

LETTER TO UNITHOLDERS

OVERVIEW

In the second quarter we maintained our momentum and posted another period of strong performance. We generated funds from operations (FFO) of \$230 million, or \$1.00 on a per unit basis, which is an 11% increase over the prior year. These results were driven by solid performances from most of our businesses, in particular our energy operating group.

We are pleased with our year-to-date financial results, and believe that we are on the cusp of further significant growth. One contributor to this growth is that we expect to soon commission a large portion of our capital backlog. In addition, for the past 12 months we have maintained substantial liquidity on our balance sheet in anticipation of executing a number of investment opportunities. We are now deploying that capital into several outstanding investments. We recently closed two transactions in the transport and energy sectors deploying \$310 million. Furthermore, this month, along with our partners, we are closing on the acquisition of Asciano's port business. Lastly, we are in exclusive negotiations to make investments in Brazil's gas and electricity transmission sectors, which we believe will meaningfully expand our utilities operating group. We expect all of these initiatives to generate meaningful growth in our FFO per unit.

In February, our Board of Directors approved a 7.5% increase in our distribution level. In light of our strong performance during the first half of the year, and the significant amount of growth opportunities that we are currently progressing, we are pleased to announce that the Board of Directors has today approved a further increase of 3.5%. This increase will commence with our distribution to be paid on September 30, 2016. As a result of these combined increases, our quarterly distribution has grown by 11% on a year-over-year basis, which is consistent with the guidance that we previously provided of 11-13% growth contingent on achieving certain capital deployment targets. In the ordinary course, the Board of Directors will review our distribution level again in the first quarter of 2017. Should we continue to execute our current growth initiatives as anticipated, we believe that our next increase may be at the higher end of our annual distribution growth range.

IMPACT OF BRITAIN'S EXIT FROM THE EUROPEAN UNION

Since we last wrote to you, the most significant (and unexpected) event to take place was the United Kingdom's referendum vote to leave the European Union. While most markets have quickly rebounded from the initial shock, a number of questions remain unanswered and we anticipate a period of uncertainty over the next few years while the UK and the EU sort out their relationship. As long-term value investors, we have experience in managing and prospering during periods of economic uncertainty. Our belief is that the UK will continue to be an appealing country in which to invest given its excellent rule of law, a culture that respects capital, a favourable tax and regulatory regime for foreign companies, and its central location globally. Consequently, we will monitor the investment landscape for mispriced opportunities should investors pull away from the market temporarily as these situations can often be used as good entry points to earn greater returns on our capital than one might have otherwise earned in a normal environment.

In the meantime, we are confident that our current UK business will navigate well through these near-term uncertainties, given the highly regulated and contractual nature of our operations. From a currency perspective, we hedged the entire value of our sterling denominated investments ahead of the Brexit vote through a combination of FFO and balance sheet hedges. The FFO hedges are matched to estimated cash flows from the businesses over the next two years. Our balance sheet hedges were designed to protect our investment values by effectively locking-in the "present value" of the future cash flow streams that our businesses are expected to generate over the long-term at the hedged rates.

RESULTS OF OPERATIONS

Our utilities segment generated FFO of \$100 million for the quarter, an increase of 8% from the prior year. These results were driven by yet another period of record connection activity at our UK regulated distribution operation, incremental earnings on growth capital commissioned into our rate base and inflation indexation across a number of our businesses.

Our UK regulated distribution operation continues to report exceptional results driven by increased year-over-year connections. In the first half of the year, we more than doubled our fibre connection sales compared to the previous period, largely as a result of the increased market demand for our ultra-fast broadband connectivity solutions. Fibre connections are currently a small component of our broad product mix within this business. However, at the current level of connection activity, Fibre-to-the-home (FTTH) sales should be a more meaningful contributor to the business going forward. So far this year, we also completed the adoption of nearly half of the 700,000 smart meters from the contract we were awarded last quarter.

Subsequent to quarter end, our Chilean transmission business raised US\$350 million of 12.5 year bonds at an all-in rate of 3.875%. This was one of the lowest rates ever achieved for a U.S. dollar bond by a power and utility issuer in the region. The proceeds of this issuance will be used to repay upcoming maturities and fund future growth projects.

Our transport segment generated FFO of \$102 million in the second quarter, slightly lower than the \$104 million recorded in the prior year. Our results benefitted from higher tariffs across the majority of our operations, greater volumes at our rail logistics business in Brazil, strong light vehicle traffic on our Chilean toll roads and cost savings at our Australian rail operation. Unfortunately, these positive factors were offset by \$8 million of foreign exchange conversion to U.S. dollars, lower vehicle traffic in our Brazilian roads business, and the impact of tariff relief that we extended to one of our clients in Australia.

Our energy segment performed well, generating FFO of \$43 million in the second quarter, compared to \$23 million last year. This improvement primarily reflects a higher contribution from our North American natural gas transmission business and a better spread environment at our gas storage business. The commissioning of several organic growth initiatives in our district energy operations also added to results in the quarter.

The improvement in our North American natural gas transmission operating results reflects our increased ownership in the business, the impact of deleveraging, and contributions from new contracts. The backlog of expansion projects in the business is robust. The most imminent is the Chicago market expansion, which entails the construction of additional compression facilities on the Gulf Coast line. This project should add long-term contracted capacity into Chicago from our existing interconnection with the Rockies Express pipeline. We plan to invest an additional \$80 million (our share - \$40 million) and expect the project to be complete by year end. We have also commenced the first phase of our southbound Gulf Coast reversal project and we expect to see further expansions for the business associated with the extensive development of natural gas pipeline infrastructure into Mexico in the 2017 to 2018 timeframe.

Our French communications infrastructure business generated FFO of \$19 million, which is consistent with the prior year. From an organic growth perspective, we have been actively pursuing a number of opportunities to expand our network in France. During the quarter, we agreed to a tuck-in acquisition of a small communications infrastructure business, which will be funded with cash retained in the business. We are also participating in a French government-led initiative to provide lower population density areas in France with access to ultra-fast broadband through the deployment of FTTH networks. Investments in FTTH networks present a unique opportunity for our business to leverage its existing assets and technical expertise operating a high-speed fibre backbone.

STRATEGIC INITIATIVES

We have recently cleared regulatory hurdles on two important investment initiatives, Niska Gas Storage Partners LLC (“Niska”) and Asciano Limited (“Asciano”). As a result, we have closed Niska and expect to close Asciano by the end of August, investing in total \$530 million. During the quarter, we also closed on a \$130 million investment that will expand our transport business. In addition, we are advancing several new opportunities where we will deploy approximately \$700 million to meaningfully grow our utilities segment. These investments should deliver after-tax returns on equity at the higher end of our target return thresholds.

Transaction Closings

- **Gas Storage** – Shortly after quarter end, we completed the acquisition of Niska. Along with our institutional partners, we deployed a total of \$440 million of capital (our share - \$180 million). Niska has well-located storage facilities in key producing and consuming regions including the AECO hub in Alberta and the Wild Goose facility in California. With this acquisition, we doubled our gas storage capacity to approximately 600 billion cubic feet and are now one of the largest independent owners and operators of natural gas storage in North America. We acquired this portfolio of gas storage facilities well below replacement cost which should allow us to achieve attractive returns over the longer term.
- **Ports (Asciano)** – Earlier this year, we entered into a partnership agreement with an Australian ports operator, and other institutional investors, to acquire Asciano, a leading Australian port and rail logistics business for A\$12 billion. The Brookfield consortium will own a 50% stake in Asciano’s container terminal business (Patrick Terminals) and a 100% interest in a ports services operation. Patrick Terminals is one of the leading container terminal operations in Australia with the capacity to handle 3.9 million TEUs annually and two fully-automated facilities in Brisbane and Sydney that have industry-leading performance. Brookfield Infrastructure will invest approximately US\$350 million and the transaction is expected to close in mid-August.
- **Peru Toll Roads** – Along with institutional partners, we recently acquired a 57% stake in Rutas de Lima (“Rutas”), a portfolio of urban toll roads in Peru for \$430 million (our share - \$130 million). Comprised of three road segments totaling 115 km, these roads are key arteries within the Lima road network and serve as the main access to the city from the north, south and east. The Peruvian economy, which is one of the most robust in Latin America, has experienced strong GDP growth leading to 12% compounded growth in the business in the past decade. The roads operate under favourable, long-term 30-year concessions and generate stable cash flows under a fixed tariff regime, escalated annually by inflation. As Lima has experienced significant growth in recent years but with low urban investments, we have identified further expansion projects that would provide accretive returns. We are enthusiastic about this transaction because it will further expand our South American toll road portfolio and establish an operating presence in Peru.

New Investments

- **Brazilian Transmission** – Over the past year, we have been evaluating a number of exceptional opportunities across various sectors in Brazil. While the country is experiencing political turmoil and a severe economic downturn, it is an economy with significant growth potential, solid underlying fundamentals and a strong democratic regime that is well-positioned for a good recovery in the medium term. Brookfield has been in Brazil for over 100 years and we have a successful record of investing counter-cyclically. So while investor sentiment has generally been negative on the country, we are taking a contrarian view and investing in high quality franchises that in normal periods would not be available at a reasonable value.

Our focus in recent months has been on gas and electricity transmission assets as these are low risk utility businesses underpinned with availability-based revenue frameworks and full inflation

indexation. We believe that in the current capital constrained environment in Brazil, these assets can be acquired at very attractive risk-adjusted returns. A brief summary of these transactions is as follows:

- We are in exclusive discussions to acquire a natural gas transmission company in Southern Brazil from Petrobras. These are long-life natural gas pipelines that are well located and represent the sole infrastructure that brings natural gas to the core economic regions in the highly populated states of São Paulo, Rio de Janeiro and Minas Gerais in south-central Brazil. This business is 100% contracted under long-term ship-or-pay agreements. We expect to invest a minimum of \$700 million into a Brookfield-led consortium alongside other institutional partners' capital.
- We are also excited to re-enter the country's electricity transmission sector for the third time, given our positive experience from 2006 to 2009 and prior to that as one of the early investors in establishing many of the electricity concessions in the country years ago. We were recently awarded a portfolio of greenfield transmission lines and are now in discussions with several sellers to acquire operating assets to establish a business with substantial scale in the country. These are long-life, 30-year concession assets that earn cash flows under a stable, availability-based regulatory framework. With approximately 2,800 km of greenfield projects underway in Brazil and 10,000 km of transmission lines in Chile, we are an industry leader in the South American transmission sector. We expect to deploy approximately \$200 million over the next several years to complete our electricity transmission projects.

CORPORATE FINANCE STRATEGY

For the past few years we have been highlighting our strategy around capital recycling. With the influx of new competitors into the sector and the growing interest in the asset class, we have an opportunity to exit mature businesses at compelling prices. We view the sale of our mature assets as a very low cost source of financing to grow our business on an accretive basis and as an effective way to increase returns to unitholders by avoiding dilution on our high growth businesses. Over the past several years, we have successfully monetized eight investments for proceeds that exceeded \$2 billion, generating returns on equity that are greater than 25%.

The next phase of our capital recycling plan is well underway. In the second quarter, we received approximately \$135 million from the sale of our European gas distribution business. In the second half of 2016, we expect to close on the sale of our Ontario Transmission business and dispose of our investment in the shares of Asciano that we acquired on market in 2015. In aggregate this will generate further cash proceeds of approximately \$1.1 billion. These proceeds will be used to fund our investment in Asciano's ports business (\$350 million) and the balance, representing approximately \$700 million, will be invested into our Brazilian gas and electricity transmission investments.

We are already preparing for our next capital recycling initiatives and with the maturing profile of a number of our businesses, we expect to generate proceeds from asset sales of \$500 million to \$1 billion on an annual basis for at least the next three years.

Another important element of our corporate strategy is participating with Brookfield-managed institutional funds. Our participation in these funds gives us the ability to acquire large, high quality infrastructure assets which would not otherwise be available to us without this financial capacity. Brookfield recently raised \$14 billion for its third private infrastructure fund (Brookfield Infrastructure Fund III), making it the largest private infrastructure fund ever raised in the industry. Brookfield Infrastructure expects to deploy approximately \$3 billion over the next three to four years through the fund, consistent with our goal of investing \$500 million to \$1 billion per year on acquisitions.

Brookfield Infrastructure has now established relationships with over 150 institutional investors, which include some of the world's largest and most sophisticated investors in the asset class. This fundraise is

indicative of the growing investor demand for global infrastructure assets. It is also recognition of Brookfield's investment strategy and its long and successful track record in the sector.

OUTLOOK

Our FFO momentum going into 2017 looks strong. Our current cash flow run rate is solid and we can look forward to FFO growth from: (i) the continuation of robust same-store growth that has averaged 11% over the past two years, which will be further augmented by the commissioning of a large portion of our capital backlog (ii) the addition of FFO commencing in the second quarter from the closing of our \$660 million of investments in Australian ports, Peruvian toll roads and North American gas storage assets, and (iii) the addition of substantial FFO from the regulated transmission assets in Brazil, which we are optimistic that we can sign and close by year end or by the first quarter of 2017.

On the acquisition front, we have not seen this level of proprietary deal flow in years. We are pleased with the numerous high quality opportunities we have to expand our various operating groups. In light of our favourable operating outlook and the positive investment environment, we believe we are well positioned for a longer period of outperformance.

On behalf of the Board and management of Brookfield Infrastructure, I would like to thank all our unitholders for their ongoing support. I look forward to updating you on our progress.

Sincerely,

"signed"

Sam Pollock
Chief Executive Officer
Brookfield Infrastructure Group L.P.

Note: 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", "should", "look forward", "future", "could", "plan", "outlook", "optimistic", "may", "target", "continue", "can", "increase", 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 acquisitions and other growth initiatives referred to in this letter to unitholders, the future performance of those acquired businesses and growth projects, financial and operating performance of Brookfield Infrastructure and some of its businesses, availability of investment opportunities, market demand for the products and services we provide, ability to access capital, the continued growth of Brookfield Infrastructure and its businesses in a competitive infrastructure sector, and future revenue, distribution prospects in general and our expectations regarding growth in distributions and returns to our unitholders. 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 conditions in the jurisdictions in which we operate and elsewhere which may impact the markets for our products or services, the ability to achieve growth within Brookfield Infrastructure's businesses, our ability to achieve the milestones necessary to deliver the targeted returns to our unitholders, which is uncertain, some of which depends on access to capital and continuing favourable commodity prices, the impact of 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 of equity and debt financing for Brookfield Infrastructure, the ability to effectively complete new acquisitions in the competitive infrastructure space (including the potential acquisitions 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 transactions referred to in this letter to unitholders as being currently pursued, given that there can be no assurance that any such transaction will be agreed to or completed) and to integrate acquisitions into existing operations, 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, 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.