Letter to Unitholders

Overview

During the second quarter our business generated strong financial results, while making further progress on its new investment and capital recycling initiatives. Funds from operations (FFO) of $0.77 per unit is 7% above the comparable period last year, building on our track record of providing stable, predictable and growing cash flows throughout cycles.

While geopolitical events have captured the attention of global investors, our business continues to perform well amidst the uncertainty. This uncertainty is in part due to the fact that over half of the world's population will be participating in democratic elections this year. For many businesses, a change in government can add risk to their growth outlooks. Ours is largely insulated due to the combination of a highly diversified portfolio of critical infrastructure, deliberate selection of countries in which we invest and a focus on investing behind three mega trends that to date have garnered broad political support.

During the quarter, two central banks started to loosen monetary policies by announcing cuts to their overnight borrowing rates. These positive signals, combined with the expectation that the U.S. is on track to reduce rates in the coming months, should further improve the market environment. Both public and private infrastructure deal flow has been a little slower to start the year, however this has led to extremely favorable credit markets as new supply has been limited. We recently completed a range of financings at credit spreads approaching levels rarely seen in the last two decades.

On the deployment front, our focus so far this year has been on tuck-in, follow-on and organic growth opportunities within our existing businesses. We have secured or completed seven of these acquisitions comprising nearly $4 billion of enterprise value, while at the same time increasing our backlog of capital projects to $7.7 billion, a record level. Our share of the equity for these seven transactions totals over $500 million and has largely been deployed, with approximately $150 million remaining in relation to the bolt-on acquisition of a tower portfolio in India that is expected to close early in the fourth quarter or sooner. With transaction activity levels increasing, we expect the second half of the year to be more heavily weighted towards M&A opportunities as we replenish our investment pipeline.

Operating Results

FFO for the second quarter was $608 million, a 10% increase over the prior year period. The current quarter benefited from organic growth that was at the midpoint of our target range, as well as recent acquisitions that contributed to results. This included a continuation of the strong performance at our global intermodal logistics operation, higher contributions from our increased stake in our Brazilian integrated rail and logistics provider and three data center platform investments. The strong underlying performance in the second quarter was also driven by inflationary rate increases across our utilities and transport assets, higher revenues in our midstream operations and the commissioning of over $1 billion at our share of new capital from our backlog over the last 12 months. These positive drivers were partially offset by assets sold last year that are no longer contributing income, higher interest costs and foreign exchange.

Utilities

The utilities segment generated FFO of $180 million, compared to $224 million in the same period last year. The decline is primarily attributable to capital recycling activity, which includes the sale of our interest in an Australian regulated utility business and additional interest associated with a financing completed at our Brazilian regulated gas transmission business in the first quarter. The base business performed well during the quarter due to the continued benefit of inflation indexation and the commissioning of over $450 million of capital into the rate base over the last twelve months.

Our U.K. regulated distribution business completed 7% higher connections year over year and maintained a stable orderbook, despite a slowdown in housing completions. The recent U.K. election has provided some optimism around housing starts, with the newly elected Labour party’s bold initiative to aggressively increase home building targets to address housing affordability. Any increase from the roughly 200,000 completions we have seen for the past several years would be a welcome stimulus and should result in both increased sales and connections activity. We are also proactively positioning the business to benefit from regulatory changes that will cease the installation of gas connections in new homes beginning in 2026. During the quarter, the company launched a ground source heat pump pilot with the U.K.’s largest supplier. This new heat pump technology is suitable for all lot sizes and complements our existing air source heat pump offering.

At our Brazilian electricity transmission operation, our largest concession was fully commissioned, which represents 1,200 kilometers of transmission lines. The focus now is on operationalizing the last remaining concession to be fully commissioned and executing the strike prices to acquire the remaining 50% of the concessions from our construction partner that we do not own. We expect this to occur in stages concluding in early 2025 and would result in full ownership of the four concessions.

Our Australian smart metering business closed two tuck-in acquisitions during the quarter for approximately A$60 million (A$8 million net to BIP). The majority of the consideration was to acquire an interest in a supplier of EV charging solutions for both retail and commercial customers. The business is expected to generate incremental annual EBITDA of over A$7 million on a 100% basis.

Transport

The transport segment generated FFO of $319 million, which represents a 60% increase over the same period in the prior year. The increase is primarily attributable to our acquisition of a global intermodal logistics operation and an incremental 10% stake in our Brazilian integrated rail and logistics operation that closed in the first quarter. The remaining businesses also performed well, achieving organic growth of 9%, which was primarily driven by inflationary tariff increases across the portfolio.

Our global intermodal logistics operation continues to experience elevated demand as geopolitical events in the Middle East, coupled with port congestion, has led to prolonged voyage times and slower container turnaround. As a result of elevated demand, fleet utilization increased to over 99% and we added nearly $900 million of new containers for delivery in 2024 to meet additional customer demand, representing over 5% of the total fleet.

Our Brazilian rail and port logistics business delivered strong performance this quarter, despite some softness in volumes due to inclement weather affecting agricultural harvests. Rates across our rail and port assets increased by an average of 15%, more than offsetting the temporary volume impact. This rate increase significantly enhanced our EBITDA margins from approximately 55% to nearly 60%, and increased the business's EBITDA by 20% compared to last year.

Midstream

The midstream segment generated FFO of $143 million, which is ahead of the prior year after excluding the impact of capital recycling initiatives. Strong demand and customer activity levels across our critical midstream assets continue to benefit results, most prevalent at our North American gas storage business where we continue to add contract duration and execute these contracts at much higher rates compared to the prior years. Overall segment results were impacted by the financing of our U.S. gas pipeline, as well as the impact of turnaround activity within our Canadian diversified midstream operation.

The unprecedented growth in North American power demand has created further opportunities for our midstream segment. During the quarter, our businesses capitalized on this favorable market environment by securing the following commercial agreements and bolt-on capital projects:

- At our North American gas storage operation, the strong contracting environment has resulted in over $335 million of revenue contracted to date for the current year, exceeding the total revenue recognized in the entire prior year, and over $220 million of revenue already contracted for next year. This results in 80% and 40% of our working gas capacity contracted over the next two years, respectively.
- Our Western Canadian natural gas gathering and processing operation continues to secure long-term contracts across its asset footprint, including at its largest facility McMahon. Most recently, the business entered into six new firm processing agreements with existing customers for both available and expansion capacity. The agreements have an average term of approximately seven years and are expected to contribute approximately C$100 million of revenue annually beginning this quarter and commencing through the second half of 2025.
- Our U.S. gas pipeline is expanding its transportation network with a bolt-on capital project underpinned by long term take-or-pay contracts. The project will provide incremental firm capacity from the Permian supply basin to the Chicago and Mid-Continent markets. We anticipate investing approximately $225 million by the end of 2026 when combined with the investments announced in the prior year. These projects are expected to generate annualized EBITDA of over $40 million combined, on a 100% basis.

Data

The data segment generated FFO of $78 million, representing an 8% increase over the same period last year. These results reflect the contribution from recently completed acquisitions, including the purchase of 40 retail colocation sites. This growth was partially offset by the loss of income due to the sale of our New Zealand integrated distribution business in June 2023.

Our German tower business entered into a 15-year commitment with Germany’s second largest mobile operator to co-locate on 1,350 sites, as well as support network upgrades and modernizations across 2,800 sites. This contract is expected to ramp up to approximately €40 million in stabilized EBITDA by 2029. Notably, this agreement de-risks our investment and results in the business securing approximately 95% of the total long-term revenue assumed in our initial investment thesis.

At our U.S. semiconductor manufacturing facility, we are successfully executing our capital markets strategy. In May, we closed an aggregate $3.85 billion bond issuance with a weighted average maturity of nine years at pricing better than our underwriting assumptions. Proceeds were used to refinance drawn balances under our construction facility and prefund our planned spending over the next 12 months. To date we have issued over $6 billion in the bond markets, representing approximately half of total planned refinancings for the project.

Across our global data center platform, we continue to see strong momentum in leasing activity across geographies on the tail of artificial intelligence investment and our customers’ need for more processing and storage capacity.

- In Europe, 2024 capacity delivery remains on track. In July, the business completed the acquisition of a strategic land site in Athens, representing our entry into a new market. The site can accommodate over 30 MW of operating capacity, with commitments from a leading hyperscale customer. In total, the business has approximately 300 MW of operating and contracted capacity, with growth potential to over 725 MW within its existing footprint.
- At our U.S. hyperscale platform, we have continued to execute our contracted build out increasing our operational capacity to approximately 235 MW. We are also opportunistically increasing our landbank across the U.S. to support our strategic data center partners as they expand their footprints. Most recently we closed the purchase of land in Phoenix, increasing our development capacity to approximately 400 MW, which is on track to be leased over the next two years. With this land acquisition, our platform has growth potential to over 1.1 GW, of which approximately 0.6 GW is operating or contracted.

- Subsequent to closing the acquisition of Cyxtera earlier in the year, our U.S. retail colocation data center operation has continued its forward leasing momentum and has now leased more than 85% of its installed capacity, exceeding our initial investment expectations. This year, the business has secured approximately $65 million in annualized revenue from new bookings, of which over $20 million has begun billing, with the remainder to begin generating revenue over the next several years. With this success in leasing, we are evaluating underroof capacity expansion opportunities in select locations to keep up with demand while maximizing our existing operating footprint.

Strategic Initiatives

One of the benefits of our business is that we have many avenues to deploy capital. In periods where large-scale M&A activity is lower, we focus heavily on tuck-in, follow-on and organic growth opportunities embedded in our portfolio. In 2024 alone, we secured or completed seven follow-on acquisitions comprising nearly $4 billion of enterprise value. This included the acquisition of 40 data center sites due to a previous owner mismanaging their capital structure and ending up in bankruptcy. It also included the follow-on acquisition of a 10% stake in our Brazilian integrated rail and port logistics operation and the bolt-on acquisition of a tower portfolio in India, which remains on track to close early in the fourth quarter or sooner.

We also maintain a large organic growth project backlog, which has increased by 15% from this time last year to $7.7 billion. In our midstream sector, we are supporting increased producer activity through contracted infrastructure projects including pipeline expansions and incremental gathering and processing facility capacity. Combined, these projects represent almost $800 million in capital, which will generate over $140 million in EBITDA on a 100% basis and fully contribute to results in the next two years. In our data segment, we are commercializing our existing land bank and investing over $1 billion in near-term growth capital to build data centers for our hyperscale customers, while supporting their growth ambitions through the strategic acquisition of land parcels in Athens, Chicago, Frankfurt, Milan and Phoenix.

With respect to new investments, market conditions are trending positively, and as a result we expect the back half of 2024 to be active for M&A. Much of this is driven by the improved interest rate environment as the Bank of Canada and the European Central Bank are leading the way with a loosening of their monetary policies. Additionally, the large industry tailwinds such as AI are creating opportunities for well capitalized businesses like ours where we are an obvious partner of choice for technology companies that are seeking alternative access to private capital. Our novel transaction with Intel from several years ago is providing the blueprint for similar large-scale opportunities, which are gaining momentum.

Lastly, on capital recycling, we are extremely active and have three advanced processes in a number of areas. We have six further asset sales progressing that, when combined with our advanced processes, are expected to generate almost $2.5 billion in proceeds on a net to BIP basis over the coming quarters. This quarter, we monetized assets totaling approximately $210 million, which brings our total capital recycling for the year to $1.4 billion.

Balance Sheet and Liquidity

In addition to replenishing our new investment pipeline and progressing our asset sale plans, our primary focus this quarter was capitalizing on very attractive debt capital markets to further de-risk our asset-level balance sheets. We did this opportunistically as debt markets provided attractive pricing and favorable terms, including portability features. A reduction in transaction activity to start the year led to a lack of new debt supply. This has had the effect of lowering credit spreads to levels to near record lows.

As we have done in the past few quarters, we took advantage of these favorable conditions to complete several refinancing initiatives across a broad range of credit sources, with the objective of extending duration and reducing overall financing costs. At the corporate level, BIP recently completed the issuance of approximately $160 million of 60-year subordinated debt securities at a fixed coupon of 7.25%. Within our businesses, we completed approximately $5 billion of non-recourse financings (on a net-to-BIP basis) during the quarter and our activity can be broadly bucketed into three categories:

1. **Right sizing capital structures**. As our businesses grow underlying cash flows, we have the ability to raise additional debt while preserving the existing capital structure. In the last nine months, we have generated approximately $1.4 billion of proceeds, of which $1.1 billion reflects capital recycling activity. This is in specific instances where we are within 24 months of an expected sale and the new capital structure allows us to reduce the equity required by a future buyer and pull forward future sale proceeds. The remaining $0.3 billion relates to ordinary course financing activities across three businesses that are not included in our capital recycling target.

2. **Extend maturities and de-risk our balance sheet**. We have proactively refinanced maturities over the next several years totaling $3.4 billion at our share. Across these transactions the combined average rate increase was only 50 basis points. The benefit of pushing out maturities greatly outweighs the modest increase in financing cost, which is also more than offset by inflationary revenue increases experienced over the past year.

   A great example of where we were able to achieve a term extension at attractive pricing was at our Western Canadian natural gas gathering and processing operation. In July, we completed a C$720 million, eight-year bond issuance, with proceeds used to repay a 2026 maturity. The newly issued bonds allow us to de-risk the maturity profile and extend the average duration of debt outstanding by two years. In addition, the new bonds were priced very competitively at a coupon of approximately 6.3% in Canadian dollar terms, which was in-line with the debt being refinanced.

3. **Opportunistic repricing**. We took advantage of the strong spread environment and completed over $1 billion of loan repricing's at our share across three of our businesses. These repricing transactions are a unique feature of the floating rate loan market and allow the issuer to reduce the credit spread of a previously issued loan while keeping the existing capital structure in place. To date, we have reduced our cost of financing by approximately $25 million annually, or over $7 million at our share. For example, within our North American residential decarbonization infrastructure business, we repriced a $1.05 billion term loan B that was originally issued in October 2023, successfully reducing our rate by 50 basis points and resulting in $5 million of annual interest savings.

Our balance sheet position was strong to begin the year and has been further bolstered by our recent capital markets activity. Over the next 12 months only 1% of our asset level debt is maturing and we have no corporate maturities until 2027. In addition, we maintain significant corporate liquidity of $1.9 billion and remain well positioned to support growth initiatives.

Owning Great Assets in Fundamentally Stable Markets

Since its inception, Brookfield Infrastructure has maintained a well-defined set of investment principles that govern the types of countries we invest in and our approach to doing so. The key characteristics we look for include an established rule of law, deep and liquid capital markets, respect for private and foreign capital, and functioning dispute resolution systems. The country must also be sufficiently large to make the investment opportunity meaningful for Brookfield across multiple sectors. Finally, the country must have a desire or need for private ownership of high-quality infrastructure.

We are at a point in time where geopolitics are a considerable factor in driving market volatility. Current conflicts in Ukraine and the Middle East have brought geopolitical risks to the forefront when investing globally. This year also represents the peak of election cycles, where over four billion people will participate in democratic elections. In terms of economic output, these nations represent approximately 55% of global GDP, and combined comprise a comparable percentage of our FFO. Even with potential changes in the seats of power in many of these countries, which is healthy in functioning democracies, our risk profile will remain low for three key reasons:

1. **We are a global investor, but a local operator**. When entering new markets, we are focused on building out regional expertise and a local presence. Today, we have 12 corporate offices and boots on the ground in all our investment regions, which directly connects us into the local flow. We have also found that teaming with local strategic partners, such as Vale, Deutsche Telekom and Reliance Jio, enhances our understanding of regional dynamics and lowers the level of risk when investing in new countries.

2. **Not all regulatory risk is created equally**. For nearly a decade, we have primarily focused on regulated investments that are at least one step removed from the end customer or rate payer (i.e. B2B). This approach reduces the risk of political intervention when tariffs increase, which is particularly helpful in emerging markets where inflation can be high. Today, over 85% of our investments generate revenues on a B2B basis.

3. **We own great businesses that are essential to the global economy**. Our portfolio is comprised of well-run businesses that are critical to our customers and the local economies in which they operate. In addition, our investment strategy has been aligned with the mega trends driving the global economy forward, including digitalization, decarbonization and deglobalization. To date there has been strong broad political conviction to support these trends and we expect that to persist independent of the outcome of upcoming elections.

In addition to managing risk at the investment level, we think the best risk mitigant is diversification. Our business today is the most diversified it's ever been, with ownership of approximately 45 distinct businesses spanning eight asset classes, eleven countries and thousands of creditworthy customers. Approximately 75% of our FFO comes from developed markets, and nearly half of our total FFO is generated from the U.S. and Canada.

There is, and will always be, political uncertainty for a global investor such as Brookfield. However, we believe that our approach to investing insulates us from underlying geopolitical concerns and changes in government. Most importantly, we maintain a highly diversified global portfolio of investments in countries that are expected to succeed over the long term and throughout cycles. When shifts occur in the political landscape, critical infrastructure is one of the best placed asset classes to be invested, and Brookfield Infrastructure offers exposure to a large-scale and diverse infrastructure platform that forms the backbone of the global economy.

Outlook

Our outlook for the global economy has significantly improved, with recent market developments providing an encouraging backdrop. Equity indexes have reached historic highs, and G7 nations have initiated monetary easing measures, which should reinvigorate large-scale M&A activity. Our strong alignment with the global mega trends offers an exciting and underappreciated growth opportunity. Several years ago we coined the term the "Three D's", namely Digitalization, Decarbonization and Deglobalization to describe these themes. While our business spans all three, we are significantly levered towards Digitalization and Decarbonization.

A decade of history investing in digital infrastructure combined with our ability to originate novel capital solutions (like our partnership with Intel), position us to be the leader in AI investing. We are in active discussions with several blue-chip technology companies that are interested in leveraging Brookfield Infrastructure's market-leading scale and expertise. The tailwinds created from AI adoption supports exponential growth in our global data center platforms that service the large hyperscalers, as well as our electric utilities and natural gas infrastructure that transport and provide energy to the grid in support of the heightened load requirements.

Currently, our data segment, along with our investments in decarbonizing the energy ecosystem, comprises roughly half of our FFO and represents an impressive $100 billion in assets under management. With a substantial portion of our $7.7 billion backlog of organic growth projects and our extensive investment pipeline dominated by opportunities relating to the "Three D's", we anticipate the portion of our FFO derived from these themes to materially increase. We have strong conviction that these broad trends will persist, regardless of varying global economic conditions or the outcomes of numerous upcoming elections in our operational regions. This positions us for continued growth and sustained value creation for our investors.

During the past several quarters, we have been very active pursuing growth through bolt-on acquisitions and organic capital projects. We are experiencing a significant improvement in M&A activity levels as we enter the back half of the year, which positions our business to achieve its 2024 capital recycling and deployment targets. Strict adherence to our financial guardrails has resulted in a strong balance sheet and liquidity position, with tremendous access to large-scale capital. This combined with our connectivity into global transaction activity and our ability to move expeditiously should continue to unearth attractive investment opportunities for our business.

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 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.