

Letter to Unitholders

Overview

Brookfield Infrastructure reported another strong quarter with Funds from Operations ('FFO') of \$337 million, or \$0.85 per unit, for the three months ended June 30, 2019, representing increases of 15% and 13%, respectively, over the same quarter of the prior year. These second quarter results are the first to reflect the full benefit of the most recent phase of our asset rotation strategy.

Last year, we generated combined proceeds of \$1.5 billion from selling an interest in a mature, de-risked electricity transmission business in Chile and completing a financing at our Brazilian regulated gas transmission business. These monetizations occurred at values that represented a 7% average FFO yield and the proceeds were subsequently redeployed into seven higher growth businesses across our utilities, energy and data infrastructure segments that generate an average FFO yield of 12%. The value created through this phase of capital recycling is meaningful: in this quarter alone, it contributed incremental FFO per unit of almost \$0.05, and on an annualized basis, should benefit our FFO by approximately \$75 million.

Results of Operations

Results for the quarter benefited from both organic growth and the contributions from capital recently deployed in new investments. FFO grew organically by 10%, relative to the prior year, marking the second consecutive period of growth that exceeded our annual long-term target of 6-9%. Contributing to this outsized growth are volume increases that averaged 2% across our business, inflation-indexation of approximately 3% and earnings generated from the commissioning of \$650 million of capital expansion projects that were completed during the last twelve months.

FFO from our utilities segment totaled \$143 million for the quarter, compared to \$139 million in the prior year. This segment delivered organic growth of 10%, primarily the result of \$275 million of projects that were commissioned into the rate base in the last year and the benefit of inflation-indexation across our portfolio. These positive factors were partially offset by interest charges associated with a debt financing completed in the prior year at our Brazilian regulated gas transmission business, as well as the impact of foreign exchange.

We recently agreed to construct another 900 kilometers of transmission lines to expand our existing Brazilian electricity transmission business. We expect this line will require \$30 million of capital from Brookfield (beside our institutional partners) and will be completed in 2021. Inclusive of this project, we are currently in the process of building almost 5,200 kilometers of lines in the country, which will provide very attractive risk-adjusted returns under 30-year contracts.

Our transport segment contributed FFO of \$135 million, compared to \$133 million during the same period of 2018. Results in the current quarter benefited from volume growth across our ports and toll road businesses, as well as rising tariffs which were 4% higher than those earned in 2018. These positive contributions were partially offset by the impact of the sale of a 33% interest in our Chilean toll road operation that closed in February.

Our global ports business generated FFO of \$26 million, representing an 18% increase over the prior year. The year-over-year increase was driven by strong volumes globally, which increased by 10%, in addition to a 5% improvement in rates. In particular, our U.K. port operation reported another excellent quarter, with container volumes exceeding the prior year by 5%. This was predominantly the result of new customer mandates and increased economic development in the area surrounding our port lands. In Australia, revenue at our container terminal business was 8% ahead of last year, primarily due to new services that commenced in the second half

of 2018 and higher average tariffs. Our North American port business recently won a new contract that will add approximately 2,000 moves per week at our Los Angeles terminal. We expect this service to increase EBITDA generated by this business by approximately 10%.

FFO from our energy segment was \$96 million, a 78% increase relative to the prior year. The increase was predominantly attributed to the \$1.2 billion of capital deployed in the last nine months to acquire a North American residential infrastructure business, a Canadian midstream operation, and a natural gas pipeline in India. Additionally, results benefited from higher natural gas transportation volumes and the commissioning of capital expansion projects at our U.S. gas transmission business.

At our North American district energy business, construction is underway on a large thermal storage site that will serve as a hub to expand our deep lake water cooling system in the western corridors of downtown Toronto. This particular area of the city is undergoing significant re-development and we believe there is potential to add over 50 buildings to our network over the long-term. This project will require approximately \$65 million of capital and is expected to generate substantial returns once commissioned in 2021.

Our North American residential infrastructure operation is successfully advancing its plans to grow in the U.S. During the quarter, we completed a \$30 million acquisition of a business based in Phoenix, Arizona that services 12,000 heating, ventilation and air conditioning (HVAC) customers. This acquisition expands our presence to a new, fast-growing region of the country, and our business will benefit as these service contracts are converted into long-term rental contracts over time. With the highly fragmented residential infrastructure segment in the U.S., we believe there will be additional opportunities to complete tuck-ins and build scale on an accretive basis. Also, our business recently launched its pilot program with a utility in Texas to offer our residential infrastructure products to a large subset of current clients. Early indications and feedback show that the program has been well-received. Lastly, customer adoption of our lease offering for HVAC equipment has proven very strong in the U.S. and has significantly exceeded our expectations.

Our data infrastructure segment generated FFO of \$30 million in the second quarter, a 58% increase year-over-year. The increase was primarily the result of contributions from investments we recently made in a global data center portfolio, as well as the benefits of inflationary price increases and new towers added to the network at our French telecommunication business.

The second quarter of this year was the first period to see full contributions from the capital we have deployed to establish a large-scale global data center platform. Today, our business is well-diversified and includes 49 facilities on four continents. Integration efforts are now largely complete, and the businesses are performing in-line with expectations. In our South American business, we have focused on the build-out of several new sites, which are all underpinned by attractive long-term contracts to investment grade, global hyperscale customers. So far this year, we have commissioned four new data centers and added 21MW of capacity. We expect to construct two new centers this year, adding a further 18MW of capacity. The total expected capital spend for these projects is approximately \$290 million (BIP's share – \$35 million), and upon completion, these new sites will more than double our current EBITDA in this business. In addition, we are on track to complete construction of our first data center and network in Chile by 2020, and we are preparing for future expansion into Colombia and Mexico.

Balance Sheet & Funding Plan

Our balance sheet continues to be healthy with total liquidity of \$3.0 billion, with \$1.9 billion at the corporate level. Recently in July, we added to our liquidity position by way of an equity issuance of approximately 20 million units, which provided capital of approximately \$825 million.

Additionally, we are making good progress on a number of capital recycling initiatives including the sale of a further 33% stake of our Chilean toll road business. We have another four ongoing processes that are progressing well. Through these initiatives, we are targeting approximately \$700 million of after-tax proceeds to be generated in the next six months, with a further \$1.0 - \$1.5 billion generated by end of 2020.

Update on Strategic Initiatives

Our pipeline of new opportunities is robust, and we have secured several new investments in recent months. We invested \$200 million in a New Zealand data distribution business in July and we expect to invest a further \$1.3 billion (BIP's share) in other initiatives by the end of 2019. These investments will meaningfully expand our presence in the North America and Asia Pacific markets.

New Zealand Data Distribution Business

Along with a strategic partner, we acquired an integrated telecommunications provider in New Zealand for \$2.3 billion. This is a market-leading business that provides utility-like broadband and wireless services to 2.5 million customers. With this acquisition, we own and operate a country-wide wireless and fiber infrastructure network, including 1,600 cell sites providing wireless coverage to over 98% of the population, and over 10,000 kilometers of fiber optic cable. Brookfield and its institutional partners contributed \$700 million of equity for our 50% stake (BIP's share – approximately \$200 million).

North American Rail Business

We recently announced the \$8.4 billion take-private acquisition of Genesee & Wyoming, Inc. ("G&W"), a high-quality rail business based primarily in the U.S., but also with operations in Canada, the U.K. and Australia. We will be acquiring the business alongside institutional partners (BIP's share – approximately \$500 million). While the original transaction included G&W's 51% interest in an Australian business, we recently agreed to sell this stake to a consortium led by the existing 49% owner.

G&W represents a great addition to our existing rail platform. This is a rare opportunity to acquire a rail infrastructure network of scale, particularly in North America, for good, risk-adjusted returns. G&W owns 120 short line railroads and 26,000 kilometers of track. It is the key provider of critical last mile transport services to customers and Class I rail operators. Its cash flows are resilient as the business is well-diversified across the variety of goods it moves across its networks and the 3,000-plus customers it serves.

Backed by our deep expertise as an owner and operator of rail and other transport assets, we are well-positioned to drive value through our operational approach. Our areas of focus will be to maximize commercial opportunities, expand through strategic tuck-ins and improve margins over time. We anticipate the close of the acquisition and sale of the Australian operation to occur concurrently in Q4 2019, once customary regulatory approvals have been received. Upon completion of the G&W acquisition, combined with our existing businesses, we will own a large-scale, world-class rail operation on four continents.

North American Gas Pipeline

We are expanding our geographic footprint by investing in a natural gas pipeline business which carries natural gas from Texas to Mexico. Brookfield opened an office in Mexico City in 2015 with the intention of establishing a local presence in the country, consistent with our approach in other locales. However, up until now, we have not seen opportunities to acquire assets at appropriate risk-adjusted returns. We view Mexico as a business-friendly country with good market fundamentals and we see the value of investing in the country over the long-term. Institutional investor interest recently moderated in the country, which created an opportunity for us to enter the market and acquire a low-risk, high-quality asset within our target return range.

These pipelines were built in 2016 and represent critical infrastructure supplying Mexico's growing Central and West gas demand regions with low-cost natural gas from Texas. This business is very attractive, as the pipelines generate stable and predictable cash flows without volume or commodity price risk. Revenues are fully contracted under a long-term, take-or-pay arrangement through 2041 with an investment-grade off-taker. In addition, foreign exchange risk is minimized as revenues are dollarized with an inflation-linked escalator. These assets will continue to be operated under a fixed-price arrangement by existing co-owners in the business, who have a well-established track record as energy infrastructure owners and operators in Mexico and abroad. We will be investing alongside our institutional partners and BIP will be deploying approximately \$150 million of equity. We anticipate completing this acquisition in Q4 2019.

Indian Telecom Towers

We have been closely monitoring opportunities in the telecom market in India over the past several years. The market has stabilized following a consolidation of the mobile network operators (“MNOs”), leaving three main players, including Reliance Jio. As the competitive landscape settles, MNOs are focused on creating liquidity to invest in the expansion of their networks and view the divestment of their tower portfolios as an efficient way to raise capital.

Leveraging our existing relationship with Reliance Industries (the counterparty to our Indian pipeline investment), we recently secured an exclusive agreement to acquire a portfolio of 130,000 communication towers from Reliance Jio. These are recently constructed assets, with low maintenance requirements and over 30 years of remaining useful life. These towers are unlike most Indian telecom towers as they are largely connected by fiber backhaul, which gives us a unique platform to capitalize on the rollout of 5G.

This is a high-quality business that has similarities to our existing tower business in France. It generates stable and predictable cash flows that will benefit from expected increases in data usage. In India, the growth in data consumption has been robust, with per-capita usage increasing 10-fold in the last two years alone, which is a trend that is expected to continue. We believe that this investment will provide good downside protection, with meaningful upside through introducing co-location of other MNOs on the towers, which to-date, have only carried Jio equipment. There will also be further growth as we execute a tower build-out program with Reliance Jio, who will be committing to a fixed-cost contract to fund the expansion.

Overall, we see this as a great opportunity to enter a high-growth market at strong risk-adjusted returns. Brookfield Infrastructure is expected to invest approximately \$400 million upon completion of the transaction.

Outlook

The outlook for our business for the remainder of 2019 is strong. We expect FFO to benefit from continued organic growth and contributions from acquisitions that have or are expected to close in the third quarter, including the second phase of our Western Canadian Midstream business and the New Zealand data distribution business. We expect the exit run-rate in 2019 for our FFO per unit to be over 20% higher than it was at the time we sold our Chilean electricity business over a year ago.

The pace of new investment activity this year has surpassed our expectations, and we anticipate this momentum to continue in the foreseeable future. We are operating in a global economy that continues to experience solid growth with a need for additional capital to fund large-scale investments in both developed and emerging economies around the world. We are currently monitoring a number of very interesting situations in the energy and data segments in North America and Europe, where we expect to bring to bear our competitive advantages of size, operating capabilities and access to capital.

On behalf of the Board and management of Brookfield Infrastructure, I would like to thank all our unitholders for their ongoing support.

Sincerely,



Sam Pollock
Chief Executive Officer

August 2, 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 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 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.