Letter to Unitholders

Overview

We are pleased to report strong results for the first quarter of 2022 building on last year's successful capital deployment. Funds from operations (FFO) for the first quarter totaled $493 million, increasing 14% relative to the comparable period and was the highest in our partnership's history. After removing the weather-related outperformance from our gas storage business last year, FFO increased approximately 35% on a comparable basis.

Our base business continues to perform well operationally. We benefited from outperformance in our utility and transport segments due to tariff increases related to higher-than-normal local inflation. Additionally, results from our North American midstream operations benefited from Inter Pipeline's (IPL) first full quarterly contribution, as well as outsized cash flow due to higher asset utilization and a notable increase in commodity sensitive revenues.

This strong operational start to the year, in addition to nearly $1 billion of investment opportunities recently secured, leads us to believe that 2022 is shaping up to be an excellent year. The infrastructure sector generally outperforms through periods of elevated inflation, rising interest rates, and decelerating global growth that creates headwinds for many industries. The growth and resiliency inherent in infrastructure assets is derived from inflation-linked revenues and the ability to pass-through operating costs to customers. Exposure to rising interest rates is mitigated by long-term capital structures, largely on a fixed rate basis. From a valuation perspective, these established frameworks employed across revenue, expense, and debt financing protect or expand margins through revenue compounding offsetting increases in our cost of capital.

Our current corporate liquidity stands at nearly $3 billion, which positions us well to fund a growing pipeline of accretive new investments. Our capital recycling program continues to attract lower cost of capital buyers searching for de-risked and mature core infrastructure assets. We have several processes underway which we expect in aggregate to generate up to $2 billion of incremental liquidity over the next 12 months.

Operating Results

FFO increased 14% compared with the same period last year, while FFO per unit of $0.96 was 3% higher as a result of the shares issued in conjunction with the acquisition of IPL and the equity offering completed in November that has yet to meaningfully contribute to results. Organic growth was robust at 10%, reflecting the benefits of elevated inflation impacting tariffs and the commissioning of approximately $1 billion in new capital projects over the last 12 months. Results were further supported by the significant contribution from over $3 billion of capital deployed in growth initiatives during 2021. Partially offsetting the strong underlying performance of our business was a normalization of gas storage earnings that favorably impacted comparable period results, as well as the monetization of several mature businesses last year.

Utilities

The utilities segment generated FFO of $167 million, an increase of 8% on a same-store basis. Organic growth for the segment reflects higher than historical inflation indexation and the commissioning of approximately $450 million of capital into the rate base during the last 12 months. Results also benefited from the partial contribution of the Australian regulated utility we acquired in February 2022. Prior year results included our U.K. smart meter portfolio and the North American district energy platform we divested in 2021.

Our U.K. regulated distribution business continues to experience strong sales activity, ending the quarter with over 100,000 connections sold, a 32% increase compared with the first quarter of 2021. This level of sales activity is the second highest quarter on record, indicating a robust growth outlook for this business. The increase was largely attributable to record quarterly water connection sales that more than doubled compared to the prior year, as we execute on our growth strategy to further diversify our multi-utility offering.

Within our residential infrastructure business, we continue to focus on maintaining our leading position in Canada while driving our U.S. expansion strategy. In Canada, a renewed focus on water treatment and related ancillary products has driven new water product sales growth of 13% compared with the first quarter of the prior year. We also completed a small-scale acquisition of an Ontario-based residential heating and cooling business to further expand our core market footprint. In the U.S., we have fully integrated five tuck-in acquisitions completed in 2021, including a leading residential solar installation and battery storage solutions provider. This acquisition was made to capture and accelerate solar originations across our existing U.S. residential infrastructure network. We also signed our first U.S. home builder contract, marking a milestone in the new construction market.

Our Brazilian regulated gas transmission operation secured its first growth project as a result of strong demand from its key customer. The low-risk project will expand the existing network by 11 kilometers and our investment will be approximately $60 million (BIP's share – $20 million) over the next 12 months. The arrangement will be underpinned by a ship-or-pay contract with inflationary tariff increases over a 15-year term, similar to our existing business. Although relatively small, this project is an important step in building out Brazil's natural gas infrastructure, which has been a priority of the country.

Transport

FFO for the transport segment was $185 million, an increase of 14% compared with the prior year as the segment continues to perform well under generally constrained supply chain conditions. As a result of strong customer demand and activity levels, we continue to benefit from higher rates that are generally in line with inflation. Overall, our annualized rate increases across our transport portfolio are expected to be approximately 6% for the year, with potential room for further increases later this year.

Volumes across our operations continued to perform well. Traffic levels at our toll road portfolio were 3% ahead of last year and 12% ahead of pre-pandemic levels in 2019. Moves at our diversified terminals were in-line with prior periods, while storage activity has reached record levels due to congestion and supply chain bottlenecks. Volumes transported across our rail networks were below prior-period levels, as weather related impacts delayed volumes at our Australian and Brazilian operations.

FFO at our diversified terminals increased by 40% compared with the first quarter of 2021. Our operations maximized ancillary revenue by providing short-term storage solutions to our customers, offsetting lower volumes from shipping delays and transportation availability. Specifically, at our U.K. and North American port businesses, storage revenue increased by over 120% compared with the prior year, primarily due to higher container storage volumes.

Our U.S. liquid natural gas (LNG) export terminal generated strong EBITDA in the quarter, benefiting from an increasingly tight natural gas market. Low inventories in Asia and Europe, as well as geopolitical unrest, increased pricing and demand for U.S. exports. We recently completed a terminal expansion that added a sixth commercial liquefaction train, bringing total LNG capacity to 30 million tonnes annually. We expect this expansion to contribute to increased annual run-rate EBITDA, underpinned by long-term take-or-pay agreements with internationally diversified counterparties that begin in 2023.

Midstream

Our midstream segment generated $196 million of FFO, a step-change increase from 2021 levels. After removing the outperformance of our gas storage operations in the prior year, midstream results more than doubled; primarily due to the first full-quarter contribution from Inter Pipeline. Organic growth for the segment was above our target range, reflecting the stronger commodity price environment and higher utilization of our existing infrastructure, which has sufficient excess capacity to accommodate additional demand from our customers.

Our western Canadian natural gas midstream business has benefited from a 9% increase in commercial utilization above the first quarter of 2021. We continue to advance commercial contracting initiatives to grow operations and enhance service offerings, as well as invest in carbon reduction projects. The business recently entered into a strategic partnership to increase gathering and processing volumes under a 10-year take-or-pay agreement that is expected to generate approximately C$10 million of annual run-rate revenue. This partnership additionally supports two facility enhancement projects to enable natural gas liquids processing. We have received government support with a C$7 million grant for facility modernizations to further our carbon emission reduction objectives, which is additive to the C$18 million grant received in the prior year. We expect these projects will support an emissions reduction of more than 230,000 tonnes per year.

At Inter Pipeline, the base business, which is approximately 80% of EBITDA, provides stable cash flow due to its highly contracted nature with no direct commodity exposure and limited volume risk. We are experiencing increased customer demand and benefit from an overbuild strategy employed on the long-haul pipelines. During the quarter, we executed long-term transportation service agreements that, combined, will add C$50 million in annual run-rate EBITDA by 2025. The remaining 20% of EBITDA is derived from product marketing, and we have recently locked in hedges at attractive rates to de-risk volatility in commodity prices.

We continue to progress completion of the Heartland Petrochemical Complex in a safe and reliable manner. Utilizing the strategic connectivity of our adjacent Redwater assets, we plan to start-up the facilities on a sequential basis beginning with the polypropylene plant in Q2, followed by the start-up of the propane dehydrogenation plant in Q3. We intend to gradually ramp-up production through the balance of the year. Demand for North American polypropylene continues to be robust, with end use customers excited about the introduction of our ESG friendly product and geographic diversity of supply.

Data

FFO from our data segment was in line with the prior year at $58 million. Strong underlying growth from additional points-of-presence and inflationary tariff escalators were offset by lower revenues at our U.S. data center operations that we are in the process of repositioning for growth and the impact of foreign exchange.

We continue to focus on advancing a number of capital projects across our data storage subsegment, as customer demand continues to grow globally. In total, we have active development at seven data centers in five different countries. Once complete, total capacity is expected to be 25 megawatts, of which approximately 85% is currently contracted.

At our Indian joint venture, we have completed the acquisition of our first land parcel in Chennai to support the buildout of a data center with over 100 megawatts of planned capacity. Subject to the completion of all regulatory requirements, construction is expected to begin in the third quarter and go live in four phases beginning in 2024. Additional land acquisition opportunities are actively being evaluated for greenfield development in other major cities across India.

Our U.K. wireless infrastructure operator continues to execute on its extensive pipeline of indoor opportunities. In the first two months of the year, following the successful launch of a U.S. indoor platform, we secured two indoor activations. In the tower business, we continue to see all-time high activity levels and currently have over 1,000 tower projects in progress, which have more than doubled since our acquisition at the end of 2019.

Balance Sheet and Liquidity

Persistent levels of high inflation have led central banks to take a more hawkish policy stance, with shifts in both the timing and quantum of future rate hikes. Even with this shift, interest rates are expected to remain relatively low in a historical context. For businesses like ours with a high degree of pricing power and inflationary escalators built into regulatory frameworks or contracts, higher inflation combined with reasonable interest rates creates a supportive backdrop to execute our asset rotation strategy.

Over the last two years, we have spent considerable effort proactively managing our corporate and asset level balance sheets. Our financing strategy of securing long-duration, fixed-rate debt has been successful, with less than 1% of our asset-level debt maturing in 2022 and no corporate maturities until 2024.

Despite a volatile backdrop of rising interest rates, capital markets have remained supportive for the high quality, contracted and critical infrastructure that we own. During the quarter we completed several asset-level financings that were additive to the business:

- In March, we completed a $225 million (net to BIP – $90 million) private placement at our U.S. container terminal. The seven-year investment grade offering bears interest at approximately 3.5%.
- Our French telecom operation completed a €735 million (net to BIP – $135 million) non-recourse project financing for its fiber-to-the-home business. Financing the fiber business on a stand-alone basis allowed us to increase leverage while maintaining the company's corporate investment grade rating.

In April, we further enhanced our corporate balance sheet and supplemented our liquidity through a C$600 million note issuance. The offering was oversubscribed and split between a 12-year tranche and a 30-year tranche, with an average coupon of approximately 5.5%. The 30-year tranche was our longest issuance to date and validates the quality of our business and credit. Following our note offering, corporate liquidity totals nearly $3 billion, which we plan on enhancing through our advanced capital recycling initiatives currently underway.

Strategic Initiatives

As an owner and operator of diversified global infrastructure, we continue to see opportunities to execute our full-cycle investment strategy across all segments and geographies in which we operate. We successfully invested approximately $750 million into two utility investments, including the A$18 billion take-private of an Australian regulated utility business (AusNet) and in the acquisition of an Australian smart metering business (Intellihub). On April 14, we announced an agreement to acquire Uniti Group Ltd. (Uniti) in a A$3.7 billion take private transaction through a 50/50 joint venture partnership with another infrastructure investor. Total Brookfield equity required for the investment is estimated to be $850 million (BIP's share – approximately $200 million).

Uniti is a provider of wholesale and retail telecommunications services to customers and businesses in Australia. Strategically, this investment provides exposure to the country's largest pure-play greenfield fiber-to-the-home wholesale operator, with a stable and predictable recurring revenue stream and a significant backlog. Currently, Uniti has approximately 265,000 ready to connect premises and an order book of over 290,000 additional sites providing a highly visible and de-risked growth profile. The investment is expected to close in the third quarter of 2022, after customary closing conditions and receipt of shareholder and court approvals.

In total, BIP has deployed or secured nearly $1 billion in equity thus far in 2022, representing over 60% of our estimated $1.5 billion annual deployment target. We have a high degree of confidence in our ability to exceed the balance of our target based on the robust pipeline of advanced opportunities that our global investment teams are pursuing. Our access to capital, local presence and active operating approach are expected to continue to differentiate Brookfield Infrastructure from competitors.

On the capital recycling front, we continue to progress our active capital recycling program and expect to generate up to $5 billion from asset sales over the next three years, of which up to $2 billion has been identified over the next 12 months. Most advanced are the sales processes for our Indian toll road business and 2,400 kilometers of newly constructed electricity transmission lines in Brazil. Both processes are anticipated to result in binding commitments in the coming months and be concluded in 2022.

Natural Gas: A Reliable Transition Fuel and a Path to Energy Security

For the past two years we have been operating in a market environment of disrupted supply chains and rising commodity prices. The recent impact of geopolitical events in Europe has spotlighted the importance of energy security and catalyzed further commodity price appreciation. Natural gas, and more specifically LNG, will continue to be a leading transition fuel in the move towards net zero and is also expected to play a key role in providing global energy security. These elements highlight the valuable part our critically located infrastructure plays in the processing, transportation, and distribution of natural gas.

Our North American midstream businesses are well positioned in key markets that are currently benefiting directly from high utilization rates and increasing commodity prices. We are experiencing renewed customer demand for access to our infrastructure after several years of limited production growth and infrastructure expansion projects. Our midstream businesses typically reserve a small portion of operational capacity uncontracted, generally 15% to 20%, to provide flexibility and to participate in market pricing. Under the backdrop of the current market, this available capacity has generated incremental revenue that has contributed to our strong financial performance.

The indirect benefit of a constructive commodity price environment is its impact on our customers, who are currently experiencing strong cash flow and strengthening balance sheets. These tailwinds to our customers' financial profile, coupled with improving market sentiment, is expected to incent reinvestment into their operations. As a result, we anticipate a renewed interest in customer-initiated infrastructure expansion projects to increase capacity and throughput across our asset base.

Today, we own three businesses that are expected to benefit from increased demand for LNG in support of the transition to a low carbon economy. Specifically, there is significant new interest in securing capacity at U.S. LNG export terminals; customers on our U.S. natural gas pipeline are discussing the contracting options for a third phase of our gulf coast egress; and our Canadian midstream business is well situated to process and support gas deliveries to west coast LNG export terminals currently under construction.

Several of our utility businesses play a vital role in the transportation and distribution of natural gas to residential and industrial customers. Weather related events have either taken renewable power offline or disrupted natural resource generation, leaving energy markets short of supply and ultimately passing on higher market rates to consumers. In each of the countries we operate, energy regulators are advocating for energy security and diversification of supply that includes natural gas as a reliable source of baseload generation.

While the transition to net zero will require significant renewable energy investment and upgrades to electrical grids worldwide, we maintain the view that critically located natural gas infrastructure will play an important role in supporting the energy transition over the next several decades. The lack of investment in traditional energy supply and the intermittency of renewable power have created more scarcity value for our assets. As we continue to expand our footprint and re-contract our assets on attractive terms, we are well positioned to deliver strong returns on both our in-place businesses and our capital recycling initiatives in the years to come.

Outlook

We believe that the outlook for Brookfield Infrastructure is very positive. Our business provides an attractive way for investors to participate in the growing need for global infrastructure investment while also providing stability and predictability during a period of economic and geopolitical uncertainty.

From a macro perspective, the secular trends driving the need for significant growth in infrastructure investment have only strengthened in the past year. We have previously highlighted the significant capital needed globally to build out data infrastructure networks, debottleneck supply chains, and decarbonize the energy and transportation sectors. Adding to this significant infrastructure investment backlog, geopolitical challenges have led countries to urgently emphasize the onshoring of critical supply chains and industries. This phenomenon has been referred to as "deglobalization" and has taken on additional urgency as a result of the current conflict in Europe. We anticipate significant potential investment opportunities to materialize for us as a result of this re-onshoring activity, particularly related to the energy and data sectors. We expect this deglobalization trend to continue to accelerate and result in hundreds of billions of dollars of required investment. Given the scale and global nature of our business, we are uniquely positioned to be a leader in this potentially massive investment opportunity set.

At the micro level, the outlook for our business is equally strong. Our expectation for 2022 is that we will deliver organic growth at the high end of our target 6-9% annual range. The business is expected to benefit from the following factors:

- Favorable operating conditions resulting in higher tariffs from elevated inflation levels and higher utilization in our midstream assets related to strong commodity prices;

- Higher embedded organic growth as we continue our asset rotation strategy whereby we divest mature, de-risked assets into higher growth, higher returning investments; and
- Incremental cash flows as we progress the commissioning of several meaningful growth projects into full operation such as Train 6 at our U.S. LNG export terminal, the Heartland Petrochemical Complex at our Canadian Diversified Midstream Operation and our Brazilian electricity regulated transmission assets – all of which have recently come online or are expected to be fully operational within the next 12 months.

Lastly, our business is insulated from rising interest rates so we anticipate being able to continue to achieve a 12-15% return on invested capital. We have strong visibility on capital deployment as over 60% of this year's estimated target for new investments has already been secured, and the investment pipeline is as strong as it has ever been. Our balance sheet is well-capitalized, and we are actively progressing up to $2 billion of capital recycling initiatives to fund our large and advanced M&A pipeline.

The Board and management are excited about Brookfield Infrastructure's future and wish to thank our unitholders and shareholders for their ongoing support.

Sincerely,

Sam Pollock
Chief Executive Officer

May 4, 2022

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, including tuck-in acquisitions, the state of political and economic climates in the jurisdictions in which we operate or intend to operate, the expansion of our businesses and operating segments into new jurisdictions,, the adoption of new and emerging technologies in the jurisdictions in which we operate, performance of global capital markets and our strategies to hedge against risk in such markets, ability to access capital, anticipated capital amounts required for the growth of our businesses, the continued growth of Brookfield Infrastructure and its businesses in a competitive infrastructure sector, the effect expansion and growth projects of our customers will have on our businesses, and future revenue and distribution growth prospects in general. Although Brookfield Infrastructure believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on them, or any other forward-looking statements or information in this letter. The future performance and prospects of Brookfield Infrastructure are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Partnership and Brookfield Infrastructure to differ materially from those contemplated or implied by the statements in this letter to unitholders include general economic, social and political conditions in the jurisdictions in which we operate or intend to operate and elsewhere which may impact the markets for our products or services, the ability to achieve growth within Brookfield Infrastructure's businesses, some of which depends on access to capital and continuing favorable commodity prices, the impact of political, economic and other market conditions on our businesses, the fact that success of Brookfield Infrastructure is dependent on market demand for an infrastructure company, which is unknown, the availability and terms of equity and debt financing for Brookfield Infrastructure, the impact of health pandemics such as COVID-19 on our business and operations (including the availability, distribution and acceptance of effective vaccines), 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.*