Letter to Unitholders

Overview

As we look back on 2018, it was an active and successful year. We completed many key priorities and enhanced our overall business with a number of strategic investments. Over the years, Brookfield Infrastructure has evolved in terms of the scale of our business, and the growth and maturity profiles of our assets. We have also taken strides to re-position our funding strategy, allowing us to become self-reliant in funding our growth. We have accomplished this by executing well on our asset rotation strategy, which is an integral component of our full cycle investment plan.

The ability for us to buy and sell assets is important because it enables us to capture extra value for you. Our goal is to buy higher growth businesses, where we can apply our operational expertise, thus earning higher returns. These investments are funded with proceeds generated from the sale of mature, de-risked businesses to investors with lower return hurdles. The value arbitrage between the two can be quite meaningful to our results. This strategy, in addition to being an alternative source of funding, allows us to utilize the capital markets on an opportunistic basis to fund our growth.

Going forward, we expect the majority of our growth to be funded by the proceeds from asset sales and cash flows retained in the business. This is different than when we started the business 10 years ago. In previous years, we issued equity to fund much of our M&A investments and large-scale capital projects. Even though our funding model is evolving, we still have excellent access to the capital markets. As a result, we may nonetheless issue equity when we have outsized investment opportunities or in circumstances when it makes financial sense, but we are not dependent on this approach anymore.

2018 Highlights

The following is a summary of our most notable accomplishments during the year:

- **Significantly expanded presence in North America**. Acquired a leading provider of essential residential energy infrastructure and the largest independent natural gas gathering and processing business in western Canada. In total, we committed $1.9 billion of capital to new investments in 2018, of which $1.3 billion was deployed in North America.
- **Invested approximately $800 million in organic growth capital projects**. These projects will increase our utilities' rate base and expand our transport, energy and data infrastructure networks. We expect these projects to grow our EBITDA by 10% on a run-rate basis, once fully on-line.
- **Executed on capital recycling program**. We opportunistically completed the sale of our Chilean electricity transmission operations, generating an IRR of 18% and net after-tax proceeds of $1.1 billion. We also recently signed agreements to sell up to 33% of our stake in our Chilean toll roads, and currently have another five sale processes that are being progressed. In total, we expect to generate net proceeds of $1.5 - $2.0 billion in the next 12 - 18 months from these sales.
- **Strengthened financial position**. We enhanced our corporate liquidity position by accessing the capital markets on an opportunistic basis and raising a total of $800 million through a series of debt and preferred share issuances. We also completed over $1.5 billion of refinancings during the year, and with that, we currently do not have any single significant maturity to deal with in the next five years.

Based on our strong performance, robust liquidity position and positive outlook for the business, our Board of Directors approved a 7% increase in our quarterly distribution to 0.5025 cents per unit in 2019, which marks our tenth consecutive year of distribution increases. This year's distribution increase is at the mid-point of our long-term target range. In setting our distribution level, we decided to retain greater cash to fund our growing backlog of organic growth projects which we expect will generate very strong risk-adjusted returns.

Results of Operations

Our business generated FFO of $1.23 billion during 2018, or $3.11 per unit. While FFO benefited from solid organic growth of 8% compared to 2017, results were impacted by the loss of income associated with asset sales and the time required to redeploy the proceeds. In addition, a stronger U.S. dollar reduced results by approximately $100 million, compared to the prior year.

The utilities segment contributed FFO of $576 million compared to $610 million for the prior year, which included approximately $60 million of additional income from the transmission business we sold in 2018. Underlying performance remains strong, reflecting the benefits of capital commissioned into our rate base and inflation-indexation, which have increased FFO by 5%. These benefits were partially offset by the loss of income associated with the sale of our transmission operations in Chile and higher borrowing costs relating to a debt financing at our Brazilian regulated gas transmission business, both of which were completed in the first half of the year. Results for our utilities segment were also impacted by foreign exchange, which reduced earnings for the year by over $60 million.

Our U.K. regulated distribution operations achieved another record year across all key performance indicators, including new sales and completed connections. At the end of July, our order book exceeded one million connections for the first time and increased further to 1.05 million by the end of the year. Momentum in this business has been sustained by robust growth in home completions in the country and wide acceptance of our multi-utility offering by homebuilders.

We recently secured two exciting growth opportunities for our utilities business. At our North American electricity transmission operation, we obtained the necessary approvals to proceed with the construction of a 24 kilometer line connecting our operations to the largest electric utility in Texas. The project will require an investment of $33 million and should be complete by 2022. At our South American gas distribution operations, we successfully secured a 10-year contract to supply natural gas to Bogotá's municipal bus fleet, securing over half of the awarded buses. We will be supplying the largest urban bus system in Colombia, serving 2.5 million passengers daily. Construction of new bus fueling stations will begin shortly and is expected to take 12-18 months to complete. This will require a total investment of $20 million (BIP's share – $3 million), and will generate approximately $7 million (BIP's share – $1 million) of incremental EBITDA annually.

Our transport segment generated FFO of $518 million for the year, which was modestly lower than the prior year. Results on a constant-currency basis actually increased by 5%, as our operating groups benefited from inflationary tariff increases and GDP-linked volume growth, arising from solid economic fundamentals in the majority of the regions in which we operate. In particular, results reflect strong agricultural volumes at our rail operations and higher levels of traffic at our port assets. These positive effects were partially offset by lower mineral volumes at our Australian rail operations, the impact from the handback of one of our state concessions in our Brazilian toll road business, and the impact of foreign exchange, which reduced our results in U.S. dollar terms by approximately $40 million.

Our port operations delivered strong financial performance for the year, with FFO increasing 4% on a constant-currency basis. The improvement in results was primarily driven by strong container volumes in most of our core markets around the world. On average, volumes were up by 3%, and in aggregate, our business currently delivers over 6 million lifts per year, which is 6% higher than the prior year. The growth in our volumes has been driven by new contract wins, and increased capacity utilization on existing vessel calls. Additionally, in Australia, our team successfully secured three new contracts that will add traffic and over $4 million of incremental EBITDA annually.

Our energy segment generated FFO of $269 million in 2018, 29% ahead of the prior year. Results in this segment benefited from the initial contribution of two sizable investments made in a Canadian midstream business and a leading North American residential energy infrastructure company. We also benefited from a 16% increase in gas transport volumes at our U.S. gas transmission operations due to production growth and contributions from the first phase of its Gulf Coast expansion project commissioned in the fourth quarter.

Our North American district energy business was recently awarded a C$10 million grant from the Canadian government through a low carbon economy fund, to finance the expansion of its deep lake water cooling system. The expansion will cost approximately C$100 million (BIP's share – $20 million) and will increase cooling capacity at our Toronto operation by approximately 25% to support growing demand for its services. We also recently announced an initiative to research and design a community-scale district energy system, a first for our business. This partnership with the City of Markham in Ontario, and one of North America's largest privately-owned homebuilders will seek to create Canada's largest geothermal net-zero emissions community. The learnings from this pilot project, which is expected to begin next year, will become the basis for continued growth in our District Energy business in serving single and multiple unit residential developments, a new growth avenue.

Our data infrastructure segment contributed FFO of $77 million for the year, which was slightly ahead of the prior year. Results for the year were 5% higher in local currency due to the benefits of inflation-indexation and contribution from capital investments made in prior periods. The strong underlying performance was partially offset by the impact of lower average hedge rates, compared to prior year. We recently secured a contract with one of our largest customers to build a minimum of 1,250 new towers over the next four years. Securing this contract reaffirms our strong build-to-suit tower offering, which captures growth driven by the increasing coverage requirements in France. The deal is €150 million in size (BIP's share – $35 million) and is expected to generate levered returns in excess of 20%.

Balance Sheet & Funding Plan

There has been a considerable amount of volatility in the equity markets. The trading price of our units was no exception, and sold off in response, despite infrastructure assets remaining highly sought after by private institutional investors. We were able to take advantage of this by repurchasing units under our normal course issuer bid. Since December, we have repurchased approximately 1.6 million units at an average price of $35. The markets have enjoyed a very strong January and our units have returned to pre-December pricing levels.

We currently have a strong financial position, with total liquidity of $3.3 billion, of which $2.1 billion is at the corporate level. This liquidity is expected to be further bolstered in the coming weeks, with proceeds generated from the partial sale of an asset. In January, we signed an agreement to sell up to 33% of our stake in our Chilean toll road business. We considered this to be an opportune time to monetize a portion of the investment, as the asset had reached the mature phase of its lifecycle. Concurrently, we are executing a dividend recapitalization, which will be completed upon closing of the sale, which is expected imminently. After-tax proceeds to Brookfield Infrastructure are estimated to be approximately $365 million. We are very pleased with this outcome and will realize an after-tax annualized return of approximately 17% on this portion of our investment. In addition, we may sell down a further stake in the business in the next six to nine months, adding further liquidity to our balance sheet. We also have five other sales processes that are well underway. We are optimistic that we can complete these asset sales in the next 12-18 months and generate an additional $1.5 - $2 billion of proceeds.

Update on Strategic Initiatives

On December 31, we closed on the previously announced U.S. data center acquisition from AT&T, investing $160 million in a high-quality portfolio of retail co-location data centers in several key markets.

We are also focused on closing several other transactions that we have discussed in the past, namely:

- *South American Data Centers* – Working alongside a strategic partner, we have achieved all milestones to acquire Ascenty, the leading hyperscale data center operator in South America, and anticipate closing this transaction in February. We are already actively assessing prospective "tuck-in" acquisition opportunities in the South American region that are complementary to this business.
- *Indian Natural Gas Pipeline* – Closing is progressing well, and we anticipate completing this transaction by the end of February. We have started to turn our attention to executing our 100-day plan and integrating these assets into our portfolio.

- *Western Canadian Midstream* – We are continuing to complete the regulatory process to close on the last group of assets. This process remains on track and is scheduled to close in mid-2019.

In addition, in January, we successfully acquired a 100% interest in an Asia Pacific data center business for $180 million (BIP's share – $50 million). This business consists of two Australian data centers providing services to investment-grade hyperscale customers under attractive long-term contracts. This is an opportunity to establish a presence in the Asia Pacific region and to pursue meaningful growth opportunities through a well-progressed sales and development pipeline.

Optimism Around Brazilian Recovery

Brookfield has a well-established presence in Brazil, having been an owner-operator of infrastructure businesses in the country since the turn of the 20th century. Given the recent change in government, we thought this was an opportune time to remind investors of our long-standing commitment to the country. We've been attracted to Brazil because the country has good rule of law, a functioning democracy, and a consistent need to attract foreign capital over time to build out high-quality infrastructure. With a population of over 200 million, a growing middle class and an abundance of natural resources, the country benefits from a large domestic economy (world's ninth largest) complemented by its position as a low-cost producer and growing exporter of agricultural and natural resource products.

We are encouraged by the results of the recent elections and the direction that the new government is taking on many fronts. Brazil held national and state elections in late 2018 and voted in new leadership that ran on a platform of fiscal discipline, attracting investment, and driving economic growth. The new administration has made pro-business appointments for key cabinet positions and outlined an ambitious economic reform agenda, including an acceleration of the privatization of critical assets. If they are successful in addressing long-standing constraints and fiscal imbalances, we would expect the medium to long-term outlook on the economy to significantly improve. Overall, we expect higher growth rates, lower inflation and interest rates, a stronger currency and more bullish market conditions.

While it is early days into the new administration's term, we have observed several positive indicators that support the outlook for our investments in Brazil. First, financial and capital market conditions in the country have improved. On the back of a meaningful decline in interest rates, we successfully completed a R$5 billion up-financing in the first half of 2018 at our Brazilian regulated gas transmission business, which we initially acquired on a fully unlevered basis. The country's stock exchange is up approximately 15% year-over-year, reaching record highs over the past few months.

Second, we are seeing increased competition for high-quality assets, with more investors willing to bid higher values for infrastructure assets, relative to the last few years. For example, at a recent electricity transmission auction held in December, the average winning bids ascribed values approximately 40% higher than values we ascribed to our investments during the depths of Brazil's last economic downturn. This market dynamic reaffirmed our view that these types of assets were trading significantly below intrinsic value a few years ago simply because the country was out of favor.

Last, currency matters a lot when investing in Brazil, and we believe that the positive developments should provide some currency stabilization and tailwinds in the coming years, compared to the prior five years. Our investments in the country benefit from inflation protected cash flow streams. This protection, combined with a potentially stable to strengthening currency, could position us well for strong returns.

As the economy continues to rebound, our business is well-positioned to benefit from the upside. While it is too early to say with certainty what the new administration will accomplish, the announced desire to accelerate privatization programs and expand investment could provide us with attractive opportunities to grow our existing business and enter new segments as the market evolves. We are a well-known and credible investor in the country and have become a partner of choice for many domestic and foreign investors.

The new government in Brazil represents something that we haven't seen in a very long time in the country: a free market-oriented administration that has the potential to energize the country's economic reform, create healthy market competition and attract foreign investment. Having an established position in the country, we will look for opportunities to invest for value and to harvest capital as a recovery unfolds.

Outlook

Over the past few quarters, our view has been that global macroeconomic conditions and political uncertainties would dominate the news cycle. Heading into 2019, it appears that this is likely to continue. Concerns around a potential pullback of the global economy spurred by the threat of a U.S.-China trade war, political uncertainties around Brexit, in addition to continued speculation about federal reserve policies, are expected to persist in the coming months. That said, our businesses are built to withstand varying market conditions, due to the well-insulated cash flows generated from regulated and long-term, contractual arrangements. Growth in our core regions is not expected to be synchronous, however, even in slower growing regions, our businesses are performing well.

The overall outlook for our business is very positive and we believe we will experience meaningful growth in our results in 2019, with the key drivers being the following:

- ***Imminent closing of three secured transactions.*** We plan to close on approximately $700 million of new investments in the first half of the year. These new investments should be contributing fully to results by the second half of the year, generating attractive going-in FFO yields.
- ***Strong organic growth*.** The commissioning of approximately $800 million of capital projects, coupled with inflation-indexation, and higher volumes from our GDP sensitive businesses, should result in another year of robust organic growth at the higher end of our long-term 6-9% growth targets.
- ***Expected foreign exchange tailwinds.*** Our hedged rates in 2019 for the Australian dollar and the British pound are on average 5% higher than 2018. With over 65% of our FFO currently generated in, or hedged back to, U.S. dollars, our only material unhedged foreign currency exposure relates to Brazil, where we have been observing a sharp rebound in the country’s currency since reaching trough levels last year. We expect this recovery to continue in 2019, which could meaningfully benefit our results going forward.

In summary, it has been another exciting year for our company and on behalf of the Board and management team of Brookfield Infrastructure, I would like to take this opportunity to thank our unitholders for their ongoing support. I look forward to updating you on our progress during the upcoming year.

Sincerely,

Sam Pollock
Chief Executive Officer

February 6, 2019

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, the state of political and economic climates 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, 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 and political 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 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 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.