Letter to Unitholders

Overview

As we look back on 2019, it was an exceptional year for Brookfield Infrastructure. Our financial results and operating performance were strong and we added high-quality assets to each of our operating segments. Funds from Operations ('FFO') totaled $1.38 billion or $3.40 per unit, an increase of 11% on a comparable basis and 9% on a total basis, over 2018. Operating conditions during the year were favorable in all regions, enabling us to execute our full cycle investment strategy of acquiring high-quality assets, creating value through active asset management, and recycling capital on an attractive basis. The capital markets were also strong, allowing us to raise equity to fund growth and to secure debt at historically low interest rates.

The following is a summary of our key accomplishments during the year:

- **$2.6 billion of new investments –** significantly expanded our data infrastructure segment and added a large-scale North American rail business to our portfolio. These new investments are expected to generate an average going-in FFO yield of 12% and provide attractive organic growth opportunities.
- **Organic growth of 9% –** achieved solid performance across all operating segments, with organic growth at the high end of our 6% to 9% long-term target range.
- **$1.5 billion of capital recycling proceeds –** the sale of six mature assets and several financings generating proceeds of approximately $1.5 billion and resulting in an average after-tax IRR and multiple of capital of 17% and 2.6 times, respectively.
- **Announced Brookfield Infrastructure Corporation (BIPC) –** establishing this publicly traded company will enable us to make the company more accessible to a broader base of investors. We are on track to launch BIPC at the end of March.

As a result of our strong financial and operating performance, robust liquidity position and positive outlook for the business, our Board of Directors approved an increase to our quarterly distribution of 7% to $0.5375 per unit in 2020. This is at the mid-point of our 5% to 9% target and represents the 11th consecutive year of distribution increases.

Brookfield Infrastructure's units also performed exceptionally well this year, returning 52% and 44% on the NYSE and TSX, respectively. More relevant for long-term focused unitholders, our 5-year and 10-year annualized returns of 18% and 22%, respectively, have considerably exceeded performance of the broader market, as well as all the relevant benchmarks of our peer group.

Annualized Total Returns

AS AT DECEMBER 31, 2019	1-Year	5-Year	Since Inception*
BIP (NYSE)	52%	18%	18%
BIP (TSX)	44%	20%	25%
S&P 500 Index	32%	12%	10%
S&P Utilities Index	26%	10%	8%
Alerian MLP Index	6%	(7%)	4%
DJBGI Index**	30%	7%	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*
***No dividend reinvestment for this index*

Results of Operations

Results for 2019 reflect solid organic growth and the execution of our asset rotation program. FFO of $1.38 billion benefited from organic growth of 9%, and contributions from new investments. Our per unit FFO was impacted by equity capital that was raised earlier this year and not yet fully invested and contributing to earnings. Excluding this impact, our FFO per unit would have increased by 11% compared to the prior year.

Our utilities segment contributed FFO of $577 million in 2019. This is consistent with the prior year, which included the contribution of approximately $25 million from the Chilean electricity transmission business sold in 2018. The segment generated organic growth of 8%, reflecting inflation-indexation and $300 million of capital commissioned into rate base. Results also benefited from the initial contribution of the North American regulated natural gas transmission business acquired in October. These contributions were partially offset by the weakening of foreign currencies, which lowered results by $14 million.

Our U.K. regulated distribution business delivered exceptional results in 2019, despite uncertainty surrounding Brexit. Results were driven by (i) the installation of utility connections at approximately 200,000 new homes, the highest level of activity during our 10-year ownership, and (ii) the sale of 300,000 new connections, a level surpassed only by the record sales achieved last year. These results bring the order book to an all-time high of 1.15 million connections. Our fiber offering performed well ahead of expectations, with a 36% increase in sales, in part due to the successful rollout of our new fiber offering recently created as a result of our partnership with Sky Fiber Broadband. These positive trends, combined with capital commissioned into rate base, contributed to a 10% increase in FFO relative to the prior year.

In October, we completed the acquisition of two operating natural gas transmission assets in North America and integration efforts are progressing well. These regulated assets operate under a take-or-pay arrangement with an investment grade counterparty that extends through 2041. In December, the capital structure of one of the pipelines was optimized through the refinancing of existing asset level debt and the issuance of an incremental $330 million facility with a 20-year final maturity. The implementation of these financing initiatives reduced the weighted average cost of debt by 30 basis points and extended the weighted average maturity profile by three years.

Our transport segment generated FFO of $530 million, compared to $518 million in the prior year. Organic growth of 5% was driven by GDP-linked volume increases and higher tariffs across most of our operations. The segment benefited from strong agricultural rail volumes in Australia and Brazil, and higher traffic and tariffs of 3% and 4%, respectively, across our global toll road portfolio. FFO from our port operations exceeded prior year levels by approximately 25%, excluding the contribution from our European port operation which was sold in mid-2019. This increase primarily reflects growth in container volumes at our U.K. operations and higher tariffs at our Australian ports.

In 2019, our U.K. port operation commissioned approximately £20 million of capital projects for warehouse development, automation initiatives and capacity expansion at our container terminal in response to growing customer needs. The business is on-track to increase EBITDA by over 50% in the next two to three years. This increase is the result of contributions from recently secured contracts, high probability growth from captive customers, and new revenues related to the commissioning of the world's largest biomass power station.

FFO from our energy segment was $412 million, an increase of 53% over the prior year. This significant increase is primarily attributable to the $1.2 billion of capital deployed to acquire two North American businesses in late 2018 and a natural gas pipeline in India in the first quarter of 2019. Results also benefited from organic growth of 16%, which was attributable to higher volumes at our North American natural gas pipeline business and new customer connections at our distributed energy businesses in North America.

FFO from our data infrastructure segment totaled $136 million in 2019, an increase of over 75% relative to 2018. This step change in FFO was a result of contributions related to capital deployed at our French telecommunications business, as well as four new investments which enabled us to establish our global data infrastructure franchise. These acquisitions include three data storage operations in the U.S., Brazil and Australia, as well as an integrated data distribution business in New Zealand.

Our French telecommunication business has been supporting customers with several large-scale organic growth projects. Through its build-to-suit tower program, the business has strengthened relationships with major mobile network operators by assisting them in meeting their national coverage requirements. We commissioned 245 towers in 2019 and expect to have a total of approximately 1,000 build-to-suit towers operational in the first half of 2020. Additionally, our fiber-to-the-home deployment is ahead of underwriting, with almost 35% of the portfolio now built or under construction and the first network scheduled to be completed in the first quarter of 2020.

Balance Sheet & Funding Plan

A key element of our investment strategy is to finance our businesses with long-term debt at attractive fixed interest rates. Financing markets remain very strong and credit investors are seeking exposure to high-quality infrastructure assets like the ones we own. As a result, we continue to identify opportunities to optimize the capital structure at our operating businesses and secure attractive all-in rates. During the fourth quarter, we closed financings for new acquisitions, and opportunistically enhanced the debt profile of several existing businesses.

The most noteworthy acquisition financing this quarter was $2.6 billion of financing in the institutional term loan market to fund the acquisition of our North American rail business. This debt issuance was heavily oversubscribed, as credit investors seek high-quality names that are financed at prudent levels. We achieved enhanced pricing and terms that are consistent with high-quality investment grade issuers. We raised seven-year financing with attractive terms and a coupon of LIBOR + 200 basis points.

We capitalized on favorable markets to re-do the financings of several existing businesses in our portfolio. We raised approximately C$2 billion at our North American residential energy infrastructure operation to refinance existing higher cost debt in the business. We also recently refinanced the debt at our U.K. port operation to increase debt levels commensurate with growing EBITDA in the business. The transaction returned $110 million of capital to BIP and reduced the average annual financing cost by 3.5%.

Despite a year of outsized capital deployment, our balance sheet remains healthy with $3.0 billion of total liquidity, including $1.9 billion at the corporate level. We are also making good progress on the next phase of our capital recycling program, completing three asset sales announced last quarter. The sale of our Australian district energy and distribution business closed in November (BIP proceeds – $280 million). The divestment of our regulated distribution operation in Colombia closed in January (BIP proceeds – $100 million). Finally, we closed the sale of a further 33% interest in our Chilean toll road business in early February (BIP proceeds – $170 million).

Furthermore, during the fourth quarter, we signed a binding agreement to sell our North American electricity transmission operation for proceeds of approximately $60 million to BIP. We established this business over a decade ago as part of a government-led program to support renewable power generation in Texas. Since commissioning the transmission system in 2014, the company has been a best-in-class operator with an extensive track record of stable distributions. Given the de-risked, mature state of the business and substantial investor demand for North American regulated assets, we viewed this as an opportune time to sell. The transaction is expected to close in mid-2020 and generate an IRR and multiple of capital of approximately 23% and 3.5 times, respectively.

Spotlight on Value Creation

Our investment strategy consists of three core components: (i) we buy high-quality infrastructure assets at attractive entry points, (ii) we employ an active asset management approach and (iii) we monetize assets at their full value potential and start over again by investing into higher returning opportunities. Our deep operating expertise is central to the second component of our strategy. During each year of ownership, but particularly in the early years after we acquire a business, we identify and implement initiatives that increase the value of our businesses. Value is created through various means, including margin improvements, revenue growth, as well as capital structure optimization. Since the acquisition of Enercare in late 2018, we have been focused on several initiatives that highlight our active approach to asset management.

Enercare is a leading provider of essential residential energy infrastructure such as water heaters, furnaces, air conditioning (“HVAC”) systems and other in-home services. The business operates in a sector and region that we understand well and this business shares a number of similar features with our U.K. regulated distribution business. We were attracted to the high-quality annuity-like cashflows, established market position in Canada and significant growth potential in the U.S. Since acquisition, the business has been performing well and we have been focused on two key value creation levers: (i) capital structure optimization and (ii) sales growth in the U.S. market.

Since we acquired the business, it was our belief that Enercare's capital structure was not optimal given the contracted cash flow profile of the business. Enercare has over one million long-term rental contracts with low rates of attrition, consistent real price growth, and high renewal rates. We examined available financing structures and ultimately concluded that Enercare's Canadian rental business was uniquely positioned for a securitization financing. In December, we recapitalized the business through the issuance of approximately C$2 billion of primarily AAA-rated securitized debt. This is a marquee financing, as it is the first of its kind for this type of business in the Canadian market. The proceeds were used, in part, to redeem C$1.4 billion of public bonds, and we achieved an overall reduction in the cost of debt by 50 basis points while also substantially improving the credit rating of the assets (from BBB low to primarily AAA). The securitization facility also provides a mechanism to efficiently fund organic growth and future tuck-in acquisitions, thereby reducing the need to inject capital to fund growth. This financing was very accretive to our underwriting and improves the competitiveness of the business.

To facilitate rental growth in the U.S., we are focused on implementing a dealer adoption model that will complement the tuck-in acquisition and "sales to rental" conversion strategies currently underway. While rental conversion rates are well ahead of plan, reaching over 40% in the fourth quarter, we believe we can accelerate growth by offering a partnership model to HVAC dealers in markets where we do not have a presence. In addition, we have various initiatives underway with Brookfield-managed businesses to further enhance growth. Earlier this year, we launched a pilot program with a utility in Texas to offer residential infrastructure products to a large subset of the utility's clients. The pilot has been well received and we are working on the long-term rollout of the program. Enercare also recently partnered with our Canadian district energy business to participate in a housing development project, representing an opportunity to offer services to a community-scale district energy system.

With the Canadian securitization complete and additional growth strategies underway (that will be financed in a much more accretive manner), we are well-positioned to expect equity returns in the high teens and potentially higher, exceeding our conservative base case underwriting for this business.

Update on Strategic Initiatives

The fourth quarter was very active from an investment perspective. In December, we expanded our data infrastructure segment committing nearly $1 billion (BIP's share) in three separate transactions. This includes the previously disclosed Indian Telecom Towers business, as well as two new investments:

- ***U.S. Data Transmission and Distribution Business*** – In late December, we agreed to acquire 100% of Cincinnati Bell Inc. ("CBB") in a take-private transaction investing $480 million (BIP's share). CBB is a leading fiber-to-the-home business in the U.S., serving approximately 1.3 million residential and business customers in greater Cincinnati and Hawaii. This is an attractive business with substantial growth prospects. The transaction is subject to shareholder and regulatory approvals, which, if obtained, would likely result in a closing of this transaction in late 2020.

- ***U.K. Telecom Towers*** – In December, we completed the acquisition of a U.K. based independent wireless infrastructure company, investing $140 million (BIP's share). It is comprised of over 2,000 fully contracted operating towers and distributed antenna systems. The business is well-positioned to capture expected network growth in the U.K. and has significant potential to leverage Brookfield's real estate holdings to expand into other jurisdictions outside of the U.K.

At year end, we closed the previously announced acquisition of Genesee and Wyoming (BIP's investment – $500 million) and the federally regulated assets of our Western Canadian natural gas gathering and processing operation (BIP's investment – $250 million).

We have also made advancements in the formation of Brookfield Infrastructure Corporation (BIPC). Subject to receipt of regulatory approvals, BIP expects to complete the special distribution of class A shares of BIPC to BIP's unitholders in the first half of 2020.

BIPC will provide investors with an alternative way to gain exposure to our global infrastructure business. We believe a corporate entity will be attractive to many investors, particularly in the U.S. and Europe, who have historically been averse to our partnership structure. BIPC's class A shares will be structured with the intention of being economically equivalent to BIP LP units, including by having the right to receive identical distributions; BIPC's class A shares will also be exchangeable into LP units (or the cash equivalent, at BIPC's sole discretion) at any time, as well as provide simplified tax reporting and other tax advantages.

Outlook

We have entered 2020 with both positive and negative developments in regard to global growth. The signing of Phase I of the trade deal between the U.S. and China removed some of the impediments to global growth. Unfortunately, the outbreak of the novel Coronavirus has significantly disrupted economic activity in China which will have global implications. However, if the financial effects from this outbreak are similar to those felt during the SARS outbreak in 2003, the slowdown should be short-lived. From a BIP perspective, we do not anticipate any material financial impact from the Coronavirus situation and remain optimistic regarding the business outlook for the regions where we operate. We do not have any operations in China and potential disruption to commodity supply chains should not have a significant impact on our overall activities.

Looking beyond current headlines, our business is well positioned for continued growth and our outlook remains positive. We anticipate delivering another year of organic growth at the high end of our 6 to 9% target range. We are focused on executing the next phase of our capital recycling program and it is on track to raise a further $1.5 billion. We plan to redeploy this capital into higher yielding new investments which should provide for another period of outsized FFO growth. While quarterly results this year may be impacted by the timing of new investments and sales, we anticipate that our run-rate exit FFO per unit in 2020 will be 12-15% higher than current levels.

The past year was one of the most active and dynamic in our company's history. On behalf of the Board and management team of Brookfield Infrastructure, I would like to thank our unitholders for their ongoing support. I look forward to updating you on our progress throughout the year ahead.

Sincerely,

Sam Pollock
Chief Executive Officer

February 10, 2020

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.*