Letter to Unitholders

Overview

2022 was another successful year for Brookfield Infrastructure. The essential nature of our assets showcased their attractiveness by continuing to generate predictable and growing cash flows. Funds from operations (FFO) for the year totaled $2.1 billion or $2.71 per unit, representing a 20% total and 12% per unit increase over the prior year. The proactive use of long duration, fixed rate debt combined with the inflation indexation embedded within our business, largely shielded us from the impact of rising interest rates.

Our notable accomplishments during 2022 are summarized below:

- Achieved organic growth of 10% exceeding our target of 6% to 9%.
- Secured $2.9 billion of capital deployment across five new investments.
- Divested five mature businesses for total secured proceeds of approximately $1 billion.
- Replenished our organic growth backlog by approximately $4 billion.

We ended 2022 with our highest quarterly FFO per unit to date of $0.72, which exceeded the prior year by 11% and resulted in a payout ratio of 64%. We are entering the new year in a solid position to expand the company organically or through acquisition, driven by the significant momentum in a number of our operating businesses. This momentum is further supported by our long-term debt maturity profile and significant liquidity.

Taking into account the strong results for the year and a favorable outlook for the business, the board of directors approved a quarterly distribution increase of 6% to $0.3825 per unit during 2023, or $1.53 per unit on an annualized basis. This marks the 14th consecutive year of distribution increases.

Stock Market Performance

Despite achieving exceptional results throughout the year, negative market sentiment during the fourth quarter caused a decline in our unit price. Our unit price can fluctuate based on various factors, including sentiment. Typically, we see a rebound when sentiment improves, which is what occurred in January.

We strive to create value for investors and believe that over time our unit price will reflect the success we achieve in growing FFO and distributions. In addition to our strong results in 2022, we have grown FFO per unit and distributions per unit at compound annual rates of 16% and 10%, respectively, since inception. In the 15-year period since inception, total annualized returns for our unitholders has reflected our performance and exceeded 15% annually, well in excess of the S&P 500 and TSX composite indices. We believe that our strong results will be captured in our unit price over time.

Operating Results

FFO of $2.1 billion for the year reflects a 20% increase compared to 2021. Results benefited from organic growth for the year of 10%, capturing elevated inflation in the countries where we operate and volume growth across the majority of our critical infrastructure networks. During the year we commissioned over $1 billion of new capital projects that are now contributing to earnings, as well as deployed a further $1 billion into new acquisitions that favorably impacted results.

Utilities

The utilities segment generated FFO of $739 million, compared to $705 million in the prior year, an increase of 5%. This growth reflects an average inflation indexation of 8% that positively impacted almost our entire asset base, and the contribution associated with $485 million of capital commissioned into our rate base. Results also improved from the contribution of two recently completed Australian utility acquisitions. Partially offsetting these results were the impact of higher borrowing costs at our Brazilian utilities because of higher interest rates and incremental debt, as well as the sale of our North American district energy platform completed during 2021.

Our U.K. regulated distribution operation recorded another strong quarter of sales activity, ending the year with a total of 339,000 connection sales. This was the company's best year of sales and was 5% higher than the record set in 2021. Performance was solid across all utility offerings, with notable outperformance in the sale of water connections, which increased by over 40% relative to the prior year. Installations overall during the quarter were 50% above the prior year and the orderbook remains at a record level of 1.5 million connections.

In Australia, our regulated utility business recently secured an agreement to build greenfield electrical infrastructure to support a blue-chip customer's construction of three new hyperscale data centers. The project will help connect to new utility-scale renewable power generation and highlights the attractiveness of building greenfield utility infrastructure to support Australia's transition to net zero.

We are continuing to grow our global residential infrastructure platform, which has a presence in five countries and offers a range of heating, cooling and energy storage solutions, along with ongoing servicing arrangements. In addition to 40,000 new connections in our North American submetering operation, representing an 11% increase over the prior year, we advanced a number of strategic priorities in each of our key growth regions:

- In Canada, we introduced electric vehicle chargers and back-up generators through a partnership with a leading manufacturer.

- In the U.S., we launched an in-house financing product in an initial test market that could convert an additional 15% of total installations to recurring cash flow streams.

- In the U.K., we experienced an approximate 10% take up for a new rental heating product that is benefiting from strong demand as customers find new ways to cope with rising utility bills.

- In Australia, our smart metering business signed a contract with one of the largest energy retailers to deploy up to 1 million smart meters over the next 10 years. The opportunity will require capital expenditures of over A$600 million (net to BIP - A$75 million) and is additive to the contracted growth profile we acquired with the business.

We continue to see exciting opportunities to launch new product offerings and help provide homeowners with decarbonization solutions, a trend that will be further accelerated with the integration of the recently completed acquisition of HomeServe.

Transport

FFO for the transport segment was $794 million, compared to $701 million in the prior year, an increase of 13%. Results primarily benefited from inflationary tariff increases across all our businesses, higher volumes supported by strong economic activity surrounding our networks, and the commissioning of approximately $400 million in capital expansion projects during the year. Prior year results included a full contribution from our North American container terminal that we sold in June.

Economic activity across our rail, road and terminal operations remained elevated throughout the year, highlighting the critical nature of our infrastructure investments. Our rail networks realized an average annual rate increase of 6% and benefited from strong demand for bulk goods and commodities that underpin the global economy. At our diversified terminals, rates have been strong and volumes for the year were up 8% compared to prior year. This was driven by our U.S. liquified natural gas export terminal that commissioned a sixth liquefaction train earlier in the year. Across our global toll road portfolio, annual traffic levels and tariffs increased 4% and 10%, respectively, compared to prior year.

We advanced several contracting initiatives at our Australian port operations, totaling over half a million lifts per year. We executed a two-year renewal for 400,000 lifts per year with an investment grade customer under a minimum volume guarantee and signed multi-year renewals totaling 70,000 lifts per year with other major shipping carriers. Finally, we secured new annual volumes of approximately 80,000 lifts. In total, these initiatives de-risk the business by locking in volumes and extending contract duration.

Midstream

FFO for the midstream segment totaled $743 million, compared to $492 million in the previous year. This step-change is a function of the acquisition of our diversified Canadian midstream operation that we completed in the fourth quarter of 2021. Results for the base businesses improved due to elevated commodity prices, which led to increased utilization and higher market sensitive revenues.

Our North American gas storage business had its best fourth quarter on record as we captured the benefit of higher natural gas prices along the U.S. west coast, stemming from curtailed gas supply and volatile winter weather conditions. The reliable energy supply provided by our gas storage infrastructure is playing a critical role in the shift toward intermittent energy sources that need to be matched to elevated demand usage during periods of extreme temperatures.

Our U.S. gas pipeline has witnessed strong and sustained demand for transportation and storage services across its system. Storage capacity was fully contracted during the fourth quarter, and transportation volumes were 9% ahead of the fourth quarter of 2021. As a result of the operating performance, FFO during the fourth quarter was 12% ahead of the prior year and our transport capacity is almost fully contracted for 2023.

Our diversified Canadian midstream operation continues to commercialize unutilized capacity and identify bolt-on opportunities across its existing transportation network, including connections that expand its footprint and attract new customers. The conventional system saw a 6% increase in volumes compared to the fourth quarter of 2021 and reached record levels since 2018. We continue to progress the ramp-up of the Heartland Petrochemical Complex as our propane dehydrogenation plant achieved initial production of polymer grade propylene (PGP). Leveraging our experience with large start-up activities, production of PGP will increase in a staged manner over the coming months. We expect to reliably achieve high levels of integrated polypropylene production by mid-2023, with full run-rate contribution to financial results by the second half.

Data

The data segment generated FFO of $239 million, consistent with the prior year. Our underlying data businesses performed well as they continue to benefit from increasing customer utilization and network densification requirements. Growth was driven by additional points-of-presence and inflationary tariff escalators across our portfolio. These positive effects were partially offset by the impact of foreign exchange on our euro and Indian rupee denominated cash flows.

In November, we closed our partnership alongside Intel Corporation to construct a U.S. semiconductor foundry in Chandler, Arizona. We are building a best-in-class manufacturing facility that will service the digital backbone of the world economy. To date, we have funded approximately $1 billion (net to BIP - $250 million) of capital. Over the next three years, we will be investing up to $2 billion of equity in total (net to BIP - $500 million) for a 49% stake in the development.

Also in November, our U.K. wireless infrastructure operator completed the purchase of a portfolio of approximately 1,100 towers from a strategic investor, who sold as part of acquisition competition approvals. The transaction required approximately $165 million of capital, of which $70 million was equity funded (net to BIP - $20 million). The acquisition is expected to increase EBITDA by over 30% and will double the existing tower portfolio in the U.K. to solidify our position as the largest pure play tower company in the region.

Earlier in the year, we established our U.S. fiber business, a greenfield fiber to the home development, and have since commenced construction in two markets in Colorado. This business will leverage our experience as a global developer and operator of world-class data transmission and distribution infrastructure. The goal is to identify attractive markets and efficiently develop open access fiber networks while minimizing construction and operating risk.

Strategic Initiatives and Balance Sheet

Capital deployment in 2022 built on the record deployment of 2021. Over this two-year period, Brookfield Infrastructure invested over $5 billion into new assets. During 2022, we secured $2.9 billion of investments across five transactions that are now closed and will begin contributing to results this year. We also entered into a partnership to construct a state-of-the-art semiconductor foundry in the U.S. This innovative transaction has added approximately $4 billion to our capital backlog and pioneered a new investment structure to deploy our large-scale and flexible capital.

Over the past month since year end, we successfully completed the privatization of HomeServe and closed on the acquisition of our interest in a German tower partnership DFMG. Combined, the total equity requirement for BIP was $1.9 billion. We have already commenced integration activities in these businesses, which will contribute to our FFO per unit growth this year.

Despite challenging financial market conditions for some in the latter half of the year, the debt capital markets were open to Brookfield Infrastructure and its businesses. Our corporate balance sheet remains well-capitalized as reflected in our strong investment grade credit profile. During the quarter, we further de-risked our corporate balance sheet by raising C$700 million in the Canadian debt capital markets. The issuance had an average term of seven years and proceeds were used to refinance existing debt.

With respect to our asset level non-recourse borrowings, we proactively refinanced several near-term debt maturities. This includes refinancings at our diversified Canadian midstream operation and our U.K. port operation. We also completed the initial debt funding associated with the U.S. semiconductor joint venture. As a result, less than 2% of our borrowings are maturing over the next 12 months. This, combined with a largely fixed-rate balance sheet that has an average term to maturity of seven years, provides us tremendous financial flexibility.

During the fourth quarter we completed the sale of two previously announced transactions as part of our capital recycling program. With the closing of the telecom tower portfolio in New Zealand and the first tranche of our recently constructed electricity transmission lines in Brazil, we raised nearly $400 million net to BIP. As a result, we ended the year with significant corporate liquidity of $3.4 billion.

Liquidity will be further enhanced by the proceeds from the sale of our Indian toll road portfolio and the sale of our 50% owned freehold landlord port in Victoria, Australia. After the previous sale did not receive regulatory approval, we signed a binding agreement to sell the port to a reconstituted consortium for A$1.2 billion, which was at a 30x 2022 EBITDA multiple. Closing of these transactions is anticipated to occur in the first half of 2023, with net proceeds to BIP of approximately $260 million.

We are progressing several advanced stage sales processes and we recently launched the next round of asset sales that we expect will garner significant interest in light of the current economic environment. Together, these processes should generate over $2 billion of net proceeds for the partnership this year. With our 2022 deployment behind us, we have replenished our investment pipeline. In addition to evaluating several corporate carve outs, a large component of our investment pipeline is comprised of public-to-private opportunities.

The Case for Infrastructure

The global macroeconomic environment in the past year was characterized by several key headwinds driving market uncertainty and volatility, namely elevated levels of inflation and corresponding interest rate increases. Although inflation appears to be cresting in most countries, it is possible that certain structural dynamics prove harder to abate, such as the effects of deglobalization, energy security and a tight supply of skilled labor. This may result in continued near-term market volatility and downward pressure on corporate earnings with cyclical exposure.

Investing in infrastructure assets provides many benefits for investors seeking to manage volatility. One of the main advantages is the opportunity to participate in steady, long-term returns. Infrastructure assets such as utilities, pipelines, ports and telecom towers are essential for the functioning of the economy and society. Investments in infrastructure, while not agnostic to the macro environment, typically perform well through all parts of the market cycle, and notably outperform during economic troughs.

The following key characteristics of infrastructure investments exemplify this perspective:

- **Highly contracted or regulated revenue.** The commercial frameworks underpinning infrastructure assets are generally long duration and therefore provide sustainable cash flow predictability. The counterparties to these agreements are usually governments or investment grade corporates, typically possessing a high degree of credit quality.

- **History of inflation protection.** An advantage of investing in infrastructure assets is that they can act as a hedge against inflation. The cash flows generated by infrastructure assets are often linked to inflation, which means that as the cost-of-living increases, so do the revenues generated by the assets. As a result, infrastructure revenues are well-positioned to expand or at least maintain margins during periods of elevated inflation.

- **Upside growth potential.** Exposure to infrastructure is an ideal choice for investors that value defensive attributes but are also seeking to benefit from growth during an economic downturn. In addition to providing steady returns and inflation protection, infrastructure assets also play a role in promoting economic growth. By providing essential services, such as transportation and energy, many infrastructure assets continue to grow during economic slowdowns helping to increase productivity, create jobs, and promote development, while also increasing in value during periods of GDP expansion.

In summary, the resilient nature of infrastructure, with its highly contracted and regulated revenues provides fixed income-like cash flows, inflation protection and upside from the participation in economic growth. This makes the asset class an appealing investment choice in all market conditions.

Outlook

There are many views on what lies ahead for the economy. The optimist could argue that inflation has peaked and will come back within the target range by the end of this year, implying fiscal policy to date has been effective. The skeptic might be of the view that a tight labor market and continued wage pressures will make inflation tougher to abate in 2023 and that central banks will continue to raise interest rates higher than currently projected.

While we lean toward a more optimistic view of the year ahead, we expect market volatility to persist until the direction of interest rates is settled. Brookfield Infrastructure as a highly contracted, inflation protected, and well financed infrastructure company, should perform well in either scenario.

With the recent closings of HomeServe and DFMG, the ramp up of the Heartland facility over the next several quarters and elevated inflation levels, visibility into cash flow growth has rarely been stronger. This growth should be sustainable over the longer term, given our large capital backlog of organic projects and our proven ability to grow the business through accretive new investments. Favorable sector trends, which have been the catalyst for our recent acquisition activity, continue to support our investment pipeline.

The infrastructure super-cycle is creating long-term investment opportunities that will require trillions of dollars. This is creating large-scale opportunities for well capitalized players that can invest in growing operating platforms or be a partner of choice for government and corporate entities that have less access to the capital markets.

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 2, 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.*