

Letter to Unitholders

Overview

We are pleased to report that Brookfield Infrastructure is off to a strong start in 2019. The business generated funds from operations (FFO) of \$351 million in the first quarter, or \$0.88 per unit, up from \$333 million in the prior year. On a per unit basis, our results were up 4% compared to the prior year, and after taking into account our recent 7% distribution increase, our payout ratio for the quarter was 71% of FFO.

Last quarter we indicated that we had committed approximately \$700 million of capital to be deployed into three transactions. In the first quarter, we closed on two of these investments for approximately \$430 million: a data center business in South America and a fully-contracted natural gas pipeline in India. We are also progressing the third transaction, the second phase of the Western Canadian midstream business acquisition, which is expected to close early in the third quarter of the year. As cash flows from these investments get fully reflected in our results in future quarters, our run-rate FFO will further increase.

Results of Operations

Results for the quarter reflect strong performance by each one of our operating segments, which in total delivered 10% organic growth over 2018, exceeding our annual long-term target range of 6-9%. Organic growth was generated by inflation-indexation across approximately 75% of our businesses, solid GDP-driven volume growth, predominantly at our transport operations, and contributions from accretive capital projects commissioned during the period. Our results also benefited from recently acquired businesses. These positive factors were partially offset by the impact of a weaker Brazilian real, which reduced earnings by \$13 million in the quarter.

The utilities segment contributed FFO of \$137 million, compared to \$169 million in the prior year. Underlying performance was strong as our operating groups were able to grow results by 5% on a same-store basis over the prior year. This was predominantly driven by inflationary increases to our rate base, combined with another strong quarter at our U.K. regulated distribution business. These contributions were offset by having less capital invested following the sale of our Chilean electricity transmission business in March of last year, higher interest expense associated with a financing completed at our Brazilian regulated gas transmission operation, and a \$9 million impact from foreign exchange.

Our U.K. regulated distribution business maintained its momentum, following a record year of performance in 2018. Sales and connections activity exceeded the prior year by 8% and 16%, respectively, and at the end of March, our order book stood at an all-time high of 1.1 million connections, which is 12% higher than the prior year. In particular, the multi-utility product offering continues to be attractive to developers, as evidenced by the strong results which have materialized from our fiber offering, where sales are 50% higher than the prior year.

At our Brazilian electricity transmission business, we are making good progress on the development of 4,300 km of transmission lines. The first three segments, which total approximately 1,600 km of lines, are fully operational and construction for the remaining 2,700 km is on track. In April, we exercised our first option to acquire a 50% interest in 500 km of operating lines from our partner, bringing our ownership to 100%. We plan on exercising our buyout options for the remaining operating lines later this year.

FFO from our transport segment was \$139 million for the quarter, in-line with prior year results. The segment benefited from organic growth of 6%, driven by higher tariff and traffic levels across our global toll road portfolio, strong volumes at our container terminals and higher revenues at our Australian rail operations. These positive contributions were partially offset by the previously announced sale of a 33% interest in our Chilean toll road

operation that closed in February and the expiry of one of the state concessions at our Brazilian toll road business. FFO for this segment was also reduced by \$4 million as a result of foreign exchange, primarily the result of a decline in the Brazilian real.

Despite uncertainty over Brexit, our U.K. port operation is thriving. Container and bulk volumes remain robust, exceeding the prior year by 45% and 5%, respectively. Volume increases from our bulk and unitized customers have been driven by new contract wins and strong organic customer growth. With our container terminal nearing capacity, we are now proceeding with the fourth phase of its expansion, comprising a total capital investment of \$17 million. This will increase throughput capacity by a further 20% by mid-2020.

The energy segment contributed FFO of \$107 million, which represents a 62% improvement from the prior year. This step-change increase is attributable to organic growth and contributions from two recently acquired North American businesses. Our North American natural gas transmission business delivered another strong quarter, generating FFO that was 23% higher versus the prior year. Results for this business are benefiting from robust demand for transport services and contributions from the first phase of its Gulf Coast expansion project. At our gas storage operations, FFO was 43% above last year as the business earned higher spreads related to cold weather conditions.

Within our distributed energy operating group, several new growth initiatives are underway at our recently acquired North American residential energy infrastructure business. We recently partnered with multiple homebuilders to be the exclusive provider of smart home technology for over 3,000 new homes. This offering will create opportunities for the sale of additional products and services to this new customer base. We are also currently progressing a partnership with a utility in Texas for a pilot program that will offer our residential infrastructure products to a subset of its existing clients. If the pilot is successful, the program has the potential to generate meaningful sales leads when we roll out this offering to the full customer base.

FFO for the data infrastructure segment was \$28 million, up from \$19 million last year. Recent investments in our global data center portfolio contributed FFO of \$7 million for the quarter. FFO from our French telecommunications infrastructure business grew by 13%, due to inflationary increases and new points-of-presence added to our tower network.

Commercialization of the second of four fiber-to-the-home concessions held by our French telecommunications infrastructure business has commenced, with a level of take-up above underwriting and market averages thus far. Our build-to-suit tower program continues to grow, with over 300 towers built over the last 12 months. We currently have a contracted backlog of over 900 towers, which are expected to be delivered over the next three years, providing us with strong visibility into the next phase of organic growth for the business.

Balance Sheet & Funding Plan

Our balance sheet remains strong, with total liquidity of approximately \$3 billion at the end of the period, of which approximately \$1.9 billion is at the corporate level. Liquidity was strengthened during the quarter by a C\$100 million preferred share issuance, and the sale of a 33% interest and a financing in our Chilean toll road business that generated after-tax proceeds of approximately \$365 million.

In-line with our capital recycling strategy, we considered this to be an opportune time to monetize a portion of our Chilean toll road investment, as the asset has reached the mature phase of its lifecycle. We acquired a 51% interest in our Chilean toll road operation through a series of transactions during 2011 and 2012, for a total of \$340 million. Since acquisition, we implemented a number of initiatives to improve operating margins and raised investment-grade debt that lowered our cost of capital. This, coupled with strong traffic growth and a favorable tariff regime, has resulted in significant value appreciation. In February, we completed the partial sale of our interest and realized a multiple on invested capital of approximately three times. Additionally, as this investment is held at amortized cost under IFRS, the partial sale resulted in a \$350 million accounting gain that was recognized this quarter. Since we monetized a non-controlling interest and retained control in a consolidated investment, accounting rules require the gain to be recorded directly to our unitholder's equity balance.

Over the course of the year, we expect to further enhance liquidity levels as we execute on our capital recycling program. In this regard, we have entered into an agreement to sell our bulk European port operations, with a sale expected to be completed in June of this year, subject to regulatory approvals. We expect to receive net after-tax

proceeds of \$130 million from the sale, which is approximately equal to the carrying value of the business. We remain on-track to generate additional proceeds of \$1.5 - \$2 billion in the next 12 to 18 months from several other sales processes that are underway.

We are also focused on managing near-term maturities amidst favorable capital market conditions. In March, our Australian port operations opportunistically refinanced A\$1 billion of debt, on the back of strong financial results. The offering was very well-received by lenders and annual interest costs for the business were reduced by approximately 50 basis points. We currently have no material individual maturity that will need to be refinanced in the next five years, and once we complete a number of ongoing normal course financings, our average duration across the business will be over eight years.

Update on Strategic Initiatives

Over the course of the last several weeks, we successfully completed the previously mentioned acquisitions of an Indian natural gas pipeline and a South American data center business. Execution of our 100-day integration plans at both businesses are progressing well.

The acquisition of the federally regulated assets in our Western Canadian Midstream business is expected to close in the third quarter of 2019 upon completion of a regulatory process.

We invested approximately \$200 million for our share of Ascenty, our South American data center business. Funding also included capital for 2019 growth capital expenditures. Since closing the transaction, the business has expanded its data center business into Chile, leasing up to 6MW of capacity over the next 10 years to an investment-grade customer. This anchor contract will facilitate the construction of the facility, which is an accretive initiative that was not contemplated in our original business plan. The business is performing well, our partnership with Digital Realty Trust is generating the desired synergistic benefits we expected, and we are identifying additional prospective “tuck-in” opportunities that will grow Ascenty’s presence across South America.

Data Infrastructure Initiatives

Over the past year we have highlighted the data infrastructure segment as an area of growth for Brookfield Infrastructure. The sector continues to offer interesting investment opportunities given the large amounts of capital that need to be deployed in the space. Data has been one of the fastest growing commodities in the world. We expect this rapid growth to persist for the foreseeable future, driven by several factors including greater smartphone penetration, increasing video consumption, the advent of 5G networks and new and evolving uses, such as the internet of things, artificial intelligence and other applications that depend on low latency. We have identified this exponential growth in data usage worldwide as a significant opportunity, particularly with the large-scale infrastructure investments that will be required to support data transportation and storage.

As we position our business to take advantage of this secular trend, we have decided to focus on the following investment areas – wireless infrastructure (i.e. telecom towers), fiber networks, data centers and integrated data operations. Our belief is that as people, places and objects become increasingly more interconnected, the importance and value of data infrastructure assets will continue to rise. Given the ongoing evolution and innovation taking place in the telecom sector, we are seeking to detach these assets from their corporate owners and focus on contractual arrangements that hold attractive infrastructure characteristics and bear limited technology and obsolescence risks.

Over the last few years, we have made several investments to grow and expand our data infrastructure business and today we are invested across several of the segments.

- **Wireless infrastructure** – In 2015, we acquired a leading independent broadcast and telecom tower operator in France with over 7,000 towers and active rooftop sites. Growth in this business is driven by the requirement for mobile network operators to increase their site coverage to meet spectrum license obligations and improve network capacity to support higher data speeds and usage.

We believe investments in wireless infrastructure are attractive as these are long-life assets, which benefit from natural barriers to entry due to location scarcity and challenging permitting environments. In addition,

customers are willing to enter into long-term contracts (up to 20 years), with embedded indexation to secure capacity given how critical these assets are to their wireless offering.

- **Fiber networks** – Our investments in fiber networks to date have been through our existing portfolio companies. Our U.K. regulated distribution business is deploying fiber-to-the-home (FTTH) networks to new housing developments as part of its multi-utility offering in response to customer demand for faster and more reliable broadband solutions. Meanwhile, our French telecommunications infrastructure business is rolling out four FTTH networks to connect over 700,000 households in the next few years as part of the French government’s national broadband plan. Residential fiber networks offer utility-like characteristics due to the significant cost to build-out a dense network, which in-turn limits the risk of replication. Furthermore, like traditional utilities, broadband is becoming a basic household need, as societal demand for reliable connectivity increases.

We are also reviewing opportunities to acquire fiber networks specializing in enterprise services. We are looking for businesses with dense fiber networks, which provide a combination of dark and lit fiber offerings. The dark fiber offering provides a solid base with strong downside protection, due to the long-term, take-or-pay nature of the contracts, while lit fiber allows us to participate in demand for more data at higher broadband speeds. We believe having highly dense fiber networks provides us with substantial optionality as the world becomes increasingly interconnected.

- **Data centers** – We have been most active with data centers over the last year, having acquired businesses on three continents. Our focus is on the retail colocation and wholesale data center models, with the key differentiator between the two being the amount of computing power required by our customers.

In our U.S. retail colocation business, we are improving the operations following the carve-out from AT&T by (i) assembling an experienced management team and dedicated sales function and (ii) repositioning the platform to become carrier neutral. Furthermore, with our global footprint, we believe there will be opportunities to enhance the portfolio by making tuck-in acquisitions to strengthen our presence in existing markets or enter new regions. In retail colocation, customer contracts are typically three to five years, with strong renewal rates, due to high customer switching costs. Customer stickiness is further enhanced through a platform effect as our customers are often in multiple sites or locations, which increases the complexity of switching given their network architecture.

Meanwhile, our wholesale platforms in South America and Asia Pacific are in regions where cloud computing is at an earlier stage of adoption. This should allow us to deploy additional capital on an accretive basis to build new data centers for large technology companies expanding their presence in the regions. The build-out of new sites is supported by anchor tenants entering into long-term, take-or-pay contracts (up to 10 years), which will allow us to achieve attractive, risk-adjusted returns within the initial contract term and significantly de-risk the investment.

- **Integrated data/communications operations** – A potential area of opportunity for us is the acquisition of “asset heavy” integrated telecom operators. As the name implies, these are businesses that provide utility-like broadband and wireless services to customers through owner-operated tower and fiber networks. As we review potential opportunities, we have defined a list of key characteristics we are looking for:
 - Leading fixed (and wireless) player with a presence in a single market, region or country;
 - Ownership of high-quality data infrastructure assets with high replacement cost;
 - Markets which have demonstrated a stable operating and regulatory environment; and
 - Favorable competitive dynamics which facilitate underwriting of long-term market share assumptions.

These businesses will have customer-facing activities similar to our distribution companies. For asset heavy operators, these activities represent a small fraction of the margin generated in the overall business. For certain large-scale businesses, an opportunity exists to consider separating underlying network infrastructure from the service business. However, this would need to be assessed in the context of the existing market structure. In general, we believe that managing and retaining the customer

relationship is important, as it provides increased flexibility to tailor the network to meet customers' requirements and increases customer stickiness by bundling multiple services. If the retail component has sufficient scale and credit quality, then a separation might make sense.

Outlook

We are pleased with the performance of the business so far in 2019, and the outlook for the rest of the year remains positive. We are currently operating in an environment where "main street" economic activity is strong and the threat of an economic pullback in the near-term appears low. In addition, the impetus for central banks to raise rates also appears to have waned, and thus we should enjoy lower interest rates for longer. While our business generally performs well throughout all investment cycles, low interest rates and steady GDP growth are particularly good for us.

The results of the first phase of our capital recycling initiatives are encouraging. In 2018, we raised \$1.1 billion from asset sales and redeployed the proceeds into five exciting new businesses. Once we complete the second part of the Western Canadian midstream acquisition and achieve a full period of contribution from our newly acquired South American data center business and Indian pipeline, our results will fully reflect the benefits of capital recycling. These benefits include higher organic growth potential and greater diversification. Furthermore, we believe that after removing the impact of foreign exchange, our second half 2019 FFO run-rate will be approximately 22% higher than what it was at the time we sold our Chilean electricity transmission business.

As previously noted, we are making good progress on our next phase of capital recycling. We expect this phase of the program to generate between \$1.5 - \$2 billion by the end of 2020, the proceeds of which will be reinvested into exciting new infrastructure assets. We believe we will replicate the success from our most recent round of capital recycling initiatives and create additional unitholder value.

We thank you for your continued support and look forward to updating you further on our progress later in the year.

Sincerely,



Sam Pollock
Chief Executive Officer

May 3, 2019

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, 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, 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 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 favourable 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 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.