Letter to Unitholders

Overview

2023 was another marquee year for Brookfield Infrastructure. We executed many of our strategic priorities in all areas of our business. The benefits of inflation indexation embedded within our operations displayed prominently as our businesses produced stable or growing results in a higher interest rate environment. Fourth quarter funds from operations (FFO) was $0.79 per unit or $3.16 on an annualized basis, which represents a 17% increase over 2022. Transaction timing, specifically the sale of businesses earlier in the year and capital deployment later in the year, resulted in a more modest increase in full-year FFO per unit of 9%.

Our key accomplishments for the year were:

- Closing over $2 billion of new investments in the transport and data segments, with expected returns above our 12-15% target range.
- Finalizing capital recycling initiatives for total proceeds of $1.9 billion.
- Maintaining significant liquidity and proactively refinancing debt maturities during a capital constrained year.
- Obtaining a second investment grade credit rating of BBB+ from Fitch, with a stable outlook.

Looking ahead, 2024 is off to a strong start having closed the acquisition of a North American retail colocation data center business, Cyxtera, and securing a portfolio of 78,000 telecom towers in India that will generate significant synergies when combined with our existing operations. Our capital recycling initiatives have also been advancing well. We recently completed several transactions that generated approximately $550 million of proceeds, demonstrating significant progress against our stated $2 billion capital recycling objective for the year.

Taking into account the strong results generated in 2023 and a favorable outlook for the business in 2024, the board of directors approved a quarterly distribution increase of 6% to $0.405 per unit during 2024, or $1.62 per unit on an annualized basis. This marks the 15th consecutive year of distribution increases.

Stock Market Performance

Despite executing all our strategic priorities and having another exceptional year during 2023, the price of our securities was impacted by macroeconomic factors. Elevated interest rates, and the prospect of being “higher for longer”, influenced broader financial markets and sentiment towards yield-oriented companies, such as Brookfield Infrastructure.

In mid-December, the Federal Reserve announced that it was leaving interest rates unchanged and signaled the potential for rate cuts in 2024. As a result, expectations for long-term interest rates trended downwards. Although it is too early to declare victory, inflation has been easing in the regions where we operate and market sentiment towards yield-oriented companies has materially improved. Indicative of this favorable change in sentiment, BIP’s share price increased nearly 50% to finish the year from the lows experienced in October.

We are optimistic that the market backdrop for 2024 will be more constructive than 2023 and believe that this downward movement in treasury yields will result in further capital flows into yield and growth-oriented companies like ours.

Annualized Total Returns

As of December 31, 2023	1-Year	5-Year	Since Inception*
BIP (NYSE)	7%	13%	15%
BIP (TSX)	5%	13%	19%
BIPC (NYSE)	(6%)	N/A	18%
BIPC (TSX)	(8%)	N/A	13%
Alerian MLP Index	26%	12%	7%
S&P Utilities Index	(7%)	7%	6%
DJBGICU Index**	7%	8%	5%

Includes dividend reinvestment
**BIP (NYSE) and U.S. index data as of January 2008; BIP (TSX) as of September 2009; BIPC as of spin-off on March 31, 2020*
***Dow Jones Global Infrastructure Composite Index and excludes dividend reinvestment*

Operating Results

FFO for 2023 was $2.3 billion, an increase of 10% compared to 2022. Organic growth for the year was 8%, reflecting strong levels of inflation in the countries where we operate, volume growth across the majority of our critical infrastructure networks, and the commissioning of approximately $1 billion of new capital projects that are now contributing to earnings. Additionally, we deployed over $2 billion into new investments in the third and fourth quarter of 2023 that favorably impacted results, offset by the impact of $1.9 billion of asset sales that primarily closed in the second quarter of 2023.

Utilities

The utilities segment generated FFO of $879 million, compared to $739 million in the prior year, representing an increase of 19%. This growth can be attributed to inflation indexation, which benefited our results by approximately 6%, and the contribution associated with approximately $500 million of capital commissioned into our rate base. Results also benefited from strong performance at HomeServe, which we privatized in January of 2023.

Our global residential decarbonization infrastructure businesses remain focused on expansion and increasing market penetration. In the U.S., HomeServe added approximately one million policies during 2023, growing its policy base by over 10%. A significant portion of this growth was through the purchase of approximately 600,000 policies in the fourth quarter, which will additionally provide access to over four million marketable households across eight states. Also in the U.S., our submetering business executed a letter of intent to acquire a submetering provider that has operations across 40 states, diversifying our geographical presence, which is currently concentrated in New York. The purchase price is approximately $23 million (approximately $6 million net to BIP), with an attractive entry multiple of approximately 6x 2023 EBITDA. The transaction is expected to close in the first quarter of 2024.

In the second half of 2023, our smart meter business in Australia and New Zealand expanded its leading market share through the acquisition of 250,000 smart meters across two transactions. The total consideration was approximately A$100 million, which is expected to add approximately A$15 million per year of incremental EBITDA (A$2 million net to BIP).

Transport

FFO for the transport segment was $888 million, representing a 12% increase compared to $794 million generated in the prior year. Base business results primarily benefited from inflationary tariff increases and higher volumes driven by strong economic activity surrounding our networks. In particular, during the year our rail networks realized an average annual rate increase of 8% and volumes were up 2% from the previous year. At our diversified terminals, rates and volumes benefited from strong demand for bulk goods and commodities that underpin the global economy. Across our toll road portfolio, annual traffic levels and tariffs increased 4% and 9%, respectively, compared to prior year. Current year results additionally benefited from the acquisition of Triton, our global intermodal logistics operation, which closed at the end of the third quarter and is performing ahead of expectations.

Our diversified terminal businesses have successfully completed several contracting initiatives. Our Australian ports business finalized a contract extension to December 2026, with a major global shipping line for approximately 550,000 lifts per year compared to 650,000 lifts currently. Our U.S. liquified natural gas export facility continues to successfully contract its planned capacity expansion to increase its current capacity of 30 million tonnes per year. The business has secured firm 15-to-20-year agreements for approximately 6.5 million tonnes per year in support of the planned expansion, underpinned by investment grade counterparties.

Midstream

FFO for the midstream segment totaled $684 million, compared to $743 million in the previous year. The decline is primarily due to the partial sale of our interest in a U.S. gas pipeline in June of 2023 and the normalization of market sensitive revenues at our diversified Canadian midstream business.

Results for 2023 were supported by increased utilization and higher contracted cash flows across the segment compared to last year. The outlook for our midstream businesses remains strong, particularly as we continue to have success executing commercial agreements and increasing rates as a result of a lack of new investment in the sector.

- At our North American gas storage operation, we secured a contract renewal with a major utility company, adding over $30 million of contracted revenue for the upcoming gas year. In total, our current gas year capacity is 95% contracted, with rates that are over 25% higher compared to the previous gas year.

- Our Western Canadian midstream operation approved the Gordondale expansion project to add 150 mmcf per day of incremental gathering and processing capacity. The project is underpinned by strong customer demand, with 85% of the total plant capacity currently contracted. We expect to invest approximately C$240 million, with project commissioning in the second half of 2025.

- Our U.S. gas pipeline is expanding its transportation network to accommodate supply basin and LNG demand growth in the Gulf Coast region. We anticipate investing approximately $190 million by the end of 2026, which is underpinned by long-term take-or-pay contracts expected to generate annualized EBITDA of over $35 million on a 100% basis.

- In November, our diversified Canadian midstream operation executed a 20-year take-or-pay agreement with a major long-haul transportation customer that will contribute C$13 million of incremental EBITDA annually upon completion. When combined with two previously executed long-haul transportation agreements, the business has secured over C$75 million of incremental annual EBITDA expected to commence throughout 2025 (approximately C$45 million net to BIP).

Data

The data segment generated FFO of $275 million, compared to $239 million in the previous year, an increase of 15%. The increase is largely attributable to three large-scale acquisitions completed during the year, comprised of a European telecom tower operation in the first quarter and two hyperscale data center platforms in the third and fourth quarters. The existing businesses performed well and continue to benefit from sector tailwinds and network densification requirements.

Our global data center platform continues to execute its growth strategy by increasing its portfolio of operating and contracted capacity, in addition to acquiring strategic parcels of land that have strong customer interest. At our European data center platform, we completed a record year build out of approximately 50 megawatts for a total operating capacity of 150 megawatts to exit the year. The business has also progressed a number of commercial activities, growing its contracted backlog to nearly 250 megawatts. Following further discussions with our customers regarding their growth ambitions, we acquired a strategic land site in Milan that can accommodate over 60 megawatts of capacity.

In the Asia Pacific region, we continue to execute on our inaugural data center development in Seoul, South Korea. The site is fully leased for 13 megawatts, with construction underway and completion expected by the end of 2025. In India, we closed on the transaction to bring in a third party into our joint venture, Digital Connexion. The first phase of the Chennai data center has been successfully commissioned for 7 megawatts and we are actively preparing our Mumbai site to begin construction.

Our indoor wireless system operation continues to build and execute on its pipeline of opportunities across the U.S. and the U.K. In the U.S., we activated our first indoor networks with Brookfield Properties and finalized an agreement that will provide a framework to partner on future network activations. In the U.K., the business began construction at several airports, with total capex of £13 million and expected incremental annual EBITDA of approximately £2 million on a 100% basis.

Balance Sheet and Liquidity

Our disciplined financing approach combined with the attractive attributes of infrastructure assets has allowed us to maintain consistent access to capital despite volatile market conditions throughout the year. During the fourth quarter, central banks began to shift their monetary policy stance, which proved favorable for capital markets and allowed us to close the year on a very active note. We completed several financing initiatives that further de-risked our balance sheet. Some of the notable activities completed during the fourth quarter include:

- In November, our diversified Canadian midstream operation raised C$750 million in the Canadian bond market to pay down revolver borrowings and fully refinance 2024 debt maturities. The issuance had a 10-year term with a coupon of 6.6%.

- Also in November, we completed a £350 million private placement issuance at our U.K. regulated distribution business to pay down revolver and capex facility borrowings. The issuance had a term of 15 years and a coupon of 6.4% on a weighted average basis.

- In December, our U.S. LNG export terminal refinanced a $2.7 billion term loan with a $2.2 billion term loan and $500 million of senior secured notes. The refinancing allowed us to extend the overall duration by over two years, while significantly improving terms and reducing our term loan credit spread by 60 basis points.

As a result, our capital structure is over 90% fixed rate, with an average term of seven years. We continue to benefit from a staggered maturity profile that has approximately 5% of our debt maturing over the next 12 months. Our corporate balance sheet also remains strong, with our credit rating affirmed at BBB+ by both S&P and Fitch, with no corporate debt maturities until 2027. We ended the year with approximately $2.8 billion of available liquidity.

Following a successful year of dispositions in 2023, we commenced preparation for the next phase of our capital recycling plans. We recently completed several opportunistic asset level financings to right-size the capital structure at two mature pipeline operations in North America. Combined, these financings generated an incremental $550 million for the partnership, and more importantly, reduced the equity required in a future sale of these pipelines. These activities, combined with the optimism we have seen return to the investment landscape, set us up well to achieve our $2 billion target this year.

Strategic Initiatives

It was another outsized year for new investments in 2023 where we deployed over $2 billion in three acquisitions, including the take-private of Triton, our global intermodal logistics operation. We also acquired two geographically diverse hyperscale data center platforms in support of our view that the digital economy will continue to grow exponentially from industry tailwinds created by the rollout of 5G and artificial intelligence.

We completed an additional data center investment last month acquiring 40 sites out of bankruptcy from Cyxtera. This multi-faceted transaction included the acquisition of associated real estate underlying several of the sites from third-party landlords and the contribution of 10 retail colocation sites in the U.S. that we already own. The newly created platform will be a leading retail colocation data center provider, with over 330 megawatts of capacity deployed in high demand areas across North America. The total purchase price of approximately $1.3 billion implies a 2024E EBITDA multiple of 8x, which was fully financed and did not require any new equity capital.

Our confidence in the digitalization investment theme continues in 2024 with the acquisition of American Tower's operations in India (ATC India). The business consists of a portfolio of 78,000 telecom sites with a transaction value of $2 billion. The acquisition is being pursued as a follow-on for our existing tower business Summit Digitel, which has 175,000 towers in the country. The combined platform will be one of the largest tower platforms globally, with 253,000 sites in complementary locations. ATC India will also diversify our existing customer mix, provide a perpetual asset base and deepen our strategic relationships with key mobile network operators in India. We believe we are acquiring ATC India at an attractive valuation of below 6x 2024E EBITDA. Brookfield Infrastructure's equity contribution is expected to be approximately $150 million and the transaction is expected to close in the second half of 2024, subject to regulatory approvals.

Conviction When Capital is Scarce Always Wins

In 2023, the capital markets were volatile and there was a scarcity of capital for even the highest quality companies. As a result, we capitalized on the opportunity to invest boldly into several large platform businesses to earn what we believe will be excellent risk-adjusted returns. We recall a period when we made similar investments and thought it would be a good time to provide a summary of their performance as our business plans have largely been executed.

Brookfield has a long history of investing in Brazil, which dates back to the turn of the 20th century. At Brookfield Infrastructure, we leveraged this extensive operating history in 2016 and 2017 to make two contrarian investments in high-quality utility assets during a period of economic and political uncertainty in the country. We had a view that assets could be acquired at significantly below their intrinsic values, with limited buyer competition simply because the country was going through a period where it had fallen out of favor with international investors. We had seen these kinds of cycles many times during our history in the country and had conviction that market conditions would revert to normal over time. Our conviction was based on Brazil's solid economic and policy fundamentals. These include good rule of law, a functioning democracy, a consistent need to attract and respect foreign capital over time to build out high-quality infrastructure and the country's growing role as one of the most important global exporters of critical commodities.

Quantum: Brazilian Electricity Transmission

In 2016, we noted that government auctions for high-quality greenfield electricity transmission projects were not well attended and, in some cases, assets could be secured with limited or no competition. During this period, we acquired the contractual rights to establish Quantum, which builds and operates electricity lines that connect renewable power generation assets to the national grid. This greenfield development platform is comprised of over 5,300 kilometers of transmission lines across nine concessions. To mitigate construction risk, we entered into a partnership with a Spanish EPC company in a turnkey arrangement that mitigated construction risk and incentivized our partner to deliver projects on time and on budget, while ensuring a highly visible return profile.

Quantum's transmission lines are underpinned by 30-year concession agreements that generate stable revenues linked to inflation. In 2022, we carved out and sold a portfolio of 2,400 kilometers of Quantum's newly constructed lines comprising five concessions. Total proceeds were approximately $800 million ($240 million net to BIP), which represents a realized return of 2.4x our capital. We are now nearing completion of the remaining 2,900 kilometers of lines, with 180 kilometers still under construction. We expect to complete construction during the first quarter of 2024, which will position us monetize a fully de-risked transmission utility that has a platform capable of participating in future government auctions for the further build out of the nation's grid.

NTS: Brazilian Regulated Gas Transmission

In 2017, we acquired NTS, in a large-scale transaction that was initially funded with 100% equity capital due to temporarily poor borrowing conditions in the country. This deal involved the complex carve-out of more than 2,000 kilometers of natural gas pipelines from Petrobras, Brazil's national champion energy company. Following the carve-out, we successfully established a standalone and sophisticated energy transportation business with a dedicated, capable and commercially focused management team. During our ownership, we have realized significant value by executing efficient financings as market conditions in the country re-rated and transitioning the business from finite life contracts to a business that operates under a perpetual regulatory framework, creating enhanced terminal value.

Today, the business is 100% contracted on an availability basis, with no volume exposure and full inflation indexation. During our ownership, revenues have grown at a 13% CAGR that has led to meaningful dividends. In fact, we will have already realized a 2.4x multiple of our initial investment following the completion of an imminent dividend recapitalization, while still owning our 31% interest in the perpetual regulated utility. We believe the business is the best positioned platform in the Brazilian gas transportation sector, with strong growth potential over the next decade as natural gas plays an increasingly important role as a reliable transition fuel powering industrial growth and expanding electricity grid capacity needs.

Overall Market

Unlike the 2015 to 2017 timeframe, the current operating environment in Brazil is highly supportive of new investment activity. The country has inflation under control and interest rates have begun to decrease, ahead of many other large global economies. We are optimistic about the future of Brazil, as the country is strategically important on the global stage due to its natural competitive advantages with respect to several key commodities. Therein lies the opportunity for infrastructure investors to continue to invest in the country's required infrastructure build out and enjoy its supportive regulatory frameworks that are afforded to its electricity and energy sectors.

Our contrarian investment posture has served us well during our history and allowed us to make some of our best investments during market dislocations. These investments in Brazil are expected to extend our track record of investing well above our 12-15% IRR target, with anticipated IRRs of over 25%. Drawing parallels between the most recent investment cycle and this period of capital scarcity in Brazil provides conviction and optimism that our newest platform investments should deliver outsized returns.

Outlook

The operating and investment climate during 2023 was heavily influenced by geopolitical and macroeconomic factors. Despite these extraneous factors, we successfully executed our business strategy and achieved all our capital allocation and performance targets. Looking ahead, we anticipate that 2024 will be a constructive year for capital recycling and deployment, in addition to offering an improved operating environment.

One significant factor shaping our optimism for the upcoming year is the anticipated decline in interest rates. The downward trend in rates and market belief that rates have peaked in many jurisdictions is expected to have a positive impact on the cost of capital and asset valuations. In turn, this should reduce capital scarcity and generate heightened interest in well contracted and de-risked infrastructure, supporting our capital recycling initiatives. Our global footprint will continue to be a competitive advantage, allowing us to arbitrage varying economic conditions to buy and sell assets for attractive valuations in the same market environment.

Furthermore, we anticipate that Brookfield Infrastructure's share price will be more constructive in the context of a falling rate environment. As interest rates recede, the attractiveness of dividend-paying equities tends to increase, potentially positioning BIP's shares for enhanced investor interest. We remain committed to delivering strong cash flow and income growth to unitholders, which we believe will contribute positively to the valuation of our units.

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

Sincerely,

Sam Pollock
Chief Executive Officer

February 1, 2024

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.