Letter to Unitholders

Overview

Brookfield Infrastructure reported another strong quarter. Funds from operations (FFO) totaled $422 million, an increase of 16% compared with the third quarter of 2020. On a per-unit basis, results were 13% ahead of the prior year even after considering the impact of the BIPC share issuance in connection with the privatization of Inter Pipeline Ltd. (IPL). Strong organic growth continued in the third quarter as results benefited from global economic expansion, improving commodity prices and the impact of inflation on our revenue streams.

The most significant milestone for the quarter was the acquisition of IPL. In early September, we successfully completed the first stage of the privatization, acquiring shares through the tender offer process that brought our total ownership to 76%, alongside our institutional partners. On October 28, we acquired the remaining 24% not already owned, and subsequently delisted the company. In total we have deployed approximately $2.5 billion, funded with cash and $1.9 billion of newly issued BIPC equity. We are excited about the long-term value we believe we can create through our operating initiatives.

Looking at today's operating environment, the combination of constructive capital markets, healthy economic activity and low interest rates is driving three important macro-economic themes that are all very favorable for our business:

1. **Elevated inflation:** Whether through regulated frameworks or contractual entitlement, approximately 70% of our revenues are indexed to local inflation. This feature, combined with strong free cash flow conversion levels, is driving significant FFO growth within our base business.

2. **Higher commodity prices:** Although 80% of our midstream sector revenues are insulated from commodity prices, the remaining 20% are market sensitive revenues that should outperform in the current environment. Additionally, higher commodity prices result in more free cash generation for our counterparties, which not only strengthens their financial positions, but also can lead to increased volumes and customer-initiated growth projects.

3. **Supply chain bottlenecks:** Logistics infrastructure worldwide is under stress given the recent disruption to traditional supply chains. This puts a spotlight on the essential nature of our networks and facilities: When demand for our infrastructure is high, we tend to realize higher tariffs as customers compete for whatever remaining capacity is available. We also tend to generate more revenues from storage services.

In the near term, as these complementary market forces continue, our business is well-positioned to benefit from higher volumes, increased tariffs and new capital expansion projects.

Results From Operations

FFO of $422 million for the quarter reflects a 16% increase compared with the same period last year. Results were supported by strong growth from our base business and the initial contribution from IPL. Excluding the recovery of shutdown-related effects experienced in 2020, organic growth was robust at 9%. This includes inflationary tariff increases and the commissioning of over $800 million in new capital projects in the last twelve months. Current quarter results exclude the impact related to the sale of various assets, which raised almost $2 billion of net proceeds for Brookfield Infrastructure this year.

Utilities

The utilities segment generated FFO of $182 million compared with $169 million in the prior year. Organic growth for the segment of 7% reflects inflation indexation and the commissioning of over $400 million of capital into the rate base during the last 12 months. Results also benefited from the acquisition of the remaining interest in our Brazilian regulated gas transmission operation. Last year's results included our U.K. smart meter portfolio and North American district energy platform, which were divested earlier this year.

At our U.K. regulated distribution operation, connection sales exceeded those in the prior year by over 55%. This growth reflects the continued strength of our legacy utility connections, but also robust water connection sales, which have more than doubled relative to last year. The business also signed a 20-year agreement with Virgin Media to offer its TV and broadcast services across our fiber network. We now have long-term arrangements with both Sky and Virgin Media, two of the largest Tier 1 internet service providers in the U.K., positioning our fiber offering for continued growth.

Our North American residential infrastructure business continues its U.S. buildout. During the quarter, the business opened two greenfield locations that provide a hub for regional expansion and nearly doubled its U.S. dealer network to 77 dealers. This "capital-light" strategy should accelerate our growth plans. We are also in the final stages of formalizing a partnership with a residential generator manufacturer that will provide a rental alternative for its product line and an annuity-based revenue stream for us.

Our Colombian natural gas distribution operation recently launched a consumer lending business to extend financing for existing customers with strong credit histories. We have identified over 1 million customers as the initial target market for this opportunity. Consumer lending shares many parallels with the rental model at our North American residential infrastructure operation, and we have shared best practices and lessons learned. This is an exciting new line of business given its attractive margins and growth potential.

Transport

FFO for the transport segment was $181 million, an improvement of approximately 18% compared with the prior year. Results benefited from strong organic growth driven by economic recovery-fueled volumes and inflationary tariff increases. Growth is also attributable to a full-quarter contribution from our U.S. liquified natural gas (LNG) export terminal. Prior year results included a full contribution from our Australian export terminal, of which we sold a 22% stake in December 2020.

Our transport segment performed well during the quarter:

- Across our global toll road portfolio, traffic levels continued to improve throughout the quarter. On average, volumes were 14% above the same quarter of last year and 10% above 2019 levels.
- At our rail operations, tariffs were up 5% on average and volumes remain solid, supported by strong carload activity at our North American rail business, which increased by 8%.
- Our port operations performed well, with volumes up 7% over last year. Specifically, our terminal operation in Los Angeles successfully navigated historically high congestion levels, with our automated facility handling cargo on time and servicing the largest capacity vessel in its operating history.

At our U.S. LNG export terminal, strong demand from Europe and Asia, combined with an increasing reliance on LNG as a cleaner fuel, has supported contracting initiatives and higher prices. Approximately 85% of the terminal's capacity is underpinned by take-or-pay contracts, providing stable and predictable cash flows. The small portion of uncontracted capacity allowed the business to capitalize on the strong pricing market. Construction of the sixth liquefaction train is progressing well with substantial completion expected in the first quarter of next year, roughly one year ahead of schedule. Both the pricing environment and sixth train construction are well ahead of expectations at the time of our initial investment.

Midstream

FFO for the midstream segment totaled $103 million, an annual increase of more than 55%. Results reflect a partial contribution from IPL, in addition to strong gas transportation volumes and the benefit of elevated commodity prices across our existing businesses. Prior year results reflected an additional 12.5% ownership in our U.S. gas pipeline, which was sold in March.

Carbon abatement remains a focus across our midstream businesses to reduce emissions and improve the efficiency and competitiveness of our operations. In this regard, our Western Canadian midstream business was recently awarded a C$18 million federal government grant for clean technology initiatives and greenhouse gas reduction projects at its processing facilities.

The combination of reduced supply of traditional energy sources and the intermittency of renewable power generation has driven commodity prices to seven-year highs. While over 80% of our midstream revenues are insulated from commodity prices, our market sensitive revenues have outperformed expectations by approximately 20% and contributed to strong performance this quarter. The current pricing environment is not only good for our business, but also for our customers, who have strengthened their balance sheets and are generating significant free cash flow. This bodes well for future customer reinvestment into their operations as well as carbon reduction projects, both of which we are well-positioned to participate in and benefit from.

Data

The data segment recorded FFO of $58 million, a 16% increase compared with the prior year. This reflects a full quarter of results from our Indian telecom tower business and organic growth within our existing operations. The contribution from organic growth includes inflationary price increases and the build-to-suit tower and fiber-to-the-home programs at our French telecom operation.

Our U.K. tower business formally launched its U.S. indoor operations and secured its first project to provide carrier-neutral services to a Brookfield property development in California. This new platform has a large pipeline of potential initiatives and is coordinated with Brookfield's real estate group to identify incremental opportunities across its U.S. footprint. Within the U.K., the business is managing approximately 1,000 customer upgrades projects on its tower infrastructure, the highest in over four years, as telecom operators invest in their 5G networks.

In July, our Indian telecom tower business agreed to acquire a leading indoor coverage solutions provider in the country for total equity consideration of up to $120 million (BIP's share – $20 million). This strategic bolt-on acquisition complements the business and enhances the existing service offering. The transaction remains subject to regulatory approval and is expected to close in the first half of 2022.

Balance Sheet and Liquidity

We continue to focus on extending our debt maturity profile amid constructive credit market conditions. Liquidity across markets remains strong and we are well-positioned to attract long-term and fixed-rate capital. So far this year, we have raised, or have refinanced, approximately $11 billion of non-recourse financing at the asset level.

One example of a recent opportunistic initiative is an issuance at our Indian telecom tower business. In August, we completed the inaugural U.S. dollar offering to refinance acquisition bank financing and fund the continued buildout of new towers. The business has two investment-grade ratings and will pay a 2.875% coupon on the 10-year issuance. This transaction suggests broad market support for the highly contracted and growing tower operation.

During the quarter, we signed an agreement to divest Brookfield's remaining 34% stake in our Chilean toll road operation. The transaction is expected to close this month and will generate net proceeds to Brookfield Infrastructure of approximately $160 million. This equates to an enterprise value consistent with the prior sales in 2019 and 2020 and an overall investment internal rate of return of approximately 16%. Throughout our 10-year ownership period, we completed several important initiatives to improve toll usage tracking, optimize the cost profile and stabilize the business. Capital recycling initiatives have generated almost $2 billion in net proceeds thus far this year, and we continue to make meaningful progress on three current processes that, combined, should generate a further $1 billion over the next six to eight months.

Following the acquisition of a 76% interest (BIP's interest – 45%) in IPL, we ended the quarter with $4.5 billion of total liquidity, of which approximately $3 billion is at the corporate level. We will continue to have a healthy liquidity level following completion of the take-private of IPL to support our pipeline of advanced investment opportunities.

Strategic Initiatives

The broad market environment for new investment activity remains constructive. Our investment professionals are actively pursuing several opportunities of scale across our target sectors and geographies, and we expect our access to capital, local presence, and active operating approach to continue to be differentiating factors. We hope to advance these opportunities and provide an update in the coming quarters.

We completed the privatization of IPL on October 28 and have made good initial progress implementing our 100-day plan. Initial activities include driving the construction and commissioning of the Heartland petrochemical complex (HPC) to ensure an on-time start-up in 2022, identifying areas for optimization and efficiency post-closing and further identifying near-term commercial opportunities to improve profitability of the business. As part of the commercial review, we are highly focused on opportunities where we can assist customers in reaching their net-zero goals.

Earlier this week, it was announced that Brookfield's open-ended core infrastructure fund, alongside institutional partners, reached an agreement to acquire 100% of AusNet Services Ltd (AusNet), a publicly traded regulated utility company in Australia for approximately A$17.8 billion on an enterprise value basis (A$8.3 billion equity value). AusNet's business predominantly comprises three regulated networks in the state of Victoria: electricity transmission, electricity distribution and gas distribution. These are high-quality, critical, regulated utilities that provide essential services within Victoria and are part of Australia's backbone electricity transmission grid. The transaction is targeted to close in the second quarter of 2022, and BIP is expected to invest approximately $500 million, given the attractive going-in yield and significant growth opportunity from the expected future buildout of the company's regulated asset base.

2021 Investor Day Recap

As we highlighted at our annual Investor Day in September, we are excited about the outlook for our business. Along with economic tailwinds, our asset rotation strategy will drive meaningful growth in the near-term. The long-term outlook is equally favorable as the infrastructure super-cycle plays out and we create platform value across many of our portfolio companies. Together, these factors characterize the dynamic and resilient nature of our business.

We see meaningful growth opportunities in the near term.

- **The global economic recovery is driving organic growth.** The prevailing economic backdrop has contributed to record results for BIP. FFO per unit thus far in 2021 is approximately 17% above the prior year, supported by organic growth at the high end of our 6–9% target range. Specifically, volumes at our GDP-sensitive assets in the transport segment have rebounded significantly, and above-average inflation levels in our operating regions continue to drive top-line revenue.

- **BIP's asset rotation strategy is contributing strong FFO accretion.** We are selling mature assets and reinvesting the proceeds into businesses with materially higher going-in FFO yields. This is most notable when comparing the sale of our North American district energy business to the acquisition of IPL. These transactions will result in significant near- and medium-term accretion.

The going-in FFO yield of IPL is projected at 13%, increasing to over 16% once HPC is operational. When compared with a 5% cost on the capital raised from the sale of our North American district energy platform and BIPC shares issued as part of the IPL transaction, this creates up to 12% per unit accretion on a run-rate basis. Given the highly contracted and long-term nature of IPL's revenues, we expect this to improve over our investment horizon.

The long-term outlook is very favorable.

- **The infrastructure super-cycle continues as projected.** A year ago, we discussed the early-stage indicators of an infrastructure investment super-cycle. As government and corporate borrowing continues to rise to unprecedented levels, heavy reliance on private investment is inevitable. We are also pursuing "once-in-a-lifetime" opportunities to replace aging data infrastructure networks and assist in the transition of critical utility and midstream assets to more sustainable operating models. The latter has created opportunities to invest in essential, contracted assets at value entry points, best evidenced by our privatization of IPL. Today, critical transport assets are experiencing significant bottlenecks due to supply chain disruption, which should create meaningful investment opportunities to invest capital to increase capacity in the coming years. These trends are expected to provide tailwinds to the sector for the foreseeable future.

- **Creating platform value is a considerable opportunity for our business.** An important, but sometimes-overlooked, component of our strategy is developing asset platforms. Through both organic growth and follow-on acquisitions, we can create significant value that becomes apparent and measurable only once the business is monetized.

Building platform value requires substantial time and resources, both human and financial. As a result, efforts to grow our operations with this objective can have a meaningful financial impact. Premium valuations achieved on recent platform sales range from 33–100% over conventional asset monetizations. This strategy should lower the cost of capital implicit in our asset rotation strategy, and directly increase per-unit accretion.

Today we are building platforms across several business segments and expect to deploy over $5 billion into these initiatives over the next five years. During this period, we estimate that our contracted backlog will increase by approximately 50% to $3 billion. We are excited about this capital deployment opportunity since these projects have traditionally provided some of the best risk-adjusted returns.

Outlook

The past few months have been pivotal for our company. We closed several large asset sales at attractive valuations and reinvested the proceeds into a highly contracted and cash generative business. Meanwhile, we increased the BIPC public float, a key objective since launching the security in March 2020. Looking ahead, and as discussed at our Investor Day, we are experiencing tailwinds in several areas of our business and are confident in our ability to capitalize on new investment opportunities.

The current global economic environment is extremely supportive for our business, with the three components of organic growth all surging. Higher inflation and strong commodity markets will support top-line growth, as well as improve our already solid margins. Customer-initiated growth projects will likely continue to be boosted by higher commodity prices, and the significant strain on supply chain infrastructure should reinforce the criticality of our assets and lead to improved volumes and pricing. These trends provide a positive backdrop for our business and reinforce our belief that organic growth over the next year should be at the top end of our 6-9% target range. This, combined with the high levels of accretion achieved from our asset rotation strategy, should result in a run-rate FFO per unit that is over 20% above prior year levels.

On behalf of the Board and management of Brookfield Infrastructure, we thank our unitholders for their ongoing support and look forward to wrapping up another successful year.

Sincerely,

Sam Pollock
Chief Executive Officer

November 3, 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 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.