inter pipeline

News Release

Inter Pipeline First Quarter 2020 Financial and Operating Results

CALGARY, ALBERTA, MAY 7, 2020: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) today announced financial and operating results for the three-month period ended March 31, 2020.

First Quarter Highlights

- Funds from operations (FFO) totalled $208 million
- Oil sands transportation FFO of $155 million, a five percent increase over first quarter 2019
- Net income for the quarter was $89 million
- Declared cash dividends of $181 million
- Quarterly payout ratio* of 87 percent
- Total pipeline throughput volume averaged 1,527,800 barrels per day (b/d), a 10 percent increase over first quarter 2019
- Bulk liquid storage utilization averaged 95 percent for the quarter

Subsequent to the Quarter

- Closed a new $1 billion committed credit facility to provide additional financial liquidity
- Updated Heartland Petrochemical Complex cost estimate to $4 billion
- Viking Connector pipeline was placed into service on April 1, on time and on budget
- Dividend reduced and other cost-containment measures identified to improve financial flexibility

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

Response to COVID-19

In March 2020, Inter Pipeline was one of many companies to begin aggressively managing the unprecedented consequences of both the decline in global energy prices and the COVID-19 pandemic.

Inter Pipeline's operations were recognized as an essential service by government and many of its employees continue to work at its pipeline facilities, NGL extraction and offgas plants, European storage terminals and major project sites, such as the Heartland Petrochemical Complex. Measures were put in place to ensure the ongoing health and safety of the workforce and its surrounding communities, aligning with the recommendations of government and public health authorities. To date, Inter Pipeline's global operations have not had any reported COVID-19 cases.

“2020 will undoubtably be remembered as a year of unparalleled challenges for our people, our business, our customers and the industry at large,” said Christian Bayle, Inter Pipeline’s President and Chief Executive Officer. “Our essential services personnel quickly adapted to the challenges of safely operating complex pipeline, processing and storage systems under trying circumstances and support staff successfully transitioned to working remotely and remain highly productive. I am immensely proud of the dedication and professionalism of the Inter Pipeline team.

“During this time of a worldwide pandemic on top of an already weakened energy market we are focused on continuing to protect our people and our critical operations and projects, while ensuring we place ourselves in the best possible financial position.”

Financial Performance

Inter Pipeline generated first quarter 2020 funds from operations of $207.5 million, compared to $211.5 million in the first quarter of 2019. Our oil sands transportation, conventional oil pipeline and bulk liquid storage segments outperformed the same period a year ago, while NGL processing was impacted by the lower commodity price environment.

As at March 31, 2020, Inter Pipeline’s four business segments generated funds from operations as follows:

Funds from operations (millions)	*Three Months Ended March 31, 2020*
Oil sands transportation	$154.5
NGL processing	$43.2
Conventional oil pipelines	$36.6
Bulk liquid storage	$34.8

“Our financial resilience is underpinned by the long-term, stable cash flow generated from our oil sands transportation business,” added Bayle. “We also benefited from improved financial results from our European bulk liquid storage operations as utilization increased to an average of 95 percent for the quarter.”

Corporate costs, including employee, financing and tax expenses, were $61.6 million in the first quarter of 2020, five percent lower when compared to the first quarter of 2019.

Cash Dividends

Dividend payments to shareholders were $181.1 million, or $0.43 per share in the first quarter of 2020, compared to $173.9 million for the same period in 2019.

Effective with the April 2020 dividend, Inter Pipeline’s Board of Directors approved a reduction to the monthly cash dividend from $0.1425 per share to $0.04 per share, or $0.48 per share on an annualized basis. The Premium Dividend™ and Dividend Reinvestment Plan was also suspended to reduce dilution to shareholders. The reduction in the dividend results in annualized cash savings of approximately $525 million and positions Inter Pipeline to self-fund the remaining equity portion of the financing requirements of the Heartland Petrochemical Complex.

Inter Pipeline's payout ratio for the quarter was 87.3 percent.

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Oil Sands Transportation

Inter Pipeline's oil sands transportation business first quarter funds from operations increased approximately five percent to $154.5 million, compared to the same period in 2019. Inter Pipeline generates cash flow from this business from a variety of high-quality, long-term cost-of-service contracts that are not generally impacted by throughput volume fluctuations.

Average total throughput volume for the first quarter increased by 146,400 b/d to 1,345,900 b/d, a twelve percent increase, over the same period a year ago. While some volume declines are anticipated in the second quarter of 2020 as a result of producer curtailments, the impact to funds from operations is expected to be nominal.

Volume (000 b/d)	*Three Months Ended March 31, 2020*
Cold Lake	654.0
Corridor	404.6
Polaris	287.3

NGL Processing

NGL processing generated $43.2 million in funds from operations during the first quarter of 2020. Despite strong extraction and sales volume, results were impacted by lower frac-spread pricing in both our natural gas and offgas processing operations. In the near term, FFO from this business is expected to remain under significant pressure should markedly lower commodity prices persist.

The Cochrane and Empress straddle plants processed 3.39 billion cubic feet per of natural gas per day during the quarter and approximately 116,600 b/d of ethane and propane-plus was extracted. Average sales volume from the Redwater Olefinic Fractionator was 36,600 b/d, a 1,100 b/d increase over the first quarter of 2019.

Frac-spread (USD/USG)	*Three Months Ended March 31, 2020*
Cochrane propane-plus	$0.31
Offgas Olefinic*	$0.60
Offgas Paraffinic*	$0.13
*Price after applicable benchmark adjustment	

Heartland Petrochemical Complex

Inter Pipeline continues to remain highly focused on executing construction, commercial and operational readiness activities for the Heartland Petrochemical Complex (HPC). The project construction site remains active, with rigorous sanitation and social distancing controls in place to protect workers during the COVID-19 pandemic. To date there have been no reported COVID-19 cases at HPC, however increased precautionary measures have lowered construction site staffing and impacted near-term planned productivity.

First quarter 2020 expenditures for this project were $255 million, bringing the total project spend since inception to approximately $2.5 billion.

Inter Pipeline recently completed a detailed analysis of the remaining capital costs for the polypropylene plant (PP) and refreshed the contingency costs for the propane dehydrogenation facility (PDH). A full review of project commissioning and start-up plans has also been completed and Inter Pipeline has elected to devote additional resources to support these critical activities. Additionally, the COVID-19 pandemic has affected Inter Pipeline's near-term construction execution plans, which will impact capital costs and may extend the construction schedule. As a result, the estimated cost of HPC is now approximately $4.0 billion, with the majority of incremental costs expected to be incurred in 2021 and 2022. The project in service date may shift to early 2022, however mitigation plans to address this are under development.

The 14 percent increase over the original estimate of $3.5 billion is broken down as follows:

Incremental Cost (millions)		
Revised PP/PDH Design and Construction		$100
Incremental Commissioning and Start Up		$170
COVID-19 Impact		$150
Incremental Interest During Construction		$80
	Total	**$500**

Inter Pipeline recently announced that a process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex was launched in late 2019. A partner would benefit from joining a well-developed world-scale petrochemical project that has substantial commercial advantages, and it would lower Inter Pipeline's overall project concentration exposure. While there can be no certainty that a definitive agreement will be reached, the process remains active and Credit Suisse and TD Securities have been retained to provide financial advisory services.

Conventional Oil Pipelines

Funds from operations for Inter Pipeline's conventional oil pipelines business were $36.6 million for the first quarter of 2020. This seven percent increase over the first quarter of 2019 is primarily a result of higher volume on the Central Alberta pipeline system and lower operating expenses.

Average throughput for Inter Pipeline's three conventional oil pipelines was 181,900 b/d for the first quarter, a three percent decrease from the first quarter of 2019. Volume increase on the Central Alberta pipeline system was offset by declines in throughput on the Bow River and Mid-Saskatchewan pipeline systems. Overall throughput on the conventional system is expected to fall in the second quarter of 2020 as producers shut-in production in response to the collapse in global oil pricing. April's average volume was approximately 140,000 b/d and early indications for May are between 120,000 b/d and 130,000 b/d.

On April 1, 2020, the new 75-kilometer Viking Connector pipeline was placed into service on time and on budget. The Viking Connector is expected to add approximately 10,000 to 15,000 b/d of throughput volume to the Central Alberta pipeline system during normal market conditions, providing new access to the Edmonton market hub and additional flexibility for producers.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage business generated quarterly funds from operations of $34.8 million, an $8 million increase from the first quarter of 2019. Storage demand has increased across Inter Pipeline's pan-European platform, though most notably at its Danish terminals that predominately handle refined petroleum products.

During the first quarter, average storage utilization rate across all terminals increased from 78 percent during the comparable period a year ago to 95 percent. Inter Pipeline anticipates strong utilization rates to continue throughout 2020, with April 2020 utilization rates reaching 98 percent.

In the first quarter 2020, a decision was made to suspend the sales process of this business as a result of potential purchasers of this business being significantly affected by the COVID-19 pandemic. While this is not the right environment to pursue and complete a major pan-European transaction, Inter Pipeline may revisit this process at a later date.

Financing Activity

In the current challenging market environment, Inter Pipeline has undertaken several key measures over the past few months to enhance its financial strength and flexibility.

Inter Pipeline has eliminated certain discretionary expenditures within the 2020 capital program to further protect the balance sheet. This is an on-going process and, as at the end of the first quarter 2020, the remaining 2020 growth capital is approximately $675 million for HPC and $100 million in other smaller growth expenditures across the business. A further $50 million is planned for investment in certain sustaining capital projects for the balance of the year.

As of March 31, 2020, Inter Pipeline had significant liquidity on its $1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio* of 42.3 percent, significantly below the maximum covenant level of 65 percent.

Subsequent to the first quarter, Inter Pipeline closed a new $1.0 billion unsecured revolving credit facility with a syndicate of key lenders and extended the maturity date of its drawn $500 million term loan facility by two years to August 2022. As a result of these financial measures, Inter Pipeline has approximately

$2.2 billion of available capacity on its existing revolving credit facilities and has significantly reduced its 2020 debt maturities.

Inter Pipeline maintains investment grade credit ratings. Standard & Poor's and DBRS Limited have assigned Inter Pipeline a credit rating of BBB- (negative) and BBB (stable), respectively.

Conference Call and Webcast

A conference call and webcast have been scheduled for May 8, 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) 231-8191. A replay of the conference call will be available until May 15, 2020 by calling 1 (855) 859-2056. The code for the replay is 2981946. A link to the webcast and updated investor relations presentation are available on Inter Pipeline's website.

Annual and Special Meeting of Shareholders

Inter Pipeline will hold its virtual-only Annual and Special Meeting of Shareholders via live audio webcast, on Thursday, May 7, 2020 at 2:00 p.m. MT (4:00 p.m. ET).

Further information can be found at: www.interpipeline.com/investor/annual-general-meeting.cfm

Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)	Three Months Ended March 31	
Operating Results	2020	2019
Pipeline volume (000 b/d)		
Oil sands transportation	1,345.9	1,199.5
Conventional oil pipelines	181.9	187.1
Total pipeline	1,527.8	1,386.6
NGL processing volume[1] (000 b/d)		
Ethane	70.5	72.2
Propane-plus	46.1	49.5
Redwater Olefinic Fractionator sales volume	36.6	35.5
Total NGL processing	153.2	157.2
Bulk liquid storage capacity utilization	95%	78%
Financial Results		
Revenue	$603.8	$658.9
Funds from operations		
Oil sands transportation	$154.5	$147.6
NGL processing	$43.2	$68.0
Conventional oil pipelines	$36.6	$34.1
Bulk liquid storage	$34.8	$26.8
Corporate costs	$(61.6)	$(65.0)
Total funds from operations	$207.5	$211.5
Per share[2]	$0.49	$0.52
Net Income	$89.1	$98.3
Per share - basic & diluted	$0.21	$0.24
Adjusted EBITDA[2]	$255.2	$253.1
Supplemental Financial Information		
Cash dividends declared	$181.1	$173.9
Per share[3]	$0.4275	$0.4275
Payout ratio[2]	87.3%	82.2%
Capital expenditures		
Growth[2]	$311.6	$316.7
Sustaining[2]	$4.9	$11.9
Total capital expenditures	$316.5	$328.6

1. *Empress V NGL production reported on a 100% basis.*
2. *Please refer to the NON-GAAP FINANCIAL MEASURES section.*
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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Reader Advisories and Cautionary Statements

Forward-Looking Statements

Certain information contained herein may constitute forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities legislation that involve known and unknown risks, assumptions, uncertainties and other factors. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Readers are cautioned not to place undue reliance on forward-looking statements, including, but not limited to, statements regarding: our business strategy and plans including our continued focus on protecting our people, critical operations, projects and financial position and on executing construction, commercial and operational readiness activities for HPC and the impact thereon due to COVID-19 and the decline in global energy prices; the estimated total capital cost to complete HPC and the expected timing for incurring, and allocation of, the estimated incremental costs; expected FFO from various business segments; the ultimate impact COVID-19 may have on the construction of HPC including potential delays; the anticipated delay for the in service date for HPC and the ongoing mitigation plans to avoid such a delay; expected continuation of strong utilization rates for the bulk liquids storage business; anticipated growth and sustaining capital expenditure levels in 2020 and allocation of growth capital between HPC and other smaller growth expenditures; the continued suspension of the dividend reinvestment and premium dividend components of the DRIP; the resiliency of the cost-of-service and fee-based cash flow from our pipeline and storage franchises; the confidence in our core businesses; benefits to be derived from actions to improve our financial strength, flexibility and liquidity; the anticipated annualized cash savings resulting from the reduction in our dividend and the ability to self fund the remaining equity portion of the financing requirements of HPC without the need for common share issuances; the ability to deliver a meaningful and sustainable dividend to shareholders as a core business objective; pursuing opportunities to increase the dividend in the future; plans to revisit the bulk liquids storage sale process at a later date; plans to continue to investigate additional operating and administrative expense containment and efficiency measures to lower our cost structure and further strengthen our business fundamentals; the ability to maintain a safe and productive worksite at and continue with the construction of HPC in light of COVID-19; the ability to obtain a partner in HPC and the nature and timing and completion of this process; the benefits to be derived to all stakeholders from HPC including any future partner including the commercial advantages and the benefit from lowering our project concentration exposure; the continued ability to execute HPC on a stand-alone basis and plans to operate under an equity self-funding model for the remainder of construction; the timing for holding our quarterly conference call and the annual shareholders' meeting; top priorities; financial position and cash flows; and the amount, timing and allocation of our 2020 capital expenditure program and the budgets for and timing of completion of various capital projects including HPC. 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 Inter Pipeline's results 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 the expected benefits therefrom, 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 counterparties having contracts with Inter Pipeline and its affiliates and their performance of such contracts; 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; the effects and impacts of the COVID-19 pandemic as further described below, the extent and duration of which are uncertain at this time, on Inter Pipeline's business and general economic and business conditions and markets, and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities.*

In particular and without limitation of the foregoing, the recent outbreak of COVID-19 has had a negative impact on global financial conditions. Inter Pipeline cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with Inter Pipeline, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for Inter Pipeline's services. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and Inter Pipeline's operations, suppliers and customers, and ability to advance its projects or carry out its ongoing business plan, could be adversely affected. In particular, should any employees or consultants of Inter Pipeline become infected with COVID-19 or similar pathogens, it could have a material negative impact on the Inter Pipeline's operations, prospects, business, financial condition and results of operations.

Further, without limitation of the foregoing, future dividend payments, if any, and the level thereof is uncertain, as Inter Pipeline's dividend policy and the funds available for the payment of dividends from time to time is dependent upon, among other things, available funds from operations, financial requirements for Inter Pipeline's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond Inter Pipeline's control. The ability of Inter Pipeline to pay dividends is subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facilities.

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. Such information, although considered reasonable by Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact are deemed to be forward-looking statements. The forward-looking statements contained in this news release are made as of the date of this document, and, except to the extent required by applicable law, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.*

Non-GAAP Financial Measures

EBITDA, consolidated net debt to total capitalization, FFO per share and payout ratio 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 an alternative to other measures of financial performance calculated in accordance with GAAP such as net income. EBITDA is expressed as net income before financing charges, income taxes, depreciation and amortization; adjusted EBITDA also includes additional adjustments for loss (gain) on disposal of assets, non-cash expense (recovery), and non-cash financing charges. These additional adjustments are made to exclude various non-cash items, or items of an unusual nature that are not reflective of ongoing operations. These adjustments are also made to better reflect the historical measurement of EBITDA used in the investment community as an approximate measure of an entity's operating cash flow based on data from its income statement. See our most recent MD&A for an example of the reconciliation of EBITDA net income. Consolidated net debt to total capitalization is disclosed and discussed in the Financial Covenant table of the "Liquidity and Capital Resources" section of our most recent MD&A. This measure in combination with other measures, is used by the investment community to assess the financial strength of the business. FFO is a financial measure that Inter Pipeline uses in managing its business and in assessing future cash requirements that impact the determination of future dividends to shareholders. Inter Pipeline expresses FFO as cash provided by operating activities less net changes in non-cash working capital. The impact of net change in non-cash working capital is excluded in the calculation of FFO primarily to compensate for the seasonality of working capital throughout the year. Certain Inter Pipeline revenue contracts dictate an exchange of cash that differs, on a monthly basis, from the recognition of revenue. Within a 12-month calendar year, there is minimal variation between revenue recognized and cash exchanged. Inter Pipeline therefore excludes the net change in non-cash working capital in its calculation of FFO to mitigate its quarterly impact. The intent is to not skew the results of Inter Pipeline in any quarter for exchanges of cash, but to focus the results on cash that is generated in any reporting period. FFO per share is calculated on a weighted average basis using basic common shares outstanding during the period. This measure, in combination with other measures, is used by the investment community to assess the source, sustainability and cash available for dividends. Payout ratio is calculated by expressing dividends declared for the period as a percentage of FFO. This measure, in combination with other measures, is used by the investment community to assess the sustainability of the current dividends.

Credit Ratings

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Currency

All dollar values are expressed in Canadian dollars unless otherwise noted.