Letter to Unitholders

Overview

2017 was another positive year for Brookfield Infrastructure, as we executed on all elements of our business strategy. We remain focused on building a diversified portfolio of high-quality infrastructure businesses which can deliver sustainable and growing cash flows throughout the economic cycle. In 2017, we delivered on this strategy, achieving meaningful growth on a relatively low-risk basis. Financial results for the year were strong, with a 14% increase in Funds from Operations ("FFO") on a per unit basis. The following is a summary of our key accomplishments during the year:

- **Invested $1.3 billion into Brazilian gas utility –** A highly strategic asset serving the country's growing natural gas sector. The business generates stable cash flows supported by long-term contracts with no volume risk and inflation indexed revenues.

- **Deployed $900 million into organic growth capital projects –** These projects will increase our utilities rate base and expand our transport, energy and communications infrastructure networks.

- **Secured $400 million of accretive tuck-in acquisitions –** These tuck-in acquisitions enhanced our toll road and district energy operating groups.

- **Raised $1.3 billion of new capital –** This additional capital in the form of common equity, debt and preferred shares financed growth initiatives and strengthened our balance sheet and liquidity position.

- **Signed $1.3 billion asset sale –** We recently signed a binding agreement to sell our interest in a Chilean electricity transmission business for $1.3 billion at an attractive valuation.

Brookfield Infrastructure's units performed very well in the public equity markets in 2017. Unitholders on the NYSE and TSX earned a total return of 40% and 31%, respectively. More relevant for our long-term focused unitholders, our 10-year annualized return of 20% has considerably exceeded the S&P 500 index as well as all the relevant benchmarks of our peer group.

Annualized Total Returns

AS AT DECEMBER 31, 2017	1 Year	5 Year	10 Year*
BIP (NYSE)	40%	19%	20%
BIP (TSX)	31%	25%	27%
S&P 500 Index	22%	16%	9%
S&P Utilities Index	12%	13%	6%
S&P/TSX Composite Index	9%	9%	8%
S&P/TSX Capped Utilities Index	11%	7%	10%
Alerian MLP Index	(7%)	(1%)	6%
DJBGI Index**	17%	9%	5%

Includes dividend reinvestment
**BIP (NYSE) and U.S. index data as of January 2008; BIP (TSX) and Canadian index data as of September 2009*
***No dividend reinvestment for this index*

Based on our solid performance, positive outlook for growth and significant liquidity position, the Board of Directors approved an 8% increase in our quarterly distribution to 0.47 cents per unit in 2018. This marks our ninth consecutive year of distribution increases. While this year's distribution increase is at the higher end of our long-term target range, it is below our historical average. In setting our distribution level, we have taken a conservative view around the timing of deployment of our substantial liquidity, in addition to retaining more cash in the business to fund our growing backlog of projects.

Results of Operations

In 2017, we earned FFO of $1.17 billion or $3.11 per unit, compared with $944 million or $2.72 per unit in 2016, an increase of 24% and 14%, respectively. Our results reflect the contribution of new investments, as well as organic growth of 10% across the company. The negative impact of a stronger U.S. dollar reduced our results by approximately $30 million. FFO per unit was also impacted due to the equity capital issued in the second half of the year which has yet to be deployed.

Our utilities segment contributed FFO of $610 million for 2017 compared to $399 million in the prior year. This step change increase was primarily attributable to the contribution from our newly acquired Brazilian regulated gas transmission business, and to a lesser extent, an increase in our rate base and upward inflation adjustments in our other utility businesses. Results were modestly offset by the impact of the sale of our Canadian electricity transmission asset in late 2016.

The standout performer in our utilities business segment is our U.K. regulated distribution operations. The business achieved another record year across all key performance indicators, including new sales and completed physical connections. Momentum in this business has been sustained by robust growth in home completions and a higher number of utility connections per plot. Our multi-utility offering is gaining acceptance with home builders and we are seeing an acceleration in the sale of higher yielding utility products, such as fibre, water and district energy. In November, the business closed on its previously disclosed transaction to acquire up to 2 million smart meters. This project will require up to $500 million of capital to be deployed over three years and significantly expands our smart meter adoptions. With this contract, our potential backlog now stands at over 3.5 million meters, representing a nearly $1 billion investment (BIP's share – $800 million).

Our transport segment reported FFO of $532 million in 2017, which was 26% ahead of the prior year. This increase was driven by higher tariffs and volumes across a number of our operations. Results for this segment were positively impacted by full-year contribution from new investments in our toll road and ports businesses, organic growth of 13% from year-over-year volume growth, predominantly at our toll road businesses, and positive foreign exchange movements.

Our energy segment generated FFO of $209 million in 2017, compared to $175 million in the prior year. This improvement in results captures the incremental contribution from new contracts, higher gas transport volumes and reduced leverage at our natural gas transmission operations. We also benefited from a full-year contribution from the newly acquired gas storage business in North America, which was partially offset by the impact of the sale of a U.K. gas distribution business in 2016.

Our North American natural gas transmission business has made good progress with $300 million (BIP's share – $150 million) of proposed expansion projects that were highlighted last quarter. The business finalized an agreement with a large LNG operator to provide incremental transport and pressure support to their facility in the southeastern U.S. The project is backed by a 10-year take-or-pay contract and involves an investment of approximately $60 million (BIP's share – $30 million) which has been added to our capital backlog. Customary regulatory approvals from the FERC are required, and we anticipate an in-service date in early 2020. Additionally, the business is advancing discussions around a potential second phase of its Gulf Coast expansion and we expect to provide an update on this opportunity next quarter.

Also during the quarter, our district energy business successfully raised C$100 million of private placement financing on the back of good organic growth and a tuck-in acquisition that closed earlier in the year. The terms of the offering were very positive, with an average term of 24 years and an average fixed rate of 4.0%.

Our communications infrastructure segment, currently comprised of operations in France, contributed FFO of $76 million for the year which was consistent with the prior year. The business delivered results in-line with expectations as a result of its stable and predictable cash flow profile. Our management team is executing well on its fibre-to-the-home strategy, securing two additional tenders that involve connecting over 500,000 households with capital requirements of approximately $1 billion over the next few years (BIP's share – $210 million). These two deals have grown our product offering, which is now comprised of over 700,000 households that will require total capital of approximately $1.3 billion as the networks are installed (BIP's share – $275 million). In addition, we are positioning ourselves as a partner of choice with the large internet service providers and are exploring potential opportunities to build and operate segments of their networks. If successful, these initiatives could represent a significant investment that should generate attractive risk-adjusted returns.

Update on Strategic Initiatives

Our full cycle investment strategy is focused on: growing our operating groups through value-based investments, utilizing an operations-oriented approach to originating organic growth projects to enhance cash flows, and recycling capital by disposing mature businesses at premium valuations as an efficient source of capital to fund our investments. We made progress on each element of this strategy.

Gas Natural Colombia Acquisition

While global M&A activity levels are high, we have been disciplined and focused on situations where we can leverage our competitive advantages to invest for value. In this regard, we recently signed a binding agreement to acquire a minimum 53% controlling interest in Gas Natural S.A. ESP (GN Colombia), the second largest natural gas distribution system in Colombia. GN Colombia operates a high-quality distribution system with regulated revenues and predictable cash flows. It has over 21,000 km of pipelines serving approximately 2.9 million residential, industrial, and commercial customers, including those in the city of Bogota. The system generates inflation-linked revenues and operates in a transparent and collaborative regulatory environment where Brookfield has experience owning and operating other regulated assets.

At the end of December, we acquired an initial stake of 11% of GN Colombia for $105 million (BIP's share – $30 million) and we will be making subsequent investments in a staged approach. The second phase of the acquisition will include a private purchase of the remaining interest held by parent company Gas Natural Fenosa and other shareholders in the first half of 2018. This will then trigger a mandatory tender offer for the minority interests who are expected to tender, which may result in virtually full ownership for Brookfield Infrastructure and its institutional partners. In total, the opportunity for 100% ownership will require an equity investment of approximately $600 million (BIP's share – $170 million).

$900 million of Organic Growth…and Trending Higher

During 2017, approximately $900 million was invested into organic growth capital projects, of which $400 million was funded with equity and the balance with project level debt. Aided by significant economic growth, $1.3 billion of new projects were added to our capital backlog that is expected to be commissioned over the next 24-36 months.

Over the past five years, Brookfield Infrastructure has invested $7.7 billion of equity capital, of which $6.2 billion represented new acquisitions and $1.5 billion was from organic growth projects, representing a split of 80/20. However, in more recent years, a greater portion of our investment activity has been directed at organic growth, and in the next 24 months we estimate to deploy approximately $1 billion of equity (representing over $2 billion of backlog) into organic initiatives, which on an annualized basis is more than double the levels we invested at less than five years ago. Our goal over the next several years is to generate 30-40% of our investment activity through organic projects, which typically generate the highest risk-adjusted returns to our business.

Transelec (Chilean Electricity Transmission) Divestiture

Last year, we announced our intention to monetize $1.5 billion to $2 billion of investments over a two-year period. We made great progress in 2017 towards this goal, recently announcing the signing of definitive agreements to sell Brookfield Infrastructure's approximately 28% interest in Transelec, our Chilean electricity transmission business, for $1.3 billion ($1.1 billion net of applicable taxes). With the closing of this sale, Brookfield Infrastructure will have sold all five of its initial investments from its spin-off in 2008. While Transelec provided strong and predictable cash flows throughout the time we held it, it has now matured and the net proceeds from the sale will be reinvested for unitholders at significantly higher returns. Upon closing, we will have achieved a compound internal rate of return on this investment of approximately 16% (18% pre-tax). Closing is subject to customary closing conditions, certain third-party consents and applicable regulatory approvals and is targeted to occur in the first half of 2018.

Current Market Conditions

Accelerating Volume Growth

Global economic growth going into 2018 is excellent and in some regions, the strongest it has been since the financial crisis. The latest economic forecasts indicate synchronized global growth; the U.S., Canada and Europe are approaching 3%, and growth in China and India are projected to approach 7%. South America, which was being weighed down by a severe recession in Brazil for the past two years and the impact of lower commodity prices, is now recovering.

On the ground within our operations, we are witnessing a broad base of indicators confirming these economic conditions:

- The highest traffic growth relative to GDP growth (traffic multiplier) on our South American roads that we've seen in years;
- Record utility connections in our U.K. distribution business related to strong growth in housing starts;
- Larger queues and record volumes at our metallurgical coal terminal in Australia, reflecting significant demand from Asia;
- Increasing gas volumes on our gas transmission system in the U.S.; and,
- Data consumption reported by our French telecom customers that has more than doubled year-over-year.

What may be even more meaningful is that the credit quality and growth prospects for our industrial and commodity-based customers have improved significantly with the recovery in commodity prices over the past 12 to 18 months. There is a noticeable increase in the level of inquiries from customers to invest into our infrastructure networks to accommodate customer-initiated growth projects. These enquiries are the highest they have been for many years. Given that customers are typically required to commit to long-term contracts in order for us to proceed with a capital expansion, this provides a good indication of their positive business outlook.

Taken all together, we are optimistic that organic growth in 2018 will be solid and that our capital backlog should continue its upward trend, fuelling future growth.

Inflation and Interest Rate Pressures

Where there is growth, there must be a discussion on the prospect of rising inflation and interest rates. While statistically there currently appears to be only benign levels of inflation in most of the jurisdictions where we operate, there is some evidence of wage and price increases in certain markets. It is unclear to us whether this will translate into higher inflation rates or whether it will be offset by the deflationary impact of technology.

As approximately 75% of our revenues are indexed to inflation, all other factors remaining the same, we are positioned to benefit from higher inflation. Should inflation rates increase, we feel that our contractual frameworks will protect our cash flows and allow us to outperform many other businesses that do not have these protections.

With respect to interest rates, we have been in the midst of a rate tightening cycle by central banks. So far, the yield curve has mostly flattened and long-term rates have stayed under 3% in the U.S. The prudent assumption is that the yield curve will edge upward over the next year. We have expected for some time that interest rates may move up and as a result, over the past few years, have proactively refinanced our businesses and extended debt maturities. Consequently, Brookfield Infrastructure has only approximately 25% of its debt maturing before 2022 and approximately 80% of the debt is fixed-rate. As a result, our financial costs are, for the most part, locked-in and we have little exposure to rising rates in our operating cash flows for the foreseeable future. In our recent investment activities, we applied a conservative approach to our underwriting assumptions including with respect to financing. In the models used to assess our returns on new investments in jurisdictions with historic low interest rates, we believe our refinancing assumptions incorporate a layer of conservatism in addition to expectations of higher interest rates.

Diversified Capital Funding

During the past five years, the capital markets have been robust and provided Brookfield Infrastructure with favourably priced capital to fund its growth initiatives. In order to fund our $7.7 billion of growth initiatives during that timeframe, Brookfield Infrastructure raised $4.5 billion of capital in the form of common equity, preferred equity and corporate debt. During that same period, we also generated $2.4 billion of net proceeds from asset sales that were recycled into new investments. The remaining $800 million of capital was funded predominantly by cash flow generated and retained during that period.

Our diversified funding strategy has worked well for us, and we intend to stay with it going forward. We will opportunistically access the public capital markets for equity and debt when we can do so accretively to fund new investments. One of our key financial objectives is to always maintain a high degree of liquidity to protect the business against extended periods of market weakness and allow us to move quickly to capture time-sensitive investment opportunities.

We currently have $1.8 billion of corporate liquidity which will increase upon successful completion of the sale of our interest in Transelec. We expect to accelerate the amount of capital recycling undertaken over the next several years. As our business matures, we have more opportunities to harvest capital from various assets to redeploy at higher returns. The greater amount of asset recycling achieved, the more flexibility we will have, through a reduced reliance on accessing the capital markets. Lastly, we will maintain a prudent payout ratio thereby leaving us with 15-20% of annual AFFO to reinvest into the business.

Outlook

In summary, the current economic environment is quite favourable for Brookfield Infrastructure's operations and we are optimistic about the year ahead. Our backlog should grow as customers commence new projects and the business is well positioned to pursue new investments utilizing our high level of liquidity and proceeds from asset recycling.

For the balance of the year, our primary focus is to execute on our capital deployment strategy. We will endeavour to close on the Colombian regulated distribution and Indian toll road investments which are under contract. We will seek to integrate these businesses into our operating groups and expect these investments to fully contribute to our cash flows in the second half of 2018 and beyond. We are focused on the execution of our committed backlog of growth capital projects. Finally, our business development teams are working diligently to convert a substantial pipeline of opportunities into investments. As we invest the significant capital that currently sits on our balance sheet, we expect to add high quality, sustainable cash flows to support our FFO and distribution growth objectives.

With Brookfield Infrastructure recently celebrating its 10th anniversary, on behalf of the Board and management, I would like to thank you for your continued support and I look forward to updating you on our progress.

Sincerely,

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

February 9, 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", "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 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, 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 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, 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.