inter pipeline

News Release

Inter Pipeline Announces 2020 Financial and Operating Results

CALGARY, ALBERTA, FEBRUARY 18, 2021: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced its financial and operating results for the three and twelve-month periods ended December 31, 2020.

2020 Highlights

- Annual funds from operations (FFO) totalled $792 million
- Oil sands transportation business generated record annual FFO of $616 million
- Net income of $359 million
- Declared cash dividends of $336 million, or $0.79 per share
- Annual payout ratio* of 42 percent
- Completed the divestiture of the majority of our European bulk liquid storage business
- Announced acquisition of Milk River pipeline system in exchange for Empress II and V straddle plants
- Completed $180 million Central Alberta pipeline system expansion, including a 75 km pipeline and 260,000 barrels of additional storage
- Materially advanced construction and readiness programs of the Heartland Petrochemical Complex
- Closed a new $1 billion committed credit facility and successfully issued $700 million of senior unsecured medium-term notes

Fourth Quarter 2020 Highlights

- Quarterly FFO of $204 million
- Total pipeline throughput volume averaged 1,486,700 barrels per day (b/d)
- Bulk liquid storage utilization rates averaged 99 percent for the quarter
- Quarterly payout ratio* of 25 percent
- Declared cash dividends of $52 million, or $0.12 per share

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

COVID-19 Response

Inter Pipeline continues to align its protective measures with the requirements and recommendations from both the government and public health authorities. The wellbeing of Inter Pipeline's workforce and the continued operation and development of the business remains the top priority.

"In 2020, Inter Pipeline was focused on the health and safety of our workforce, our ongoing build of the Heartland Petrochemical Complex, and completing several transactions to secure significant financial flexibility to address the considerable challenges brought on by the COVID-19 pandemic," remarked Christian Bayle, President and Chief Executive Officer. "As we enter 2021, Inter Pipeline is well positioned to provide meaningful shareholder value through our substantial growth program, disciplined cost management and highly resilient asset base."

Financial Performance

For 2020, Inter Pipeline generated funds from operations of $792 million, nine percent lower than 2019. Inter Pipeline's oil sands transportation business demonstrated exceptional stability, yielding record annual FFO. The bulk liquid storage business also produced record FFO in 2020, with European storage at near full capacity for the year. However, the pandemic's dramatic impact on global energy supply-demand balances, and correspondingly on energy pricing, had a negative impact on our NGL processing and conventional oil pipeline businesses. Weaker NGL frac spread pricing as well as lowered production volumes from conventional oil producers directly impacted financial results in these two business segments.

Fourth quarter funds from operations in 2020 totaled $204 million, down six percent from the comparable quarter of 2019. During the final quarter of 2020, Inter Pipeline's oil sands business remained consistent year over year, while NGL processing improved due to higher paraffinic and Cochrane propane-plus frac spread pricing. FFO from the bulk liquid storage business decreased from the fourth quarter in 2019 as a result of Inter Pipeline divesting the majority of its European assets in November 2020.

For the fourth quarter and full year 2020, Inter Pipeline's four business segments generated funds from operations as follows:

Funds from operations (millions)	*Three Months Ended December 31, 2020*	*Twelve Months Ended December 31, 2020*
Oil sands transportation	$154.0	$615.5
NGL processing	$58.5	$189.7
Conventional oil pipelines	$34.5	$128.9
Bulk liquid storage	$23.9	$129.2

Overall corporate costs, including general and administrative, financing and current tax expenses for the three and twelve months ended December 31, 2020 were $67 million and $271 million, respectively.

Cash Dividends

Dividend payments to shareholders in 2020 were $336 million or $0.79 per share, resulting in an annual payout ratio of 42.4 percent. In the fourth quarter, Inter Pipeline declared dividends of $52 million, or $0.12 per share, resulting in a quarterly payout ratio of 25.2 percent.

Inter Pipeline's monthly dividend rate is $0.04 per share, or $0.48 per share on an annualized basis.

Oil Sands Transportation

Inter Pipeline's oil sands transportation business generated record financial results in 2020. Annual funds from operations were $615.5 million, an increase of $11.9 million compared to the full-year 2019. This increase was as a result of higher capital fee revenue from the Cold Lake and Polaris pipeline systems. This business generates cash flow from a variety of long-term, cost-of-service contracts and is not materially impacted by throughput volume fluctuations.

In the fourth quarter of 2020, funds from operations were $154.0 million, consistent with the same period in 2019. Average throughput volume was 1,321,500 b/d in the fourth quarter of 2020 compared to 1,324,900 in Q4 2019.

Volume (000 b/d)	*Three Months Ended December 31, 2020*	*Twelve Months Ended December 31, 2020*
Cold Lake	621.2	621.3
Corridor	422.1	374.3
Polaris	278.2	244.7

NGL Processing

NGL processing business generated annual funds from operations of $189.7 million in 2020, compared to $236.6 million in 2019. These results were primarily impacted by depressed frac-spread pricing in both our natural gas and offgas processing operations, offset slightly by higher throughput volumes.

For 2020, Inter Pipeline's three straddle facilities produced 108,300 b/d of ethane and propane-plus, which was consistent with 2019 levels. Annual sales volume from the Redwater Olefinic Fractionator improved year over year to a record 34,900 b/d, representing a nine percent increase compared to 2019.

Funds from operations from this business were $58.5 million for the fourth quarter 2020, an increase of $8.2 million from the same quarter in 2019. This increase was primarily driven by improved paraffinic and propane-plus frac spread pricing during quarter and lower operating costs.

Inter Pipeline's Cochrane and Empress straddle facilities produced 91,200 b/d of propane-plus and ethane during the quarter. Average sales volume from the Redwater Olefinic Fractionator for the fourth quarter of 2020 was 36,500 b/d, an increase of approximately eight percent compared to the same period in 2019.

Frac-spread (USD/USG)	*Three Months Ended December 31, 2020*	*Twelve Months Ended December 31, 2020*
Cochrane propane-plus	$0.43	$0.35
Offgas Olefinic*	$0.65	$0.55
Offgas Paraffinic*	$0.30	$0.21

*Price after applicable benchmark adjustment

Heartland Petrochemical Complex (HPC)

Despite the extraordinary complexities created by the global pandemic, Inter Pipeline safely and successfully concluded HPC's third year of construction with all major milestones met. The project continues to track the revised schedule and cost estimate. The propane dehydrogenation facility is expected to be substantially mechanically complete by May 2021, and the polypropylene facility by the end of the year. The full HPC in-service date remains early 2022, supported by strong business and operations readiness programs.

In the fourth quarter of 2020, Inter Pipeline invested approximately $270 million on the HPC project, bringing the total capital investment to approximately $3.2 billion.

Significant work performed at site in 2020 included installation of remaining modules and major equipment. At the propane dehydrogenation facility, work has transitioned from general construction to systems completion. As systems are completed, they are being turned over to the start-up and commissioning teams. At the polypropylene facility, notable 2020 installations included completion of the reactor structure, pelletizer and flare stack. In addition, the railyard was completed which will enable HPC to ship polypropylene to various North American markets.

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

Results from our conventional oil pipeline business were impacted by lower global energy prices that resulted in lowered production volumes and reduced marketing activities. Funds from operations for this business were $128.9 million, a decrease of $39.1 million compared to 2019.

Year over year, the conventional oil pipeline systems reported an average volume of 161,600 b/d in 2020, down 13 percent from 2019.

For the fourth quarter of 2020, funds from operations were $34.5 million, a $10.1 million decrease from FFO of $44.6 during the comparable quarter in 2019. Average throughput volume for the fourth quarter of 2020 was 165,200 b/d, compared to 189,300 b/d during the same period in 2019.

In the first half of 2020, the 75-kilometre Viking Connector pipeline and 260,000-barrel storage tank expansion project was placed into service on time and on budget. This $180 million investment concluded the first two-phases of Inter Pipeline's Central Alberta pipeline system and provides enhanced access to the Edmonton market hub and additional market flexibility for producers.

In the third quarter of 2020, Inter Pipeline reached an agreement 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. Closing of this transaction is expected to occur in the first half of 2021, following completion of customary conditions.

Bulk Liquid Storage

In the fourth quarter 2020, Inter Pipeline completed the agreement to divest the majority of its European bulk liquid storage business to the CLH Group for approximately $727 million, before closing adjustments. Inter Pipeline retains eight terminals in Sweden and Denmark, comprising of approximately 19 million barrels of storage capacity.

The bulk liquid storage business reported record 2020 financial results, benefitting from nearly full capacity utilization during the year. With annual funds from operations of $129.2 million, this business posted a $14.2 million increase compared to 2019.

Funds from operations for the quarter were $23.9 million, a decrease of $6.9 million over the same period in 2019. This result was impacted by the November 12, 2020 closing of the bulk liquid storage sale. Overall, the average storage utilization rate during the fourth quarter increased to 99 percent compared to 93 percent for the same period a year ago.

Financing Activity

As at December 31, 2020, Inter Pipeline had approximately $2.5 billion of available capacity on its committed revolving credit facilities. Inter Pipeline also continues to take additional measures to ensure balance sheet flexibility and capacity is available to fund near term capital expenditures, including remaining costs for the Heartland Petrochemical Complex. 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.

In February 2021, Inter Pipeline reduced the pricing margin and extended the maturity of its $1 billion credit facility to December 2022. Concurrently, Inter Pipeline also reduced the borrowing costs associated with its $500 million term loan facility, which matures in August 2022.

At year-end, Inter Pipeline had a consolidated net debt to total capitalization ratio of 42.2 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 year end and fourth quarter 2020 financial and operating results conference call and webcast on February 19, 2021 at 11:00 a.m. MT (1:00 p.m. ET) for interested shareholders, analysts and media representatives.

To participate in the conference call, please dial 1 (888) 231-8191. The conference ID is 5296602. A replay of the conference call will be available until February 26, 2021 by calling 1 (855) 859-2056. The code for the replay is 5296602.

Select Financial and Operating Highlights

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

Operating Results	Three Months Ended December 31 2020	Three Months Ended December 31 2019	Years Ended December 31 2020	Years Ended December 31 2019
Pipeline volume (000s b/d)				
Oil sands transportation	1,321.5	1,324.9	1,240.3	1,216.7
Conventional oil pipelines	165.2	189.3	161.6	186.3
Total pipeline volume	1,486.7	1,514.2	1,401.9	1,403.0
NGL processing volume (000s b/d)(1)				
Natural gas processing - Ethane	50.3	59.8	63.8	63.4
Natural gas processing - Propane-plus	40.9	41.7	44.5	44.2
Redwater Olefinic Fractionator sales volume	36.5	33.7	34.9	31.9
Total NGL processing volume	127.7	135.2	143.2	139.5
Bulk liquid storage capacity utilization	99%	93%	98%	87%
Financial Results				
Revenue	$ 624.3	$ 644.0	$ 2,400.5	$ 2,535.3
Funds from operations				
Oil sands transportation	$ 154.0	$ 153.8	$ 615.5	$ 603.6
NGL processing	$ 58.5	$ 50.3	$ 189.7	$ 236.6
Conventional oil pipelines	$ 34.5	$ 44.6	$ 128.9	$ 168.0
Bulk liquid storage(2)	$ 23.9	$ 30.8	$ 129.2	$ 115.0
Corporate costs	$ (66.6)	$ (62.7)	$ (271.1)	$ (250.3)
Total funds from operations	$ 204.3	$ 216.8	$ 792.2	$ 872.9
Per share(3)	$ 0.48	$ 0.52	$ 1.85	$ 2.12
Net income	$ 168.7	$ 100.5	$ 359.0	$ 539.0
Per share – basic and diluted	$ 0.39	$ 0.24	$ 0.84	$ 1.31
Adjusted EBITDA(3)	$ 232.3	$ 263.4	$ 961.9	$ 1,051.2
Supplemental Financial Information				
Cash dividends declared	$ 51.6	$ 179.3	$ 335.7	$ 706.4
Per share(4)	$ 0.120	$ 0.428	$ 0.788	$ 1.710
Payout ratio(3)	25.2%	82.7%	42.4%	80.9%
Capital expenditures				
Growth(3)	$ 302.4	$ 414.8	$ 1,095.2	$ 1,524.0
Sustaining(3)	$ 20.5	$ 25.5	$ 50.3	$ 69.6
Total capital expenditures	$ 322.9	$ 440.3	$ 1,145.5	$ 1,593.6

(1) *Empress V NGK production reported on a 100% basis.*
(2) *Utilization for the European divestiture group is only included for periods up to November 12, 2020.*
(3) *Please refer to the NON-GAAP FINANCIAL MEASURES section.*
(4) *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 and natural gas liquids processing business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and is building the Heartland Petrochemical Complex — Canada's first integrated propane dehydrogenation and polypropylene facility. 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 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: 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) that Inter Pipeline's cash flow from a variety of long-term, cost-of-service contracts is not materially impacted by throughput volume fluctuations; 3) financial forecasts or anticipated financial performance; 4) timing for completion, estimated costs and anticipated benefits of ongoing capital or growth projects (including the Heartland Petrochemical Complex); 5) the timing for conclusion of the process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex and that a partner would benefit from joining a well-developed, world-scale petrochemical project that has substantial commercial advantages; 6) the Central Alberta pipeline system's ability to provide new enhanced access to the Edmonton market hub and additional market flexibility for producers; 7) 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 of the Milk River transaction and the expected benefits of each transaction; 8) Inter Pipeline's ability to take additional measures to ensure balance sheet flexibility and capacity is available to fund near term capital expenditures, including remaining costs for the Heartland Petrochemical Complex; and 9) 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 transactions and other *projects Inter Pipeline is developing; the timing, financing and completion of transactions 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 certain 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, legal proceedings 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.