Letter to Unitholders

Overview

Brookfield Infrastructure reported another strong quarter and advanced several strategic priorities. Funds from Operations (FFO) totalled $394 million, or $0.85 per unit, an increase of 18% compared to the second quarter of 2020. Results were fuelled by the ongoing economic recovery which is driving growth within our base business. Conditions supporting capital markets activity and our global operations remained favorable, allowing us to complete almost $7 billion of refinancing activity across our assets. In combination with over $1.3 billion of net proceeds from two recently completed asset sales, our balance sheet is in excellent shape to fund an extensive investment pipeline.

With respect to growth initiatives, our patience paid off in our bid to privatize Inter Pipeline Ltd. (IPL). With the endorsement of IPL's Board of Directors and guidance on the merits of our bid from two prominent proxy advisors, Brookfield Infrastructure now has a clear path to acquire IPL. If successful, Brookfield Infrastructure will deploy approximately $2 billion of equity in a high-quality Canadian midstream operation. The completion of this acquisition is expected in the third quarter and will mark the start of the next expansionary period for our business, which should drive strong FFO per unit accretion.

The current global economic backdrop supports a promising outlook for Brookfield Infrastructure. Organic growth has historically provided sustainable cash flow growth and is picking up momentum. Inflation in the markets in which we operate is at higher-than-normal levels and GDP growth rates are nearing highs not experienced since the period following the global financial crisis. This economic rebound should benefit our volume sensitive businesses, which primarily consist of our transport assets and certain utility and midstream operations. We are also seeing elevated levels of customer-led capital expansion projects which have added to our growing backlog of contracted, commercialized projects. This leads to increased visibility into organic growth for the next year at the high-end of our 6-9% target range.

Results of Operations

FFO of $394 million for the quarter reflects an 18% increase compared to the same period last year. Results were supported by strong growth from our base business, contributions from new investments and higher volumes attributable to the continued economic rebound. Excluding the recovery of shutdown-related volume declines in the prior year, organic growth was 9%. This solid level of growth includes inflationary tariff increases and the commissioning of approximately $900 million in new capital projects during the last 12 months. Inclusive of the recovery of both connections income at our U.K. regulated distribution business and toll road traffic, our base business grew by 16% relative to the prior year. These positive factors were partially offset by the impact of asset sales completed in the last year, which have resulted in nearly $2 billion of proceeds. As we deploy that capital at higher returns, it should accelerate our earnings base.

Utilities

The utilities segment generated FFO of $190 million, an improvement of 21% over the prior year. All businesses within the segment continue to perform well in the current environment, with results reflecting 10% organic growth due to inflation indexation and the commissioning of almost $400 million into rate base during the past year. Results also benefited from the acquisition of the remaining interest in our Brazilian regulated gas transmission operation. These contributions were partially offset by the impact of asset sales as part of our capital recycling program.

Our U.K. regulated distribution business reported another strong quarter. New connection activity more than doubled relative to the shutdown impacted levels in the same period last year and connection sales grew nearly 30%. This increase in connection sales highlights robust take-up for water connections, with sales exceeding plan by 45%. As the water market continues to open, future sales are expected to include a much more meaningful percentage of water network connections, complementing our existing gas, electricity and fiber offerings.

During the quarter, our North American residential infrastructure business completed two tuck-in acquisitions for total consideration of approximately $30 million (BIP's share – $10 million) to enter new markets in the northeast U.S. We also opened our first sales office in Ohio, with additional sites planned across the U.S. for the balance of the year. These are important developments to strategically expand our national presence and introduce the HVAC rental product to new customers.

Transport

FFO for the transport segment was $173 million, an increase of 36% compared to the prior year. On a same-store basis, segment results grew by 26% as the economic expansion is propelling higher volumes in our business. Operations with volume sensitivity are seeing strong year-over-year increases and continue to build momentum for the second half of 2021. Further, transport FFO benefited from contributions from our U.S. LNG export terminal investment that closed in September 2020, somewhat offset by the partial sale of our Australian export terminal.

Looking at volumes for the quarter, activity across our transport networks continues to accelerate as government-imposed restrictions ease. At our rail operations, volumes increased 4%, relative to the prior year and were supported by a recovery to pre-pandemic carload levels and record operating efficiency at our North American rail business. Strong activity across both container and bulk products resulted in aggregate volume growth at our port assets of approximately 18%. Lastly, traffic across our toll roads increased approximately 30% as commuter volumes returned and heavy traffic levels remain robust.

During the quarter, our U.K. port operation secured several new commercial wins and contract enhancements which are expected to increase run-rate EBITDA by over $10 million and support approximately $30 million of capital projects. These initiatives will increase container and bulks capacity and are anchored by long-term, inflation-linked contracts protected by minimum volume guarantees.

Midstream

FFO for the midstream segment totaled $60 million, an increase of 14% from the prior year on a same-store basis. Results for the quarter reflect strong gas transportation volumes, as well as the commissioning of the second phase of the Gulf Coast expansion project, both at our U.S. gas pipeline. Results were offset by the previously announced sale of a 12.5% stake in the pipeline, which was completed in March.

Our midstream businesses continue to benefit from a strengthening commodity environment supporting customer growth plans and initiatives. This has led to several longer-term commitments from our customers, including a 15-year multi-facility contract from a major producer that will support the modernization of a key asset in western Canada. In addition, with the support of customers and community stakeholders, we are advancing several projects that, once operational, will continue to reduce carbon emissions and are evaluating the feasibility of hydrogen opportunities across our existing asset base.

Data

The data segment recorded FFO of $60 million, which was 40% higher than the prior year. This increase was primarily due to the contribution from the Indian telecom business acquired last year, as well as organic growth supported by the build-to-suit tower and fiber-to-the-home programs at our French telecom operation.

Our French telecom business continues to perform well, with local currency EBITDA increasing 13%, relative to the prior year. Organic growth within the business is being driven by strong interest from mobile network operator (MNO) customers for its in-place tower infrastructure and build-to-suit capabilities, which has resulted in our order backlog reaching an all-time high. During the quarter, we connected 41,000 new homes to our fiber network in France, bringing the total number of homes now connected to over 350,000. We expect this growth to continue as we complete the remaining 373,000 homes over the next 24 months.

Our Asia Pacific data storage business commenced construction of a data center in New Zealand and initiated a large-scale expansion at an existing facility in Adelaide, Australia. The site in New Zealand is our first in the country and is anchored by a contract with a leading global hyperscale customer. These projects will require approximately $135 million of capital (BIP's share – $40 million) and are scheduled for completion in the second half of 2022.

Balance Sheet

During the quarter we completed several initiatives to further strengthen our balance sheet and enhance our debt profile. Across our portfolio, we raised nearly $7 billion to refinance existing debt at attractive long-term rates. We also recently completed the latest phase of our capital recycling program, adding significant cushion to our liquidity position. Brookfield Infrastructure has received proceeds totaling nearly $1.8 billion thus far in 2021. This is nearly half of our planned capital recycling activity through 2023.

We maintain a dynamic approach to managing our debt maturity profile and de-risking the balance sheet, and with interest rates low everywhere, we are pushing out our maturities and lowering our overall cost of debt. Refinancing initiatives completed during the quarter include the following:

- **Reduced corporate interest rate exposure** – Completed a $250 million offering of 60-year subordinated notes at a fixed coupon of 5.0%. A portion of the proceeds are earmarked for the redemption of an existing series of approximately C$250 million perpetual Class A Preferred Units which have embedded interest rate exposure.
- **Refinanced approximately $3.9 billion of debt at our U.S. LNG export terminal investment** – Jointly with our partner, we extended the maturity profile at the asset-specific holding company in the institutional loan and bond markets. The new debt has an average term of approximately eight years and achieved pricing that is accretive compared to underwriting assumptions.
- **Raised 10-year bonds at our U.S. gas pipeline at fixed coupon of 3.25%** – Issued $725 million to opportunistically redeem an existing series. The issuance attracted substantial investor demand, evidencing robust appetite for high-quality and contracted midstream assets. With this issuance, the next maturity is not until 2027.
- **Refinanced nearly $400 million at our Australian ports operation** – Raised new bank debt with an average tenor of approximately five years at attractive pricing.

With respect to our asset rotation initiatives, the divestment of our Canadian and U.S. district energy platforms closed in June and July, respectively, and resulted in aggregate proceeds to Brookfield Infrastructure of approximately $1.0 billion. In addition, we received net proceeds of approximately $350 million from the previously announced carve-out of the smart meter portfolio at our U.K. regulated distribution business.

As we advance our pipeline of investment opportunities and organic growth projects, we have a robust balance sheet to support these initiatives and remain opportunistic in our approach. Total liquidity currently stands at $6.5 billion, of which approximately $5 billion is at the corporate level following the completion of the U.S. district energy sale in mid-July.

Strategic and Growth Initiatives

We continue to progress several exciting growth initiatives both through growth via acquisitions and organic opportunities within our existing businesses.

We have made significant progress with our bid to acquire IPL. On July 27th, IPL's Board of Directors formally recommended that existing shareholders accept our offer. This follows the termination of the proposed transaction with another company, and recommendations from two leading independent proxy advisors to vote against this competing transaction. We now expect a clear path to acquire the company, with the tender offer expiring tomorrow, August 6th. Based on conversations to date with many IPL shareholders, we are confident that we will progress with the privatization. We will deploy approximately $2 billion (BIP's share) in this essential midstream operation.

We also continue to push forward with various new investment initiatives, which leverage our core competencies. In July, we announced a joint venture with Digital Realty to develop and operate data centers in India. Our intention is to replicate our successful partnership in Latin America, where we have jointly developed nine data centers since 2019. India is a burgeoning data center market with the opportunity to develop urban sites for high-quality counterparties in the global cloud computing space.

To demonstrate the organic growth within our existing businesses, we highlight for you our U.S. transport operations. As many of you know, GDP grew at a 6.5% annual rate in the U.S. in the second quarter, and the economy now exceeds its pre-pandemic size. Our U.S. transport operations provide essential services that support vital economic and social activity. Many of our businesses stand to deliver stronger performance fueled by this robust economic recovery and have positioned their operations to accommodate increased economic activity. We have two assets in North America that exemplify this theme: Genesee & Wyoming ("G&W") and TraPac.

G&W

G&W is a large-scale rail operation with 113 short line railroads in North America (with three additional railroads in Europe) and 22,000 kilometers of track that forms a key component of the North American rail network. G&W generates resilient cash flows as a provider of critical last mile transport services to industrial customers and Class I rail operators. We have seen carloads for our core North American business increase 20% relative to the prior year and back in line with the same period of 2019. The rebound in rail volumes has helped G&W achieve strong revenue and EBITDA growth compared to 2020, with the company's operating efficiency metrics reaching record levels.

The critical first and last mile rail services, which connect Class I railroads to their end destinations, affords G&W the opportunity to strategically participate in industrial growth through two ways (in addition to capturing overall market growth); (i) customer-oriented organic growth projects; and (ii) accretive follow-on investment opportunities.

(i) *Organic growth projects* - One example of a growth initiative is the recent agreement with the Georgia Ports Authority to expand our rail services at the Port of Savannah. G&W will provide safe, reliable, and efficient rail services for the Port Authority's new Mason Mega Rail Terminal. This is significant as annual rail container capacity at the port, which already has the country's largest and fastest-growing container terminal, is expected to double with the completion of the project later this year. Other recent successful growth projects include the acquisition and planned expansion of a transload facility in California to accommodate agriculture and biofuel growth, and the development of a vehicle distribution facility in the Midwest for a major U.S. automaker.

(ii) *Follow-on opportunities* - G&W is also well positioned to (i) acquire and drive value to existing short-line railroads and terminals and (ii) benefit from consolidation and M&A activity in the U.S. rail sector. When Class I railroads either combine or acquire smaller networks, competition or operational considerations may create opportunities for G&W to participate, given its expansive network and reputation as an independent, reliable, and safe operator. For example, when CSX announced the acquisition of PanAm Rail in 2020, there were both ownership and operational complexities that created the opportunity for G&W to become the operator of the PanAm Southern, a critical rail connection into the Boston area, after successful completion of the transaction. Current merger activity in the sector could unlock additional opportunities.

Trapac

Similarly, our Trapac operation, located in the ports of Los Angeles and Oakland, operates container terminals in the largest and ninth largest ports in North America, respectively. These deep-water ports are near-irreplaceable and provide critical infrastructure for the import and export of goods into/from the United States. We invested in TraPac in 2014 and introduced automation at the Los Angeles terminal early in our ownership. We have developed one of the most environmentally friendly and lowest cost terminals in North America. TraPac therefore has a significant competitive advantage, is better able to weather various market conditions, and will capture higher margins as economic activity accelerates.

Driven by robust customer demand, volumes on a year-to-date basis are up 24% and 13% in Los Angeles and Oakland, respectively. We expect this trend to continue as container traffic continues to grow in the U.S.'s largest coastal import/export locations. Over the last few months, each of the major shipping alliances has contacted TraPac to inquire about available capacity, noting our strong reputation for reliable service.

Industry-leading turnaround times position TraPac as the terminal-of-choice for express services that offer faster transit times between Asia and North America. As e-commerce penetration expands, and retailers demand shorter lead-times, TraPac is uniquely positioned to capture more express services, increasing its volumes and driving market share.

Outlook

The outlook for our business for the remainder of 2021 is strong. The global economy is experiencing solid growth, low interest rates and a need for additional capital to fund large-scale investments in both developed and emerging economies. The combination of these market forces should bode well for our business.

IPL is poised to be a meaningful contributor to our results going forward as we shift focus to value creation. During our extended diligence period, we identified a number of strategic priorities for the company that will help drive top-line growth for the years to come. We are also progressing new investment initiatives in the data business. We are focused on using our competitive advantages of size, operating expertise, and access to significant capital to differentiate ourselves and secure new investment opportunities.

As global growth expectations continue to pick up, we are well positioned across each segment to capitalize on increased economic output and customer demand. In addition to higher volumes in our transport businesses, strong new home starts in the U.K. and North America should drive outsized growth in our residential distribution businesses, and sustained improvement in natural gas prices should result in higher market sensitive revenues at our midstream operations. In combination with elevated inflation levels and a contracted backlog of over $2 billion, we expect annual organic growth at or above the high-end of our 6 - 9% target range in the near term.

Lastly, capital recycling activity remains robust and is a key contributor to our solid balance sheet. The latest phase concluded with nearly $2 billion of net proceeds, and we continue to progress four processes to monetize other mature and de-risked businesses. We anticipate generating approximately $1.5 - $2.0 billion of proceeds in the next 12-18 months to recycle into new investments.

On behalf of the Board and management of Brookfield Infrastructure, we thank our unitholders for their ongoing support and look forward to providing a further update on these important initiatives at our annual Investor Day in New York on September 21st.

Sincerely,

Sam Pollock
Chief Executive Officer

August 5, 2021

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 favorable 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 impact of health pandemics, such as the COVID-19, on our business and operations (including the availability, distribution and acceptance of effective vaccines), 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.