Letter to Unitholders

Overview

Brookfield Infrastructure delivered another strong quarter with funds from operations (FFO) of $525 million, which represents a 24% increase year-over-year. Our success was driven by above-target organic growth that continues to benefit from inflationary tailwinds and the successful commissioning and replenishment of our capital backlog. Last year’s outsized capital deployment, which included the privatization of Inter Pipeline, also meaningfully contributed to the increase in FFO.

Our solid financial position situates us well in this current market environment, where capital is becoming increasingly scarce. Liquidity across our business remains robust, as a result of the successful execution of our asset rotation strategy, prudent management of our balance sheet and high-quality asset base. Furthermore, the high proportion of fixed-rate debt in our capital structure has insulated us from rising interest rates, and the large component of cash flows generated in or hedged to the U.S. dollar has largely protected us from foreign exchange volatility in the current period.

During our 13-year listed history, we have made several deep value investments in marquee regulated or contracted assets. Examples include the privatization of Babcock & Brown Infrastructure in 2010 and the acquisition of two Brazilian utilities during a period of political turmoil in 2016. These investments have provided unitholders with some of our strongest returns realized to-date and are a direct result of our contrarian approach to investing, as well as our access to flexible and large-scale capital. We believe our competitive advantages will continue to allow us to make deep value acquisitions during periods of market dislocation, like we are currently experiencing.

With $2.8 billion of capital deployed to date during 2022, of which approximately $1.9 billion is expected to close in the next few months, we are well on our way to achieve our objectives for 2023.

Operating Results

FFO per unit of $0.68 increased by 15% compared with the same period last year. Results were supported by strong growth from our base business and the contribution associated with recently completed investments. Organic growth for the quarter was robust at 10%, reflecting the benefits of elevated inflation impacting tariffs and the commissioning of approximately $1.2 billion of capital projects in the last 12 months. Additionally, approximately $2 billion of capital was deployed in acquisitions over the same period that contributed to results.

Utilities

FFO from our utilities segment was 8% above the prior year at $196 million. The base business benefited from inflation indexation and the commissioning of approximately $500 million of capital into the rate base during the last 12 months. Results also benefited from the contribution of two Australian utility acquisitions completed earlier this year. The positive contributions were partially offset by the impact of increased borrowing costs at our Brazilian utilities, as well as the prior year contribution from our North American district energy platform that we sold last year. Removing the impact of additional financing costs and capital recycling, FFO increased 10% over the same period last year.

Our U.K. regulated distribution business continues to succeed in its multi-utility offering, with connection sales in the quarter exceeding the prior year by 5%, driven by electricity and water sales. Installations are 20% above prior year and the orderbook remains at a record level of 1.5 million connections.

In September, our North American residential infrastructure business completed a tuck-in acquisition of the largest Quebec-based rental water heater provider, with 280,000 customers under contract. This investment expands our geographic footprint and will serve as a base for expansion into Eastern Canada. It also provides a platform to expand into new products and sales channels in that region.

During the quarter, our North American submetering operations partnered with Brookfield's real estate business to expand operations into the Brookfield-managed residential portfolio, securing an agreement to take over the metering for over 45 multi-family buildings across 15 U.S. states. This strategy has been successful for us in the past, specifically at our district energy platform and now in our indoor systems business, where we can accelerate growth plans by leveraging the Brookfield ecosystem.

At our European residential infrastructure business, we are advancing the roll out of the heat pump rental product launched last quarter. Offering customers a financing solution to reduce the upfront cost has led to approximately 1,400 units sold in the first four months, exceeding our expectations. We are now focusing on installation efforts as we continue to build up our rental backlog. To complement our heat pump offering in Europe, we plan to launch a solar product in the near-term to provide energy optionality and grid independence to customers.

Transport

FFO for the transport segment was $203 million for the quarter, an increase of 12% compared to the prior year. Results benefited from strong organic growth driven by higher rates in line with inflation and stronger volumes. At our diversified terminals, volumes were up 7% compared with the prior year driven by our U.S. LNG export terminal that commissioned a sixth commercial liquefaction train earlier in the year. Volumes at our rail operations were up 2% over the prior year, and tariffs at our Brazilian rail operation benefited from a 20% increase, which more than offset the impact of foreign exchange. Across our global toll road portfolio, traffic levels increased 3% compared to the prior year, while tariffs increased over 10%. Prior year results included contributions from businesses that were sold including our U.S. container terminal in the second quarter and our Chilean toll road operation in 2021.

Our Australian export terminal recently announced that it had agreed on access pricing with all its existing users for a 10-year period, to be applied retroactively from July 1, 2021. The new rate reflects a 29% increase to the previous framework, with all users subject to 100% take-or-pay volumes and annual price escalation for inflation. This outcome provides significant cash flow certainly while preserving the strong contractual protection associated with this critical infrastructure.

Midstream

Our midstream segment generated $172 million of FFO, an approximately 65% increase over the prior year. This result was primarily due to the contribution from our diversified Canadian midstream operations (Inter Pipeline), which only partially contributed in the comparable period. At a base business level, results continue to be strong with high utilization of our infrastructure and elevated market sensitive revenues.

Recently, our U.S. gas pipeline reached a negotiated settlement agreement with our customer base. This agreement provides rate certainty for the small portion of our business that is subject to max rates for the next five years. We anticipate any impact on our future FFO to be more than offset by various commercial opportunities we see in the current natural gas environment.

We remain on track with our ramp up of the Heartland Petrochemical Complex (HPC). In October, our propane dehydrogenation plant, which processes propane into polymer grade propylene, commenced production. Having completed commissioning of the back-end of the complex earlier this year, this step completes the integrated start-up. During the quarter, we commenced our first product sales, with total sales volume of approximately 18 million pounds.

We continue to pursue carbon reduction initiatives to advance our ESG program. Inter Pipeline and our Western Canadian natural gas gathering and processing operation were awarded rights to potentially develop carbon capture and sequestration hubs near our facilities. We believe that these initiatives will not only significantly reduce emissions and demonstrate our commitment to sustainable operations, but also further develop commercial relationships with upstream customers.

Data

Our highly contracted data businesses continue to perform well in the current environment with FFO increasing to $60 million for the quarter. Underlying growth from additional points of presence, incremental megawatts commissioned, and inflationary price escalators were partially offset by the impact of foreign exchange during the quarter.

In July, our U.K. wireless infrastructure operator activated indoor systems in three separate branches of the U.K.'s largest shopping mall. These are the largest indoor systems activated since acquisition and the arrangement will be underpinned by a 20-year contract. Operationally, the business has benefited from the inflationary environment through contractual price escalation, which has more than offset the impact of higher operating costs.

During the quarter, our Indian tower operations entered into a commercial arrangement with Vodafone India, allowing it to onboard tenancies across our 154,000 towers. Vodafone is the third largest mobile network operator in the country and has approximately 25% of wireless subscriber's market share. We have now secured arrangements with the four largest mobile network operators in India, which positions the business to capture additional tenancies as wireless device demand grows in the country.

Balance Sheet and Liquidity

In recent months, central banks have intensified their hawkish policy stance, reiterating their commitment to reducing inflation to target levels through future rate hikes. This rising rate environment, combined with heightened inflationary pressure has reduced investor risk appetite, creating dislocation in the debt markets as lenders are being more selective with their balance sheets. Despite this volatile backdrop, capital markets remain supportive of our business given our investment grade credit profile and the highly contracted and regulated nature of our cash flows.

During the quarter, we continued to access the capital markets to proactively extend near-term maturities. Our financing strategy has proven successful as less than 2% of our asset-level debt matures over the next 12 months. In addition, we have significant corporate liquidity of $2.3 billion that will increase to nearly $3 billion following the completion of secured asset sales. Notable financing initiatives completed recently include:

- Our North American gas storage business obtained new bank financing to redeem $375 million of senior notes maturing in 2023 and provides us with improved financial flexibility.

- Our Brazilian gas pipeline refinanced $1 billion of debt maturing in 2023 through the issuance of new local debentures and offshore bank financing, extending the average term by five years and significantly de-risking the balance sheet.

- Subsequent to quarter-end, our Australian rail network obtained commitments for $325 million of fixed-rate, private placement debt to refinance debt maturing in 2023 and 2024. The issuance benefited from strong investor demand and included tranches with 10-to-15-year terms and priced in-line with the cost of maturing debt.

Our corporate balance sheet remains well capitalized with no corporate maturities until 2024. We also continue to maintain an active currency hedging strategy to protect our cash flows and investment values, with over 80% of our FFO generated during the quarter denominated in or hedged to the U.S. dollar. This prudent risk management approach has served us well through the recent currency volatility.

Earlier this year, we signed agreements to sell three mature businesses for approximately $600 million of proceeds. These sales were in addition to the sale of our U.S. container terminal that closed earlier this year for approximately $350 million. Of the three secured sales, our New Zealand telecom tower portfolio sale closed November 1st, our Brazilian electricity transmission lines are expected to close in November and the Indian toll roads are on track to close by year end. In addition, several sales processes are underway that, combined, are expected to generate approximately $1.5 billion of proceeds.

Strategic Initiatives

In August, we announced a partnership with Intel Corporation to invest in a $30 billion semiconductor foundry in Arizona. Brookfield will be providing approximately $15 billion over the construction period for a 49% interest in the facility. The majority of our capital commitment has been sourced from non-recourse debt, with base interest rate exposure fully hedged concurrent with signing. Moreover, the majority of the Brookfield's approximately $2 billion equity investment ($500 million net to BIP) is back-end weighted closer to the operational phase of the project.

This investment is structured to achieve an attractive risk-adjusted return. We draw parallels to other data investments such as hyperscale data centers that are generally contracted on a long-term basis, with highly creditworthy counterparties, where we do not assume technological risk. In this instance, we view Intel to be a creditworthy and market-leading partner. The transaction is expected to close by the end of 2022 and is thematically an example of the large-scale capital required to support the onshoring of critical supply chains.

For the balance of the year, our focus will be on closing the remaining two announced transactions, HomeServe and DFMG, in Q4 2022 and Q1 2023, respectively. Once closed, we will transition our focus to the execution of our growth plans in both businesses.

- At HomeServe, we are splitting the company's U.S. and European operations to integrate them with existing portfolio businesses in each geography. We plan to accelerate growth by expanding our residential infrastructure product and service offering to a wider customer base.

- At DFMG, we are acquiring a marquee portfolio of 36,000 towers in Germany and Austria that also includes a greenfield development portfolio of an additional 5,200 build-to-suit towers. These additional towers are to be constructed over the next five-years and underpinned by the credit quality of Deutsche Telekom. In addition to the built-in organic growth, we plan to use this business as a platform for follow-on opportunities in the fragmented European telecom tower market.

2022 Investor Day Recap

At Brookfield Infrastructure's annual Investor Day, we emphasized our record financial performance and outsized level of asset rotation activity during 2022. Going back a decade, we demonstrated how our track record of providing growth in FFO has resulted in a 9% compound annual growth rate in per-unit distributions over the same period. We expect that 2023 will be another strong year, with FFO per unit growth above our target range. Our remarks were framed around the current macroeconomic tailwinds influencing our organic growth and capital deployment plans.

The power of compounding organic growth during this unique operating environment. Our ability to deliver organic growth, at the high-end or above our targeted 6-9% annual range, can be broken down into four elements:

- **Higher inflation.** Our business is uniquely positioned to benefit from inflation. Approximately 70% to 75% of our EBITDA is favorably impacted by inflation, with another 10% to 15% margin protected through fee-for-service models. In most geographies where we operate, inflation remains elevated and we expect to continue capturing above-average inflation in our results.

- **Record capital backlog.** Our backlog is at record levels, providing high visibility into near to medium term capital expenditures. We plan to shortly commission the Heartland Petrochemical Complex and a portion of our Brazilian electricity transmission portfolio and have them begin generating cash flow for our business. These projects combined will add approximately $2 billion to our asset base, which is more than replaced in our backlog by the Intel transaction, which adds $3.7 billion of future capital expenditures at our share.

- **Accretive asset rotation.** The current phase of asset rotation is expected to be highly accretive due to outsized organic growth profiles associated with our new investments. Through the acquisitions of HomeServe, DFMG, Uniti, Intellihub and AusNet, we expect to add $300 million of contracted growth over the next three years, as compared to approximately $10 million for the assets we sold.

- **Capital structure.** Proactively managing our capital structure and foreign exchange risk will enable the three key elements of organic growth noted above to compound without being materially impacted by rising interest rates and foreign exchange volatility in the near-term. Currently, 90% of debt issued outside of Brazil is fixed rate and over 80% of our FFO over the next 24 months is expected to be denominated in, or hedged to, the U.S. dollar.

The "Three Ds" driving deployment. Three prominent macroeconomic themes have resulted in Brookfield Infrastructure effectively securing our annual new investment target of $1.5 billion for 2022 and 2023. We believe these themes will continue to create significant investment opportunities going forward.

- **Digitalization** refers to investment opportunities derived from exponential increases in data consumption. Large scale capital is required for greenfield development or the retrofit of digital backbone infrastructure, including fiber, wireless infrastructure and data centers.

- **Decarbonization** investment opportunities for Brookfield Infrastructure relate directly to investments in utilities or residential energy infrastructure businesses that benefit from capital deployed to reduce or eliminate emissions from the expansion of their networks or installation of new energy efficient products.

- **Deglobalization** supports the reshoring of essential and strategic manufacturing processes and supply chains.

All three “mega trends” are expected to drive significant capital deployment opportunities for Brookfield Infrastructure in the years to come.

BIP is an excellent investment choice during uncertain times. Our financial resilience is rooted in the highly contracted nature of our cash flows and strong balance sheet. We have exceptionally solid growth in front of us, and a lot of that has to do with the tailwinds behind our organic growth as well as the secular trends that are providing tremendous opportunities to deploy capital in the coming years.

Outlook

Elevated inflation levels and rising overnight lending rates will remain the primary near-term macroeconomic factors impacting the global economy. The current tone from most central banks is that interest rates will continue to rise until rates of inflation have fully abated to their target levels. While lower economic growth and higher interest rates will be unpopular, given the recent events in the U.K., most governments will defer to central banks to achieve their inflation objectives. Consequently, the investment themes for the balance of 2022 and 2023 will likely be centered around operating margin resilience and financial strength. This investment environment should therefore favor companies that have strong balance sheets and access to capital, as well as business models that are immune to inflationary pressures.

We are well positioned from an M&A perspective for 2023. Given the transactions we have secured, our capital deployment objectives for 2023 have already been met. In the event that institutional infrastructure investors pause their investment activities to take stock of the current environment and recalibrate their strategies, this would provide us with a unique opportunity to pursue investments with reduced competition.

Brookfield Infrastructure performs well in all business environments. We have adhered to our financial strategy, with a capital structure comprised of long-term debt at fixed rates, limiting the impact rising interest rates has on our business. Also, a significant portion of our revenue frameworks have embedded inflation indexation, which allows us to expand our margins during periods of higher inflation. These factors, combined with our substantial capital backlog, should allow us to continue to grow our FFO at our targeted levels for the foreseeable future.

The Board and management team are excited about the balance of the year for Brookfield Infrastructure and wish to thank our unitholders and shareholders for their ongoing support.

Sincerely,

Sam Pollock
Chief Executive Officer

November 2, 2022

Cautionary Statement Regarding Forward-looking Statements

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, 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.