

Letter to Unitholders

Overview

We are pleased to report that the business is off to a good start in 2018. We generated funds from operations (FFO) of \$333 million, or \$0.85 per unit – a 20% increase over the first quarter of last year. During the quarter, distributions were raised by 8% to \$0.47 per unit. These results translate into a payout ratio of 68%, which is within our long-term target range of 60-70%.

Entering the year, a key focus was to build up Brookfield Infrastructure's corporate liquidity in response to signals suggesting a period of greater volatility. Even though economic conditions are quite favourable in most jurisdictions where we operate, we often source some of our best investment opportunities when markets are volatile. Consequently, heading into 2018, a major priority was completing the sale of our Chilean electricity transmission business. We are pleased to report that the transaction closed on March 15 and Brookfield Infrastructure received net proceeds of \$1.1 billion, putting us in excellent financial condition.

Results of Operations

Our results in the period reflect the contribution of new investments, as well as organic growth of 9% across the company. A stronger U.S. dollar has negatively impacted our results in the quarter by approximately \$13 million, predominantly relating to lower hedge rates on our Australian dollar and pound sterling cash flow hedges.

Our FFO hedging program is designed to lock in currency rates over a period of 12 to 24 months to reduce volatility in our cash flows, provide visibility into our results and enhance our planning capabilities. Our contracted hedge rates will naturally reflect the prevailing market conditions at the time the hedges are entered into. Consequently, from time to time, changing market conditions may result in a lower locked-in hedge rate relative to the spot rates in place at maturity. However, when this situation occurs it typically reverses in a year or two.

Our utilities segment contributed FFO of \$169 million compared to \$100 million in the prior year. This step-change increase was primarily attributable to the contribution from our Brazilian regulated gas transmission business acquired in April 2017 and, to a lesser extent, an increase in our rate base and upward inflation adjustments in our other utility businesses.

At our Brazilian electricity transmission business, we are making substantial progress in constructing our lines. At our first project, the final segment received its operating license in early March and the concession is now earning 100% of its regulated revenues. Discussions have commenced to acquire the 50% equity interest in this project held by our joint venture partner, which we expect to occur in the second half of 2018.

Our transport segment reported FFO of \$137 million in the period, compared to \$123 million in the previous year. This increase was driven by higher tariffs and volumes in our Brazilian rail and South American toll road businesses. Results were partially offset by lower contribution from our ports business, and foreign exchange which reduced our results by \$4 million.

Our transport operations in South America continue to benefit from improving macroeconomic conditions. Results in our toll roads business in local currency terms were up by 10%. This was the result of 4% growth in traffic levels, higher tariffs and the commissioning of an expansion project at one of our roads that was completed in

December of 2017. This road has already experienced a 7% increase in traffic levels in the first three months of the year. At our integrated logistics business, activity levels are ramping up after brief delays related to the soy harvest. We have now received all licenses that are required to be fully operational at our newly expanded TIPLAM port, and despite the delay in the soy harvest this year, we anticipate a record harvest, which should positively impact results for the balance of the year.

While we are benefiting from strong GDP-linked growth in our transport assets in South America, we may experience headwinds at our Australian rail business in the second half of this year due to potential closures or production curtailments at two of our iron ore customers. We do not as of yet have a clear picture of the timing or scale of these curtailments, as consolidation among industry players is being explored which may result in certain existing operations remaining in production for several more years. The business will respond to any volume reductions with operating and capital cost reduction programs. If all announced curtailments do take place, the impact on our FFO in the second half of the year would be in the range of \$20-25 million, with lower impact if consolidation occurs. On a more positive note, several of our larger customers are evaluating expansions at their operations to take place over the next several years, which are expected to largely replace drop-offs that may occur in near term revenues.

Our energy segment generated FFO of \$66 million, compared to \$62 million in the same period last year. This improvement captures the incremental contribution from new contracts, higher gas transport volumes and further equity invested into our North American natural gas transmission operations. Results were partially offset by lower contribution from our gas storage business that is being impacted by a weak spread environment.

At our district energy operations, the City of Toronto approved a strategic partnership with our business to develop several large-scale, low-carbon thermal systems in key communities throughout the city. As part of a competitive process that began in 2016, our business was selected to help the city achieve its long-term energy and climate goals using district energy. To date, eight communities have been identified for potential development. This is a very exciting initiative for our business, with the potential to drive significant growth in the future. Additionally, the business finalized planning for a second combined heat and power facility in London, Ontario, that is underpinned by a 20-year fixed capacity contract with Ontario's Independent Electricity System Operator (IESO). The project involves C\$35 million of total capital investment and is expected to come online in the third quarter of 2019, generating attractive risk-adjusted returns.

Our communications infrastructure segment, currently comprised of operations in France, contributed FFO of \$19 million for the period, which was consistent with the prior year. The business delivered results in-line with expectations due to its stable and predictable cash flow profile. The business has been working closely with the mobile network operators (MNOs) to help achieve their license coverage obligations by building new telecom towers. In the last 18 months, the business has delivered over 150 new sites and has a good backlog of sites to be built over the next 12 months. The momentum in this segment should continue as the French government recently announced an agreement with the MNOs to accelerate and improve 4G coverage across France, which will require more points of presence.

Balance Sheet & Funding Plan

We employ a diversified funding strategy to ensure that our business is protected against potential periods of weakness in capital markets and has the flexibility to capture attractive investment opportunities. Core elements of our funding strategy include maintaining a strong level of corporate liquidity, recycling capital from mature assets when market conditions are strong and funding our recurring organic growth pipeline with retained cash flows and asset level, non-recourse, investment grade financings.

We completed the period with over \$4 billion of total liquidity, of which \$3 billion is at the corporate level. This liquidity is expected to be further bolstered in the coming weeks, with proceeds to us of \$500 million from an up-financing at our Brazilian regulated gas transmission business. The company is finalizing discussions with lenders to issue five-year bonds in the local market at an approximate rate of 7%. This financing evidences the dramatic rebound being experienced in Brazil, which has led to a significant decline in interest rates and improvement in capital market conditions. We are very pleased with this outcome.

Also, during the period we launched sale processes for other mature businesses. We expect to see significant demand for these assets given their high-quality cash flows, growth potential and the attractive jurisdictions they reside in. We are hopeful these processes will close before the end of the year, generating further meaningful proceeds for Brookfield Infrastructure.

Our committed capital backlog of growth projects currently stands at \$2.5 billion, of which \$0.5 billion has already been invested, but not yet commissioned. The remaining \$2 billion to be invested can be broken down into the following two categories, for which we have different funding approaches:

- The first category, which will require approximately \$0.8 billion of new capital spend over the next two to three years, consists of small, recurring mandates within our operating groups. Projects in this category include the home connections we complete in our U.K. regulated distribution business and debottlenecking expansions of our various port, rail and energy networks. These mandates are typically financed through a combination of project level non-recourse debt, sized to investment grade metrics (on average with 50% debt-to-capitalization) and equity, with the latter component funded by operating cash flows generated and retained within our businesses. To illustrate, we currently have close to \$1.2 billion of annual FFO and retain 15 – 20% of this amount in our business - or approximately \$200 million - to satisfy such funding requirements.
- The second category, which currently stands at \$1.2 billion, consists of larger scale tuck-in projects, multi-year network expansions or new business lines that we establish. These initiatives arise on a less frequent basis and take place over a finite period. Projects that fall into this category include the establishment of our electricity transmission business in Brazil, our smart meter portfolios to be adopted, the fibre-to-the-home business line we established within our French communication business, and several toll road expansions. We typically finance these mandates with an amount of debt sized to investment grade levels and the balance through equity. The equity component is generally funded by new capital injections from Brookfield Infrastructure, through proceeds from asset sales and capital market issuances. For the next year, we anticipate that approximately \$0.5 billion will be required to fund the equity component of these projects. This equity capital has already been raised and set aside.

Update on Strategic Initiatives

Gas Natural Colombia Acquisition

The previously announced acquisition of a controlling interest in Gas Natural S.A. ESP (GN Colombia), the second largest distribution network in the country, is advancing well. This business services almost three million customers, predominantly in the City of Bogota. It generates predictable cash flows within a favorable regulatory environment that we have significant experience with, given that our initial investment in the country in 2012 was an electricity distribution company. We initially acquired 11% of GN Colombia late last year and are currently progressing the second phase of the acquisition, which we expect to complete during the second quarter. Upon completion, this will result in Brookfield Infrastructure and its institutional partners owning a controlling interest in the company. In early April, we received anti-trust approval and once approvals have been received from the local securities regulator, we will launch a tender offer.

North American Energy

We are seeing pockets of potential value arising from market dislocation in select sectors and geographies. In particular, there has been a stock market sell-off in listed North American energy infrastructure companies and sentiment is negative. We have monitored this space for many years and observed that competition to deploy capital by both financial and strategic investors had driven asset returns to levels we viewed as unattractive. Moreover, the amount of leverage underlying many of the historical acquisitions seemed to leave little margin for error.

As the U.S. transitions to become a net exporter of energy, there is also a significant need for capital to invest in infrastructure to extract, transport and process energy resources. Therefore, our opportunity set includes potential asset carve-outs, take-privates and partnership arrangements with owners of energy infrastructure assets. We

are in various stages of discussions with large midstream energy companies and are encouraged by the number of interesting opportunities in front of us. The recent market environment has presented us with a greater set of acquisition and partnership opportunities from industry players and we are hopeful we can assist some of the companies. We believe that we are well-positioned given our solid balance sheet, proven operational track record and ability to act as a single counterparty for large transactions.

Full Cycle Investment Strategy

When we look at funding our organic growth and new investment opportunities, capital recycling has always been a key part of our funding strategy. The cycle begins with acquiring high-quality core infrastructure assets for value. We do this by focusing on situations where we can leverage our competitive advantages of scale, local presence and operating expertise to source and execute on proprietary transactions. Next, we implement an operations-oriented approach to de-risk the business and enhance cash flows. Finally, once the business reaches maturity, we seek to opportunistically exit at strong valuations in order to redeploy capital into higher returning investments. With the recent sale of Transelec, our Chilean electricity transmission business, we thought we would summarize that investment as an example of our full cycle investment strategy.

In 2006, a Brookfield-led consortium acquired Transelec, the largest electricity transmission company in Chile, for \$2.7 billion (\$1.3 billion of equity). At that time, Chile was generally viewed as an emerging market economy and capital from foreign investors was relatively scarce. Assets in the country were discounted by investors relative to those in North America or Europe, which were valued at premiums given the abundance of capital in those regions seeking utility assets. In that environment, we were disciplined and contrarian, and when the opportunity to acquire Transelec presented itself, we acquired it with a view that: i) Chile would emerge as an excellent country in which to invest, ii) the fundamental need for the country to grow its electricity infrastructure would drive attractive opportunities over time, and iii) employing our operating capabilities, we could improve asset performance, margins and reduce the cost of capital over time.

During our period of ownership, Chile achieved both sovereign debt ratings upgrades and admission as an OECD member country. As demand for electricity and improved reliability increased, we worked closely with management to ensure that we were well positioned to bid on and execute highly attractive growth projects. We were able to grow the business from 8,000 to over 10,000 km of lines and increased the number of substations by approximately 20%, growing our rate base from approximately \$1.6 billion in 2006 to approximately \$3.5 billion by 2017. In addition, we added value by implementing a risk-based maintenance program that resulted in lower line losses. Furthermore, we put in place non-recourse project financing on a selective basis and extended debt maturities opportunistically to reduce our cost of capital. At the time of our sale, the nearest debt maturity in the business was 2023.

So, what prompted us to sell this asset? First, as an OECD country with an investment grade credit rating, foreign investment has grown dramatically and the market has continued to mature since our acquisition of Transelec. Today, Chile is viewed very favorably by foreign investors and return expectations are comparable to the U.S. and Western Europe, given the country's solid institutions and respect for private capital. Second, Transelec is a high-quality asset in the mature phase of the life-cycle. It has revenues based on a regulated return on its asset base and a stable capital expenditure program that supports consistent and predictable growth. Consequently, we were confident that we could achieve a strong valuation for this mature, de-risked asset with regulated revenues.

We recently closed on the sale of our 28% interest in the company in March for \$1.3 billion (\$1.1 billion net of tax), achieving a compound internal rate of return of approximately 18% over 11 years, and a multiple of capital of three times. The sale was opportunistic in that we were able to realize an attractive valuation, which took into account future growth expectations. Transelec provided us with strong and predictable cash flows, however, we see opportunities to reinvest the net proceeds from the sale into investments that have the ability to generate significantly higher returns.

Outlook

Global economic conditions are generally good and upward trending, driven by the U.S. and Chinese economies that appear to be steadily expanding. We believe that global economic growth will be strong for the balance of the year. In that environment, we expect our business to continue to perform well.

The U.S. Federal Reserve has increased interest rates twice in the past six months and has telegraphed that a few more hikes are likely to occur in 2018. As a result, notwithstanding the favourable economic conditions, a number of indicators are suggesting there is the potential for market volatility. We are fortunate to have a strong balance sheet and substantial liquidity. This positions the company to react quickly to value opportunities should they arise. Our significant liquidity may act as a partial drag on our near-term FFO until we deploy the capital, however, the flexibility to respond to uncertainty in a period of market volatility is far more valuable to us in the long run. We have a solid, high quality pipeline of new investments currently being progressed by our teams in Europe and North America. In addition, our robust internally-generated capital backlog is expected to result in attractive returns and should provide for strong organic growth in the foreseeable future.

Sincerely,



Sam Pollock
Chief Executive Officer
Brookfield Infrastructure Group L.P.

May 2, 2018

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", 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, 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 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 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.