inter pipeline

News Release

Inter Pipeline Announces Second Quarter 2020 Financial and Operating Results

CALGARY, ALBERTA, AUGUST 6, 2020: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) today announced financial and operating results for the three and six month periods ended June 30, 2020.

Second Quarter Highlights

- Funds from operations (FFO) totalled $184 million
- Oil sands transportation FFO increased slightly quarter over quarter due to higher capital fee revenue
- Net income for the quarter was $63 million
- Declared cash dividends of $52 million or $0.12 per share
- Quarterly payout ratio* of 28 percent
- Total pipeline throughput averaged 1,373,000 barrels per day (b/d)
- European bulk liquid storage capacity utilization averaged 98 percent for the quarter
- Construction activities at the Heartland Petrochemical Complex (HPC) site continued to track according to the revised schedule and cost estimate
- Completed the first two phases of Inter Pipeline's Central Alberta pipeline system expansion, including a new 75 km pipeline and 260,000 barrels of additional storage
- Successfully issued $700 million of senior unsecured medium-term notes to repay maturing debt and increase financial flexibility

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

Continued Response to COVID-19

In the second quarter of 2020, Inter Pipeline continued implementing measures to ensure the ongoing health and safety of its workforce, which align with the recommendations of governments and public health authorities. Personnel continue to work safely at its pipeline facilities, NGL extraction and offgas plants, European storage terminals and major project sites, such as HPC without material disruption to activities or service. Planning is now underway to begin transitioning personnel currently working from home back to Inter Pipeline offices in a phased, methodical fashion as conditions allow.

“Our people have remained resilient in these unprecedented times. Our operations are running smoothly, and our productivity levels remain high,” said Christian Bayle, President and Chief Executive Officer of Inter Pipeline. "Most importantly, Inter Pipeline’s commitment to the wellbeing of its workforce has ensured our essential services personnel remain safe while they continue to operate our diverse asset base safely and reliably."

Financial Performance

Inter Pipeline generated funds from operations of $184.4 million in the second quarter of 2020, compared to $240.2 million in the second quarter of 2019.

"Our oil sands transportation business generated strong, consistent financial results and European bulk liquid storage capacity utilization rates climbed to near record levels during the quarter," added Bayle. "However, as expected, throughput was down on our conventional pipeline systems as producers shut-in volume in response to the collapse in global oil pricing. Our NGL processing results were also significantly affected by the lower commodity price environment."

For the second quarter of 2020, Inter Pipeline's four business segments generated funds from operations as follows:

Funds from operations (millions)	*Three Months Ended June 30, 2020*
Oil sands transportation	$151.8
NGL processing	$37.1
Bulk liquid storage	$34.2
Conventional oil pipelines	$26.3

In the second quarter of 2020, corporate costs increased to $65 million compared to $58 million in the same period of 2019, primarily as a result of higher employee costs.

Cash Dividends

Dividend payments to shareholders were $51.5 million, or $0.12 per share in the second quarter of 2020. Inter Pipeline's current monthly dividend rate is $0.04 per share, or $0.48 per share on an annualized basis.

Inter Pipeline's payout ratio* for the quarter was 27.9 percent.

Oil Sands Transportation

Inter Pipeline's oil sands transportation business produced strong operating and financial results in the second quarter of 2020. Funds from operations during the period were $151.8 million compared to $149.7 million for 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 throughout volume or commodity price fluctuations.

Average throughput volume for the entire system increased by over six percent from 1,158,100 b/d to 1,232,900 b/d in the second quarter compared to the same period in 2019.

Volume (000 b/d)	*Three Months Ended June 30, 2020*
Cold Lake	583.9
Corridor	433.0
Polaris	216.0

NGL Processing

NGL processing generated funds from operations of $37.1 million for the second quarter of 2020, compared to $72.1 million for the second quarter of 2019. Results continued to be unfavourably impacted by lower frac spread pricing on Cochrane propane-plus and Offgas olefinic NGL production, which was partially offset by higher sales volume and higher Offgas paraffinic frac-spread pricing. In the near term, FFO from this business would remain under pressure should lower commodity prices persist.

The Cochrane and Empress straddle plants processed 3.1 billion cubic feet of natural gas per day during the second quarter of 2020, consistent with volumes processed during the same period a year ago. Approximately 120,200 b/d of ethane and propane-plus was extracted during the quarter, an increase of 18,900 b/d compared to the second quarter of 2019. Average sales volume from the Redwater Olefinic Fractionator (ROF) increased by six percent, from 32,600 b/d in the second quarter of 2019, to 34,700 b/d during the second quarter of 2020.

Frac-spread (USD/USG)	*Three Months Ended June 30, 2020*
Cochrane propane-plus	$0.29
Offgas Olefinic*	$0.32
Offgas Paraffinic*	$0.21
*Price after applicable benchmark adjustment	

Heartland Petrochemical Complex

In the second quarter of 2020, Inter Pipeline continued to advance construction at the $4 billion Heartland Petrochemical Complex. Construction at HPC remains very active with approximately 2,600 workers currently on site each day, protected by rigorous sanitation and social distancing controls. Second quarter 2020 investment into the project was $238 million, bringing the total project spend since inception to approximately $2.7 billion.

Several construction milestones were met at the propane dehydrogenation facility over this period including the installation of the electrical systems, the interior components of the splitter tower and the condensers. Activities at the polypropylene plant include the completion of the reactor structure and the installation of the cycle gas compressor and the flare stack. Significant progress was also made on advancing the rail loading yard, a critical supply chain component for the transportation of polypropylene to market.

The process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex remains active. While there can be no certainty that a definitive agreement will be reached, a partner would benefit from joining a well-developed, world-scale petrochemical project that has substantial commercial advantages.

Conventional Oil Pipelines

Inter Pipeline's conventional oil pipelines business segment generated funds from operations of $26.3 million as throughput volume and marketing activities on this system declined in response to the collapse in global energy prices.

As expected, average throughput volume decreased to approximately 140,000 b/d, down approximately 45,000 b/d from the second quarter of 2019, due to producer production curtailments. At this time, early results for the third quarter of 2020 indicate that volume is beginning to recover. July's average volume was approximately 157,000 b/d.

In April, the 75-kilometer Viking Connector pipeline, which provides new access to the Edmonton market hub and additional flexibility for producers, was placed into service on time and on budget. In addition, the construction of two,130,000-barrel storage tanks at the Stettler Terminal, was completed at the end of June. These activities conclude the first two-phases of Inter Pipeline's planned multi-phased expansion of the Central Alberta pipeline system. Additional phases are expected to be developed when market conditions improve.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage business generated strong financial results in the second quarter of 2020. Funds from operations increased to $34.2 million in the second quarter of 2020, from $26.9 million a year ago, with the Danish terminals continuing to experience strong refined petroleum storage demand.

Storage utilization rates increased to 98 percent in the second quarter of 2020, compared to 83 percent during the same period in 2019. Demand for storage infrastructure is expected to remain strong in Europe throughout 2020.

Financing Activity

Inter Pipeline is committed to maintaining financial flexibility and increased liquidity during the current challenging market environment. In the second quarter of 2020, Inter Pipeline closed a new $1.0 billion unsecured revolving credit facility with a syndicate of key lenders and extended the maturity date of our drawn $500 million term loan facility by two years to August 2022. In June of 2020, Inter Pipeline successfully issued $700 million of 7-year senior unsecured medium-term notes to reduce indebtedness under its $1.5 billion revolving credit facility and to repay $500 million of medium-term notes that matured in July 2020.

As at June 30, 2020, Inter Pipeline had $2.5 billion of available committed capacity on its existing revolving credit facilities and is positioned to fund any near-term planned capital expenditures, including remaining costs for the Heartland Petrochemical Complex. At quarter end, Inter Pipeline had a consolidated net debt to total capitalization ratio* of 42.5 percent, significantly below the maximum covenant level of 65 percent.

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.

Board of Director Change

Inter Pipeline also announces that Mr. Richard Shaw and Mr. Brant Sangster will be retiring from Inter Pipeline's Board of Directors effective at the May 2021 annual general meeting. Mr. Shaw has served on the board since 2009 and in the role of Chair since 2014. Mr. Sangster also joined the board in 2009 and served on the EH&S Committee and chaired the Major Projects Review Committee.

Inter Pipeline intends to appoint Ms. Margaret McKenzie, a member of Inter Pipeline's Board of Directors since 2015, as Chair of the board following the next annual meeting of shareholders. Ms. McKenzie has more than 30 years experience in the energy sector notably in the areas of finance, strategy development and corporate governance.

"Ms. McKenzie has a decade long track record in business leadership and strategic planning," commented Richard Shaw, Chair of the Board. "She has the breadth of industry experience and understanding of this organization to be highly successful in leading Inter Pipeline's Board of Directors."

Conference Call and Webcast

Inter Pipeline will hold its second quarter 2020 financial and operating results conference call and webcast on August 7, 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 August 14, 2020 by calling 1 (855) 859-2056. The code for the replay is 7889542. A link to the webcast is accessible on Inter Pipeline's website.

Select Financial and Operating Highlights

(millions, except volume, per share and percent amounts)

Operating Results	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Pipeline volume (000s b/d)				
Oil sands transportation	1,232.9	1,158.1	1,289.4	1,178.7
Conventional oil pipelines	139.7	184.9	160.8	186.0
Total pipeline volume	1,372.6	1,343.0	1,450.2	1,364.7
NGL processing volume (000s b/d)(1)				
Natural gas processing - Ethane	71.6	59.5	71.0	65.8
Natural gas processing - Propane-plus	48.6	41.8	47.4	45.6
Redwater Olefinic Fractionator sales volume	34.7	32.6	35.7	34.1
Total NGL processing volume	154.9	133.9	154.1	145.5
Bulk liquid storage capacity utilization	98%	83%	97%	80%
Financial Results				
Revenue	$539.5	$641.6	$1,143.3	$1,300.5
Funds from operations				
Oil sands transportation	$151.8	$149.7	$306.3	$297.3
NGL processing	$37.1	$72.1	$80.3	$140.1
Conventional oil pipelines	$26.3	$49.6	$62.9	$83.7
Bulk liquid storage	$34.2	$26.9	$69.0	$53.7
Corporate costs	$(65.0)	$(58.1)	$(126.6)	$(123.1)
Total funds from operations	$184.4	$240.2	$391.9	$451.7
Per share(2)	$0.43	$0.59	$0.92	$1.11
Net income	$62.5	$260.3	$151.6	$358.6
Per share – basic and diluted	$0.15	$0.63	$0.36	$0.88
Adjusted EBITDA(2)	$232.5	$285.1	$487.7	$538.2
Supplemental Financial Information				
Cash dividends declared	$51.5	$175.7	$232.6	$349.6
Per share(3)	$0.120	$0.428	$0.548	$0.855
Payout ratio(2)	27.9%	73.1%	59.4%	77.4%
Capital expenditures				
Growth(2)	$275.7	$363.7	$587.3	$680.4
Sustaining(2)	$7.6	$18.8	$12.5	$30.7
Total capital expenditures	$283.3	$382.5	$599.8	$711.1

(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 plans to transition many of the personnel currently working from home back to Inter Pipeline offices and the timing thereof; our commitment to the wellbeing of our workforce in order to ensure our essential services personnel can remain safe while they operate our asset base safely and reliably; the ability to generate cash flow from the oil sands transportation business from a variety of high-quality, long-term cost of service contracts that are not generally impacted by throughout volume or commodity price fluctuations; the expectation that in the near term FFO from the NGL processing business will remain under pressure should lower commodity prices persist; the ongoing process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex and the benefits from joining a well-developed, world-scale petrochemical project that has substantial commercial advantages; the expectation that additional phases of the multi-phased expansion of the Central Alberta pipeline system will be developed when market conditions improve; the expectation that the demand for storage infrastructure will remain strong in Europe throughout 2020; our commitment to maintaining financial flexibility and increased liquidity during the current challenging market environment; the future impact on our business due to COVID-19; being positioned to fund any near-term planned capital expenditures, including remaining costs for the Heartland Petrochemical Complex; the timing for changes to Inter Pipeline's board of directors and the appointment of a new Chair and the nature of the transition process in this regard; and the timing for holding our quarterly conference call. 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 statements 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 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.