Letter to Unitholders

Overview

Financial results for Brookfield Infrastructure in the third quarter were solid, reflecting the regulated and contractual cash flows that underpin our operations. Our results continue to benefit from solid organic growth across the business, driven by inflation-indexation across the majority of our businesses, higher volumes delivered through our transport and energy networks, and the commissioning of growth projects into earnings.

It was an active year on the capital deployment front, having exceeded our annual new investment target of $500 million to $1 billion. We recently invested over $600 million in the North American Residential Infrastructure business. In addition, we advanced the acquisition of our western Canadian midstream business, where we will be deploying $525 million. We recently closed on the Provincially regulated portion of the business, investing $265 million, and expect to close the Federally regulated portion in mid-2019. We also continue to advance on closing three other transactions, in which we will deploy approximately $600 million. These investments are expected to generate an average going-in Funds from Operations (“FFO”) yield of over 10%.

Looking ahead, we are very well-positioned to generate strong FFO per unit growth of almost 20% on a run-rate basis, beginning in the second half of 2019. With the recent deployment of capital, this makes up for the FFO gap from the recent dispositions of assets. More importantly, the future upside in the acquired assets is expected to be substantial and this will stand us in good shape to continue to grow our FFO.

Results of Operations

Our business generated FFO of $278 million, or $0.71 per unit, during the third quarter of 2018. Results benefited from another period of strong organic growth, which enhanced our results by 8% on a constant currency basis. We are very pleased with the performance of each of our operating groups, as our businesses continue to perform, in most cases, ahead of their plans. Notwithstanding the fact that our current period results were impacted by the loss of income from a very successful asset sale and the impact of a stronger U.S. dollar, underlying fundamentals are strong and our outlook remains positive for the balance of the year and beyond.

The utilities segment generated FFO of $130 million, benefiting from solid underlying performance and same-store income that increased 4% year-over-year. The increase was partly due to substantial connection activity in our U.K. regulated distribution business as well as capital commissioned into our rate base. This compares to $170 million of FFO in the same quarter last year which included our Chilean operations, sold last quarter, a debt financing recently completed at our Brazilian regulated gas transmission business (and hence less invested capital), as well as the impact of foreign exchange.

At the end of July, our U.K. regulated distribution business’ order book reached one million connections – its highest ever. We have secured 129,500 connections to date in 2018, 10% ahead of the prior year, which was a record year for this business. Year-to-date sales are strong, including several notable deals in the third quarter. We are also very encouraged by our current projections that indicate this momentum is sustainable heading into 2019.

We recently acquired a controlling stake in Gas Natural Colombia, the second largest gas distribution network in the country. Since closing, our asset management team has been very focused on transitioning the company into a decentralized operating business. We recently hired a new CEO and internalized a number of processes which were previously provided by its parent. We are also working towards executing several exciting growth opportunities in this business over the next 6-12 months.

The transport segment contributed FFO of $119 million. Results were positively impacted by higher tariffs charged at each of our operating groups. Results at our rail business benefited from increased agricultural volumes but these positive impacts were offset by lower volumes from our minerals customers, and the handback of one of our state concessions in our Brazilian toll road business. FFO in this segment was also reduced by $15 million as a result of foreign exchange, primarily the result of the conversion of income from our Brazilian business to close to 20% lower FFO in U.S. dollars.

The energy segment reported FFO of $59 million in the third quarter. This represents a 23% increase over the same period in the prior year, reflecting higher transport volumes due to strong gas production growth across North America. Our district energy operations benefited from new customer additions and warmer weather, which increased throughput in our North American business.

Our North American natural gas transmission business commissioned the first phase of its Gulf Coast expansion on October 1. The project, which required a total capital investment of $100 million (net to BIP), was delivered on-time, on-scope and within budget and is expected to increase EBITDA by roughly $25 million per year. Concurrently, one of the large LNG producers in the region has also announced a project to increase capacity at its Corpus Christi facility, and as a result, we will be proceeding with phase two of NGPL's Gulf Coast expansion, which will require $230 million of capital for annual EBITDA of $50 million (BIP's share – $115 million and $25 million, respectively).

Our North American district energy business was recently selected to own and operate two large-scale systems in Colorado and New York State. The City of Denver engaged our business to plan and build a system for the National Western Centre, a newly-designed three million square foot "smart" campus. This 250-acre facility will double the footprint of the previous building and is expected to attract over two million annual visitors and host over 400 annual events, including Colorado's largest agricultural convention. Additionally, our business was selected by a prominent U.S. educational institution to exclusively negotiate a transaction to acquire, modernize and manage its district energy system. The project consists of three plants, and the distribution infrastructure will ultimately consist of over six miles of steam piping and over two miles of chilled water piping. These opportunities are high-profile, strategic wins that expand our U.S. footprint, and on a combined basis represent total investments of approximately $300 million (BIP's share – $120 million), through long-term concession contracts, backed by high-quality investment-grade counterparties.

The data infrastructure segment contributed FFO of $19 million for the period, which was consistent with the prior year. During the period, we were very pleased to have won the tender for the renewal of our Eiffel Tower lease, allowing us to continue broadcasting frequencies to one-fifth of the French population from the top of this landmark. This 10-year extension goes into effect in March 2019, adding to the stability of our broadcasting platform. We also completed the commercial launch of our first fibre-to-the-home tender. Our business rolled out 25,000 connections and has received positive commercial feedback. This is a meaningful milestone for this business.

Balance Sheet & Financial Risk Management

During the period, we also focused on replenishing our corporate liquidity. In anticipation of completing several investment initiatives, we enhanced our liquidity through a number of very successful capital issuances, raising C$750 million in the Canadian debt and preferred share markets which brought corporate liquidity to almost $2.5 billion at the end of October. With this level of liquidity, we are able to fully fund all our committed transactions and organic growth backlog.

A weakening Brazilian real and lower rates on our Australian dollar and British pound hedge contracts reduced results by $40 million during the period. We expect this negative trend to reverse in the future, as our average hedge rates for the next two years are over 5% higher than 2018. In addition, we are of the view that the Brazilian real will recover from these near trough levels, which was impacted in the quarter from the uncertainty surrounding the country's recent elections, which is now behind it. We recently executed on our hedging strategy with respect to our near-term cash flows from Chile, Colombia and Peru. We are also prepared to enter into hedge contracts to lock-in a portion of near-term cash flows generated in our Brazilian businesses, should there be a continued recovery in that currency. It is our objective to have between 80-85% of our total FFO be either generated in or hedged back to the U.S. dollar.

A Year of Asset Rotation

Our annual Investor Day took place in New York in September and we were pleased to have so many of you come out and join us. For those who were unable to join, we invite you to view the presentation on our website.

A significant portion of our recent investments have been in the midstream energy space, so we took the opportunity to feature this sector as our special topic. Over the past three years, our energy business has experienced transformative growth. We have built a global portfolio of attractive energy assets and grown cash flows by nearly four times. Soon spanning four countries, these operations play a key role in the gathering, processing, storing and transporting of natural gas. We built this business by capitalizing on contrarian views during periods of dislocation and market volatility. To summarize, there are three key reasons why we have confidence in the midstream sector:

i. **Core infrastructure characteristics** – these assets are strategically located, difficult to replicate and have a strong contracted cash flow profile. Their scarcity value is supported by the fact that they are often the only connections between supply and demand centers.

ii. **Significant growth potential** – with the emergence of new resources and growing demand, there is a large funding gap for infrastructure build-out, making these assets primed to benefit from future growth.

iii. **Well-established owner/operator** – with almost 40 years of energy investment experience across Brookfield, we have deep institutional knowledge and access to market intelligence, which provides us with a competitive edge in identifying discrete opportunities.

The scale of the North American natural gas market is unparalleled, given the massive transformation we've seen over the last 10 years. Both supply and demand are at all-time highs, requiring substantial amounts of infrastructure to help move and store this commodity. We believe that there is approximately $150 billion of energy infrastructure investment opportunities in the U.S. alone. This is comprised of roughly $100 billion of capital required for midstream development through 2021, with the balance representing potential investments in MLPs, many of whom are seeking structural simplification. This has created a large pipeline of prospective proprietary transactions of scale, through corporate carve-outs, partnerships and privatizations.

At the investor meeting, we also provided a deep-dive into our capital allocation model and how our businesses' cash-generating capabilities support our ability to fund organic growth. In allocating every dollar of FFO, we typically invest about 20% to satisfy maintenance capex obligations, with another 15% going into smaller, recurring growth projects, and the remaining 65% being utilized for distributions to unitholders. New investment activities and large-scale expansions will continue to be funded from asset sales and capital market raises.

Lastly, we focused on asset rotation. Capital recycling has been a critical component of our full-cycle investment strategy and we addressed why it is so important to our business:

i. **Key value creation lever** – most infrastructure assets reach a maturity point, where the pace of capital appreciation or same-store growth levels out. Capital appreciation is maximized in periods where there are operational improvements, increased capacity utilization and capital expansion. Absent these factors, we would generally consider these assets to have mature income streams. At this point we will look to sell them at attractive returns and redeploy the proceeds into new income streams that will earn our 12-15% target returns. This was the case with our Chilean Transmission business, which we sold for $1.3 billion. Essentially, we exchanged an asset generating a 7% FFO yield for newly acquired utilities, data infrastructure and energy businesses that will provide an 11% FFO yield on an annualized basis.

ii. **Alternative source of capital** – we sometimes issue equity to fund growth, however capital markets aren't always available and thus capital recycling becomes an important alternative source of funding. It allows us to be more strategic and focus on selling bond-like businesses at a very low discount rate, while increasing returns to unitholders by avoiding dilution on our high-growth businesses.

iii. **Institutes capital discipline** – to us it is imperative that businesses are sold to maximize proceeds, not when cash is needed. Selling under duress almost never optimizes value. While our approach may result in periods where we have substantial liquidity which results in a short-term drag on results, as long-term investors, we believe it is the best way to create value over the long run.

Our capital recycling track record shows we have realized $3.3 billion of proceeds at a cumulative IRR of 25%. Looking at the next six to 12 months, we have set a target of generating $500 million to $1 billion through capital recycling. We are also targeting over $5 billion in asset recycling proceeds over the next three to five years. We will continue focusing on disposing businesses that are mature, de-risked and should attract significant institutional interest.

Update on Strategic Initiatives

As previously communicated, we will be investing up to $1.7 billion into new investments. Over the past few weeks, we have invested approximately $900 million of this amount, including $630 million in a North American Residential Energy Infrastructure business. In addition, we have completed the first phase of our Western Canadian Midstream business acquisition, with phase two on track to close in mid-2019. Here are notable updates on other current initiatives:

i. **U.S. and South American Data Center Businesses** – in the third quarter, we reached an agreement with a strategic partner to acquire a co-controlling interest in Ascenty, the leading hyperscale data center operator in South America, for $2 billion. Brookfield Infrastructure and its institutional partners will be investing $750 million (BIP's share – approximately $200 million) and expect to close this transaction, along with the acquisition of our U.S. data center business, by the end of 2018.

ii. **Indian Natural Gas Pipeline** – we are in advanced bilateral discussions to acquire a 1,500 km gas pipeline in India. This well-located pipeline draws from a prolific basin and spans the country from east to west. It will also provide secure cash flows generated under a 20-year take-or-pay contract. If successfully concluded, total equity invested by Brookfield Infrastructure and its institutional partners will be approximately $1 billion, of which BIP will invest approximately $200 million.

Outlook

From a global macroeconomic and political perspective, the third quarter has been eventful. Headlines were dominated by concerns over a global trade war, volatility in the capital markets as a result of rising interest rates, political uncertainties with respect to Brexit negotiations and elections in South America. However, at an operational level, none of these events have had a meaningful direct impact on our overall fundamentals, and business conditions remain solid in all of our key markets.

All in all, our outlook is positive as our financial position remains strong and much of the business is underpinned by networks with high barriers to entry and cash flows that are highly regulated and contracted. We believe that Brookfield Infrastructure's investment and corporate finance strategies should allow the company to prosper in any economic conditions. Looking ahead, elements of our strategy that provide us with confidence include:

- A globally diversified business and prudent hedging policy to insulate cash flows from fluctuations in the U.S. dollar
- A self-funded organic growth model which provides ample opportunity to deploy capital accretively as we continue to advance value-based M&A initiatives
- An investment-grade rated structure, with a well-laddered debt maturity and fixed rate profile, that will mitigate any near-to medium-term impact from rising rates

Our primary focus for the balance of the year is to close our advanced transactions, integrate our newly acquired businesses into our various operating groups, and execute on our organic capital project backlog, bringing these projects to completion on time, scope and budget. We are also seeing many opportunities to continue expanding our globally diversified business with very high-quality investments, and we have tremendous flexibility and financial resources available to pursue these initiatives.

On behalf of the Board and management of Brookfield Infrastructure, I would like to thank all our unitholders for their ongoing support. I look forward to updating you on our progress.

Sincerely,

Sam Pollock
Chief Executive Officer

November 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.