

Inter Pipeline Announces 2019 Financial and Operating Results

CALGARY, ALBERTA, FEBRUARY 20, 2020: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) today announced financial and operating results for the three and twelve-month periods ended December 31, 2019.

2019 Highlights

- Annual funds from operations (FFO) totaled \$873 million
- Oil sands transportation business generated strong annual FFO of \$604 million
- Bulk liquid storage FFO increased to \$115 million
- Net income of \$539 million
- Declared cash dividends of \$706 million, or \$1.71 per share
- Annual payout ratio* of 81 percent
- Approved \$100 million Viking Connector conventional pipeline project
- Completed connection to Kirby North oil sands project for Canadian Natural
- Successfully issued \$1.45 billion of hybrid notes to support the financing plan for the Heartland Petrochemical Complex
- Materially advanced the design and construction of the Heartland Petrochemical Complex

Fourth Quarter 2019 Highlights

- Quarterly FFO of \$217 million
- Total pipeline throughput volume averaged a record 1,514,200 b/d
- Quarterly payout ratio* of 83 percent
- Declared cash dividends of \$179 million, or \$0.43 per share
- Bulk liquid storage utilization rates were 93 percent, the highest level in two years

** Please refer to the "Non-GAAP Financial Measures" section of the MD&A.*

Financial Performance

Inter Pipeline generated solid financial results in 2019, with funds from operations of \$872.9 million. Full year 2019 FFO was 20 percent lower than the record \$1,088.7 million of FFO generated in 2018. This decrease was primarily driven by lower results in our NGL processing business, which was impacted by depressed frac-spread pricing throughout the year.

Fourth quarter funds from operations totaled \$216.8 million, down from \$273.3 million in the comparable quarter of 2018. All business segments posted stronger results except for NGL processing, which was impacted by weaker frac-spread pricing.

“Inter Pipeline’s pipeline transportation businesses continued to generate solid financial results in 2019,”

commented Christian Bayle, Inter Pipeline's President and Chief Executive Officer. "There was also a marked improvement in performance from our European storage business due to a number of new contract wins. However, as expected, lower commodity prices and planned maintenance activities during the year negatively impacted our NGL processing results."

For the fourth quarter and full year 2019, Inter Pipeline's four business segments generated funds from operations as follows:

<i>Funds from operations (millions)</i>	<i>Three Months Ended December 31, 2019</i>	<i>Twelve Months Ended December 31, 2019</i>
Oil sands transportation	\$153.8	\$603.6
NGL processing	\$50.3	\$236.6
Conventional oil pipelines	\$44.6	\$168.0
Bulk liquid storage	\$30.8	\$115.0

Corporate costs, including general and administrative, financing and tax expenses for the three and twelve months ended December 31, 2019 were \$62.7 million and \$250.3 million, respectively.

Cash Dividends

In 2019, dividend payments to shareholders were \$706.4 million or \$1.71 per share, resulting in an annual payout ratio of 80.9 percent. In the fourth quarter, Inter Pipeline declared dividends of \$179.3 million, or \$0.4275 per share, resulting in a quarterly payout ratio of 82.7 percent.

Inter Pipeline's monthly dividend rate is \$0.1425 per share, or \$1.71 per share on an annualized basis.

Oil Sands Transportation

Inter Pipeline's oil sands transportation business continued to generate strong, stable operating and financial results in 2019. Inter Pipeline generates cash flow from this business from a variety of long-term, cost-of-service contracts and is not materially impacted by throughput volume fluctuations. Annual funds from operations were \$603.6 million, an increase of \$3.6 million compared to the full-year 2018. Total bitumen blend and diluent volumes averaged 1,216,700 b/d for the full year 2019, consistent with 2018 levels.

In the fourth quarter of 2019, funds from operations were \$153.8 million, an increase of \$3.0 million from the fourth quarter 2018. Average throughput volume increased by 108,500 b/d over the fourth quarter of 2018 to 1,324,900 b/d, a new quarterly record.

<i>Volume (000 b/d)</i>	<i>Three Months Ended December 31, 2019</i>	<i>Twelve Months Ended December 31, 2019</i>
Cold Lake	629.5	575.7
Corridor	436.2	402.9
Polaris	259.2	238.1

In July 2019, a \$110 million diluent and bitumen blend pipeline connection to Canadian Natural's Kirby North oil sands project was successfully placed into service. Contracted capacity increased by a total of approximately 38,000 b/d on Inter Pipeline's Cold Lake and Polaris pipeline systems.

NGL Processing

NGL processing generated annual funds from operations of \$236.6 million in 2019, compared to \$454.8 million in 2018. Financial results were primarily impacted by depressed frac-spread pricing in both our natural gas and offgas processing operations as well as planned turnaround activities at several major processing facilities during the year.

Inter Pipeline's three straddle facilities produced 107,600 b/d of ethane and propane-plus in 2019. Annual sales volume from the Redwater Olefinic Fractionator decreased approximately two percent from the same period a year ago to average 31,900 b/d in 2019.

In the fourth quarter of 2019, this business generated \$50.3 million in funds from operations, down from \$120.1 million in 2018. Quarterly results were impacted by a planned partial outage in October 2019 at the Cochrane plant and lower frac-spread pricing for all products.

The Cochrane and Empress straddle facilities produced 101,500 b/d of ethane and propane-plus during the quarter. Average sales volume from the Redwater Olefinic Fractionator was 33,700 b/d for the fourth quarter of 2019, a decrease of approximately nine percent compared to the same period in 2018.

<i>Frac-spread (USD/USG)</i>	<i>Three Months Ended December 31, 2019</i>	<i>Twelve Months Ended December 31, 2019</i>
Cochrane propane-plus	\$0.41	\$0.49
Offgas Olefinic*	\$0.81	\$0.88
Offgas Paraffinic*	\$0.26	\$0.16

*Price after applicable benchmark adjustment

Heartland Petrochemical Complex (HPC)

In aggregate, Inter Pipeline has invested approximately \$2.2 billion on HPC, including \$1.2 billion in 2019, and \$306.4 million in the fourth quarter. Construction activities continue to progress well at the complex, with the propane dehydrogenation facility on track to be mechanically complete by the end of 2020 and the polypropylene plant by the third quarter of 2021. The in-service date for the integrated complex remains the end of 2021 and continues to track according to budgetary and schedule targets.

In 2019, much of the detailed engineering, procurement and installation of major equipment was completed. Milestones for the fourth quarter 2019 included the substantial completion of the maintenance and administration buildings, the erection of the locomotive storage building and a start to the construction of the rail yard.

Conventional Oil Pipelines

In 2019, funds from operations for the conventional oil pipelines business segment were \$168 million, \$9.6 million lower than 2018. This resulted from lower throughput volume on the Mid-Saskatchewan pipeline

system and higher fuel and power costs, partially offset by stronger midstream marketing activities.

Volume on our three conventional oil pipeline systems averaged 186,300 b/d in 2019, down seven percent from 2018. Volume increases on the Central Alberta and Bow River pipeline systems were offset by declines in throughput on the Mid-Saskatchewan pipeline system.

During the fourth quarter of 2019, this business generated funds from operations of \$44.6 million, an increase of 79 percent from the comparable quarter in 2018, driven by higher revenues, strong midstream marketing activities and lower operating expenses.

Average throughput volume increased three percent in the fourth quarter to 189,300 b/d compared to the fourth quarter 2018. While volume on the Bow River pipeline system was comparable to the same period a year ago, volume on the Central Alberta system rose approximately five percent to 34,000 b/d. Mid-Saskatchewan volumes increased by eight percent to 60,600 b/d in comparison to the fourth quarter of 2018 on higher truck and pipeline connected volumes.

In 2019, Inter Pipeline advanced several projects that form part of a \$180 million multi-phase expansion of its Central Alberta pipeline system. These phases include the construction of a new 75-kilometer Viking Connector pipeline, which is expected to be complete in April 2020 and, two new 130,000-barrel storage tanks at Stettler Terminal, which are expected to enter service mid-2020. These additional assets will be well-positioned to service growing production from the East Duvernay light oil basin and other emerging oil plays in Alberta's south-central region.

Bulk Liquid Storage

The bulk liquid storage business had a strong 2019 with funds from operations of \$115 million, a \$49 million increase compared to 2018. This performance was primarily driven by strong results from the UK and the Netherlands storage assets acquired in late 2018 as well as additional storage contracts secured in Denmark. In 2019, average storage utilization rates increased to 87 percent compared to 77 percent in 2018.

Funds from operations for the quarter were \$30.8 million, an increase of \$15.8 million over the same period in 2018. Overall, the average storage utilization rate during the fourth quarter increased to 93 percent compared to 68 percent for the same period a year ago.

Inter Pipeline is currently engaged in a structured process to explore the potential sale of this business segment. The sale process is ongoing and is expected to be concluded within the first half of 2020. Should a full or partial transaction be completed, proceeds would be used to reduce debt and finance our capital expenditure program, including the Heartland Petrochemical Complex.

Financing Activity

Inter Pipeline continues to maintain a strong balance sheet and investment grade credit ratings.

In November 2019, Inter Pipeline issued \$700 million of long-term subordinated hybrid notes at 6.625 percent. This is in addition to \$750 million of subordinated hybrid notes at 6.875 percent issued in March 2019. Net proceeds from both offerings were used to repay indebtedness under Inter Pipeline's revolving credit facility and fund organic growth projects, principally the Heartland Petrochemical Complex.

As at December 31, 2019, Inter Pipeline had over \$1.4 billion of available capacity on its \$1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio of 41.3 percent. Standard & Poor's and DBRS Limited have assigned Inter Pipeline investment grade credit ratings of BBB+ and BBB, respectively.

Conference Call and Webcast

Inter Pipeline will hold its year-end and fourth quarter 2019 financial and operating results conference call and webcast on February 21, 2020 at 9:00 a.m. MT (11:00 a.m. ET) for interested shareholders, analysts and media representatives.

To participate in the conference call, please dial 1 (888) 231-8193. The conference ID is 2293946. A replay of the conference call will be available until February 28, 2020 by calling 1 (855) 859-2056. The code for the replay is 2293946.

Select Financial and Operating Highlights

(millions of dollars, except per share & percent where noted)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2019	2018	2019	2018
Operating Results				
Pipeline volume (000 b/d)				
Oil sands transportation	1,324.9	1,216.4	1,216.7	1,225.8
Conventional oil pipelines	<u>189.3</u>	<u>184.2</u>	<u>186.3</u>	<u>201.1</u>
Total pipeline	1,514.2	1,400.6	1,403.0	1,426.9
NGL processing volume ¹ (000 b/d)				
Ethane	59.8	65.4	63.4	57.4
Propane-plus	41.7	49.7	44.2	44.7
Redwater Olefinic Fractionator sales volume	<u>33.7</u>	<u>37.0</u>	<u>31.9</u>	<u>32.5</u>
Total NGL processing	135.2	152.1	139.5	134.6
Bulk liquid storage capacity utilization	93%	68%	87%	77%
Financial Results				
Revenue	\$644.0	\$630.9	\$2,535.3	\$2,592.9
Funds from operations				
Oil sands transportation	\$153.8	\$150.8	\$603.6	\$600.0
NGL processing	\$50.3	\$120.1	\$236.6	\$454.8
Conventional oil pipelines	\$44.6	\$24.9	\$168.0	\$177.6
Bulk liquid storage	\$30.8	\$15.0	\$115.0	\$65.9
Corporate costs	<u>\$(62.7)</u>	<u>\$(37.5)</u>	<u>\$(250.3)</u>	<u>\$(209.6)</u>
Total funds from operations	\$216.8	\$273.3	\$872.9	\$1,088.7
Per share ²	\$0.52	\$0.68	\$2.12	\$2.80
Net Income	\$100.5	\$144.3	\$539.0	\$592.5
Per share - basic & diluted	\$0.24	\$0.36	\$1.31	\$1.53
Adjusted EBITDA ²	\$263.4	\$307.4	\$1,051.2	\$1,245.3
Supplemental Financial Information				
Cash dividends declared	\$179.3	\$169.7	\$706.4	\$655.4
Per share ³	\$0.428	\$0.425	\$1.710	\$1.685
Payout ratio ²	82.7%	62.1%	80.9%	60.2%
Capital expenditures				
Growth ²	\$414.8	\$314.3	\$1,524.0	\$875.8
Sustaining ²	<u>\$25.5</u>	<u>\$28.9</u>	<u>\$69.6</u>	<u>\$74.5</u>
Total capital expenditures	\$440.3	\$343.2	\$1,593.6	\$950.3

1. *Empress V NGL production reported on a 100% basis.*

2. *Please refer to the NON-GAAP FINANCIAL MEASURES section of the MD&A.*

3. *Dividends to shareholders per share are calculated based on the number of common shares outstanding at each record date.*

About Inter Pipeline Ltd.

Inter Pipeline is a major petroleum transportation, natural gas liquids processing, and bulk liquid storage business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and Europe. Inter Pipeline is a member of the S&P/TSX 60 Index and its common shares trade on the Toronto Stock Exchange under the symbol IPL. www.interpipeline.com

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Disclaimer

Certain information contained herein may constitute forward-looking statements that involve known and unknown risks, assumptions, uncertainties and other factors. Some of the forward-looking statements may be identified by words like “anticipates”, “estimates”, “expects”, “indicates”, “intends”, “may”, “could”, “should”, “would”, “plans”, “scheduled”, “projects”, “outlook”, “proposed”, “potential”, “will”, and similar expressions. Forward-looking information in this news release include information about the following but are not limited to: 1) the stability of Inter Pipeline’s business and funds from operations and the ability to pay dividends to its shareholders at current levels; 2) Inter Pipeline being well-positioned to service growing production from the East Duvernay light oil basin and other emerging oil plays in Alberta’s south-central region; 3) financial forecasts or anticipated financial performance; 4) timing for completion, estimated costs and anticipated benefits of ongoing capital or growth projects (including the HPC and the expansion of its Central Alberta pipeline system); 5) capital expenditure forecast levels and the anticipated manner of funding such expenditures; 6) the anticipated timing for the completion of the divestiture process relating to the European bulk liquids storage assets and the use of any sales proceeds resulting therefrom; and 7) Inter Pipeline’s ability maintain a strong balance sheet and investment grade credit ratings. Such statements reflect the current views of Inter Pipeline with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause the results of Inter Pipeline to differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to vary from forward-looking information or may affect the operations, performance, development and results of Inter Pipeline’s businesses include, among other things: risks and assumptions associated with operations, such as Inter Pipeline’s ability to successfully implement its strategic initiatives and achieve expected benefits, including the further development of its projects and facilities; assumptions concerning operational reliability; the potential delays of and costs of overruns on construction projects and future expansions of Inter Pipeline’s assets; the realization of the anticipated benefits of acquisitions and other projects Inter Pipeline is developing; the timing, financing and completion of acquisitions and other projects Inter Pipeline is developing; risks inherent in Inter Pipeline’s Canadian and foreign operations; risks associated with the failure to finalize formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Inter Pipeline; Inter Pipeline’s ability to generate sufficient cash flow from operations to meet its current and future obligations; Inter Pipeline’s ability to maintain its current level of cash dividends to its shareholders; Inter Pipeline’s ability to access sources of debt and equity capital;

Inter Pipeline's ability to make capital investments and the amounts of capital investments; Inter Pipeline's ability to maintain its credit ratings; the availability and price of labour, equipment and construction materials; the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its affiliates; competitive factors, pricing pressures and supply and demand in the oil and gas transportation, natural gas liquids processing and storage industries; increases in maintenance, operating or financing costs; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals or land access rights and maintenance of support of such approvals and rights; risks of war, hostilities, civil insurrection, instability and political and economic conditions in or affecting countries in which Inter Pipeline and its affiliates operate; severe weather conditions and risks related to climate change; terrorist threats; risks associated with technology; availability of energy commodities; volatility of and assumptions regarding prices of energy commodities; fluctuations in currency and interest rates; changes in laws and regulations, including environmental, regulatory and taxation laws, and the interpretation of such changes to Inter Pipeline's business; the risks associated with existing and potential or threatened future lawsuits and regulatory actions against Inter Pipeline and its affiliates; general economic and business conditions; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. Many of the risk factors and other assumptions related to the forward-looking information are discussed further in Inter Pipeline's most recent MD&A and Annual Information Form, and other documents it files from time to time. You can find these documents by referring to Inter Pipeline's profile on SEDAR (www.sedar.com). As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information. Except as required by applicable law, IPL assumes no obligation to update or revise any forward-looking information.

Non-GAAP Financial Measures

Certain financial measures referred to in this news release are not measures recognized by GAAP. These non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Investors are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.