Letter to Unitholders

Overview

We are pleased to report strong financial results for the third quarter, due to good operating performance and the successful execution of our asset recycling strategy. Funds from operations (FFO) in the third quarter was $0.73 per unit, a 7% increase compared to the same period in 2022. We are well-positioned for a strong end to the year, considering that our European hyperscale data center platform was the only new investment to contribute to earnings this quarter, with the remaining $1.6 billion of new investments having closed at quarter end or shortly thereafter.

The higher rate environment has positively influenced our ability to buy for value, while admittedly making it moderately more challenging to monetize assets. The fundamentals of our business remain strong as the benefit of inflation escalation and a disciplined financing approach have largely insulated us from the impact of rising interest rates. Furthermore, the debt capital markets have been extremely favorable for infrastructure assets providing an overall net positive backdrop to business conditions.

We have surpassed our annual new investment objective for the third year in a row, closing the acquisitions of two marquee data center platforms, as well as a leading global logistics business, Triton International. The risk adjusted returns we expect to generate on these investments are well in excess of our targets and are representative of the value entry points that can be achieved in this market.

We also completed our annual capital recycling objective, raising nearly $2 billion of proceeds this year. Achieving our capital recycling objectives has required additional focus as the current market backdrop favors buyers. We can execute in this environment as we benefit from owning a high quality and diversified asset base across sectors and geographies that we leverage to monetize at the highest valuations. We also tailor the size and structure of our asset sales to attract the most suitable buyers.

Operating Results

FFO in the quarter was $560 million, an increase of 7% compared with the same period last year. Results benefited from strong base business performance reflecting higher tariffs and the commissioning of approximately $1 billion of capital projects in the past 12 months. These results were partially offset by higher financing costs and a normalization of market sensitive revenues compared to the prior period. Our financial results do not reflect the benefit of new investments this year and we are conversely impacted by nearly $2 billion of asset sales that primarily closed in the second quarter of 2023. The fourth quarter will fully reflect the contributions of our new investments, which closed right before, or subsequent to, September 30.

Utilities

The utilities segment generated FFO of $229 million, an increase of 17% from the comparable period last year. Organic growth for the segment was over 10%, reflecting inflation indexation and the commissioning of approximately $500 million of capital into the 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. This positive contribution was partially offset by the sale of our interest in an Australian regulated utility in August of this year.

We continue to expand our global residential decarbonization infrastructure platform. In Canada, we completed the tuck-in acquisition of a HVAC service provider in British Columbia, providing our first access to the province. In the U.S., we are leveraging HomeServe's footprint to scale our rental product offering by rolling it out across 22 of HomeServe's 27 HVAC service centers. In Europe, we reached an agreement to acquire an additional 25% interest in a U.K. based residential energy solutions provider for €25 million, increasing our total ownership interest to 85%. Our increased ownership and planned future integration with HomeServe is expected to advance our U.K. growth plans.

At our North American regulated natural gas pipeline on the Texas-Mexico border, the regulator approved a tariff increase effective June 1, 2023 that was adjusted higher through 2026 as compensation for a two-year delay in resolution. These pipelines are a critical component of the national gas system, which socializes overall costs amongst its end users. As a result of this approach to cost sharing, end users will not observe a noticeable increase from the rise in tariffs.

Transport

The transport segment generated FFO of $205 million for the quarter, with organic growth of 7% compared to the same period last year. Rates across the portfolio have broadly increased, with our global toll road tariffs increasing by 8% and our rail networks passing through rate increases of 7% compared to the same period last year. Volumes remained consistent, reinforcing the criticality of our assets despite softness in the broader global transportation network. Partially offsetting the strong underlying operational performance were higher borrowing costs at our U.K. port operations, the normalization of commodity prices at our U.S. LNG export terminal and the sale of our Indian toll road portfolio that was completed in June 2023.

A key contributor to our rail businesses performance is our integrated rail and logistics provider in Brazil, VLI. Our business plan has focused on organic growth to drive higher volumes and utilization. Brazil's competitive advantages in the export of key agricultural commodities such as soy, corn and sugar, combined with strong fertilizer imports, have supported growing rail volumes and tariffs. The execution of our business plan over the past decade has led to strong performance. We have been able to realize average annual volume and tariff increases of 5% and 9%, respectively, in addition to driving improved operating efficiency, which helped double margins to almost 50%. As a result, EBITDA has grown at a 25% compound annual growth rate or almost six times during our ownership. VLI is now the second largest multimodal logistics platform in Brazil, operating approximately 9,800 km of rail, as well as nine inland and three port terminals.

Midstream

FFO from our midstream segment was $163 million, a 5% decrease compared to the prior period, due to the partial sale of our interest in a U.S. gas pipeline in June of this year and the normalization of market sensitive revenues at our Canadian diversified midstream business. Results were supported by increased utilization and higher contracted cash flows across the segment compared to last year, as well as the initial contribution from the Heartland Petrochemical Complex (HPC).

Our midstream businesses continue to increase utilization and create cash flow stability through firm capacity commitments. Our North American gas storage operation has witnessed increased interest in long-term commercial agreements due to the increasing scarcity of North American gas storage capacity and the important role storage plays in providing certainty of gas volumes. The business recently finalized a 5-year agreement with an investment grade customer for double its previously contracted volumes at rates three times higher. Similarly, our diversified Canadian midstream operation is also benefiting from strong commercial sector activity in the form of increased throughput on its conventional pipeline system, reaching levels not witnessed since 2018. On its long-haul system, two bolt-on projects are advancing, with one in late stages of commercial discussions. Combined these bolt-on projects represent approximately C$30 million of incremental annual EBITDA once commissioned in 2025.

During the third quarter, HPC ramped up production and sold over 200 million pounds of polypropylene. We are operating at target production rates and we expect to continue at these levels into 2024. All commercial arrangements underpinning approximately 70% of capacity are in-service, and the fourth quarter is expected to provide a full period contribution.

Data

FFO from our data segment was $66 million, an increase of 10% from the same period last year. The increase is attributable to the acquisitions of a European telecom tower operation in February 2023 and a European hyperscale data center platform that closed in August. The prior period included contributions from a New Zealand integrated data distribution business that was sold in June of this year.

At our data center businesses, we continue to experience strong industry tailwinds driving elevated demand for capacity. In North America, our U.S. retail colocation business had record capacity bookings during the past two quarters and recently initiated an under-roof-capacity densification program to capture incremental growth by expanding existing sites. At our U.S. hyperscale platform, we acquired a 200-acre site in Chicago that can accommodate 200 megawatts of capacity. Chicago is a fast-growing Tier-1 market for data centers with under 5% vacancy rates and we have already received advanced indications of interest from major hyperscale customers.

In the Asia Pacific region, we commercialized our inaugural data center development in Seoul, South Korea. We executed a 15-year contract with a global hyperscaler for 13 megawatts of capacity that has built-in inflation escalation and a pass through of electricity costs. Construction has commenced and is forecasted to be completed by the end of 2025. In India, our data center joint venture with Digital Realty recently announced that Reliance Industries Limited is joining the joint venture on an equal basis. Once completed, the joint venture will operate under the brand name Digital Connexion: A Brookfield, Jio and Digital Realty Company. The current development platform includes two land parcels in Chennai and Mumbai with a total capacity potential of up to 160 megawatts.

Balance Sheet and Liquidity

We remain disciplined in our approach to financing our business, which has been beneficial given the prospect that interest rates will likely remain higher than they have been for longer. Our capital structure is over 90% fixed rate and long duration, with an average term of approximately 7 years. We continue to benefit from a staggered maturity profile that has 5% of our debt maturing over the next 12 months, which limits the impact of refinancing at higher rates in the near term. Our prudent approach to financing will continue to insulate us through future market cycles and is enhanced by our ability to compound inflation in our revenues to offset increases in rates.

During the quarter, we proactively raised C$700 million in the Canadian debt capital markets. Proceeds from the issuance will be used to refinance debt maturing next year. As a result, we have no corporate maturities until 2027 and the average term of our corporate debt will increase from 11 to 13 years.

At the asset level, which is all non-recourse to BIP, we continue to proactively extend or refinance future maturities. Markets have remained very constructive and some of the more notable recent financings completed include:

- In July, we completed a €600 million bond issuance at our European telecom tower operation to refinance existing debt and to fund future growth initiatives. The issuance had a 5-year term with an attractive all-in coupon of 5.6%.

- In August, we raised $850 million at our western Canadian natural gas gathering and processing operation to refinance an upcoming maturity. The issuance was fully hedged at a fixed rate of 6.8%, largely in line with the previous maturity, which was extended by approximately 5 years.

- In October, HomeServe, part of our residential decarbonization infrastructure business, completed an inaugural issuance of over $1 billion in the institutional term loan market. The issuance was attractively priced at rates consistent with companies that had a one-notch better credit rating and was fully hedged at a fixed rate of 7.4% for a term of 7 years. Proceeds were used to refinance existing higher cost debt.

At the end of Q3 our liquidity position was approximately $2.1 billion, reflecting all announced transactions including a pro forma adjustment for Compass, our U.S. hyperscale data center platform, which closed after the quarter. This strong liquidity, combined with our targeted $2 billion of asset sales in 2024, provides a solid foundation for us to capitalize on the current investment landscape that favors well-capitalized buyers with access to capital.

Strategic Initiatives and Capital Allocation

The strength of our franchise can be encapsulated by our track record, our discipline and our investment acumen. We have a track record of returning nearly $9 billion of distributions to our unitholders. We have the discipline of maintaining a strong BBB+ investment grade balance sheet throughout market cycles. We have the investment acumen to assemble a high quality and diversified portfolio of infrastructure assets that generated over $2.2 billion of FFO over the last twelve months.

Despite achieving solid financial results throughout the year and delivering on our strategic initiatives, Brookfield Infrastructure's unit price has disappointingly underperformed recently. This is not unique to us, as utility and infrastructure "Dividend YieldCo" companies have generally traded off as investors focused on credit or other sector strategies. The weakness in our unit price and that of our peers is not a reflection of asset performance. As we have noted in the past, the utility and infrastructure sectors are highly resilient asset classes that generate growing and sustainable cash flows. Indicative of those attributes, we have grown FFO per unit and distributions per unit at compound annual rates of 11% and 8%, respectively, over the past decade.

During this period of capital dislocation, we expect investors to favor businesses with strong capital allocation abilities. Brookfield Infrastructure has a strong track record of sourcing capital and executing its full-cycle strategy to buy, add value and monetize businesses for attractive returns, which has been implemented over the past 15 years since our inception.

We have several differentiating elements that are worth highlighting:

1. Our sizeable organic growth consists largely of embedded inflationary escalators and secured capital expansion projects. Different than many other utility and Dividend YieldCo's who have nominal based tariffs, 70% of our business is indexed to inflation annually. This benefit compounds over long periods of time and provides us with a natural hedge to higher interest rates. Our capital backlog is largely self-funded from a combination of committed capex facilities and retained cash flows.

2. We have exceeded our new investments target for three consecutive years. As a result, we have substantial built in growth that provides us the flexibility to pace our investment activity in accordance with our capital recycling achievements.

3. We have locked in interest rates for over 90% of our debt, with an average maturity of approximately 7 years. This provides us with strong visibility into our borrowing costs over the next several years. For example, in 2024, 2025 and 2026, a hypothetical 200 basis point increase in our cost of debt is expected to only impact FFO by $25 million, $20 million and $50 million, respectively. In comparison, inflation indexation is expected to grow our 2023 FFO by over $100 million, which will continue to compound over time and more than offsets the rise in financing costs. Remember, interest costs may increase or decrease based on the prevailing rate environment, but our assets have the potential to grow their cash flows forever.

4. In light of our strong conviction in the intrinsic value of our business and its growth trajectory, we see the merit in deploying capital to repurchase our equity. Following quarter end, we began repurchasing equity and have bought close to 1 million units under our normal course issuer bid. Going forward, we will consider further buybacks in conjunction with our ability to earn strong risk adjusted returns by deploying capital in new investment opportunities.

Our strategy's success is not predicated on a low interest rate environment. We have demonstrated our ability to use our size, scale and diversification to continue recycling capital at good valuations, while earning higher returns on our new investments. Over the last three years, we have generated approximately $4.5 billion of proceeds from 16 asset sales. Each was completed at a premium to the IFRS carrying value at the time of sale, and the combined gain over book value was approximately 70%. The market backdrop has created a strong environment for capital deployment, with returns on new investments expected to be well in excess of our 12-15% target. Our 2023 deployment is expected to provide us with some of the best risk-adjusted returns we have seen in the last decade.

The take-private of Triton, our global intermodal logistics operation, closed on September 28. Brookfield Infrastructure invested approximately $1.2 billion for a 28% interest, funded primarily using new BIPC shares as transaction consideration. We expect to generate a base case IRR above our targets, derived largely from the in-place cash yield. The leading market position and highly cash generative nature of the business provides strong operational flexibility to invest in fleet replacements and growth during favorable markets, or to harvest cash in less attractive markets.

While we value Triton's attractive cash yield, we expect to create further value by leveraging the information insights that the business provides and realizing synergies with our existing transportation networks. We believe that we will be better able to service our port and rail customers by providing a more integrated logistics solution, while benefiting from the global and proprietary market intelligence it provides. Advancements in artificial intelligence (AI) could enhance this benefit and enable improved and real-time decision making. We also believe we can drive upside returns by executing on a few key initiatives. These include employing data science to optimize contracting yield while also extending container useful lives, as well as opportunistically pursuing sale leasebacks as a strategy to expand the platform and provide financial flexibility to Triton's largest customers.

We are also very excited about the opportunities across our data center platform, which has grown significantly following the acquisitions of Data4 and Compass that closed in August and October, respectively. Most recently, we reached an agreement to acquire a portfolio of data centers out of bankruptcy from Cyxtera, as well as the associated real estate underlying several of the sites from third-party landlords. We believe we will generate strategic value by combining Cyxtera with Evoque to create a leading retail colocation data center provider, with over 330 megawatts of capacity deployed in high demand areas across North America. The combined platform will have the scale, assets and capabilities required to provide critical infrastructure for its over 2,500 customers to support the exponential increase in demand from industry tailwinds, including AI and cloud deployments.

The total purchase price for the data centers and associated real estate underlying the sites is approximately $1.3 billion, inclusive of transaction costs and net of proceeds received from concurrently selling non-core Cyxtera sites to a third-party. Funding has been secured and will be collateralized by the combined portfolio of Cyxtera's and Evoque's data centers and associated real estate. As part of this transformative transaction, cash flow for the combined entity will undergo a step-change improvement from the real estate acquisitions, financial synergies and lease savings negotiated with Cyxtera's third-party landlords during the bankruptcy process. The transaction is expected to close in Q1 2024 and is subject to customary closing conditions.

2023 Investor Day Recap

At our recent Investor Day, we showcased our financial and strategic achievements for the year to date. Brookfield Infrastructure has achieved its strategic priorities for the year and as a result, we are on track to deliver another year of solid cash flow growth which should build on our 14 consecutive years of increasing distributions to unitholders. We have exceeded our annual investment target, deploying approximately $2.1 billion across three transactions that were fully funded by asset sales and a BIPC share issuance. The 'Three Ds' – digitalization, deglobalization and decarbonization – continue to be the prominent themes driving outsized deployment opportunities. Most recently, we have benefited the most from digitalization, resulting in significant investments in data centers, telecom towers and fiber networks.

The primary focus of our event was on how the current macro and operating environment is influencing our business strategy from three perspectives.

1. Operational approach: We are **prioritizing value creation through our hands-on operating philosophy** to streamline and optimize our organizations to drive greater efficiency, improve margins and generate revenue. Our playbook includes reducing ineffective organizational layers, while creating clear P&L accountability; focusing the workforce on tasks that directly result in achieving our set priorities and objectives; and recruiting strong management teams, with CEOs who are directly responsible for business results. Moving forward, we believe that AI will become a key component of our value creation playbook to generate revenue and enhance margins. Preliminary applications, such as the automation occurring at HomeServe, have yielded strong initial results and have the potential to provide future efficiencies. The potential applications are broad and sizable, which could result in meaningful upside returns.

2. Investment posture and capital allocation: We are **investing boldly to pursue higher risk-adjusted returns in this capital-scarce environment**. Businesses with large-scale embedded growth are available at attractive value-based entry points, with returns in excess of our targets. As a result, we've been able to invest at scale to buy two high-growth data center platforms. Our global platform now has 485 megawatts of operating capacity, with plans to increase this to approximately 1,700 megawatts over the next three years. We expect this exponential growth to increase our proportionate next-12-month FFO by 65%, compounded annually over the same period. Our business plans for these two investments are largely de-risked through their large-scale contracted and reserved backlogs, that should result in IRRs well in excess of our 12-15% target. Pairing the buildout with a self-funded structure could result in even greater returns, in excess of 20%. If successful, we expect to realize significant platform value increasing our $1.5 billion of invested capital by 3.5 to 4x, with limited additional equity required.

3. Corporate finance: We plan to continue to **execute our differentiated full-cycle investment strategy**. We are always both buyers and sellers of assets and have demonstrated the ability to execute both well in all market environments. The current market cycle favors buyers and as a result we have invested over $5 billion of equity in the past 2 years. Half of this capital has been into high-returning, high-quality growth platform investments. As a result, we have significant organic growth tailwinds within our business that are not reflected in our results today. In fact, we have nine platform investments expected to grow at a 20% compound annual growth rate, representing approximately 25% of our invested capital but only 5% of our 2023 EBITDA. Separately, our capital recycling strategy has provided a differentiated source of capital, particularly when capital is scarce, limiting reliance on the capital markets. Since our inception we have sold 30 assets for total proceeds of approximately $9 billion, with an average IRR of 23%. Our ability to execute our strategy through cycles is due to our highly diversified portfolio of assets across sectors, geographies and size. This diversity enables us to provide transaction flexibility and opportunistically exit assets most in demand. After achieving $1.9 billion in asset sales so far this year, we are targeting $2 billion in asset sale proceeds for 2024.

Outlook

There are considerable geopolitical and macroeconomic factors impacting the current business environment. We are witnessing diverging economic conditions in several of our key markets. For instance, in Brazil, interest rates are expected to decline as inflationary pressures have waned. In the U.S., a relatively strong economic backdrop will likely result in interest rates at current levels for a while. Other regions are somewhere in the middle. Our global footprint should allow us to arbitrage varying economic circumstances to recycle capital on favorable terms in certain markets, while taking advantage of capital scarcity in others. This has always been our playbook and we will continue to execute the same business strategy which has been successful over many years.

Our focus for the balance of the year is the integration of our new data center businesses and Triton. We are also progressing our asset management initiatives that include leveraging advances in AI to increase revenues and improve margins. Lastly, we will continue to pursue capital recycling opportunities to generate proceeds which we can redeploy into higher returning new investments.

We remain committed to providing unitholders with a stable and growing distribution within the 5-9% range annually, while maintaining a payout ratio between 60-70% and a strong balance sheet. Ultimately, we believe providing strong cash flow and income growth creates unitholder value, which will be reflected in our unit price over time.

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

Sincerely,

Sam Pollock
Chief Executive Officer

November 1, 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.