

Letter to Unitholders

Overview

Brookfield Infrastructure's operations performed well in the third quarter, generating Funds from Operations ('FFO') of \$338 million. On a per unit basis, FFO was \$0.82, a 15% increase over the third quarter in 2018. FFO benefited from organic growth of 9%, which was at the high end of our long-term range. Our asset rotation strategy also positively impacted results, contributing 8% of our FFO per unit growth.

In our latest phase of capital recycling, we have a number of sale processes underway. We are seeing solid demand, in OECD regions in particular, and are encouraged by the attractive returns that our mature assets are commanding. In this regard, we have recently signed agreements to sell three assets at strong valuations, all of which should close in the fourth quarter of this year.

Our strategy continues to be focused on redeploying the proceeds from asset sales into higher returning opportunities. We are progressing several attractive investment initiatives that have either been secured or are in advanced stages. On a combined basis, we expect to deploy \$1.1 billion (BIP's share) in these transactions.

Results of Operations

Overall results for the quarter reflect strong organic growth driven by inflation-indexation, volume increases and the commissioning of \$700 million of new capital projects. Additionally, we invested \$1.7 billion into new opportunities in the past 12 months. As these new investments were primarily funded with proceeds from recycling mature, de-risked assets, FFO included an incremental contribution of \$22 million in the quarter. Results also benefited by \$9 million from improved hedge rates on FFO compared to the prior year, which more than offset the impact of a weaker Brazilian real.

FFO from our utilities segment totaled \$145 million for the quarter, compared to \$130 million in the prior year. This segment delivered 9% organic growth arising from \$300 million of projects that were commissioned into rate base in the last year, inflation-indexation across our portfolio and continued strength in connections activity at our U.K. regulated distribution business.

In September, our U.K. regulated distribution business signed a 15-year strategic partnership agreement with Sky Fiber Broadband ('Sky'). The partnership will bring Sky's three leading products – TV, voice and broadband – onto our fiber network. As part of the deal, Sky will become the anchor tenant for broadband services in new and existing residential developments. The establishment of this strategic relationship with a Tier 1 internet service provider is an important milestone for our business as we look to build on the growth recently achieved with fiber offerings. The inclusion of this broadband leader should make our traditional multi-utility bundle more attractive to homebuilders and further differentiate our product offering relative to our competitors.

We advanced the build-out of our Brazilian electricity transmission business which consists of projects that total 5,200 kilometers of transmission lines. During the quarter, we exercised our option to acquire a 50% interest in a second segment of operating lines from our partner, bringing our ownership in this project to 100%. We currently own two operating transmission lines outright, totaling 800 kilometers. We expect FFO from this business to grow significantly over the next three years as we commission the remaining lines and acquire our partner's outstanding interest.

Our transport segment contributed FFO of \$128 million, compared to \$119 million during the same period of 2018. Results in the current quarter benefited from volume growth across our ports and toll roads, as well as higher

tariffs and rates that contractually escalate with local inflation. These positive contributions were partially offset by the impact of the sales of a 33% interest in our Chilean toll road and our European port operations, both completed earlier this year.

Our Brazilian transport businesses are performing well, despite the impact of a weaker Brazilian real relative to the U.S. dollar. Third quarter results highlight the resiliency of our cash flows that are earned through regulated tariffs at our toll roads and contracted volumes at our integrated logistics business. At our toll road, traffic levels continue to recover from 2016 recession levels. Both light and heavy vehicle volumes at our existing roads are above prior year and have increased 8% since 2016. At our rail business, FFO has increased approximately 25% relative to 2017 levels, which is primarily attributable to the R\$2 billion Port of Santos expansion that was completed two years ago. The expansion meaningfully increased the capacity of our network and removed bottlenecks that limited the volumes that our network could accommodate. Looking ahead, we expect consumer confidence in the country to strengthen, as the inflation and interest rates are approaching all-time lows.

FFO from our energy segment totaled \$100 million, reflecting a 70% increase relative to the third quarter of 2018. The step-change increase was primarily driven by contributions from the acquisitions of a North American residential distributed energy business, a Canadian midstream operation and a fully contracted natural gas pipeline in India. Together, these new investments generated approximately \$40 million of FFO in the current period. Results also benefited from strength at our U.S. gas transmission business as a result of new customer contracts and the commissioning of capital expansion projects.

Over the last few months, our distributed energy operations in North America have successfully progressed several exciting organic growth initiatives. Of note, we commenced an eastward expansion of our Toronto district energy system that will provide sustainable heating and cooling to a growing part of the city. The expansion could potentially add up to 20 new connections to our business and increase its EBITDA by approximately 20%. Further, our North American residential energy infrastructure operation continues to outperform compared to our underwriting. We achieved record levels of take-up for our lease offering in the U.S. which is a critical element to broadening our customer base and enhancing the long-term, annuity-like cash flows generated by this business.

FFO from our data infrastructure segment was \$36 million for the period, almost double the amount earned in the prior year, and primarily reflects the contribution from recent investments that substantially expanded our global presence. These investments include a global data center business and a data distribution business in New Zealand. Additionally, our French telecommunication business reported organic growth of 5%, primarily the result of its build-to-suit tower expansion program.

Integration efforts at our data distribution business in New Zealand are progressing well. We are looking to execute on a multi-faceted margin improvement plan that should drive significant growth in the cash flows in this business in the next couple of years. We also announced the rollout of the first commercial 5G service offering in the country, which should position us well to capitalize on the growing data needs in that region. At our South American data center business, we finalized the expansion of our Rio de Janeiro data center, a facility that is now fully contracted. In addition, construction of a new data center is on-track for completion by end of year, adding another 8% to our total capacity. This project will require total capital spend of \$70 million (BIP's share – \$9 million) and is expected to increase EBITDA in this business 15% over current levels by 2021.

Balance Sheet & Funding Plan

As we highlighted at our annual Investor Day in September, the monetary stimulus implemented post-financial crisis and subsequent evolution of the credit capital markets has enhanced the availability of capital across the credit spectrum. Despite the availability of debt financing, we remain committed to protecting our balance sheet through a conservative and disciplined approach to borrowing. We use leverage as an optimization tool, and in certain circumstances, this can mean accessing the leveraged finance markets; however, we do so prudently and without compromising the core objectives of: (i) preserving ample liquidity, (ii) ensuring resilience through economic cycles and (iii) maintaining access to multiple sources of capital to minimize exposure to market and refinancing risk.

In addition, we are always looking to opportunistically benefit from this attractive interest rate environment. The completion of a C\$500 million corporate bond issuance in the Canadian market in October is an example of this approach at work. We elected to access the bond market to lock-in an attractive fixed-rate of 3.4% for a 10-year

term and will use the proceeds partially to redeem a C\$375 million series of notes in late 2020. The issuance extends our corporate maturity profile to six years and further de-risks our near-term funding and capital plans. We also proactively secured a long-term financing at our U.K. regulated distribution business amidst a favorable credit market backdrop. The financing has an average all-in cost of 2.4% and an average term of approximately 15 years. We proactively manage our overall maturity profile and currently have approximately 10% of asset level debt maturing in the next two years.

We ended the quarter with over \$3 billion of total liquidity, including approximately \$2.2 billion at the corporate level. Our liquidity position will be supplemented by approximately \$550 million in the coming months upon closing of three capital recycling initiatives that were recently signed:

- **Agreement to sell our Colombian regulated distribution operation, providing \$100 million of after-tax proceeds to BIP.** In seven years of ownership, we grew EBITDA by approximately 10% annually. This was achieved by commissioning several accretive capital projects, and improving margins by reducing energy line losses. Upon closing, which is expected in the fourth quarter, we anticipate earning an after-tax IRR of 18% and generating a multiple of capital of almost three times our initial investment.
- **Agreement to divest our district energy and distribution business in Australia, for approximately \$280 million.** One of the core components of this business is a gas distribution network that serves the state of Tasmania, which we acquired as part of the Babcock and Brown recapitalization in 2009. Over the last decade, we made a substantial investment in the business to expand its newly built network and increase customer connections. Our exit price translates to an 18x EV/EBITDA multiple, a strong valuation that reflects the stability and positive growth outlook for this business. The sale is expected to close in the fourth quarter of 2019.
- **Agreement to sell a further 33% interest in our Chilean toll road business at a purchase price consistent with the sale of the initial 33% interest that closed earlier this year.** The sale will result in an after-tax IRR of 16% and a multiple of capital of 2.4 times. The sale is expected to close in the fourth quarter and will result in \$170 million in proceeds to BIP.

Overall, this latest phase of capital recycling has been very successful. Thus far in 2019, we have secured or completed five initiatives (including the three aforementioned transactions), generating almost \$1.1 billion of liquidity. Furthermore, we are targeting additional proceeds of over \$1 billion from our asset rotation program next year. On a combined basis, this puts us at the higher end of the \$1.5 to \$2 billion target range that we announced earlier this year.

Expanding our Investor Base – Brookfield Infrastructure Corporation

We recently announced a plan to make Brookfield Infrastructure accessible to more investors. Despite having a unique asset base and an attractive financial profile, we have come across many investors that are unable to invest in our business as a result of our limited partnership ('LP') structure. To address this issue, we will be launching Brookfield Infrastructure Corporation ('BIPC') which will provide investors with an alternative way to gain exposure to our global infrastructure business.

BIPC will be established as a publicly listed Canadian corporation upon receipt of regulatory approvals. We intend to apply to list the BIPC shares on the New York and Toronto stock exchanges. The corporation will be created by way of a special distribution that will be analogous to a unit split. We currently anticipate that BIP unitholders will receive one share of BIPC for every nine units of BIP held on the record date in respect of the special distribution. On a go forward basis, investors will have the option of buying a BIP LP unit or a BIPC share.

BIPC shares will be structured with the intention of being economically equivalent to BIP units, with identical distributions and the ability to exchange BIPC shares into BIP units at any time. We expect the initial market capitalization of BIPC to be approximately \$2 billion, and the transaction is being structured on a tax-free basis to both Canadian and U.S. unitholders. The aggregate market capitalization of Brookfield Infrastructure should be unchanged by the introduction of BIPC.

We see many potential benefits in establishing BIPC:

- **Expanded investor base** – For those investors that cannot invest in BIP today, BIPC will provide an opportunity to own an economically equivalent security with a traditional corporate structure.
- **Broader index inclusion** – As passive index investing grows in popularity, it is increasingly important that Brookfield Infrastructure be included in the major global indices. While BIP is currently included in the S&P/TSX Composite Index and the S&P/TSX 60 Index (among others), BIPC shares should be eligible for inclusion in several global indices, which we expect will further expand our investor base.
- **Tax advantages for some** – For U.S. investors, BIPC dividends are expected to be qualified, and the federal tax rate on dividends will drop meaningfully to 24%, as compared to 41% on BIP LP's distributions. For Canadian investors, BIPC dividends will be considered fully eligible dividends. All BIPC shareholders will have simpler tax reporting and will receive common dividend reporting slips.

It is important to note that the creation of BIPC is expected to have a limited impact on Brookfield Infrastructure. We anticipate no incremental tax consequences for Brookfield Infrastructure, and no changes in management, governance or credit ratings. Additionally, there will be minimal administrative costs to operate the two entities, and modest financial reporting implications. Subject to the receipt of regulatory approvals, we plan to complete this transaction in the first half of 2020, and we are excited to be able to provide more options for investors to access our globally diversified portfolio of high-quality infrastructure assets.

Update on Strategic Initiatives

Over the past several months we have been very active as we advanced previously announced initiatives. Recently, we achieved financial close on our North American gas pipeline business with an investment of approximately \$140 million (BIP's share). In the coming months we expect to invest a further \$1.1 billion across various businesses. Here is an update on two major initiatives:

- North American Rail Business** – In July, we announced the \$8.4 billion (total enterprise value) take-private acquisition of Genesee & Wyoming, Inc. ('G&W'), which we will be acquiring alongside institutional investors (BIP's share – approximately \$500 million equity investment). G&W shareholder and Surface Transportation Board (STB) approvals were received in October 2019. The transaction is on track to close in the fourth quarter, following receipt of the remaining customary regulatory approvals.
- Indian Telecom Towers** – We are finalizing an agreement with Reliance Jio to acquire a large-scale portfolio of 130,000 telecom towers in India. This transaction is being negotiated on a bilateral basis and leverages our existing relationship with Reliance Industries, the counterparty to the Indian pipeline business we acquired earlier this year. We have substantially completed our due diligence and are currently finalizing transaction documentation. We expect to sign the transaction in the coming weeks and anticipate investing up to \$400 million (BIP's share of equity) upon closing of the transaction in the months that follow.

Outlook

Our outlook is positive as our financial position remains strong and much of the business is underpinned by networks with high barriers to entry and cash flows that are highly regulated and contracted. For 2020, we anticipate our organic growth to be near the top end of our 6-9% long-term target range. In addition, we anticipate that our recently secured new investments will be fully contributing to results next year and generating an average going-in FFO yield of approximately 12%, which is highly accretive to our results.

Brookfield Infrastructure's investment and corporate finance strategies should allow the company to prosper in the current economic environment. Elements of our strategy that provide us with confidence include:

- A self-funded organic growth model which provides ample opportunity to deploy capital accretively as we advance value-based M&A initiatives;
- A globally diversified business and prudent hedging policy which provides for more predictable cash flow streams; and,
- An investment-grade rated structure, with a well-laddered debt maturity and fixed rate profile.

Our priorities for the year ahead are four-fold. First, we are focused on closing the \$1.1 billion of recently secured transactions, which includes the two marquee transactions of G&W and the Indian telecom tower portfolio. Second, we are pursuing a robust pipeline of new opportunities, which could lead to another year of outsized investments. Third, we will continue to execute on the next phase of our capital recycling strategy, with an objective of generating over \$1 billion in proceeds from asset sales in 2020. Finally, we are advancing the creation of BIPC to enhance accessibility of Brookfield Infrastructure to investors, for which we are targeting completion in the first quarter of next year.

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

November 7, 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.