

## **Inter Pipeline Reports Third Quarter 2020 Financial and Operating Results**

**CALGARY, ALBERTA, NOVEMBER 12, 2020:** Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) today announced its financial and operating results for the three and nine months ended September 30, 2020.

### **Third Quarter Highlights**

- Funds from operations (FFO) totalled \$196 million
- Net income for the quarter was \$39 million
- Declared cash dividends of \$52 million or \$0.12 per share
- Quarterly payout ratio\* of 26 percent
- Total pipeline throughput averaged 1,222,000 barrels per day (b/d)
- Entered agreement to divest the majority of European storage business for approximately \$715 million
- Announced acquisition of Milk River pipeline system in exchange for Empress II and V straddle plants
- Heartland Petrochemical Complex site construction continued to track according to the revised schedule and cost estimate

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

### **Ongoing Response to COVID-19**

Inter Pipeline’s third quarter 2020 pandemic response continues to protect our people and assets from the impacts of COVID-19. The organization worked closely with employees, contractors and government and public health authorities to ensure the business continued to operate safely and effectively. Currently, office personnel are transitioning back to Inter Pipeline workplaces in a cautious, phased process.

“Inter Pipeline’s core operations performed well in the third quarter of 2020 and we continue to demonstrate our financial resiliency as we manage through this pandemic,” said Christian Bayle, President and Chief Executive Officer of Inter Pipeline.

“We also continued to advance the construction of Heartland Petrochemical Complex and announced significant transactions that improve our asset portfolio and financial flexibility.”

## Financial Performance

Inter Pipeline generated funds from operations of \$196.0 million in the third quarter of 2020, compared to \$204.4 million in the third quarter of 2019. For the third quarter of 2020, Inter Pipeline's four business segments generated funds from operations as follows:

<i>Funds from operations (millions)</i>	<i>Three Months Ended September 30, 2020</i>
Oil sands transportation	\$155.2
NGL processing	\$50.9
Bulk liquid storage	\$36.3
Conventional oil pipelines	\$31.5

Corporate costs for the quarter increased to \$77.9 million in the third quarter of 2020, primarily due to one-time transaction costs associated with the divestment of the majority of the European bulk liquid storage business and an unrealized foreign exchange hedging loss.

### Cash Dividends

Dividend payments to shareholders for the third quarter of 2020 were \$51.5 million, or \$0.12 per share. 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 26.3 percent.

### Oil Sands Transportation

Funds from operations for the oil sands transportation business in the third quarter of 2020 were \$155.2 million, an increase of \$2.7 million compared to the third quarter of 2019. The increase is primarily due to higher capital fee revenue on the Cold Lake pipeline system. Cash flow from this business is generated from a variety of long-term, cost-of-service contracts that are not materially impacted by throughput volume or commodity price fluctuations.

Throughput volume averaged 1,062,000 b/d for the third quarter 2020 compared to 1,183,500 b/d for the same period in 2019. This result reflects turnaround activities at the Scotford upgrader, Muskeg River and Jackpine mines, as well as lower diluent deliveries to the Kearl and Sunrise oil sands projects.

<i>Volume (000 b/d)</i>	<i>Three Months Ended September 30, 2020</i>
Cold Lake	626.1
Corridor	238.5
Polaris	197.4

### NGL Processing

Third quarter 2020 funds from operations for the NGL processing business segment increased 10 percent from \$46.2 million during the third quarter of 2019 million to \$50.9 million for the third quarter of 2020. This

increase was primarily due to higher paraffinic frac-spread and lower operating costs, partially offset by lower olefinic and propane-plus frac-spread pricing.

Inter Pipeline's straddle plants processed 2.95 billion cubic feet of natural gas per day and produced 105,500 b/d of natural gas liquids in the third quarter of 2020 compared to 3.21 billion cubic feet and 105,900 b/d during the same period in 2019.

<i>Frac-spread (USD/USG)</i>	<i>Three Months Ended September 30, 2020</i>
Cochrane propane-plus	\$0.37
Offgas Olefinic*	\$0.65
Offgas Paraffinic*	\$0.24
*Price after applicable benchmark adjustment	

### **Heartland Petrochemical Complex**

In the third quarter of 2020, construction at the Heartland Petrochemical Complex continued to remain on track, with an expected in-service date of early 2022. Approximately 3,000 workers are on site each day, protected by rigorous health and safety protocols.

Work that has been completed in the quarter included the final design, grading, ballasting and laying of track for HPC's rail operations. Inter Pipeline expects to connect the Heartland facility track to Canadian Pacific's mainline in early 2021. In addition, the polypropylene facility had the Complex's pelletizer and extruder equipment installed.

Third quarter 2020 investment into the project was \$176.3 million, bringing the total project spend since inception to approximately \$2.9 billion.

The process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex is ongoing and is expected to conclude in the first half of 2021. 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 segment generated funds from operations of \$31.5 million in the third quarter of 2020, a decrease of \$8.2 million from the same period in 2019. Results in the current quarter continued to be impacted by lower global energy prices which resulted in production curtailments and reduced marketing activities.

Throughput on Inter Pipeline's three conventional gathering systems averaged 159,800 b/d during the third quarter of 2020, compared to 183,900 b/d in the third quarter of 2019. Throughput volume continued to recover during the quarter, up approximately 20,000 b/d from the second quarter of 2020.

On September 28, 2020, Inter Pipeline agreed to acquire the Milk River pipeline system from Plains Midstream Canada ULC, in exchange for its 100 percent ownership interest in the Empress II and 50 percent ownership interest in the Empress V straddle plants. Inter Pipeline will also receive cash proceeds of \$35 million.

The Milk River pipeline system is comprised of two 16-km pipelines with current throughput volume of approximately 90,000 barrels per day. This system links Inter Pipeline's Bow River pipeline system from Milk River, Alberta to the U.S./Canadian border west of Coutts, Alberta. Closing of this transaction is expected to occur in early 2021, following completion of customary conditions.

### **Bulk Liquid Storage**

Inter Pipeline's bulk liquid storage segment continued to benefit from strong storage demand resulting in funds from operations of \$36.3 million. Average utilization rate increased to 99 percent during the period, up from 92 percent in the third quarter 2019, primarily as a result of higher demand for oil product storage in Denmark.

On September 22, 2020 Inter Pipeline entered into a definitive agreement to divest the majority of its European bulk liquid storage business to the CLH Group. Proceeds from the transaction will be £420 million, or approximately \$715 million at current exchange rates, before customary closing adjustments.

The divestiture includes Inter Pipeline's bulk liquid storage assets in the United Kingdom, Ireland, Netherlands and Germany, totalling 15 storage terminals and approximately 18 million barrels of storage capacity. The transaction is expected to be completed shortly, subject to the satisfaction of closing conditions and regulatory approvals.

Inter Pipeline will retain eight terminals in Sweden and Denmark comprising of approximately 19 million barrels of aggregate storage capacity.

### **Financing Activity**

As at September 30, 2020, Inter Pipeline had \$2.1 billion of available committed capacity on its existing revolving credit facilities, and is well positioned to fund 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 44.5 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 outlook) and BBB (stable trend), respectively.

### **Conference Call and Webcast**

Inter Pipeline will hold its third quarter 2020 financial and operating results conference call and webcast on November 13 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 November 20, 2020 by calling 1 (855) 859-2056. The conference ID and code for the replay is 9150398.

## Select Financial and Operating Highlights

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

	Three Months Ended September 30		Nine Months Ended September 30	
<b>Operating Results</b>	2020	2019	2020	2019
Pipeline volume (000s b/d)				
Oil sands transportation	1,062.0	1,183.5	1,213.0	1,180.3
Conventional oil pipelines	159.8	183.9	160.5	185.3
Total pipeline volume	1,221.8	1,367.4	1,373.5	1,365.6
NGL processing volume (000s b/d) <sup>(1)</sup>				
Natural gas processing - Ethane	63.0	62.2	68.3	64.6
Natural gas processing - Propane-plus	42.5	43.7	45.7	45.0
Redwater Olefinic Fractionator sales volume	31.7	25.9	34.3	31.3
Total NGL processing volume	137.2	131.8	148.3	140.9
Bulk liquid storage capacity utilization	99%	92%	97%	84%
<b>Financial Results</b>				
Revenue	\$ 632.9	\$ 590.8	\$ 1,776.2	\$ 1,891.3
Funds from operations				
Oil sands transportation	\$ 155.2	\$ 152.5	\$ 461.5	\$ 449.8
NGL processing	\$ 50.9	\$ 46.2	\$ 131.2	\$ 186.3
Conventional oil pipelines	\$ 31.5	\$ 39.7	\$ 94.4	\$ 123.4
Bulk liquid storage	\$ 36.3	\$ 30.5	\$ 105.3	\$ 84.2
Corporate costs	\$ (77.9)	\$ (64.5)	\$ (204.5)	\$ (187.6)
Total funds from operations	\$ 196.0	\$ 204.4	\$ 587.9	\$ 656.1
Per share <sup>(2)</sup>	\$ 0.46	\$ 0.49	\$ 1.38	\$ 1.60
Net income	\$ 38.7	\$ 79.9	\$ 190.3	\$ 438.5
Per share – basic and diluted	\$ 0.09	\$ 0.19	\$ 0.45	\$ 1.07
Adjusted EBITDA <sup>(2)</sup>	\$ 241.9	\$ 249.6	\$ 729.6	\$ 787.8
<b>Supplemental Financial Information</b>				
Cash dividends declared	\$ 51.5	\$ 177.5	\$ 284.1	\$ 527.1
Per share <sup>(3)</sup>	\$ 0.120	\$ 0.428	\$ 0.668	\$ 1.283
Payout ratio <sup>(2)</sup>	26.3%	86.8%	48.3%	80.3%
Capital expenditures				
Growth <sup>(2)</sup>	\$ 205.5	\$ 428.8	\$ 792.8	\$ 1,109.2
Sustaining <sup>(2)</sup>	\$ 17.3	\$ 13.4	\$ 29.8	\$ 44.1
Total capital expenditures	\$ 222.8	\$ 442.2	\$ 822.6	\$ 1,153.3

(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.

## MD&A, Financial Statements & Notes

The Management's Discussion and Analysis ("MD&A") and consolidated financial statements provide a detailed explanation of Inter Pipeline's operating results for the three and nine months ended September 30, 2020 as compared to the three and nine months ended September 30, 2019. These documents are available at [www.interpipeline.com](http://www.interpipeline.com) and at [www.sedar.com](http://www.sedar.com).

## 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](http://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 and the future impact on our business due to COVID-19; the expected in-service date of early 2022 for the Heartland Petrochemical Complex and the expectation to connect the facility to Canadian Pacific's mainline in early 2021; the value of the proceeds from the Milk River transaction and the divestiture of European bulk liquids storage business, and the expected timing for the closing and the expected benefits of each transaction; concluding the process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex in the first half of 2021 and that a partner would benefit from joining a well-developed, world-scale petrochemical project that has substantial commercial advantages; being positioned to fund any near-term planned capital expenditures, including remaining costs for the Heartland Petrochemical Complex; 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](http://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.

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