

LETTER TO UNITHOLDERS

OVERVIEW

We began the year with solid first quarter results. Our financial performance continued to reflect the overall diversification and the regulated and contractual nature of our cash flows that underpin our operations. We generated funds from operations (FFO) of \$186 million or \$0.89 per unit and with a distribution of \$0.53 per unit, these results translated into a payout ratio of 68%, which is within our long-term target range of 60-70%. This was achieved in a period where we increased our distribution by 10%, and prior to any contribution realized from our newly acquired communications infrastructure assets. We closed the French telecom infrastructure transaction on March 31st, and expect this business to make a meaningful contribution to our results going forward.

During the period, we were also focused on progressing several important initiatives that should set the stage for the next phase of growth for Brookfield Infrastructure. In anticipation of completing several of these initiatives, we enhanced our liquidity through a number of successful capital raises, with proceeds totaling approximately \$1.4 billion. With \$2.3 billion of liquidity at the corporate level at the end of April, we are ideally positioned to capitalize on the numerous exciting investment opportunities that we are actively pursuing, and which we are hopeful we will successfully advance within the near term.

OPERATIONS

Our overall results year over year were unchanged as contribution from new investments in addition to general improvements at most of our businesses were offset by the \$15 million impact of foreign exchange movements. Our same store growth for the period on a constant currency basis was strong, as we generated an 11% increase in FFO per unit compared to the prior year.

Utilities

Our utilities segment generated FFO of \$95 million for the quarter, compared to \$89 million in the first quarter of 2014. The increase was the result of continued strength in connection activity in our UK regulated distribution operations, inflation indexation, commissioning of growth capital into rate base and cost reductions in a number of our businesses.

On the organic growth front, our UK regulated distribution business experienced yet another quarter of record connections sales adding 55,000 new connections to its growing backlog. These first quarter sales, which were 35% higher than the same period in the prior year, were driven by a larger percentage of multi-product sales, as well as a stronger UK housing market. The outlook for sales activity for this business remains promising for the rest of this year and next.

The UK is currently in the process of replacing its traditional and conventional electricity and gas meters with smart meters. This will involve the replacement of over 50 million meters in the next five years, which is estimated to cost between £10 and £12 billion. It is the responsibility of the energy retailers to roll this out across the country. The majority of energy retailers have commenced market engagement processes to source investors and funding of the smart meter ownership. Our UK regulated distribution business already owns approximately 1.2 million conventional gas meters and has the necessary systems and expertise to be able to own and maintain these meters. We are well positioned to deploy meaningful amounts of capital towards the rollout of smart meters. We will be putting significant effort in the next year into securing market share in this area as the market opportunity is enormous relative to our current utilities capital backlog.

As part of our previously announced capital recycling program, we entered into definitive agreements to sell our 23% interest in our New England electricity transmission business during the quarter. This

business has generated steady and reliable cash flows since we first acquired it in 2009 but we believe we can reinvest the proceeds into higher returning assets. Upon completion of a sales process that attracted substantial interest from multiple buyers, we agreed to sell this business for proceeds of approximately \$280 million (on a 100% basis). On closing of this transaction, we will have generated an internal rate of return on this investment of approximately 30%. We expect to receive approximately \$30 million in net proceeds from this sale, which should close in the second half of 2015.

Transport

Our transport segment generated FFO of \$96 million in the first quarter of 2015, which is roughly in line with results in the comparable period in 2014. Our results benefited from volume and tariff growth in the majority of our operations, and a significant contribution from our rail business in Brazil. These positive results were affected by a strong U.S. dollar, which rose against all of our other currencies, and rising interest rates in Brazil. In spite of these challenges, our transport operations continue to deliver solid results.

- *South America:* The combination of tariff and volume increases at our toll roads in Chile and Brazil resulted in a 6% increase in EBITDA for the quarter in local currencies. Furthermore, our rail business in Brazil experienced robust volume growth led predominantly by increases in agricultural and industrial product volumes.
- *UK:* Our UK port business experienced a 13% increase in container volumes over the same quarter last year. Higher volumes were the result of improved economic conditions, but also from efficiencies as a result of investments made in prior years to modernize our container terminal business, which are now starting to contribute to our results.
- *Australia:* The majority of our rail customers have been maximizing volumes in order to reduce their average unit costs in response to the steady decline in iron ore prices. This has resulted in volumes that are for the most part above take-or-pay levels and higher than the prior year as well. While we are encouraged by the recent modest rebound in iron ore prices, given the uncertainty over prices in the short-to-medium term we are looking at various cost reduction measures. These would allow us to mitigate any potential impacts from volume reductions should any of our customers decide to temporarily suspend operations or reduce volumes. As such, we do not expect any volume reductions to meaningfully affect the results of Brookfield Infrastructure overall.

We continue to make substantial progress on our approximately \$685 million transport capital backlog. In Brazil, we advanced the expansion of our terminal at Santos port which will provide agriculture customers with an integrated rail and port solution for the export of their products and the import of fertilizers. This project is now almost one-third complete and is on schedule to be commissioned by mid-2017. In addition, in North America, we completed the first phase of the automation project at our U.S. West Coast container terminal operation. As a result, we expect this terminal to handle increased volumes and achieve cost efficiencies over the course of this year. And finally, in the UK, our port business has advanced its quay upgrade project which is expected to be completed in the second quarter, on time and budget.

On April 30th, we announced that along with our partners, we intend to make a tender offer for the public minority shares of our Brazilian toll road subsidiary. Should we proceed and be successful in acquiring the balance of the shares held by the public, Brookfield Infrastructure would be investing up to a further approximately \$200 million to acquire shares and reduce debt.

Energy

Our energy segment generated FFO of \$28 million, compared to \$26 million in the first quarter of the prior year. Results in this segment predominantly reflect the growth of our district energy platform, which benefited from the full contribution of systems acquired over the past 12 months. These positive results

were partially offset by lower results from our North American natural gas transmission business, which continues to be impacted by low natural gas markets.

Our district energy platform is starting to become a meaningful part of our overall business as we have been successful in executing on a multi-dimensional growth strategy. Our strategy is focused on (i) acquiring new systems, (ii) uncovering tuck-in acquisition opportunities in cities where we currently operate, (iii) connecting new residential and commercial customers to our systems and (iv) renewing existing client contracts at favorable rates. During the quarter, we were successful on all fronts. We signed agreements to add four new commercial clients, connected 1,100 new residential customers and renewed seven contracts at favorable rates. We also completed the Louisiana State University medical center project, acquired a small system in Windsor and bought out our partners in our system in Las Vegas. These initiatives, in addition to projects in Australia that were previously announced, will increase our run rate EBITDA for this platform by approximately 15% once fully on line.

OUR BALANCE SHEET

We started off the year with corporate liquidity of \$1.4 billion. Since then, we have undertaken several initiatives to further strengthen our balance sheet and increase corporate liquidity.

- **Preferred L.P. unit issuance** – In March, we raised C\$125 million of preferred L.P. units at a rate of 4.50% annually for the initial period ending June 30, 2020. The distribution rate is reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.56%.
- **Corporate bond issuance** – Also in March, we closed a C\$450 million, seven-year medium-term note offering in the Canadian bond market with a coupon of 3.5%. These notes were swapped into U.S. dollars on a matched maturity basis at an all-in rate of 3.9%.
- **Equity issuance** – Subsequent to period end, we launched an equity offering where we issued approximately 21 million units at a gross price of \$45. In total, we raised gross proceeds of approximately \$950 million.

Overall, we raised net proceeds of approximately \$1.4 billion in the capital markets and invested \$0.5 billion primarily to close the French telecom acquisition. With corporate liquidity currently at \$2.3 billion, we are well positioned to move quickly on a number of capital deployment opportunities.

CAPITAL DEPLOYMENT OPPORTUNITIES

Last quarter, we highlighted several investment themes that were giving us confidence that we would experience an active year of acquisitions. Over the past three months, we have seen a number of our initiatives advance considerably. At the same time, a few, such as the Australian government privatizations, have become less interesting.

We currently have seven transactions that are very advanced. With respect to four of these transactions, we are working with sellers on an exclusive or on a bilateral basis. The assets we are looking at are located in North and South America, and Australia, and involve businesses in the transport, energy and communication sectors. In addition to these seven, we have a number of less advanced, but equally exciting prospects in our pipeline. We are using the same playbook for acquiring high quality investments on a value basis as we have in the past.

- **Roll up strategies** – One of our primary strategies is to identify ways to leverage one of our existing platforms to pursue similar, repeatable add-ons. In some cases, they can be small, which we generally refer to as "tuck-ins". In other instances, the acquisitions can meaningfully add to the scale of our platforms. Currently, we are working on five prospects in district energy that in total would more than double the size of our platform should we be successful in acquiring all of them. Of these, two smaller prospects are advanced while the two largest are in early stages.

Similarly, we are actively evaluating various gas storage assets that would substantially upsize this platform. These types of investments can often have the lowest risk and best returns, as we can normally bring substantial synergies and operating strategies to bear that enhance cash flows and reduce risk.

- **Sector expansions** – Another one of our strategies is to leverage our sector knowledge and apply it to similar situations in other regions where we have a significant presence. Our ability to utilize our experience and expertise at Brookfield Rail in Australia was invaluable in assisting us to complete the Brazilian rail transaction in 2014 and is a great example of the merits of this strategy. One of our most advanced transactions is in the communications infrastructure sector, which has attractive investment attributes such as long-term contracts and solid barriers to entry. While our experience with the French towers business is in its early stages, our investment teams are now very experienced with this asset class. This gives us confidence to pursue acquisitions in the communications sector in other markets where we have a significant presence.
- **Value based investing** – Our current best idea for value based investing is Brazilian infrastructure assets. In Brazil, converging political and economic factors are creating a capital shortage and market dislocation. Despite recent market volatility and economic challenges, Brazil remains a large, high growth market with strong competitive advantages in the production of many global commodities. It also has an emerging middle class with attractive demographics. We are excited by the potential opportunities in Brazil at the moment, given the quality of the assets that are up for sale, or that we expect will soon be put up for sale, and the lack of credible buyers whom we need to compete with. In total, we may be able to invest up to \$2 billion over the next 6-18 months in assets in Brazil or that are located outside of Brazil but are owned by Brazilian companies. We have been very successful in the past when we have invested on a contrarian basis in sectors and regions we know well.

To that end, we have been in exclusive discussions with OAS, a large Brazilian construction company, since late March regarding the purchase of their stake in a large toll road, airport and urban mobility company in Brazil called Invepar. As part of the transaction, we may provide the company with a court-approved loan under Brazilian law, with features akin to a debtor in possession (“DIP”) loan, of up to approximately \$250 million. By providing the DIP loan, we expect to be well positioned to continue exclusive negotiations to conclude the acquisition of OAS’ stake in Invepar.

Should we reach final agreements with OAS, completion of the DIP loan and/or any subsequent acquisition of the Invepar stake would be subject to a number of conditions, including applicable court and related creditor approvals, regulatory and third-party consents, and other conditions customary for transactions of this nature.

Invepar owns nine high quality toll roads in Brazil and Peru, a controlling stake in Guarulhos airport in Sao Paulo, the largest of its kind in South America, and an interest in two urban mobility systems in Rio de Janeiro that serve over 220 million passengers per year. This is a good example of where we can utilize our unique expertise and flexibility to create an exclusive opportunity.

OUTLOOK

Our business is diversified with high quality assets that should enable us to deliver solid results in a variety of economic environments. We are currently operating in global economic conditions that are generally good. The U.S. economy is continuing to show signs of higher growth, and quantitative easing programs from the European central bank are leading to greater optimism that this region can improve its growth trajectory. Economic growth is disappointing in South America and we expect this situation to persist for the next year or two. However, the impact of lower foreign currency rates should propel higher exports and we believe the fundamentals continue to support favorable growth over the longer term. On the whole, our business should perform well in this economic environment.

For the balance of the year, our primary focus is to execute on our capital deployment strategy. Our business development teams are working diligently to convert our strong pipeline into investments that will provide further profitable growth for our platforms. As we deploy this capital, we expect to add high quality, sustainable cash flows that should help us meet or exceed our FFO and distribution growth objectives.

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

Sincerely,

“signed”

Sam Pollock
Chief Executive Officer
Brookfield Infrastructure Group L.P.

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”, “look forward”, “future”, “could”, “plan”, “seeking”, “goal”, “outlook”, “focus”, “striving”, 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 acquisitions and other growth initiatives referred to in this letter to unitholders, the future performance of those acquired businesses and growth projects, financial and operating performance of Brookfield Infrastructure and some of its businesses, availability of investment opportunities, ability to access capital, the continued growth of Brookfield Infrastructure and its businesses in a competitive infrastructure sector, 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 of equity and debt financing for Brookfield Infrastructure, the ability to effectively complete new acquisitions in the competitive infrastructure space (including the potential acquisitions 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 transactions referred to in this letter to unitholders as being currently pursued, given that there can be no assurance that any such transaction will be agreed to or completed) and to integrate acquisitions into existing operations, 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, 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.