Letter to Unitholders

Overview

Brookfield Infrastructure generated strong financial and operational results during the second quarter and we advanced all of our strategic initiatives. We secured a marquee data center platform during the period, in addition to completing most of our capital recycling goals for the year. Despite some concerns over a forecasted economic slowdown, our resilient business model produced another strong result, with funds from operations (FFO) of $552 million representing an 8% increase over the prior year.

We exceeded our annual deployment objective, with three new investments totaling nearly $2 billion. Most recently we announced the acquisition of a co-controlling stake in Compass Datacenters, a leading North American hyperscale data center platform. This business provides a highly contracted development pipeline to accelerate our domestic growth strategy and enhances the scale of our global data center offering to the largest hyperscale customers. When combined with the acquisition of Data4, which closed earlier this week, Brookfield Infrastructure is now one of the largest hyperscale data center developers globally.

We have been equally successful executing our capital recycling program. So far during 2023 we have secured or closed approximately $1.9 billion of asset sales, further demonstrating our ability to execute our asset rotation strategy throughout market cycles.

With our deployment and recycling objectives achieved or nearing completion, our organizational focus has shifted to the integration of our newly acquired businesses and executing their respective business plans, including the build out of our global data center platform. We continue to screen a large number of investment opportunities as access to large scale and flexible capital is surfacing many opportunities in this capital scarce environment. Our business will continue to pursue accretive and value-based acquisition opportunities, while leveraging our size and global footprint to recycle capital where investor interest in well-contracted critical infrastructure is the highest.

Operating Results

FFO of $552 million increased 8% compared with the same period last year. Results were supported by the contribution of approximately $2.1 billion of capital deployed in new acquisitions over the past year, partially offset from the impact of asset sales and borrowing costs associated with financing our new investments. Organic growth was near the high-end of our 6-9% target range, reflecting the benefit of elevated levels of inflation on tariff increases and the commissioning of approximately $1 billion in new capital projects over the last 12 months. Partially offsetting the strong underlying performance of our business was the normalization of market sensitive revenues, as the prior year benefited from elevated commodity prices.

Utilities

The utilities segment generated FFO of $224 million, an increase of 19% from the same period last year. Organic growth for the segment was 10%, reflecting the continued benefit of elevated inflation indexation and the commissioning of approximately $500 million of capital into our rate base during the last 12 months. Current quarter results benefited from the expansion of our residential decarbonization infrastructure platform in North America and Europe, following the acquisition of HomeServe in January 2023.

Our U.K. regulated distribution business continues to develop alternatives to traditional gas-based heating solutions, ahead of anticipated government regulation that is expected to eliminate the installation of new gas connections. The take up of the network air source heat pump is advancing well. We secured two new projects during the quarter bringing the total contracted installations to over 7,000, with an incremental opportunity pipeline of over 90,000 connections. The business has experienced a 15% year-over-year increase in connection installations, as developers focus on the build out of existing plots. New homebuilder activity has shown progressive improvement from the first quarter, with major home builders reporting increases in site visits and net reservations compared to the start of the year.

Following the acquisition of HomeServe earlier in the year, we remain focused on the growth of our European residential decarbonization infrastructure business through both organic and bolt-on acquisition opportunities. Our European rental product offering that was initiated 12 months ago has experienced strong rental penetration across our pilot programs. To further expand our geographic footprint in strategic locations, we have completed nine tuck-in acquisitions this year of installers in Spain and Germany. Additionally, as demand for ways to decarbonize the home increases, we have launched pilot programs to install solar panel products across key geographies.

We continue to advance our North American submetering operation through a U.S. partnership with Brookfield Properties and its multi-family real estate portfolio. We have secured approximately 20,000 connections in 50 buildings through our partnership. Over half of these connections have been onboarded and are now billing, with the balance expected to begin billing over the next six months. We are also expecting to close 4,500 connections across an additional seven buildings. The addition of these connections and the tuck-in acquisition in the prior year will help us to become one of the largest providers of submetering connections in our core U.S. markets.

In May, we exercised an option to acquire our joint venture partners' 50% ownership of 480 km of operational lines in our Brazilian electricity transmission business for approximately $115 million. The arrangement is underpinned by a concession arrangement expiring in 2047, with inflation-linked rate escalators. As of June 2023, our total portfolio was comprised of over 2,300 kilometers of operational lines across four different concessions, including 12 substations and 6,000 transmission towers.

Transport

FFO for the transport segment was $199 million, an increase of 5% from the prior year excluding our U.S. container terminal that was divested in the second quarter of 2022. Results continue to benefit from inflation-linked rate increases. Compared to the prior period last year, our global toll road portfolio rates increased by 10% and our rail networks passed through increases of 8%. Volumes have remained resilient, with traffic levels increasing 2% across our toll roads and rail volumes were consistent with the prior year. Partially offsetting the strong operational results of our road and rail assets, was a 1% reduction in port volumes and the normalization of commodity prices that provided an outsized contribution at our U.S. LNG export terminal in the prior period.

Our U.S. LNG export terminal is advancing the commercialization of a proposed 20 million tonnes per year capacity expansion. The business secured firm long-term contracts for approximately four million tonnes per year or 20% of the total planned increase in capacity. Three agreements were signed with investment grade counterparties for a weighted average contract length of approximately 18 years.

In June, our North American rail operation announced a transaction with two Class I railroad companies to create a new freight corridor that connects shippers in parts of Mexico and Texas with the U.S. Southeast. We will contribute parts of our railroad in Mississippi and Alabama in exchange for strategic Alberta rail infrastructure and land, as well as extensions on existing rail leases and the right to operate the section of contributed track to service our existing customers. This transaction is an example of how we are able to optimize our existing rail network to create substantial strategic and financial value.

Midstream

The midstream segment generated $161 million of FFO, a modest decrease compared with the prior year. Strong performance across our base businesses from increased utilization and higher contracted cash flows was offset by softer results at our Canadian diversified midstream business due to the normalization of market sensitive revenues and the delay in a meaningful contribution from the Heartland Petrochemical Complex (HPC), which was offline for much of the quarter.

Our midstream businesses continue to increase utilization and add firm contracted cash flows. Our North American gas storage operation is 80% contracted for the current year and is tracking toward record levels with the execution of additional agreements expected before the winter peak demand season. At our western Canadian natural gas gathering and processing operation, we secured commercial agreements with existing customers to support two growth projects including a greenfield processing facility, as well as an expansion to our gathering pipeline system. These agreements are expected to contribute over C$30 million of annual EBITDA once commissioned in 2025. Our diversified Canadian midstream operation executed a long-term transportation service agreement. This contract will add C$15 million in annual run-rate EBITDA beginning in 2025 following construction of a bolt-on pipeline connection to our existing mainline.

At HPC, we completed repairs at the propane dehydrogenation (PDH) facility that resulted in the temporary shutdown of the entire complex for much of the quarter. During the repair period, we accelerated planned maintenance to take advantage of the downtime. Prior to the outage, both the PDH and Polypropylene facilities achieved nameplate capacity for sustained periods. Valuable operational learnings have been considered in the subsequent ramp-up, which took place in July, and the complex is achieving high operating capacity. Looking ahead, the third quarter is anticipated to partially contribute to results, while the fourth quarter is expected to provide full run-rate contribution.

Data

FFO for the data segment was $72 million, an increase of 20% from the same period last year. Current quarter results benefited from the acquisition of a European telecom tower operation in February and the contribution from an Australian fiber business acquired in August 2022.

At our U.S. fiber business, we progressed the build out of our network of fiber-based broadband solutions across U.S. communities. Early in the second quarter, we successfully connected our first active customers to the network in our two initial Colorado markets. With construction progressing well and customer commercialization showing promising results, we initiated our network expansion into two new Minnesota markets that have over 110,000 potential household connections. Combined, these four markets have approximately 170,000 potential connections and we are evaluating a growth pipeline of over 500,000 households across multiple states.

In March 2022, our Indian telecom tower business acquired Crest Digitel (“Crest”). Crest offers in-building and small cell solutions to telecom operators to extend their coverage, including 5G roll out and capacity in difficult to access and dense areas, such as underground metro stations and airports. Since the acquisition of Crest, the business has doubled its tenancies, which has been a significant driver of our first-year revenue growth of over 40%, with landmark projects including the Delhi and Mumbai metro systems.

Balance Sheet and Liquidity

Since inception, we have consistently employed a disciplined approach to financing our business. The pursuit of long duration and fixed rate capital structures has insulated us from market volatility, including the current interest rate environment. Approximately 90% of our debt is fixed rate, with an average term of seven years. The demonstrated stability of our cash flow profile through market cycles, has provided consistent access to capital to finance the growth of our business efficiently and reliably. Despite continued volatility in the broader market this quarter, we continued to access the debt capital markets to fund new investments or refinance upcoming maturities. Some of the more notable financings this quarter included:

- In April and May, we initiated the refinancing program at our U.S. semiconductor manufacturing facility to support construction activities and de-risk our investment by utilizing long-term, fixed rate debt at attractive terms. We raised $2.4 billion in two separate issuances in the private placement and public bond markets, with a weighted average term of 13 years and a weighted average coupon of 5.8%.
- In May, our diversified Canadian midstream operation raised C$750 million in the Canadian bond market to refinance upcoming maturities. The issuance was launched with a minimum size of C$500 million and was

subsequently upsized to C$750 million given robust demand. Pricing was attractive, with a coupon of 5.7% for a seven-year term.

- In July, Brookfield Infrastructure issued C$700 million in the Canadian debt capital markets. The offering was oversubscribed and was comprised of 7- and 30-year tranches, with proceeds earmarked for upcoming debt maturities. As a result, our next corporate maturity is not until 2027.

Our business remains well positioned to execute its financing plans, with access to capital and a strong liquidity position. We ended the second quarter with $2.3 billion of corporate liquidity, which has been supported by the significant progress achieved in our capital recycling initiatives.

Strategic Initiatives

We continue to find good opportunities to invest capital above our targeted return threshold. During the second quarter, we accelerated our global data center growth strategy through the acquisition of two marquee development platforms in Europe and North America, respectively. These investments fill gaps in our existing portfolio, which was regionally focused in South America, Australia and India. We now have an asset footprint in all our core markets and have become one of the largest developers in the world.

Most recently, we entered into an agreement to acquire a co-controlling stake in Compass Datacenters for $1.35 billion, including Brookfield Infrastructure's equity of approximately $375 million. Compass is a leading North American hyperscale data center platform that has approximately 170 megawatts of operating capacity, with a significantly de-risked contracted and reserved capacity backlog to be developed on power-ready and owned land across several major campuses. Total operating, contracted and reserved capacity is 735 megawatts, which is 85% underpinned by investment grade hyperscalers. Contracted capacity of 675 megawatts is included in this total and has a 13-year weighted average contract duration, with approximately 60% contracted on a triple net basis providing for recovery of maintenance and operating costs from our customers. The transaction is expected to close in Q4 2023, subject to the satisfaction of customary closing conditions.

The acquisition of Data4, our European hyperscale data center platform, closed on August 1, 2023. Since announcing the transaction, the business converted a 130 megawatt memorandum of understanding with a leading hyperscale client into firm contracted capacity, resulting in over 50% of our business plan growth profile of 400 megawatts being successfully contracted or reserved.

The Triton privatization is advancing well, with the majority of the required regulatory approvals received and a shareholder vote that has been set for August 24, 2023. We currently expect to close the transaction shortly after receiving confirmation of shareholder support. Across these three transactions, we expect Brookfield Infrastructure's equity share of the deployment to be nearly $2 billion.

A key differentiator of Brookfield Infrastructure's business strategy is its demonstrated ability to recycle capital, using proceeds from the disposition of mature assets to fund higher returning new investments. To achieve our objectives, we actively manage a dynamic plan for asset monetization that balances our liquidity requirements and asset maturity profile, while ensuring we maximize sale proceeds by taking advantage of market conditions when feasible. Our large, globally diversified infrastructure portfolio provides flexibility to our capital recycling program, allowing us to opportunistically exit businesses in the segments and geographies most in favor.

Brookfield Infrastructure continues to be successful in converting its advanced pipeline of capital recycling opportunities into completed sales. To date in this calendar year, we have secured $1.9 billion of asset sale proceeds, of which $1.4 billion has already closed. Highlights include:

- Two U.S. gas storage assets sold to strategic buyers for gross proceeds of $235 million (BIP's share – approximately $100 million) that closed in April.

- The 50% interest in our New Zealand integrated data distribution business to our existing joint venture partner, for $1.1 billion (BIP's share – approximately $275 million), which closed in June. When combined with the sale of the tower assets to core buyers late last year, we generated a 31% IRR and 2.6x multiple of capital over a four-year hold period.

- A 12.5% interest in our U.S. gas pipeline to one of our existing partners for approximately $420 million, which was signed and closed in June. The sale implies an enterprise value of $5.3 billion and an 18% post-tax IRR and 2.8x multiple of capital to BIP, since the recapitalization of the business in 2015. Following the sale, BIP has retained a 25% interest in the business.

- The sale of a portion of our financial asset portfolio and our 8% interest in AusNet, our Australian regulated utility business, to institutional partners and clients of Brookfield Asset Management for total proceeds of approximately $840 million. Approximately $380 million was received during the year, with the remainder scheduled to close during August.

Since interest rates began increasing in March 2022, we have continued to demonstrate our ability to execute our capital recycling strategy. Generally, transactions are taking longer to complete and potential buyers have less access to capital. However, demand for highly contracted and essential infrastructure remains strong and with $1.9 billion of capital recycling secured, we are focused on preparing for the next round of capital recycling initiatives in 2024.

Digitalization: The Exponential Need For Data Storage

Digitalization has been a prominent macroeconomic theme driving recent investment activity. It refers to investment opportunities derived from exponential increases in data consumption. Large scale capital is needed for greenfield development or to retrofit the backbone infrastructure storing and transmitting data. For Brookfield Infrastructure, this manifests itself in fiber, telecom towers, indoor wireless systems and data center investments. The data storage and processing industry in particular is benefiting from sector tailwinds propelled by evolving consumer behavior and groundbreaking technologies. For instance, the rise of generative artificial intelligence is transforming industries by automating complex tasks and fueling advanced analytics. We are also experiencing an exponential surge in data storage and processing requirements from enterprises migrating workloads and applications from on-premises to the cloud, as well as the widespread adoption of new use cases such as 5G technology. These trends are amplifying demand for robust, well-located and scalable data infrastructure, including data centers.

Brookfield Infrastructure's data center investments have historically been focused on the regional organic build out of smaller scale businesses that have an existing footprint to construct capacity for hyperscale customers. This year we significantly expanded our data center operations through two platform acquisitions. On August 1, we closed the acquisition of Data4, a European development platform. Additionally, we secured a co-controlling stake in Compass, a North American development platform. Both transactions contribute significantly to our operating capacity and offer substantial contracted growth pipelines, while demonstrating our ability to grow through greenfield development and platform acquisitions. Once closed, we will have invested total equity of over $5 billion in data center infrastructure (BIP's share – approximately $1.5 billion).

Following the Data4 and Compass acquisitions, we will own and operate one of the largest global hyperscale data center platforms. Our operating capacity will increase to over 485 megawatts, which is expected to be 90% leased on a post-close and 100% ownership basis. When combined with a 775 megawatt contracted and reserved capacity backlog to be built out over the next several years, we will have over 1.25 gigawatts of capacity. This capacity is contracted on a long-term basis to provide stable cash flow and is underpinned by major hyperscale customers. These customers are of strong credit quality and represent industry-leading companies that are at the forefront of technological advancements, such as artificial intelligence.

Our strategy to build a leading global data center platform will enable us to meaningfully participate in the exponential growth in digital infrastructure demand worldwide. We believe our size, scale and global portfolio will be a competitive advantage and provide a differentiated product to customers. Our operating footprint is across five continents and can give our hyperscale customers, who have global capacity requirements, a highly flexible and consistent offering in multiple geographies. These relationships will also provide critical and real-time information on the market that should provide us with a competitive edge. Another differentiator for our data center offering is the ability to leverage Brookfield's ecosystem to provide a turn-key solution that includes renewable power connectivity and adjacent real estate development.

We are focused on the execution of our large-scale and high-growth business plan. The high degree of contracted and reserved capacity provides multi-year visibility to secure access to critical equipment, reliable labor and priority procurement, with the pricing benefits of development at scale. We also expect to benefit from our modular build design, as well as our permitted, power-ready and owned landbank for all our contracted and reserved capacity. Additionally, to further support our customers' growth ambitions, we have an existing landbank in prime markets that has the potential to increase our total capacity to over two gigawatts.

We expect to initially earn single-digit going-in yields on our recent data center investments that we expect to grow materially as we develop our highly visible and large-scale growth pipeline. We plan on developing almost one gigawatt of capacity over the next three years, which we anticipate will increase gross 2022 adjusted EBITDA of approximately $245 million (BIP's share – $42 million) by over five times. To finance this growth, we intend to utilize our capital recycling experience to create a self-funded structure, whereby we monetize fully operating and contracted data centers to fund the development of our capital backlog. These investments are expected to generate mid-to-high teen returns, which could be even higher depending on the success of our capital recycling.

Outlook

Our business continues to demonstrate strong momentum in all facets and we expect this momentum to carry through to the end of the year. The closing of Triton is expected to generate meaningful accretion to results in the second half of the year and our data center investments will provide FFO growth in the years to come. In addition, our continued ability to pass through inflationary increases in our tariffs, in excess of headline rates, should continue for the next several quarters.

We continue to surface highly attractive opportunities to invest for value in this capital scarce environment. While we have surpassed our capital deployment target for the year, we will continue to pursue both new and follow-on opportunities, especially those that offer returns above our target levels. At the same time, we fully expect to achieve continued success in capital recycling initiatives in the years ahead given the quality and diversification of our asset base.

We look forward to sharing more details on our outlook and specific growth plans related to our global data center platform at our annual Investor Day event in Toronto on September 21, 2023.

On behalf of the Board and management, thank you to our unitholders and shareholders for their ongoing support.

Sincerely,

Sam Pollock
Chief Executive Officer

August 3, 2023

Cautionary Statement Regarding Forward-looking Statements

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 on our business and operations, 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.