Letter to Unitholders

Overview

Over the last two years, Brookfield Infrastructure's cash flows have demonstrated tremendous resilience and sustainability providing further validation of the attractiveness of the infrastructure sector as an asset class. In 2021, we further enhanced the quality of our business by opportunistically deploying capital into several attractive investments and organic growth projects. Furthermore, the monetization of several mature businesses at strong valuations has generated significant liquidity to fund our growth initiatives at a low cost of capital. Consequently, Brookfield Infrastructure is well-positioned to continue its growth trajectory in the years ahead.

Funds from Operations (FFO) for the year totaled $1.7 billion or $3.64 per unit, a notable increase over the prior year of 19% and 16% on a total FFO and per unit basis, respectively. We ended the year on a very strong note, generating fourth quarter FFO per unit of $0.97, which exceeded the prior year by 13% and reflects a payout ratio of 68%. These results highlight the strength of our operations, which were supplemented by accretive contributions from new acquisitions and organic growth.

As a result of Brookfield Infrastructure's strong financial and operating performance and robust liquidity position, our Board of Directors has approved a quarterly distribution increase of 6% to $0.54 per unit in 2022. This marks the 13th consecutive year of distribution increases, reflecting our positive outlook.

Our key accomplishments for the year are summarized below:

- **Organic growth of 9%.** We achieved solid performance across all operating segments, reaching the high end of our annual target range.
- **Deployed over $3 billion into growth initiatives.** Acquired Inter Pipeline (IPL), a leading Canadian midstream company, in a $13 billion privatization, and made further investments in the data and utility sectors.
- **Secured 50% of 2022's deployment target.** In the process of completing a second privatization, AusNet Services Ltd. (AusNet), a prominent regulated utility company in Australia, for A$18 billion and secured an investment in a leading Australian smart meter company.
- **Generated $2 billion of proceeds from capital recycling.** Completed four sale processes resulting in an average after-tax IRR of 33% and a multiple of capital of over four times.
- **Maintained strong liquidity levels.** Raised almost $3 billion in the capital markets, of which $1.9 billion of equity was issued as consideration for the privatization of IPL.

Stock Market Performance

Brookfield Infrastructure's units and shares performed well over the past two years, with pricing returning to pre-pandemic levels. Our latest tabulation of compounded investment returns since inception is included below. In

2021, our units returned 28% and 27% on the NYSE and TSX, respectively, while our paired corporate security (BIPC) has experienced a significant price increase since its launch in March 2020. Long-term investors have benefited from five-year, and since-inception annualized compounded returns of 20% and 18%, respectively, which have exceeded the performance of the broader market and our peer group during a continued period of market volatility.

Annualized Total Returns

AS AT DECEMBER 31, 2021	1-Year	5-Year	Since Inception*
BIP (NYSE)	28%	20%	18%
BIP (TSX)	27%	19%	24%
BIPC (NYSE)	(3%)	N/A	58%
S&P 500 Index	29%	18%	11%
S&P/TSX Composite Index	25%	10%	9%
S&P Utilities Index	18%	12%	8%
DJBGI Index**	21%	10%	6%

Includes dividend reinvestment
**BIP (NYSE) and U.S. index data as of January 2008; BIP (TSX) and Canadian index data as of September 2009; BIPC (NYSE) as of spin-off on March 31, 2020*
***No dividend reinvestment for this index*

Results of Operations

FFO of $1.7 billion for the year reflects a 19% increase compared to 2020. Results were supported by strong growth from our base business, the full recovery from shutdown-related effects experienced in 2020, and the significant contribution from over $3 billion deployed in growth initiatives. Organic growth for the year of 9% reflected the initial benefits of elevated inflation levels, the commissioning of nearly $900 million in new capital projects over the last year, and higher market-sensitive revenues driven primarily by increased demand for transportation services. FFO excludes the earnings associated with the sale of various assets, which generated approximately $2 billion of net proceeds for Brookfield Infrastructure in 2021.

Utilities

The utilities segment generated FFO of $705 million, compared with $659 million in the prior year. FFO growth on a same-store basis was 11%. This growth reflects inflation indexation, the commissioning of approximately $430 million of capital into rate base during the year, and higher connections activity at our U.K. regulated distribution business. 2021 results also reflect the acquisition of an additional interest in our Brazilian regulated gas transmission operation completed in April. Comparative period financial results included a full year of earnings from our U.K. smart meter portfolio and North American district energy platform, both of which we sold in the first half of 2021.

Our U.K. regulated distribution operation recorded another solid quarter of sales activity, ending the year with a total of 322,000 connection sales. This was the company's best year of sales and was 10% higher than its record set in 2019. Performance was strong across all utility offerings but was highlighted by a two-fold increase in sales for our water products relative to the prior year. New connection activity for the year ended 7% ahead of 2020 with a highly visible growth pipeline of 1.4 million connections, which equates to seven years of rate base growth at current construction levels.

Our residential infrastructure business continued its expansion through new product lines and geographies. In addition to acquiring a leading German residential infrastructure business earlier in the year, in December we invested $80 million (BIP's share – $20 million) for a 60% interest in the second-largest independent residential heating installer in the U.K. At our existing operation in North America, we completed three follow-on acquisitions for consideration of approximately $60 million (BIP's share - $20 million). The most notable is the acquisition of a residential solar installation and battery storage solutions provider with operations in seven U.S. states. This strategic transaction strengthens our role in the transition to green energy and provides an additional avenue for deploying our rental product offering. Following this acquisition and our partnership with a leading residential generator manufacturer, we are positioned to offer four complimentary utility offerings under long-term, inflation-indexed contracts.

At our Brazilian electricity transmission business, we recently exercised an option to acquire our joint venture partner's 50% interest in 900 kilometers of operational lines. This increases the portfolio of lines that we fully own to approximately 2,400 kilometers. With construction of the initial set of lines now complete, this scalable platform has been significantly de-risked, leading us to launch a sales process for this portion of the business. The process is underway, and we expect to complete it in the second half of 2022. Construction of the remaining lines is progressing well, with the vast majority on track for commissioning this year.

Transport

FFO for the transport segment was $701 million, an improvement of nearly 20% compared with the prior year. Results benefited from strong organic growth driven by volume increases, inflationary tariff increases and a full year contribution from our U.S. LNG export terminal. Our transport segment is a significant beneficiary of the robust economic recovery occurring in most of our investment markets. Prior-year results included approximately $25 million of additional earnings associated with the partial disposition of our Australian export terminal and Chilean toll road operation completed in the last 12 months.

Our rail networks continue to benefit from strong demand for bulk goods and commodities that underpin the global economy. Following its robust performance last year, our North American rail operation has experienced higher carloads, as volumes are 8% ahead of the prior year, with improvements across most product groups. Due to the essential nature of the business, we have been able to protect our margins across each of our operations by reflecting inflationary cost pressures in our tariffs.

At our diversified terminal operations, performance in the current environment continues to be robust, including record FFO during the fourth quarter. Results have benefited from a number of positive tailwinds, including (i) higher container volumes following supply chain bottlenecks and limited available capacity, (ii) higher tariffs and congestion surcharges due to capacity constraints, (iii) inflation pass-through reflected in rates, and (iv) increased bulk volumes driven by higher commodity prices.

Our U.S. LNG export terminal continues to benefit from strong global demand and high LNG prices due to increasing exports to China and low storage levels, particularly in Europe. This favorable backdrop has facilitated the contracting of excess capacity under multi-year agreements at attractive rates. Additionally, construction of a sixth liquefaction train is progressing ahead of schedule, and substantial completion is expected to be achieved during the first quarter of 2022.

Midstream

FFO for the midstream segment totaled $492 million in 2021, an increase of approximately $200 million, or 70%, compared to the prior year. This step-change increase reflects the acquisition of IPL, which was completed in the fourth quarter. Current year results also reflect elevated commodity prices across our existing businesses. This price environment and record storage volumes following extraordinary performance in the first quarter of the year led to same-store growth of 43%. Prior year results reflected an additional 12.5% ownership in our U.S. gas pipeline, which was sold in March.

In October, we successfully completed the privatization of IPL, a high-quality Canadian midstream platform providing critical long-term infrastructure. As a reminder, approximately 80% of the business is contracted, with the majority of our activities secured under long-term, cost-of-service arrangements with investment grade counterparties where we take no commodity or volume exposure. The balance of the business has benefited from strong commodity prices which we are opportunistically hedging to increase predictability of cash flows. With respect to the Heartland Petrochemical facility, we achieved a significant milestone during the fourth quarter with the Central Utilities Block being placed online and producing power to the grid. This is an important step towards the overall operation of the complex which is now mechanically complete and commissioning activities are on track with mid-2022 start-up.

Data

The data segment generated FFO of $238 million in 2021, an increase of 21%. Results reflect the construction of 12,000 telecom tower sites across our portfolios in India and France to accommodate mobile data growth and corresponding network densification requirements. Our highly contracted data transmission and storage businesses have also benefited from inflation indexation and higher rates across the portfolio.

Our data transmission business is well-positioned for the year ahead. Our Indian telecom tower business ended the year with a total of almost 150,000 operational towers, a nearly 10% increase in the size of the network from when we acquired it in August 2020. The business recently signed long-term master service agreements with a large mobile network operator (MNO) and a prominent internet service provider. With these contracts in place, we will be servicing the three largest telecom operators, and one of the largest internet service providers in India.

At our French telecom tower business, over 100 towers were added in the quarter, the second highest on record. The co-location of our build-to-suit tower portfolio increased further, given growing demand from the country's major MNOs. Furthermore, the business connected fiber to almost 50,000 homes, the strongest quarter on record, as we continue to benefit from increased reliance on connectivity to the home. We have continued to de-risk the business through extension of major telecom site hosting and broadcasting contracts and accelerating our fiber deployment. We have also refinanced all near-term debt maturities. These factors have driven year-over-year EBITDA growth of 8%.

We continue to gain momentum with the expansion of our global data storage platform and reached several important milestones during the quarter. Our Asia Pacific operations secured a second greenfield location in Auckland, New Zealand, to support incremental demand from the anchor tenant at its initial site in the country. The business also acquired its first site in the highly attractive market of Seoul, South Korea, and is in active discussions with a number of global hyperscale customers to secure capacity. In India and Europe, we have been successful in the early stages of our land-bank strategy to drive organic data center development opportunities. Lastly, in South America, we commissioned 11 MW of capacity in 2021 and anticipate a further 28 MW to be commissioned in 2022. Looking across our global portfolio, we expect these various greenfield development opportunities to double EBITDA by the end of 2024.

Balance Sheet and Strategic Initiatives

The past year provided a supportive environment to actively implement our financing strategy. As a reminder, preserving robust liquidity and maintaining access to multiple sources of capital are central to this strategy. With interest rates remaining at historically low levels despite the onset of inflationary pressures, we accelerated opportunistic issuances and actively secured fixed rate debt with long-dated maturities. This is reflected in our robust credit metrics and strong investment grade credit rating, which was reaffirmed at BBB+ by S&P in December.

As central banks now turn to policy normalization to combat rising prices, our corporate and asset level balance sheets are significantly de-risked. We have only modest maturities over the next several years, approximately 90% of term debt (excluding local currency debt in Brazil) is fixed rate and the remaining term to maturity of our total borrowings is approximately eight years.

We raised or secured commitments for a total of approximately $18 billion at the asset level in 2021, with the primary objective of refinancing near-term maturities versus increasing leverage. The following notable initiatives were completed in the fourth quarter:

- **Extended the maturity profile at IPL.** Shortly following the privatization, we accessed the Canadian market to refinance near-term maturities at attractive pricing. The C$1.0 billion issuance is IPL's largest to-date and was issued in 10- and 30-year tranches.

- **Issued eight-year bonds at our French telecom operation.** Opportunistically issued €800 million of eight-year bonds at a 1.75% fixed coupon ahead of an upcoming 2022 maturity.

- **Optimized the capital structure by securitizing U.S. rental contracts.** Issued approximately $340 million of primarily A-rated fixed-rate bonds at our North American residential infrastructure operation through the securitization of U.S. rental contracts.

- **Issued almost $400 million at our Australian regulated terminal.** The issuance included 10-, 12- and 15-year tenors distributed in the private placement market, evidencing robust demand for the fully contracted transport operation with no volume or commodity risk.

In addition, we raised over $1 billion in common equity to fund the acquisition of two highly contracted utility businesses in Australia, as well as provide us with additional liquidity to fund an active and advanced deal pipeline.

Our capital recycling program secured approximately $2 billion of net proceeds in 2021. Most recently in December, we signed a definitive agreement to sell our 50% owned freehold landlord port in Victoria, Australia. At an enterprise value of A$1.3 billion and exit multiple of over 30 times, the sale reflects the stability of the business achieved through long-term contract extensions and a de-risked expansion profile. Brookfield Infrastructure's share of proceeds is expected to be approximately $100 million. Proceeds will primarily be used to pay down asset level debt on closing of the transaction, which is anticipated to occur late in the first quarter.

With respect to new investment activity:

- The closing of our investment in AusNet is ahead of schedule and expected to occur in mid-February, after having received shareholder approval in late January. This portfolio of high-quality utility businesses in Victoria, Australia, provides electricity and gas transmission and distribution services across its critical networks. We are excited to own a highly coveted perpetual regulated utility franchise that is well-positioned to participate in the decarbonization of Victoria's economy to meet its legislated 2050 net zero target. BIP expects to invest approximately $500 million.

- In December, we agreed to acquire a 50% interest in Intellihub, the leading provider of electricity smart meters in Australia and New Zealand. Total equity required for the investment is approximately $870 million (BIP's share – $215 million). The business has 1.2 million meters leased and contractual relationships with energy retailers that cover 99% of the consumer market. This is an asset class we are very familiar with, as we held a smart meter portfolio within our U.K. regulated distribution business for many years. We believe that point-of-consumption metering will continue to be an essential component of the electricity network with digitalization and decarbonization goals accelerating the deployment of smart meters in the region. The transaction is expected to close in late Q1 2022.

Brookfield Infrastructure ended the year with total liquidity in excess of $5 billion, of which $3.7 billion is at the corporate level. Following the completion of the two secured utility investments, pro forma liquidity at the corporate level is $3 billion, which provides us with significant capacity to fund new investment opportunities.

Inflation – Headwind or Tailwind?

With central banks around the world signaling a transition to tightening monetary policy to control rising prices, it is a good opportunity to outline how these factors may impact our business. All else equal, this higher inflation is favorable for stable infrastructure businesses like ours. Before exploring the tailwinds and potential risks associated with elevated inflation, it's important to caveat the underlying assumptions that frame our outlook.

First, the prevailing inflationary environment is a product of many factors, including pandemic-induced supply chain disruptions, fiscal stimulus and labor shortages. In addition, the influences of de-globalization and what some refer to as green inflation are expected to contribute to longer-term inflation. We do not expect current inflation levels to be "transitory" (i.e. one year) as a number of factors will likely lead to a period of persistent inflation. However, we also do not anticipate a return to high and long-lasting inflation as occurred during the 1970s. Accordingly, this current period of elevated inflation should ultimately stabilize in the next few years as the Federal Reserve and other central banks raise interest rates and shrink their balance sheets.

Assuming our time horizon for inflation stabilization is not significantly off, this will result in a gradual, but not dramatic, rise in interest rates over the next few years. This view is consistent with many forecasts that show U.S. 10-year treasuries reaching approximately 3% over this period. Although higher than the last few years, these expected levels are low in a historical context and can provide an accommodating market environment for highly contracted and well-capitalized businesses like Brookfield Infrastructure.

With this forecast in mind, we foresee elevated short-term inflation acting as a tailwind for our business:

- **A significant portion of our business has inflation indexation.** Our inflation-linked revenues and high-margin businesses should largely insulate against the impact of higher inflation, despite not being fully insulated from rising costs. Today, approximately 70% of revenues are adjusted by local inflation indexes. This benefit will largely impact our utilities, transport and data investments, where between 80-90% of revenues are contractually indexed to inflation. Further, more than 50% of our midstream business will either capture contractional inflation escalators or see EBITDA growth driven by higher commodity prices and pass-throughs on fee-for-service models. Together with a largely fixed-cost structure and prudent cost management strategies, the compounding impact of inflationary revenue increases should drive operating leverage across our high-margin critical infrastructure.

This economic environment is not without risks; however, we believe we can effectively manage or mitigate these.

- **We expect a negligible impact on margins from rising labor costs and capital expenditures.** A potential limiting factor to growth is the cost and availability of labor. As owners of capital-intensive, high-margin businesses, our cost structures are largely fixed. Consequently, any material increase in wages in the short term will have a modest impact on margins.

  Similarly, inputs and materials for capital expenditure projects must be closely managed in the current environment. Our capital backlog is comprised of two main project types; (i) short-term, low-cost connections with minimal lead time that are re-priced regularly and can capture current inflation, and (ii) large-scale, long lead-time expansion projects for which we rely on turnkey, fixed price contracts with construction partners. A perfect example of this is our greenfield electricity transmission operation in Brazil, where we have transferred all construction risk to our joint venture partner through a buy-out price adjustment mechanism.

- **Our direct interest rate exposure is minimal and effectively mitigated.** We have always employed a conservative approach to financing our business through long-dated maturities and mostly fixed-rate pricing. In addition, we have actively extended maturities and opportunistically locked-in long-term fixed-rate debt to take advantage of low interest rates (approximately $18 billion of asset-level debt was raised or secured in 2021 alone). Today, approximately 90% of our term debt (excluding local currency debt in Brazil) is fixed rate with an average tenor of eight years. If we focus on the next two years, only 10% of our fixed-rate debt portfolio is maturing, meaning our earnings will largely be insulated from changes in short-term rates. Over the longer term, we expect interest rates will remain at historically low levels and our business is well-positioned to handle any associated incremental costs.

In summary, our expectation is for continued high levels of inflation for the next few years, to be countered with modest increases in interest rates, which will result in a net positive environment for our business.

Outlook

Notwithstanding the benefits for our business, as we have seen in recent weeks, expectations of quantitative tightening and a rising interest rate environment have caused significant stock market volatility. This volatility has been most pronounced in the technology sector, where we have seen a large pullback in valuations to start the year. Although our unit price will undoubtedly move with broader market sentiment, we believe the underlying value of our privately owned infrastructure assets will be much less impacted. Private buyers of infrastructure assets, especially those for high-quality, de-risked essential infrastructure, take a longer-term view and are less influenced by short-term economic conditions or sentiment.

Like most, the last two years posed many challenges, both for our people and our businesses. Although we are proud of the accomplishments of the last year, we are feeling equally optimistic about the year ahead. We are pursuing opportunities to execute our full-cycle investment strategy, having identified several mature businesses that can be monetized at strong valuations. We have also already secured half of our $1.5 billion annual deployment target. These transactions are expected to close in the coming weeks. We have a high degree of confidence regarding achieving the balance of this deployment target based on the pipeline of advanced opportunities our global teams are pursuing. Our strong liquidity position provides us with the ability to pursue and fund these new investments and meet our target returns.

On behalf of the Board and management team of Brookfield Infrastructure, I would like to take this opportunity to thank our unitholders for their ongoing support. I look forward to updating you on our progress during the upcoming year.

Sincerely,

Sam Pollock
Chief Executive Officer

February 2, 2022

Forward-Looking Statement

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", "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 such as COVID-19 on our business and operations (including the availability, distribution and acceptance of effective vaccines), 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.*