Form 20-F and other risks and factors that are described therein. Except as required by law, Brookfield Infrastructure undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.*