Management's Discussion and Analysis

For the year ended December 31, 2019

FORWARD-LOOKING INFORMATION

The following Management's Discussion and Analysis ("**MD&A**") highlights Inter Pipeline Ltd. and its subsidiaries' (collectively, "**Inter Pipeline**") significant operating and financial results for the three month period and year ended December 31, 2019, to provide readers with information about Inter Pipeline, including management's assessment of its future plans and operations. This information may not be appropriate for other purposes. Certain information contained herein may constitute forward-looking statements that involve known and unknown risks, assumptions, uncertainties and other factors. Some of the forward-looking statements may be identified by words like ''anticipates'', ''estimates'', ''expects'', ''indicates'', ''intends'', "may", "could", "should", "would" ''plans'', ''scheduled'', ''projects'', ''outlook'', ''proposed'', ''potential'' ''will'', and similar expressions. Forward-looking information in this MD&A include information about the following but are not limited to: 1) the stability of Inter Pipeline's business and funds from operations and the ability to pay dividends to its shareholders at current levels; 2) Inter Pipeline being well positioned to compete for future accretive growth opportunities, both locally and internationally, and that its petrochemical infrastructure is expected to be an area of significant growth; 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) capital expenditure forecast levels and the anticipated manner of funding such expenditures and 6) the plans and forecasts described under the **OUTLOOK** section including the anticipated timing for the completion of the divestiture process relating to the European bulk liquids storage assets and the use of any sales proceeds resulting therefrom. Such statements reflect the current views of Inter Pipeline with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause the results of Inter Pipeline to differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to vary from forward-looking information or may affect the operations, performance, development and results of Inter Pipeline's businesses include, among other things: Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits; Inter Pipeline's ability to maintain its investment grade credit ratings; the availability and price of labour, equipment and materials; assumptions concerning operational reliability; the availability and price of energy commodities; the availability of adequate levels of insurance; the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its affiliates; competitive factors, pricing pressures and supply and demand in the oil and gas transportation, NGL processing and storage industries; fluctuations in currency and interest rates; risks of war, hostilities, civil insurrection, instability and terrorist actions, as well as political and economic conditions, in or affecting countries in which Inter Pipeline and its affiliates operate; public opinion regarding the production, transportation and use of oil and gas; severe weather and risks related to climate change; risks associated with technology; Inter Pipeline's ability to access external sources of debt and equity capital; the potential delays of, and costs of overruns on, construction projects in all of Inter Pipeline's business segments; Inter Pipeline's ability to make capital investments and the amount of capital investments; 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; increases in maintenance, operating or financing costs; difficulty in obtaining necessary regulatory approvals or land access rights and maintenance of support of such approvals and rights; the realization of the anticipated benefits of acquisitions; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty, as these are interdependent and Inter Pipeline's future course of action depends on management's assessment of all information available at the relevant time. Readers are cautioned that the foregoing list of assumptions, risks, uncertainties and factors is not exhaustive. See also the section entitled **RISK FACTORS** for further risk factors.

As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information. Except as required by applicable law, IPL assumes no obligation to update or revise any forward-looking information.

Management's Discussion and Analysis

For the three month period and year ended December 31, 2019

The MD&A provides a detailed explanation of Inter Pipeline's operating results for the three month period and year ended December 31, 2019, as compared to the three month period and year ended December 31, 2018. The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and 2018, the unaudited condensed interim consolidated financial statements (interim financial statements) for the quarterly periods ended March 31, June 30, and September 30, 2019 and the related MD&A for such periods, the **Annual Information Form**, and other information filed by Inter Pipeline on SEDAR at www.sedar.com or on Inter Pipeline's website at www.interpipeline.com.

Financial information presented in this MD&A is based on information in Inter Pipeline's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This MD&A reports certain financial measures that are not recognized by Canadian generally accepted accounting principles (GAAP), as outlined in the Chartered Professional Accountant (CPA) Handbook Part I, and used by management to evaluate the performance of Inter Pipeline and its business segments. Since certain non-GAAP financial measures may not have a standardized meaning, securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled with their nearest GAAP measure. See the **NON-GAAP FINANCIAL MEASURES** section for further information on the definition, calculation and reconciliation of non-GAAP financial measures. All amounts are in Canadian dollars unless specified otherwise.

Management determines whether information presented in this MD&A is material based on whether it believes a reasonable investor's decision to buy, sell or hold securities in Inter Pipeline would likely be influenced or changed if the information was omitted or misstated.

Table of Contents

2019 HIGHLIGHTS

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

FOURTH QUARTER HIGHLIGHTS

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

*Please refer to the NON-GAAP FINANCIAL MEASURES section

RESULTS OVERVIEW

(millions, except volume, per share and % amounts)	Three Months Ended December 31 **2019**	2018	Years Ended December 31 **2019**	2018
Pipeline volume (000s b/d)				
Oil sands transportation	**1,324.9**	1,216.4	**1,216.7**	1,225.8
Conventional oil pipelines	**189.3**	184.2	**186.3**	201.1
Total pipeline volume	**1,514.2**	1,400.6	**1,403.0**	1,426.9
NGL processing volume (000s b/d)(1)				
Natural gas processing - Ethane	**59.8**	65.4	**63.4**	57.4
Natural gas processing - Propane-plus	**41.7**	49.7	**44.2**	44.7
Redwater Olefinic Fractionator sales volume	**33.7**	37.0	**31.9**	32.5
Total NGL processing volume	**135.2**	152.1	**139.5**	134.6
Utilization				
Bulk liquid storage	**93%**	68%	**87%**	77%
Revenue				
Oil sands transportation	**$ 209.6**	$ 205.3	**$ 813.4**	$ 805.1
NGL processing	**192.9**	243.8	**710.9**	888.2
Conventional oil pipelines	**165.3**	126.5	**716.8**	697.0
Bulk liquid storage	**76.2**	55.3	**294.2**	202.6
Total revenue	**$ 644.0**	$ 630.9	**$ 2,535.3**	$ 2,592.9
Funds from operations				
Oil sands transportation	**$ 153.8**	$ 150.8	**$ 603.6**	$ 600.0
NGL processing	**50.3**	120.1	**236.6**	454.8
Conventional oil pipelines	**44.6**	24.9	**168.0**	177.6
Bulk liquid storage	**30.8**	15.0	**115.0**	65.9
Corporate costs	**(62.7)**	(37.5)	**(250.3)**	(209.6)
Total funds from operations	**$ 216.8**	$ 273.3	**$ 872.9**	$ 1,088.7
Per share(2)	**$ 0.52**	$ 0.68	**$ 2.12**	$ 2.80
Net income	**$ 100.5**	$ 144.3	**$ 539.0**	$ 592.5
Per share – basic and diluted	**$ 0.24**	$ 0.36	**$ 1.31**	$ 1.53
Adjusted EBITDA(2)	**$ 263.4**	$ 307.4	**$ 1,051.2**	$ 1,245.3
Dividends to shareholders	**$ 179.3**	$ 169.7	**$ 706.4**	$ 655.4
Per share(3)	**$ 0.4275**	$ 0.4250	**$ 1.7100**	$ 1.6850
Shares outstanding (basic)				
Weighted average	**418.7**	397.8	**412.4**	388.2
End of period	**420.7**	403.8	**420.7**	403.8
Capital expenditures				
Growth(2)	**$ 414.8**	$ 314.3	**$ 1,524.0**	$ 875.8
Sustaining(2)	**25.5**	28.9	**69.6**	74.5
Total capital expenditures	**$ 440.3**	$ 343.2	**$ 1,593.6**	$ 950.3
Payout ratio(2)	**82.7%**	62.1%	**80.9%**	60.2%

(millions, except % amounts)	As at December 31 **2019**	2018
Total assets	**$ 12,951.4**	$ 11,461.5
Total debt(4)	**$ 6,669.5**	$ 5,680.1
Total equity	**$ 4,089.3**	$ 3,965.3
Enterprise value(2)	**$ 16,153.2**	$ 13,489.8
Consolidated net debt to total capitalization(2)	**41.3%**	51.8%

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

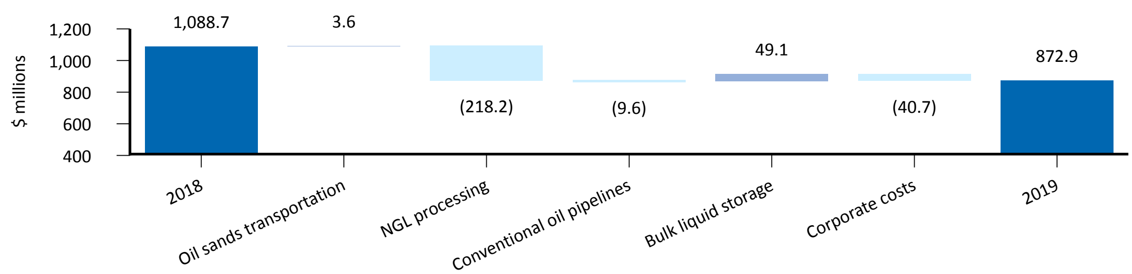
(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

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

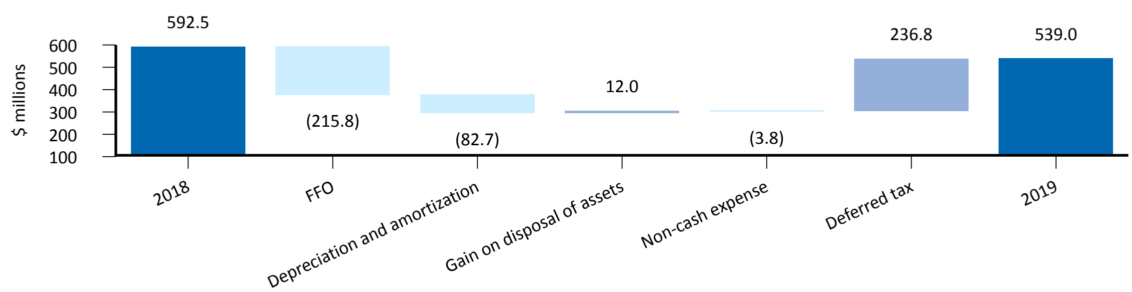
(4) Financial debt reported in the December 31, 2019 consolidated financial statements of $6,637.0 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,669.5 million less discounts and debt transaction costs of $32.5 million.

Financial performance review

Year Ended December 31, 2019

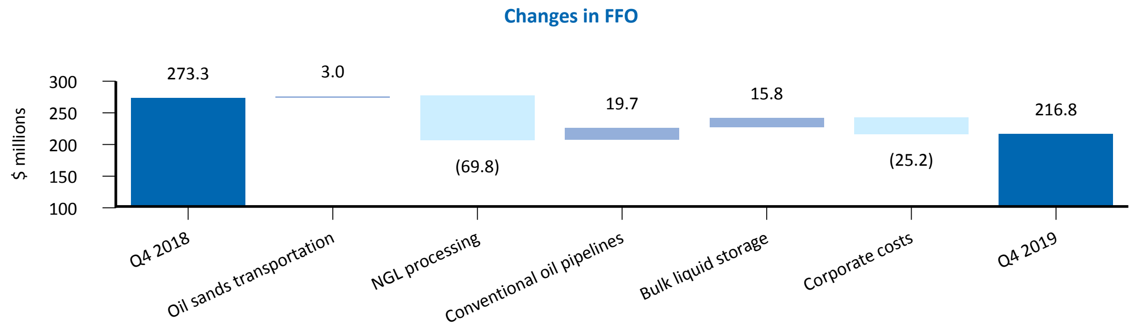


- Inter Pipeline generated FFO of $872.9 million in 2019, a 20% decrease from 2018.
- The decrease in the NGL processing business was due to lower frac-spread pricing, partially offset by higher sales volume of ethane from the Cochrane straddle plant and paraffinic NGL products from the Redwater Olefinic Fractionator.
- The conventional oil pipelines business FFO decreased due to lower volume resulting from increased competition, but benefited from higher contributions from midstream marketing activities.
- Bulk liquid storage FFO increased due to a full year of strong operating results from the newly acquired storage business and additional storage contracts secured in Denmark.
- The oil sands business was consistent year over year.
- Corporate costs increased in 2019 due to higher general and administrative and financing costs, as a result of higher headcount and interest expense on the hybrid debt notes, respectively.
- The adoption of IFRS 16 increased FFO by $19.2 million in 2019 and had no impact on net income. See the **Accounting Policy Adopted in 2019** section below for further information on the adoption of IFRS 16 in 2019.

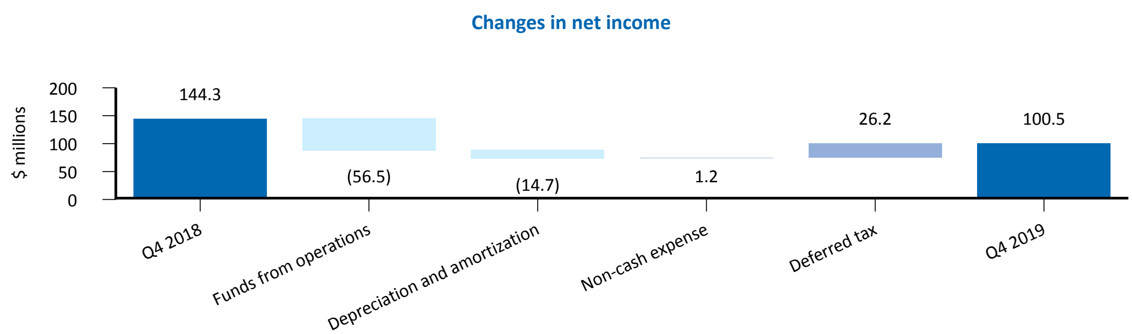


- Inter Pipeline's annual net income decreased by $53.5 million to $539.0 million from $592.5 million in 2018.
- Net income was unfavourably impacted by the decrease in FFO as discussed above, a non-cash impairment charge of $31.2 million net of tax, and higher depreciation and amortization expense, partially offset by lower deferred income taxes. The decrease in deferred income taxes was largely due to a one-time $143.6 million recovery recognized in the second quarter of 2019 related to a revaluation of deferred income tax balances resulting from a reduction in the Alberta provincial corporate income tax rate.
- Total dividends to shareholders increased $51.0 million or 7.8% due to a greater number of common shares outstanding and a higher monthly dividend paid per share.
- Inter Pipeline's total debt outstanding of $6,669.5 million increased $989.4 million from $5,680.1 million. The increase was largely due to the issuance of hybrid debt securities to fund capital projects, including the Heartland Petrochemical Complex. Total debt includes non-recourse debt held by Inter Pipeline (Corridor) Inc. of $1,355.1 million, compared to $1,394.0 million at December 31, 2018.

Three Months Ended December 31, 2019



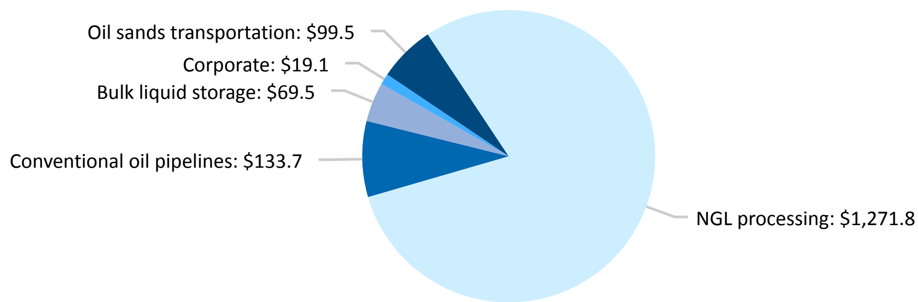
- Inter Pipeline generated FFO of $216.8 million in the current quarter, a 21% decrease from the fourth quarter of 2018.
- The decrease in the NGL processing business was due to lower frac-spread pricing and sales volume resulting from maintenance and turnaround activity at the Cochrane straddle plant and Pioneer I and II offgas plants.
- The conventional oil pipelines business FFO increased due to higher contributions from midstream marketing activities, as well as the absence of the unprecedented widening of pricing differentials that impacted midstream marketing activities during the fourth quarter of 2018.
- The increase in bulk liquid storage FFO and corporate costs is largely due to the same reasons mentioned above.
- The oil sands business was consistent quarter over quarter.
- The adoption of IFRS 16 increased FFO by $5.0 million in the current quarter and had no impact on net income. See the **Accounting Policy Adopted in 2019** section below for further information on the adoption of IFRS 16 in 2019.



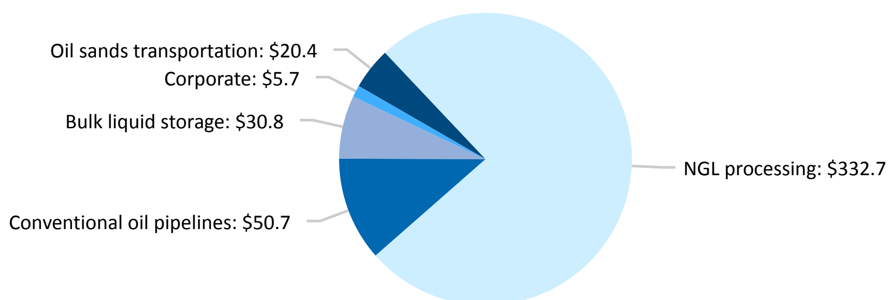
- Inter Pipeline's fourth quarter net income decreased to $100.5 million from $144.3 million in 2018.
- Net income was unfavourably impacted by the decrease in FFO, higher depreciation and amortization expense, partially offset by lower deferred income taxes as discussed above.
- Total dividends to shareholders increased $9.6 million or 5.7% due to the same reasons mentioned above.
- Inter Pipeline's total debt outstanding of $6,669.5 million increased $417.2 million from $6,252.3 million due to the same reasons mentioned above.

Capital expenditures review

2019 capital expenditures of $1,593.6 million by business segment



Q4 2019 capital expenditures of $440.3 million by business segment



- For both the three months and year ended December 31, 2019, Inter Pipeline's capital expenditures primarily related to NGL processing, which included the procurement of materials, engineering, and construction services for the Heartland Petrochemical Complex.

OUTLOOK

Inter Pipeline owns and operates world-scale energy infrastructure assets in Western Canada and Europe. Our long-term strategy is to protect, develop and expand high-quality assets that generate stable and predictable cash flow, while delivering strong returns to shareholders. We continue to develop and leverage our existing asset base, while managing costs and pursuing additional growth opportunities.

In 2019, Inter Pipeline remained highly focused on executing construction, commercial and operational activities for the $3.5 billion Heartland Petrochemical Complex (HPC), located in Strathcona County, Alberta. Upon completion, HPC will be North America's first integrated propane dehydrogenation (PDH) and polypropylene (PP) complex and will convert low-cost, locally-sourced propane into higher value polypropylene. Inter Pipeline spent approximately $1.2 billion on HPC in 2019 and has invested approximately $2.2 billion in this project since inception.

Construction activities at HPC continue to track according to budgetary and schedule targets and hit the two-year mark in November 2019. In 2019, much of the detailed design work, and procurement and installation of major equipment neared completion. The PDH facility is expected to be mechanically complete in late 2020, with site activity peaking in the third quarter of 2020. The PP plant and central utility block remain within schedule targets and are expected to be mechanically complete by the third quarter of 2021. We also continue to progress our phased contracting strategy, with the goal of securing a target of 70% to 85% total processing capacity under cost-of-service contracts. Once operational in late 2021, Inter Pipeline expects to earn approximately $450 million to $500 million per year in long-term average annual EBITDA*, representing a strong return on invested capital.

In 2020, Inter Pipeline's planned $1.2 billion capital expenditure program, which includes approximately $80 million of sustaining capital*, will focus on developing, expanding and maintaining our four business segments, with a significant emphasis on HPC. In order to advance the construction of the PP plant and complete the final stages of construction of the PDH facility, approximately $935 million is expected to be invested in this project in 2020.

Inter Pipeline's largest business segment is oil sands transportation, which is comprised of 100% ownership of the Corridor, Cold Lake and Polaris pipeline systems. Average throughput volume for these transportation systems in 2019 was 1,216,700 b/d, supported by record fourth quarter 2019 average volume totaling 1,324,900 b/d. Collectively, these systems have more than 2.5 million b/d of installed pipeline capacity, including 1.2 million b/d of bitumen blend capacity on the Cold Lake pipeline system, 879,000 b/d of diluent capacity on the Polaris pipeline system and 465,000 b/d of bitumen blend capacity on the Corridor pipeline system. These bitumen blend and diluent pipeline systems are underpinned by long-term commercial arrangements with creditworthy counterparties that generate stable cost-of-service funds from operations. Approximately $30 million is targeted for investment in Inter Pipeline's oil sands transportation business in 2020, with a focus on improving operating efficiencies.

As one of Canada's largest NGL processing businesses, Inter Pipeline owns three major straddle plants, two offgas plants, an offgas liquids pipeline and a fractionator, all located in Alberta. While cash flow from this business does vary from year to year due to fluctuations in market prices, feedstock flows, and various operational and commercial matters, it continues to provide an excellent source of income for reinvestment back into our business.

Our three major straddle facilities processed approximately 3.34 billion cubic feet of natural gas per day and produced 107,600 b/d in 2019. In aggregate, these facilities are capable of processing in excess of six billion cubic feet of natural gas per day and producing over 240,000 b/d of NGL. The Pioneer I and Pioneer II offgas plants processed an average of 149 million cubic feet of natural gas per day and NGL sales volume from the Redwater Olefinic Fractionator (ROF) averaged 31,900 b/d.

To support the continued development of growth projects within the NGL business in 2020, approximately $45 million will be invested in several capital projects, including on-going work on a new storage cavern at ROF and debottlenecking activities at the Pioneer II offgas plant.

Inter Pipeline's conventional oil pipelines business consists of the Bow River, Central Alberta and Mid-Saskatchewan pipeline systems. In 2019, these pipeline systems transported an average of 186,300 b/d. In 2019, Inter Pipeline advanced a number of projects, which form part of a multi-phase expansion strategy of our Central Alberta pipeline system. Phase one of this development program, which began in late 2017, includes the conversion of the pipeline system to a multi-product batch operation, and construction of additional truck offloading and tank storage capacity at the Stettler Station. Batch operations began in mid-2018, and an additional 10,000 b/d of truck unloading capacity entered service in October of 2019. Two new 130,000-barrel storage tanks and the final component of phase one, are expected to be complete by mid-2020.

The second phase of this program, a $100 million investment in a new 75-kilometer pipeline called the Viking Connector, will connect Inter Pipeline's Throne Station, on the Bow River pipeline system, to our Central Alberta pipeline system. This project is

*Please refer to the NON-GAAP FINANCIAL MEASURES section

expected to be complete in April 2020 and add approximately 10,000 to 15,000 b/d of throughput volume to the Central Alberta pipeline system once fully operational. This connection will provide new access to the Edmonton market hub and additional flexibility for the producers that we serve. Approximately $35 million will be invested to complete these first two phases of our Central Alberta expansion program in 2020 and we continue to be actively engaged with multiple producers regarding their transportation requirements as they relate to future phases.

With operations in the United Kingdom (UK), Ireland, Germany, the Netherlands, Denmark and Sweden, we store various oils, petrochemical and biofuel products in Europe through an integrated network of storage terminals located at key coastal ports and inland waterways, making us one of the largest bulk liquid storage businesses in Europe. In 2019 average storage utilization rates were 87%, an improvement compared to 77% for the same period in 2018. Throughput activity from our acquired storage business in the UK and Netherlands, and higher throughput activity from the securing of additional storage contracts, particularly in Denmark, supported these improved rates.

Inter Pipeline is planning to spend approximately $40 million in 2020 to meet increased demand for storage at certain European facilities. The majority of capital associated with the bulk liquid storage assets will be invested if the business is retained following the completion of a previously announced sales process. The divestiture process is expected to be concluded in the first half of 2020. Should a sale be completed, potential proceeds would be used to reduce debt and finance our capital expenditure program, including HPC.

Inter Pipeline issued its 2019 Sustainability Report in the first week of 2020. The report focuses on material activities in the areas of environmental, social and governance practices in alignment with select Global Reporting Index, Sustainability Accounting Standards Board and Task-Force on Climate-related Financial Disclosures performance reporting standards. Highlights featured in the report, include our commitment to effectively manage the risks posed by climate change and our efforts to reduce greenhouse gas emissions, as well as our engagement with indigenous communities and other key stakeholders. We also announced a $10 million initiative with the Northern Alberta Institute of Technology, called Plastics Research in Action, to identify projects that advance the reuse and recycling of plastics in Canada.

Inter Pipeline is committed to maintaining sustainable operating practices and a strong balance sheet and financial flexibility. We will continue financing our capital expenditure program primarily through undistributed cash flow, our revolving credit facility and proceeds from our dividend reinvestment plan.

As of December 31, 2019, Inter Pipeline had over $1.4 billion of available capacity on its $1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio* of 41.3% compared to 51.8% at December 31, 2018.

Our financial position and the stable nature of our business allows Inter Pipeline to maintain strong investment grade credit ratings. Standard & Poor's (S&P) and DBRS Limited (DBRS) have assigned Inter Pipeline a credit rating of BBB+ (negative outlook) and BBB (stable trend), respectively. Inter Pipeline (Corridor) Inc. has investment grade credit ratings of A (low) with a stable trend from DBRS, and BBB+ (stable outlook) from S&P.

The FFO that underpins our monthly dividend is stable, diversified and largely supported by investment grade counterparties. Inter Pipeline's entrepreneurial spirit, disciplined investment framework and financial strength has allowed us to grow and prosper through a variety of economic cycles. Our extensive energy infrastructure base continues to be well positioned to compete for future accretive growth opportunities, both locally and internationally, and our petrochemical infrastructure is expected to be an area of significant growth for our company. Our strong balance sheet combined with a proven operational capability, means that Inter Pipeline is well-positioned to continue generating long-term positive results for our shareholders.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

RESULTS OF OPERATIONS

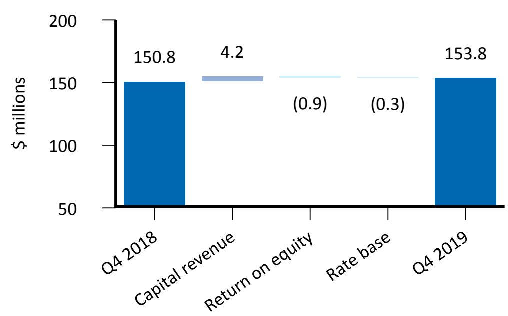
Oil Sands Transportation Business Segment

	Three Months Ended December 31			Years Ended December 31		
Volume (000s b/d)	**2019**	2018	*% Change*	**2019**	2018	*% Change*
Cold Lake	**629.5**	573.1	*9.8*	**575.7**	578.9	*(0.6)*
Corridor	**436.2**	393.9	*10.7*	**402.9**	399.3	*0.9*
Polaris	**259.2**	249.4	*3.9*	**238.1**	247.6	*(3.8)*
	1,324.9	1,216.4	*8.9*	**1,216.7**	1,225.8	*(0.7)*

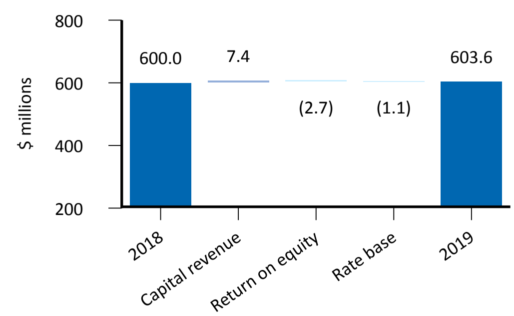
(millions)						
Revenue	**$ 209.6**	$ 205.3	*2.1*	**$ 813.4**	$ 805.1	*1.0*
Operating expenses	**$ 40.4**	$ 40.8	*(1.0)*	**$ 148.1**	$ 148.1	—
Funds from operations	**$ 153.8**	$ 150.8	*2.0*	**$ 603.6**	$ 600.0	*0.6*
Capital expenditures						
Growth[(1)]	**$ 17.6**	$ 23.9		**$ 93.0**	$ 59.5	
Sustaining[(1)]	**2.8**	1.1		**6.5**	2.1	
	$ 20.4	$ 25.0		**$ 99.5**	$ 61.6	

(1) Please refer to the NON-GAAP FINANCIAL MEASURES section.

Changes in FFO
Three months ended December 31, 2019



Changes in FFO
Year ended December 31, 2019



Inter Pipeline's oil sands transportation business involves the transportation of petroleum products and related blending and handling services in northern Alberta, and is comprised of the 100% owned Cold Lake, Corridor and Polaris pipeline systems.

See the **Description of the Business** section of the **Annual Information Form** for further information about the oil sands transportation business.

Volume

Oil sands transportation services are generally provided to shippers pursuant to long-term cost-of-service contracts that provide for a defined annual capital fee and the recovery of substantially all operating costs. Generally, FFO within the oil sands transportation business is not impacted by commodity price or throughput volume fluctuations.

The Cold Lake pipeline system is a bitumen blend and diluent pipeline system that transports diluted bitumen from the Cold Lake oil sands area of Alberta to delivery points in Hardisty and Edmonton, Alberta. The Corridor pipeline system transports diluent from the Scotford upgrader located northeast of Edmonton to the Muskeg River and Jackpine mines near Fort McMurray, Alberta and bitumen blend produced from the mines back to the Scotford upgrader. In addition, feedstock and upgraded products are shipped between the Scotford upgrader and certain pipeline terminals in Edmonton. The Polaris pipeline system provides diluent transportation service from the Edmonton area to the Athabasca and Cold Lake areas of Alberta.

In the three months ended December 31, 2019, average volume transported in the oil sands transportation business increased by 108,500 b/d, while the full year of 2019 decreased by 9,100 b/d, compared to the same periods in 2018. The current quarter increase was primarily related to Canadian Natural's oil sands projects and higher volume from the Jackpine mine. The decrease for the full year of 2019 related to lower diluent deliveries to FCCL Partnership's Foster Creek and Christina Lake projects, third-party operational issues, and the Government of Alberta’s imposed production curtailment program.

Revenue

The oil sands transportation business earns revenue for the transportation of petroleum products which are underpinned by a range of long-term cost-of-service contracts as defined in the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section.

Revenue from the oil sands transportation business in the three months and year ended December 31, 2019, has increased by $4.3 million and $8.3 million, respectively, compared to the same periods in 2018. For both periods, higher cost recoveries and capital revenue were partially offset by a lower return on equity associated with a decrease in the long-term Government of Canada bond rate and the declining nature of Corridor's rate base. The full year of 2019 also benefited from higher return on debt, due to an increase in interest rates during the year, compared to the same period in 2018.

Operating Expenses

Operating expenses in the oil sands transportation business segment typically have a limited impact on Inter Pipeline’s FFO, as substantially all operating expenditures are recovered from shippers. Operating expenses decreased slightly in the three months ended December 31, 2019, compared to the same period in 2018, as lower integrity and maintenance costs were partially offset by higher power costs. Operating expenses for the year ended December 31, 2019 remained consistent with 2018.

Capital Expenditures

The oil sands transportation business incurred growth capital expenditures* of $93.0 million in 2019, primarily related to the Kirby North project and system enhancement projects on the Corridor pipeline system. Sustaining capital expenditures* of $6.5 million in 2019 primarily related to pipeline upgrade projects on the Cold Lake pipeline system.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

NGL Processing Business Segment

Natural gas processing

Three Months Ended December 31

	2019				2018			
	mmcf/d	*(000s b/d)*			*mmcf/d*	*(000s b/d)*		
Straddle plant	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	**2,072**	**34.6**	**28.6**	**63.2**	2,203	32.4	30.7	63.1
Empress V (100% basis)	**984**	**24.9**	**12.3**	**37.2**	1,007	23.3	12.3	35.6
Empress II	**68**	**0.3**	**0.8**	**1.1**	561	9.7	6.7	16.4
	3,124	**59.8**	**41.7**	**101.5**	3,771	65.4	49.7	115.1

Years Ended December 31

	2019				2018			
	mmcf/d	*(000s b/d)*			*mmcf/d*	*(000s b/d)*		
Straddle plant	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	**2,195**	**36.7**	**30.0**	**66.7**	2,082	29.8	29.4	59.2
Empress V (100% basis)	**1,012**	**24.2**	**12.6**	**36.8**	920	21.6	11.3	32.9
Empress II	**130**	**2.5**	**1.6**	**4.1**	329	6.0	4.0	10.0
	3,337	**63.4**	**44.2**	**107.6**	3,331	57.4	44.7	102.1

Offgas processing

	Three Months Ended December 31		Years Ended December 31	
	2019	2018	**2019**	2018
(mmcf/d)				
Offgas plants throughput volume	**148**	171	**149**	160
(000s b/d)				
Offgas plants production volume	**32.0**	35.2	**30.9**	33.0
Redwater Olefinic Fractionator sales volume	**33.7**	37.0	**31.9**	32.5
Redwater Olefinic Fractionator volume composition(1)				
Ethane-ethylene	**40%**	41%	**39%**	41%
Paraffinic NGL				
Propane	**28%**	29%	**29%**	29%
Normal butane	**9%**	7%	**8%**	7%
Olefinic NGL				
Polymer grade propylene	**11%**	11%	**13%**	11%
Alky feed	**8%**	8%	**7%**	8%
Olefinic condensate	**4%**	4%	**4%**	4%

(1) Composition is based on production volume, which may differ from sales volume and is a factor in the indicative frac-spread calculation.

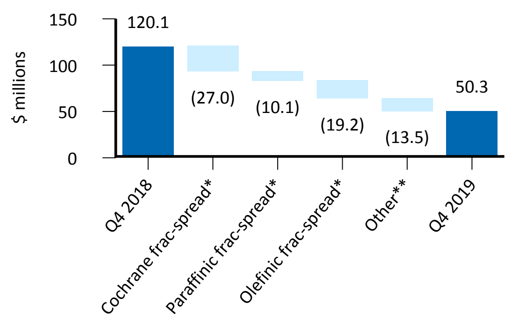
NGL processing financial results

	Three Months Ended December 31						Years Ended December 31				
(millions)		**2019**		2018	*% Change*		**2019**		2018	*% Change*
Revenue(1)	**$**	**192.9**	$	243.8	*(20.9)*	**$**	**710.9**	$	888.2	*(20.0)*
Cost of sales(1)	**$**	**86.7**	$	67.6	*28.3*	**$**	**271.9**	$	238.2	*14.1*
Operating expenses(1)	**$**	**55.8**	$	55.8	—	**$**	**202.4**	$	195.0	*3.8*
Funds from operations(1)	**$**	**50.3**	$	120.1	*(58.1)*	**$**	**236.6**	$	454.8	*(48.0)*
Capital expenditures(1)										
Growth(2)	**$**	**326.7**	$	271.0		**$**	**1,240.5**	$	762.5	
Sustaining(2)		**6.0**	$	6.9			**31.3**	$	21.8	
	$	**332.7**	$	277.9		**$**	**1,271.8**	$	784.3	

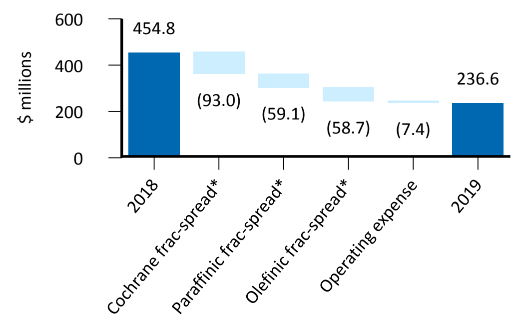
(1) Empress V straddle plant is recorded based on Inter Pipeline's 50% ownership.

(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

Changes in FFO
Three months ended December 31, 2019



Changes in FFO
Year ended December 31, 2019



* Includes price and volume.
** Includes ethane revenue, and other non-reoccurring costs.

Inter Pipeline's NGL processing business extracts NGL from natural gas and oil sands upgrader offgas. The natural gas processing facilities consist of a 100% ownership interest in the Cochrane and Empress II straddle plants and a 50% ownership interest in the Empress V straddle plant. The Empress and Cochrane plants are located on the eastern and western legs, respectively, of the TransCanada Alberta System near export points from Alberta. The offgas processing facilities consist of the Pioneer I and Pioneer II offgas plants located near Fort McMurray, Alberta, a fractionator near Redwater, Alberta, and the Boreal pipeline system that connects these facilities.

See the **Description of the Business** section of the **Annual Information Form** for further information about the NGL processing business.

Volume

Inter Pipeline's straddle plants processed average natural gas volume of 3,124 million cubic feet per day (mmcf/d) in the current quarter and 3,337 mmcf/d for the full year of 2019, a decrease of 647 mmcf/d and an increase of 6 mmcf/d, respectively, over the comparable periods in 2018.

Average natural gas throughput volume at the Cochrane straddle plant decreased by 131 mmcf/d in the current quarter and increased by 113 mmcf/d for the full year of 2019, respectively, compared to the same periods in 2018. The current quarter decrease was due to a planned partial outage in October, while the increase in throughput volume for the full year of 2019 was due to increased capacity on the TransCanada Alberta System. Throughput volume at the Cochrane straddle plant is impacted by, and fluctuates with, demand for Canadian natural gas in the United States (US) west-coast region, as well as third-party pipeline matters.

At the Empress V straddle plant, average throughput volume decreased by 23 mmcf/d during the current quarter and increased by 92 mmcf/d for the full year of 2019, compared to the same periods in 2018. While the current quarter volume remained relatively consistent with the same period in 2018, the full year of 2019 was higher due to the absence of a scheduled plant maintenance outage that occurred at the Empress V facility in the second and third quarters of 2018. Average throughput volume at the Empress II straddle plant in the three months and year ended December 31, 2019, decreased by 493 mmcf/d and 199 mmcf/d, respectively, compared to the same periods in 2018. The decrease in throughput volume does not materially impact operating results due to the cost-of-service commercial arrangements in place. Natural gas throughput volume at the Empress straddle plants are dependent on the level of natural gas exported from Alberta's eastern border and are reliant on successfully attracting border gas flows to the straddle plants.

Combined NGL production from the straddle plants decreased in the current quarter by 13,600 b/d and increased by 5,500 b/d for the full year of 2019, compared to the same periods in 2018. The current quarter decrease was due to lower natural gas volume processed at Empress II. The increase in the full year of 2019 was from higher ethane sales as a result of increased natural gas volume processed at Empress V and Cochrane, due to increased customer demand. NGL production from the straddle plants is largely driven by changing throughput levels, composition of the natural gas, operating conditions and third-party downstream facility constraints which can result in partial reinjection of volume.

Inter Pipeline's Pioneer I and Pioneer II offgas plants processed combined average volume of 148 mmcf/d and 149 mmcf/d during the three months and year ended December 31, 2019, respectively, compared to 171 mmcf/d and 160 mmcf/d during the same periods in 2018. Average ethane-plus volume produced from the offgas plants decreased by 3,200 b/d in the current quarter to 32,000 b/d and by 2,100 b/d for the full year of 2019 to 30,900 b/d. For both periods, the decrease in production was primarily due to turnaround activity at Pioneer I and Pioneer II which coincided with turnarounds and other maintenance activity at third-party upgraders. Throughput volume to, and production volume from, Inter Pipeline's offgas plants can be impacted by the operations associated with connected third-party oil sands upgraders in the Fort McMurray area, offgas composition, as well as various downstream issues.

Average NGL sales volume from the Redwater Olefinic Fractionator for the three months and year ended December 31, 2019, decreased by 3,300 b/d and 600 b/d, respectively, compared to the same periods in 2018. For both periods, sales volume for ethane-ethylene and olefinic products declined due to the aforementioned turnaround activity, partially offset by higher paraffinic sales volume as a result of increased inventory sales.

In general, production from the offgas plants and sales volume at the Redwater Olefinic Fractionator can differ due to varying inventory levels associated with cavern storage facilities, operational and commercial matters, and other downstream issues. In addition, sales and production volume composition can vary due to the impact of new contractual arrangements, various rail logistical challenges and other factors.

Revenue

The NGL processing business earns revenue from the recovery of certain higher value hydrocarbon liquids from export-destined natural gas streams and offgas streams pursuant to a combination of commodity-based, fee-based and cost-of-service contracts. Please refer to the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section for further information.

Revenue from the NGL processing business decreased by $50.9 million and $177.3 million in the three months and year ended December 31, 2019, respectively, compared to the same periods in 2018. For both periods the decrease was due to lower propane-plus, paraffinic and olefinic frac-spread pricing, partially offset by increased ethane revenue.

Revenue in the full year of 2019 was also positively impacted by new contractual arrangements related to the sales and marketing of polymer grade propylene that came into effect on January 1, 2019. This resulted in certain transportation costs now being recorded in cost of sales, which had previously reduced revenue in the comparable periods of 2018.

Natural gas processing frac-spread

	Three Months Ended December 31			
(dollars)		**2019**		2018
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Cochrane propane-plus market frac-spread	**$ 0.42**	**$ 0.56**	$ 0.71	$ 0.94
Cochrane propane-plus realized frac-spread	**$ 0.41**	**$ 0.55**	$ 0.74	$ 0.97

	Years Ended December 31			
(dollars)		**2019**		2018
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Cochrane propane-plus market frac-spread	**$ 0.50**	**$ 0.66**	$ 0.83	$ 1.07
Cochrane propane-plus realized frac-spread	**$ 0.49**	**$ 0.65**	$ 0.83	$ 1.07

(1) The differential between USD/USG and CAD/USG frac-spreads is due to fluctuations in exchange rates between US and Canadian dollars. This conversion is calculated based on Bank of Canada exchange rates.

Frac-spread is the difference between the selling prices for certain NGL and the input cost of the natural gas required to produce the respective products, including shrinkage gas.

The market frac-spread for propane-plus from the Cochrane straddle plant is defined as the difference between the weighted average propane-plus price at Mont Belvieu, Texas and the monthly index price of AECO natural gas purchased for shrinkage calculated in US dollars per US gallon (USD/USG). Cochrane propane-plus realized frac-spread is defined in a similar manner and is calculated on a weighted average basis using market frac-spread for unhedged production and fixed-price frac-spread prices for any hedged production. Natural gas purchased for shrinkage is based on the combination of the monthly index and daily price of AECO paid. The Cochrane propane-plus realized frac-spread does not include market price differentials or extraction premiums. Differences between realized propane-plus frac-spread and market propane-plus frac-spread from the Cochrane straddle plant are due in part to differences between the monthly index price of AECO and daily index price of AECO.

The Cochrane propane-plus realized frac-spread decreased in the current quarter from $0.74 USD/USG in 2018 to $0.41 USD/USG in 2019 and decreased year to date from $0.83 USD/USG in 2018 to $0.49 USD/USG in 2019.

Offgas processing frac-spread

	Three Months Ended December 31			
(dollars)		**2019**		2018
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Offgas olefinic indicative frac-spread(2)	**1.26**	**1.67**	1.70	2.24
Offgas paraffinic indicative frac-spread(2)	**0.51**	**0.67**	0.72	0.95
Offgas olefinic benchmark adjustment(2)	**0.45**	**0.60**	0.56	0.74
Offgas paraffinic benchmark adjustment(2)	**0.25**	**0.33**	0.31	0.41

	Years Ended December 31			
(dollars)		**2019**		2018
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Offgas olefinic indicative frac-spread(2)	**1.38**	**1.83**	1.84	2.39
Offgas paraffinic indicative frac-spread(2)	**0.53**	**0.70**	0.78	1.01
Offgas olefinic benchmark adjustment(2)	**0.50**	**0.66**	0.57	0.74
Offgas paraffinic benchmark adjustment(2)	**0.37**	**0.50**	0.35	0.46

(1) The differential between USD/USG and CAD/USG frac-spreads is due to fluctuations in exchange rates between US and Canadian dollars. This conversion is calculated based on Bank of Canada exchange rates.

(2) Prior to the third quarter of 2018, Inter Pipeline reported a market and realized frac-spread for both offgas olefinic and paraffinic products. Beginning in the third quarter of 2018, Inter Pipeline now reports an indicative frac-spread. Inter Pipeline believes that this presentation better reflects frac-spread pricing for the Offgas processing business. The benchmark adjustment should be subtracted from the indicative frac-spread.

Offgas processing produces both olefinic and paraffinic NGL which are sold under multiple shorter term, individually negotiated contracts. Olefins are typically higher value petrochemicals that do not naturally exist and consist of polymer grade propylene, alky feed and olefinic condensate. Paraffins are generally lower value NGL consisting of propane and normal butane.

The frac-spread for offgas processing is comprised of two components. The first is the indicative frac-spread that reflects the production composition mix and the related benchmark pricing. The offgas olefinic indicative frac-spread is defined as the difference between the benchmark prices of polymer grade propylene, alky feed and olefinic condensate products and the daily index price of AECO natural gas calculated in USD/USG before the olefinic benchmark adjustment. Polymer grade propylene benchmark pricing is based on a published price by IHS Markit†, while alky feed and olefinic condensate are currently priced on West Texas Intermediate (WTI) light sweet crude. The offgas paraffinic indicative frac-spread is defined as the difference between the benchmark prices of propane and butane products and the daily index price of AECO natural gas calculated in USD/USG before the paraffinic benchmark adjustment. Propane is based on a Conway posting, while butane is based on WTI light sweet crude. The indicative olefinic and paraffinic frac-spreads may change period over period as a result of fluctuations in benchmark pricing, production composition mix and the Canadian to U.S. dollar foreign exchange rate.

The second component of frac-spread is an aggregate benchmark adjustment that represents product sales composition, differentials, marketing fees, product and natural gas transportation, extraction premiums, seasonality, and other associated costs calculated in USD/USG. The benchmark adjustment may fluctuate period over period, due to varying terms of the contractual arrangements, and the Canadian to U.S. dollar foreign exchange rate. The benchmark adjustment should be subtracted from the indicative frac-spread to derive an olefinic and paraffinic frac-spread.

For the three months and year ended December 31, 2019, the olefinic and paraffinic indicative frac-spreads decreased compared to the same periods in 2018, due to weaker product pricing. For both periods, the olefinic benchmark adjustment decreased, compared to the same period in 2018, due to favourable product differentials, partially offset by a deviation in sales and production

† PG Propylene Contract, Benchmark published by IHS Markit, North America Light Olefins.

composition. The paraffinic benchmark adjustment decreased in the current quarter due to favourable product differentials, and remained relatively consistent for the full year of 2019, compared to the same periods in 2018.

See the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section for further discussion of frac-spread hedges.

Cost of Sales

Cost of sales in the NGL processing business segment primarily represents shrinkage gas, which is natural gas bought by Inter Pipeline to replace the heat content of liquids extracted from natural gas processed at the straddle plants and offgas processed at the offgas plants. Cost of sales for offgas processing also includes transportation expenses. The price for shrinkage gas is based on a combination of AECO daily spot prices and monthly index natural gas prices. In the three months and year ended December 31, 2019, cost of sales increased $19.1 million and $33.7 million, respectively, compared to the same periods in 2018. Cost of sales increased for both periods largely due to the inclusion of transportation costs for olefinic NGL products, which in the comparable periods were included within revenue as discussed above, and higher AECO natural gas prices. Weighted average AECO prices* increased for the three months and year ended December 31, 2019 to $2.21/GJ and $1.54/GJ, respectively, compared to $1.80/GJ and $1.45/GJ in 2018.

Operating Expenses

Operating expenses in the NGL processing business remained consistent for the current quarter and increased by $7.4 million in the full year of 2019, compared to the same periods in 2018. In the three months and year ended December 31, 2019, the straddle plants' operating expenses decreased $2.4 million and $7.9 million year to date, compared to the same periods in 2018. For both periods, the decrease was mainly due to the absence of costs associated with the scheduled plant maintenance outage that occurred at the Empress II and V facilities in the second and third quarters of 2018, however, the year to date period was slightly offset by higher power costs in 2019. Offgas processing operating expenses for the three months and year ended December 31, 2019, increased by $2.4 million and $15.3 million, respectively, compared to the same periods in 2018. For both periods, the increase was due to higher general operating and scheduled turnaround costs. Average Alberta power pool prices decreased in the current quarter from $55.52/MWh in 2018 to $46.97/MWh in 2019 and increased for the full year from $50.34/MWh in 2018 to $54.88/MWh in 2019.

Capital Expenditures

In 2019, the NGL processing business incurred total growth capital expenditures*of $1,240.5 million. Net of the Government of Canada's Strategic Innovation grant received in 2019, $1,157.3 million was incurred on the Heartland Petrochemical Complex for procurement of materials, engineering, and construction services. The remaining growth capital expenditures* of $77.0 million related to various equipment and facility upgrades at the Redwater Olefinic Fractionator and the Cochrane straddle plant. Total sustaining capital expenditures* of $31.3 million in 2019 primarily related to planned turnaround activity at the Redwater Olefinic Fractionator, Pioneer I and Pioneer II plants, as well as processing equipment maintenance and upgrades at the Cochrane straddle plant.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Conventional Oil Pipelines Business Segment

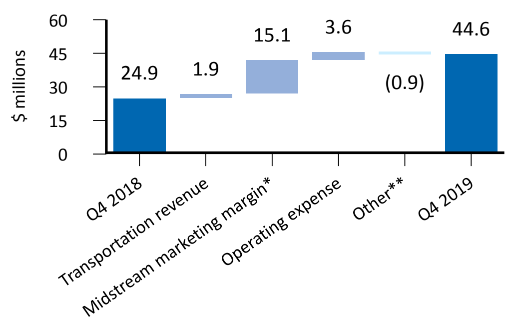
	Three Months Ended December 31			Years Ended December 31		
Volume (000s b/d)	**2019**	2018	*% change*	**2019**	2018	*% change*
Bow River	**94.7**	95.6	*(0.9)*	**97.6**	90.5	*7.8*
Central Alberta	**34.0**	32.3	*5.3*	**30.7**	28.7	*7.0*
Mid-Saskatchewan	**60.6**	56.3	*7.6*	**58.0**	81.9	*(29.2)*
	189.3	184.2	*2.8*	**186.3**	201.1	*(7.4)*

(millions, except per barrel amount)						
Revenue	**$ 165.3**	$ 126.5	*30.7*	**$ 716.8**	$ 697.0	*2.8*
Cost of sales	**$ 101.7**	$ 79.9	*27.3*	**$ 472.0**	$ 436.9	*8.0*
Operating expenses	**$ 18.2**	$ 21.8	*(16.5)*	**$ 74.4**	$ 85.7	*(13.2)*
Funds from operations	**$ 44.6**	$ 24.9	*79.1*	**$ 168.0**	$ 177.6	*(5.4)*
Revenue per barrel[1]	**$ 3.04**	$ 3.00	*1.3*	**$ 2.99**	$ 2.98	*0.3*
Capital expenditures						
Growth[2]	**$ 48.0**	$ 13.4		**$ 126.1**	$ 29.3	
Sustaining[2]	**2.7**	8.1		**7.6**	13.8	
	$ 50.7	$ 21.5		**$ 133.7**	$ 43.1	

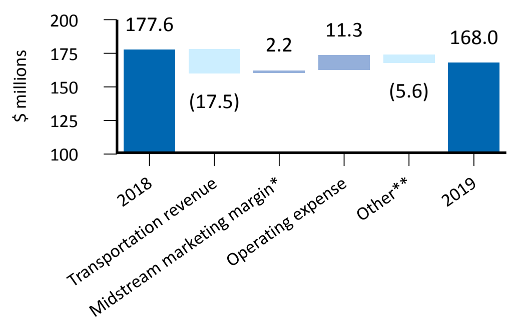
(1) Revenue per barrel represents total revenue of the conventional oil pipelines business segment less midstream marketing revenue, revenue from contracts for volume shortfalls and revenue/expense from over/short volume, divided by actual volume.

(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

Changes in FFO
Three months ended December 31, 2019



Changes in FFO
Year ended December 31, 2019



* Includes Midstream marketing revenue less cost of sales.
** Includes costs associated with decommissioning obligations.

Inter Pipeline's conventional oil pipelines business is comprised of the Bow River, Central Alberta and Mid-Saskatchewan pipeline systems, located in Alberta and Saskatchewan. These pipeline systems provide for the transportation of petroleum products and related blending, handling and marketing activities.

See the **Description of the Business** section of the **Annual Information Form** for further information about the conventional oil pipelines business.

Volume

In the three months and year ended December 31, 2019, average volume transported on the conventional oil pipeline systems increased by 5,100 b/d and decreased by 14,800 b/d, respectively, compared to the same periods in 2018. The current quarter increase was primarily related to higher trucked volume and higher pipeline-connected sour crude oil. The decrease for the full year of 2019 primarily related to increased competition, inclement weather, and apportionment on the Mid-Saskatchewan pipeline system.

Revenue

The conventional oil pipelines business earns revenue for the transportation of petroleum products in accordance with Inter Pipeline's tariffs under a number of fee-based and cost-of-service contracts, while its midstream marketing activities generate revenue under a number of cost-of-service and product margin contracts. Please refer to the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section for further information.

Revenue from conventional oil pipelines increased in the three months and year ended December 31, 2019, by $38.8 million and $19.8 million, respectively, compared to the same periods in 2018. Midstream marketing revenue increased in the current quarter and full year of 2019 by $36.9 million and $37.3 million, respectively, due to higher blending activity as a result of increased volume from the sweet crude batching operation, and the absence of the unprecedented widening of crude oil pricing differentials that affected midstream marketing activities during the fourth quarter of 2018. Transportation revenue for the current quarter remained relatively consistent, however, the full year of 2019 decreased by $17.5 million, primarily due to lower volume on the Mid-Saskatchewan system.

Cost of Sales

Cost of sales in the conventional oil pipelines business primarily consists of purchases of petroleum products used for transportation, blending, and marketing activities. Cost of sales for the three months and year ended December 31, 2019 increased by $21.8 million and $35.1 million, respectively, compared to the same periods in 2018. For both periods, the increase is largely due to higher product volume purchased for incremental product marketing services and blending activity.

Operating Expenses

Conventional oil pipelines operating expenses in the three months and year ended December 31, 2019 decreased by $3.6 million and $11.3 million, respectively, compared to the same periods in 2018. The decrease in both periods is largely due to lower integrity and remediation costs in 2019.

Capital Expenditures

In 2019, the conventional oil pipelines business incurred growth capital expenditures* of $126.1 million, primarily related to pipeline and facility upgrades and expansions on the Bow River and Central Alberta pipeline systems, including the Viking Connector and Stettler Crude Oil Terminal expansion. Sustaining capital expenditures* in 2019 of $7.6 million primarily related to various maintenance projects on the Bow River pipeline system.

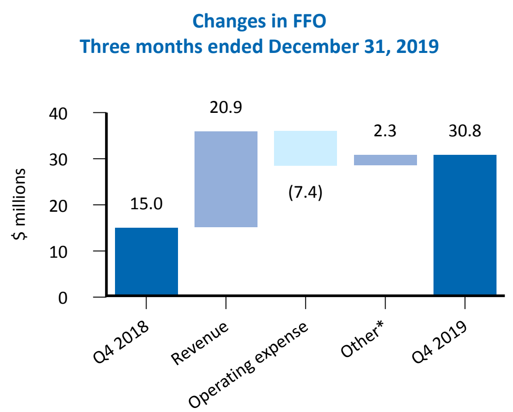
*Please refer to the NON-GAAP FINANCIAL MEASURES section

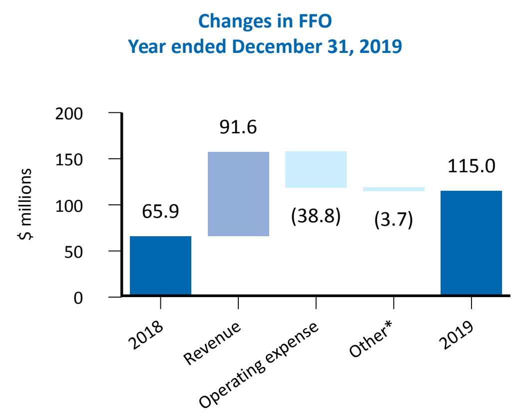
Bulk Liquid Storage Business Segment

	Three Months Ended December 31			Years Ended December 31		
	2019	2018	*% Change*	**2019**	2018	*% Change*
Utilization	**93%**	68%	*36.8*	**87%**	77%	*13.0*

(millions)						
Revenue	**$ 76.2**	$ 55.3	*37.8*	**$ 294.2**	$ 202.6	*45.2*
Operating expenses	**$ 36.3**	$ 28.9	*25.6*	**$ 140.2**	$ 101.4	*38.3*
Funds from operations	**$ 30.8**	$ 15.0	*105.3*	**$ 115.0**	$ 65.9	*74.5*
Capital expenditures						
Growth(1)	**$ 16.8**	$ 6.0		**$ 43.3**	$ 24.5	
Sustaining(1)	**14.0**	6.1		**26.2**	15.0	
	$ 30.8	$ 12.1		**$ 69.5**	$ 39.5	

(1) Please refer to the NON-GAAP FINANCIAL MEASURES section.





* Includes general and administrative, current taxes and financial charges.

Inter Pipeline operates a bulk liquid storage business branded as Inter Terminals with operations in the UK, Germany, Ireland, Denmark, Sweden and the Netherlands. Inter Terminals is one of the largest independent bulk liquid storage businesses in Europe. Following the acquisition of a new storage business in the UK and Netherlands on November 30, 2018, Inter Terminals now has a combined storage capacity of approximately 37 million barrels across 23 terminals. These terminals are strategically located, with 14 across the UK, Germany and Ireland which provide storage and distribution facilities for a wide range of liquids, including oil, chemicals, biofuels and waste oils, with the ability to receive and distribute products by ship, rail, truck or pipeline. One terminal is located in the Netherlands within the Port of Amsterdam, which is the world's largest gasoline blending hub; this terminal provides gasoline, gas oil and fuel oil storage, as well as blending services. In Denmark, four deep draft coastal terminals are located on the Danish Straits, providing build bulk, break bulk and custom blending services for distillates and fuel oil products. The four terminals in Sweden function as a strategic storage and blending hub for the trans-shipment of refined products, as well as the inland distribution of retail petroleum and petrochemical products.

See the **Description of the Business** section of the **Annual Information Form** for further information about the bulk liquid storage business.

Utilization

Average utilization in the bulk liquid storage business increased in the current quarter from 68% in 2018 to 93% in 2019, and year to date from 77% in 2018 to 87% in 2019. The increase for both periods reflects higher throughput activity, particularly in Denmark, from securing additional storage contracts, primarily as a result of IMO 2020.

Revenue

The bulk liquid storage business earns revenue for bulk liquid storage and handling services that are underpinned by a range of long-term and short-term fee-based and cost-of-service contracts. Please refer to the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section for further information.

Revenue from the bulk liquid storage business increased by $20.9 million and $91.6 million in the three months and year ended December 31, 2019, respectively, compared to the same periods in 2018. The increase for both periods was due to revenue from the newly acquired storage business, which operated at a utilization rate in excess of 93% for both periods, and from securing new storage contracts in Denmark during the second half of 2019. Foreign currency translation adjustments unfavourably impacted revenue by $1.3 million in the current quarter and $6.6 million for the full year of 2019, compared to the same periods in 2018.

See the **Foreign Exchange Rates** section below for further information on changes in rates.

Foreign Exchange Rates

	Three Months Ended December 31			Years Ended December 31		
(dollars)	**2019**	2018	*% Change*	**2019**	2018	*% Change*
Euro/CAD	**1.4615**	1.5071	*(3.0)*	**1.4856**	1.5302	*(2.9)*
Pound Sterling/CAD	**1.6994**	1.6989	—	**1.6945**	1.7299	*(2.0)*

Operating Expenses

Bulk liquid storage operating expenses increased $7.4 million and $38.8 million in the three months and year ended December 31, 2019, respectively, compared to the same periods in 2018. The increase in operating costs was primarily attributable to the impact of operations from the newly acquired storage business. Additionally, foreign exchange favourably impacted operating expenses by $0.5 million in the current quarter and $3.2 million for the full year of 2019, compared to the same periods in 2018.

Capital Expenditures

In 2019, the bulk liquid storage business incurred total growth capital expenditures* of $43.3 million, primarily related to enhancement and tank life extension projects. Total sustaining capital expenditures* in 2019 of $26.2 million, primarily related to safety improvement projects, environmental enhancement initiatives, automation and financial system upgrade projects.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Other Expenses

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Depreciation and amortization	**$ 83.6**	$ 68.9	**$ 356.4**	$ 273.7
Income tax expense (recovery)	**$ 28.3**	$ 56.0	**$ (21.7)**	$ 215.5
Financing charges	**$ 48.4**	$ 34.4	**$ 185.8**	$ 163.4
General and administrative	**$ 41.3**	$ 29.7	**$ 173.9**	$ 137.6
Loss (gain) on disposal of assets	**$ 2.8**	$ 2.8	**$ (7.1)**	$ 4.9

Depreciation and Amortization

Depreciation and amortization of tangible and intangible assets for the three months and year ended December 31, 2019, increased $14.7 million and $82.7 million, respectively, over the same periods in 2018. For both periods, the increase is largely due to depreciation of new assets now in service and the adoption of IFRS 16 further increased depreciation and amortization. See the **Accounting Policy Adopted in 2019** section below for further information on the adoption of IFRS 16 in 2019. The full year of 2019 also increased due to a non-cash impairment charge of $40.0 million recognized in the third quarter for goodwill associated with our storage operations in Denmark.

Income Tax Expense

In the three months and year ended December 31, 2019, consolidated income tax decreased $27.7 million and $237.2 million, compared to the same periods in 2018. Consolidated income tax is the sum of current income tax and deferred income tax.

For both periods, current income tax has remained relatively consistent, compared to the same periods in 2018.

In the three months and year ended December 31, 2019, deferred income tax decreased $26.2 million and $236.8 million, respectively, compared to the same periods in 2018. For both periods, the decrease is due to lower consolidated income before taxes which resulted in fewer tax assets being deducted in the current period. The full year of 2019 further decreased due to a provincial corporate tax rate reduction on June 28, 2019, where the Government of Alberta substantively enacted legislation which reduced the provincial corporate income tax rate from 12% to 11%, effective July 1, 2019, with gradual reductions to 8% by January 1, 2022. This resulted in a one-time deferred tax recovery of $143.6 million during the second quarter of 2019.

Financing Charges

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Interest expense on:				
Credit facilities	**$ 12.6**	$ 14.2	**$ 53.0**	$ 45.8
Corridor debentures	**1.9**	1.8	**7.4**	7.3
Medium-term notes	**30.0**	30.0	**119.7**	124.2
Subordinated hybrid notes	**18.3**	—	**44.9**	—
Lease liabilities	**2.1**	—	**8.6**	—
Total Interest	**64.9**	46.0	**233.6**	177.3
Capitalized interest	**(18.7)**	(13.8)	**(57.3)**	(23.1)
Amortization of transaction costs on financial debt	**1.0**	1.0	**3.9**	4.0
Accretion of provisions and pension plan funding charges	**1.2**	1.2	**5.6**	5.2
Financing charges	**$ 48.4**	$ 34.4	**$ 185.8**	$ 163.4

In the three months and year ended December 31, 2019, total financing charges increased $14.0 million and $22.4 million, compared to the same periods in 2018.

Interest on credit facilities decreased $1.6 million in the current quarter and increased $7.2 million for the full year of 2019, compared to the same periods in 2018. The current quarter decrease is largely due to lower weighted average syndicated credit facility debt outstanding, while the increase during the full year of 2019 was primarily due to increased short-term interest rates. On August 13, 2019, Inter Pipeline entered into a $500 million 1-year term credit facility. Proceeds were used to partially repay existing debt under the $1.5 billion syndicated revolving credit facility, that carries higher fees, of which available capacity may be redrawn.

Interest charges on the subordinated hybrid notes in the three months and year ended December 31, 2019, were due to the hybrid note issuances of $750 million on March 26, 2019 and $700 million on November 19, 2019.

Interest on lease liabilities in the current periods was due to the adoption of IFRS 16. See the **Accounting Policy Adopted in 2019** section below for further information on the adoption of IFRS 16 in 2019.

Interest on medium-term notes was consistent in the current quarter and decreased $4.5 million for the full year of 2019, compared to the same periods in 2018, due to the maturity and repayment of the Series 2 notes on July 30, 2018.

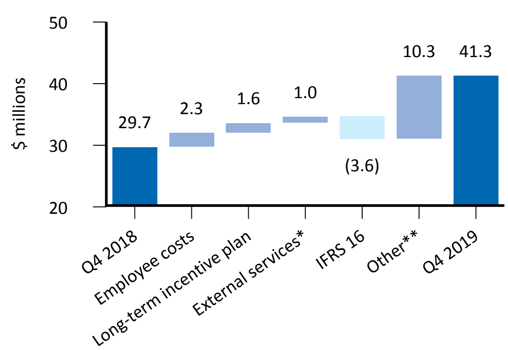
Capitalized interest increased by $4.9 million in the current quarter and $34.2 million for the full year of 2019, compared to the same periods in 2018, largely as result of the increased spending on HPC.

See the **LIQUIDITY AND CAPITAL RESOURCES** section for further information about Inter Pipeline's debt facilities.

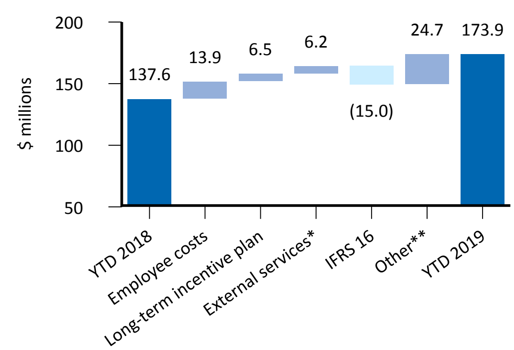
General and Administrative

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Canada	**$ 33.3**	$ 18.1	**$ 139.8**	$ 104.3
Europe	**$ 8.0**	$ 11.6	**$ 34.1**	$ 33.3
	$ 41.3	$ 29.7	**$ 173.9**	$ 137.6

Q4 2019 Changes in general and administrative expense



YTD 2019 Changes in general and administrative expense



* Includes professional and consulting fees
**Includes foreign exchange (gains) losses, rent, information technology and other general and administrative costs that support ongoing operations.

In the three months and year ended December 31, 2019, Canadian general and administrative expenses increased $15.2 million and $35.5 million, respectively, compared to the same periods in 2018. The increase for both periods was largely due to higher headcount which resulted in increased employee costs, long-term incentive plan expense and various corporate initiatives that support operational requirements. Additionally, higher professional fees, and a foreign exchange loss were partially offset by the adoption of IFRS 16. As a result of the adoption of IFRS 16, certain office lease costs are now required to be recorded as depreciation and financing charges instead of general and administrative expenses. See the **Accounting Policy Adopted in 2019** section below for further information on the adoption of IFRS 16 in 2019. For the three months and year ended December 31, 2019, approximately $4.0 million and $11.0 million, respectively, of HPC readiness costs were included within general and administrative expenses.

European general and administrative costs in the current quarter decreased by $3.6 million and increased by $0.8 million for the full year of 2019, compared to the same periods in 2018. For both periods, general and administrative cost increased due to a full year of additional head office costs for the newly acquired storage business, however for the current quarter this increase was more than offset by the absence of professional fees incurred as part of the acquisition of the aforementioned storage business in the fourth quarter of 2018.

Loss (gain) on Disposal of Assets

Inter Pipeline incurred a loss on disposal of assets of $2.8 million in the current quarter of 2019 and realized a gain of $7.1 million for the full year of 2019. For both periods, a loss on disposal related to the de-recognition of certain non-core assets was incurred, however, the full year of 2019 was more than offset by proceeds received from the disposal of line fill on one of Inter Pipeline's oil sands pipeline systems in the third quarter of 2019.

SUMMARY OF QUARTERLY RESULTS

	2018				2019			
(millions, except volume, per share and % amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Pipeline volume (000s b/d)								
Oil sands transportation	1,279.0	1,181.3	1,227.2	1,216.4	**1,199.5**	**1,158.1**	**1,183.5**	**1,324.9**
Conventional oil pipelines	209.4	196.4	214.3	184.2	**187.1**	**184.9**	**183.9**	**189.3**
Total pipeline volume	1,488.4	1,377.7	1,441.5	1,400.6	**1,386.6**	**1,343.0**	**1,367.4**	**1,514.2**
NGL processing volume (000s b/d)[(1)]								
Natural gas processing - Ethane	64.2	43.9	56.1	65.4	**72.2**	**59.5**	**62.2**	**59.8**
Natural gas processing - Propane-plus	46.3	41.3	41.6	49.7	**49.5**	**41.8**	**43.7**	**41.7**
Redwater Olefinic Fractionator sales volume	33.0	27.8	32.3	37.0	**35.5**	**32.6**	**25.9**	**33.7**
Total NGL processing volume	143.5	113.0	130.0	152.1	**157.2**	**133.9**	**131.8**	**135.2**
Utilization								
Bulk liquid storage	82%	84%	74%	68%	**78%**	**83%**	**92%**	**93%**
Revenue								
Oil sands transportation	$ 200.1	$ 200.3	$ 199.4	$ 205.3	**$ 200.7**	**$ 200.4**	**$ 202.7**	**$ 209.6**
NGL processing	214.1	195.3	235.0	243.8	**208.8**	**171.0**	**138.2**	**192.9**
Conventional oil pipelines	180.6	184.7	205.2	126.5	**176.3**	**199.8**	**175.4**	**165.3**
Bulk liquid storage	51.2	50.7	45.4	55.3	**73.1**	**70.4**	**74.5**	**76.2**
Total revenue	$ 646.0	$ 631.0	$ 685.0	$ 630.9	**$ 658.9**	**$ 641.6**	**$ 590.8**	**$ 644.0**
Funds from operations								
Oil sands transportation	$ 148.9	$ 150.0	$ 150.3	$ 150.8	**$ 147.6**	**$ 149.7**	**$ 152.5**	**$ 153.8**
NGL processing	98.6	101.3	134.8	120.1	**68.0**	**72.1**	**46.2**	**50.3**
Conventional oil pipelines	50.7	48.2	53.8	24.9	**34.1**	**49.6**	**39.7**	**44.6**
Bulk liquid storage	18.7	17.4	14.8	15.0	**26.8**	**26.9**	**30.5**	**30.8**
Corporate costs	(62.7)	(55.4)	(54.0)	(37.5)	**(65.0)**	**(58.1)**	**(64.5)**	**(62.7)**
Total funds from operations	$ 254.2	$ 261.5	$ 299.7	$ 273.3	**$ 211.5**	**$ 240.2**	**$ 204.4**	**$ 216.8**
Per share[(2)]	$ 0.67	$ 0.68	$ 0.77	$ 0.68	**$ 0.52**	**$ 0.59**	**$ 0.49**	**$ 0.52**
Net income	$ 142.7	$ 136.1	$ 169.4	$ 144.3	**$ 98.3**	**$ 260.3**	**$ 79.9**	**$ 100.5**
Per share – basic and diluted	$ 0.37	$ 0.35	$ 0.44	$ 0.36	**$ 0.24**	**$ 0.63**	**$ 0.19**	**$ 0.24**
Dividends to shareholders[(3)]	$ 160.4	$ 162.0	$ 163.3	$ 169.7	**$ 173.9**	**$ 175.7**	**$ 177.5**	**$ 179.3**
Per share[(3)]	$ 0.420	$ 0.420	$ 0.420	$ 0.425	**$ 0.428**	**$ 0.428**	**$ 0.428**	**$ 0.428**
Adjusted EBITDA[(2)]	$ 295.2	$ 302.6	$ 340.1	$ 307.4	**$ 253.1**	**$ 285.1**	**$ 249.6**	**$ 263.4**
Shares outstanding (basic)								
Weighted average	381.4	384.9	388.4	397.8	**406.0**	**410.3**	**414.6**	**418.7**
End of period	383.2	386.7	390.2	403.8	**408.2**	**412.4**	**416.6**	**420.7**
Capital expenditures								
Growth[(2)]	$ 146.1	$ 185.5	$ 229.9	$ 314.3	**$ 316.7**	**$ 363.7**	**$ 428.8**	**$ 414.8**
Sustaining[(2)]	6.1	14.8	24.7	28.9	**11.9**	**18.8**	**13.4**	**25.5**
Total capital expenditures	$ 152.2	$ 200.3	$ 254.6	$ 343.2	**$ 328.6**	**$ 382.5**	**$ 442.2**	**$ 440.3**
Payout ratio[(2)]	63.1%	61.9%	54.5%	62.1%	**82.2%**	**73.1%**	**86.8%**	**82.7%**
Total assets	$10,496.3	$10,570.3	$10,699.7	$11,461.5	**$11,882.6**	**$12,162.8**	**$12,441.1**	**$12,951.4**
Total debt[(4)]	$ 5,396.1	$ 5,387.2	$ 5,339.8	$ 5,680.1	**$ 5,858.2**	**$ 6,056.5**	**$ 6,252.3**	**$ 6,669.5**
Total equity	$ 3,576.0	$ 3,592.4	$ 3,660.4	$ 3,965.3	**$ 3,940.5**	**$ 4,080.4**	**$ 4,040.1**	**$ 4,089.3**
Enterprise value[(2)]	$13,963.6	$14,915.4	$14,079.6	$13,489.8	**$14,883.2**	**$14,457.7**	**$15,939.0**	**$16,153.2**
Consolidated net debt to total capitalization[(2)]	52.5%	52.5%	51.8%	51.8%	**44.2%**	**45.0%**	**46.5%**	**41.3%**

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

(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

(3) Dividends to shareholders are calculated based on the number of common shares outstanding at each record date.

(4) Total debt includes long-term debt, short-term debt and commercial paper before discounts and debt transaction costs.

LIQUIDITY AND CAPITAL RESOURCES

Inter Pipeline's capital management objectives are aligned with its commercial growth strategies and long-term outlook for the business. The primary objectives are to maintain:

i stable dividends to shareholders over economic and industry cycles;

ii a flexible capital structure which optimizes the cost of capital within an acceptable level of risk; and

iii an investment grade credit rating.

Inter Pipeline's capital under management includes financial debt and shareholders' equity. Management may make adjustments to the capital structure for changes in economic conditions or the risk characteristics of the underlying assets. To maintain or modify the capital structure, Inter Pipeline may adjust the level of cash dividends paid to shareholders, issue new common or preferred shares, issue new senior or subordinated debt, renegotiate existing debt terms or repay existing debt.

Inter Pipeline maintains flexibility in its capital structure to fund growth capital* and acquisitions through market and industry cycles. Funding requirements are projected to ensure appropriate sources of financing are available to meet future financial obligations and capital expenditure programs. Inter Pipeline generally relies on committed credit facilities and FFO in excess of dividends to fund capital requirements. At December 31, 2019, Inter Pipeline had access to committed credit facilities totaling $3.6 billion, of which $1.8 billion remained unutilized, and demand facilities totaling $168.7 million of which $136.0 million remained unutilized. Certain facilities are available to specific subsidiaries of Inter Pipeline. In the first quarter of 2019, Inter Terminals amended the Pound Sterling demand facility by increasing the total facility amount from £20 million to £40 million.

Inter Pipeline amended its $1.5 billion syndicated credit facility on December 5, 2019, extending the term for one year with a revised maturity date of December 5, 2024. On December 13, 2019, Corridor extended the maturity date of its $1.55 billion syndicated credit facility by one year to December 14, 2023.

Inter Pipeline may also issue equity capital to ensure its balance sheet remains well prepared for expected growth. During the three months and year ended December 31, 2019, $89.2 million and $359.1 million, respectively, of equity was issued through the dividend reinvestment plan.

On March 26, 2019, Inter Pipeline issued $750 million of fixed-to-floating rate subordinated hybrid notes (series 2019-A) due March 26, 2079. The subordinated hybrid notes were issued under Inter Pipeline's short form base shelf prospectus and a prospectus supplement dated March 21, 2019. The interest rate of 6.875% is payable in equal semi-annual payments for the period from March 26, 2019 to March 25, 2029. Starting March 26, 2029, on every interest reset date (June 26, September 26, December 26, March 26) until March 26, 2049, the interest rate will be reset to the three-month banker's acceptance rate plus 5.01%. Starting March 26, 2049, on every interest reset date until March 26, 2079, the interest rate will be reset to the banker's acceptance rate plus 5.76%. On November 19, 2019, Inter Pipeline issued $700 million of fixed-to-floating rate subordinated hybrid notes (series 2019-B) due November 19, 2079. The subordinated hybrid notes were issued under Inter Pipeline's short form base shelf prospectus and a prospectus supplement dated November 13, 2019. The interest rate of 6.625% is payable in equal semi-annual payments for the period from November 19, 2019 to November 18, 2029. Starting November 19, 2029, on every interest reset date (February 19, May 19, August 19, November 19) until November 19, 2049, the interest rate will be reset to the three-month banker's acceptance rate plus 4.90%. Starting November 19, 2049, on every interest reset date until November 19, 2079, the interest rate will be reset to the banker's acceptance rate plus 5.65%. Both, series 2019-A and series 2019-B, are subject to optional redemption by Inter Pipeline, whereby on or after March 26, 2029 and November 19, 2029, respectively, Inter Pipeline may redeem the notes in whole at any time, or in part on any interest payment date. Additionally, proceeds of the note offerings were used to repay indebtedness

*Please refer to the NON-GAAP FINANCIAL MEASURES section

under our revolving credit facility and to fund organic growth projects, including HPC. Both series 2019-A and series 2019-B have been assigned credit ratings of BBB- by S&P and BB (high) by DBRS.

On August 13, 2019, Inter Pipeline entered into a $500 million 1-year term credit facility. The term credit facility is extendible and bears interest at rates applicable to bankers' acceptances plus applicable margins.

Inter Pipeline may utilize derivative financial instruments to minimize exposure to fluctuating commodity prices, foreign exchange and interest rates. Inter Pipeline's market risk management policy defines and specifies the controls and responsibilities to manage market exposure to changing commodity prices (crude oil, butane, condensate, power, natural gas, NGLs and olefins) and changes within financial markets relating to interest rates and foreign exchange exposure. Further details of the risk management program are discussed in the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section.

Credit Facilities and Debt Outstanding

The following table summarizes Inter Pipeline's credit facilities and debt outstanding as at December 31, 2019:

(millions)	Maturity Date	Rate	Total amount	Amount drawn
Recourse debt				
Inter Pipeline syndicated credit facility	December 5, 2024	Variable	1,500.0	$ **18.0**
Inter Pipeline term credit facility	August 13, 2020	Variable	500.0	**500.0**
Demand facilities				
Inter Terminal (Pound Sterling 40 million)(1)	Demand	Variable	68.7	**21.4**
Inter Pipeline	Demand	Variable	75.0	—
Medium-term notes				
Series 1	February 2, 2021	4.967%	325.0	**325.0**
Series 3	May 30, 2022	3.776%	400.0	**400.0**
Series 4	July 20, 2020	3.448%	500.0	**500.0**
Series 5	May 30, 2044	4.637%	500.0	**500.0**
Series 7	March 24, 2025	3.173%	300.0	**300.0**
Series 8	September 13, 2023	2.608%	350.0	**350.0**
Series 9	December 16, 2026	3.484%	450.0	**450.0**
Series 10	April 18, 2024	2.734%	500.0	**500.0**
Subordinated hybrid notes				
Series 2019-A(2)	March 26, 2079	Fixed	750.0	**750.0**
Series 2019-B(3)	November 19, 2079	Fixed	700.0	**700.0**
Non-recourse debt(4)				
Corridor syndicated credit facility	December 14, 2023	Variable	1,550.0	**1,205.1**
Corridor debentures(5)	February 3, 2020	Fixed	150.0	**150.0**
Corridor demand facility	Demand	Variable	25.0	—
Total debt outstanding(6)(7)				$ **6,669.5**

(1) Inter Terminals Pound Sterling 40 million demand facility which is converted at a Pound Sterling/CAD rate of 1.7174 at December 31, 2019.

(2) For the initial 10 years, the subordinated hybrid notes carry a fixed interest rate of 6.875%. Subsequently, the interest rate will be set to equal the three-month banker's acceptance rate plus a margin of 5.01% from years 10 to 30, and margin of 5.76% from years 30 to 60.

(3) For the initial 10 years, the subordinated hybrid notes carry a fixed interest rate of 6.625%. Subsequently, the interest rate will be set to equal the three-month banker's acceptance rate plus a margin of 4.90% from years 10 to 30, and margin of 5.65% from years 30 to 60.

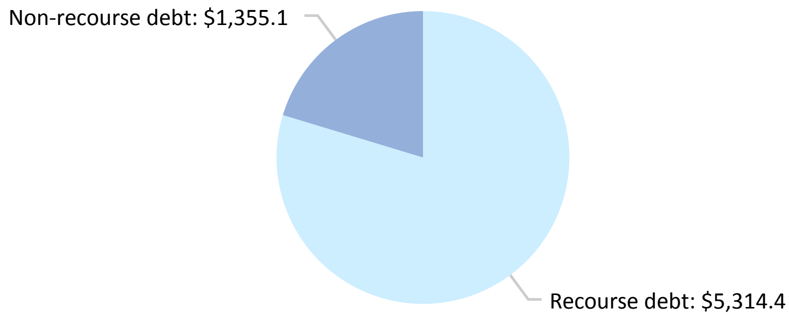
(4) All interest costs associated with non-recourse Corridor debt are directly recoverable through the terms of the Corridor FSA.

(5) On February 3, 2020, Corridor's $150 million debentures matured and were repaid.

(6) At December 31, 2019, outstanding Inter Pipeline letters of credit of approximately $11.3 million were not included in total debt outstanding.

(7) Financial debt reported in the December 31, 2019 interim financial statements of $6,637.0 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,669.5 million less discounts and debt transaction costs of $32.5 million.

Total debt of $6,669.5 million - December 31, 2019



Financial Covenants

Inter Pipeline was in compliance with all financial covenants under its credit facilities and note indentures as at December 31, 2019.

The following table provides a listing of the key financial covenants as at December 31, 2019:

	Maximum Ratio	December 31, 2019
Inter Pipeline Ltd.		
Inter Pipeline syndicated credit facility		
Consolidated net debt to total capitalization(1)(2)(3)(4)	65.0%	41.3%
Medium-term notes		
Funded debt to total capitalization(2)(5)(6)	70.0%	34.5%
Inter Pipeline (Corridor) Inc.		
Corridor syndicated credit facility		
Corridor debentures		
Rate base debt to rate base(7)(8)	75.0%	73.5%

(1) "Consolidated Net Debt" includes the aggregate amount of all debt of the borrower and its restricted subsidiaries, but excludes debt of any unrestricted subsidiary which is not guaranteed by the borrower or any restricted subsidiary, subordinated debt, non-recourse debt, debt attributable to any non-controlling interest and hybrid debt securities, less cash and cash equivalents owned by the borrower and its restricted subsidiaries, but excluding any such cash or cash equivalents owned by an unrestricted subsidiary or attributable to any non-controlling interest, provided that the use or application of such cash and cash equivalents is not encumbered or restricted by contract or regulatory requirements.

(2) Inter Pipeline (Corridor) Inc. is not considered a restricted subsidiary under Inter Pipeline's syndicated credit facility or medium-term note indenture and, as a result, its debt and assets are excluded from all financial covenant calculations under those agreements.

(3) "Total Capitalization" for Inter Pipeline's syndicated and term credit facilities covenant is the sum of debt including hybrid debt securities, but excluding non-recourse debt, debt attributable to unrestricted subsidiaries or any non-controlling interest, plus convertible debentures, plus consolidated shareholders' equity of the borrower, but excluding any shareholders' equity from or attributable to non-recourse assets, unrestricted subsidiaries, plus a $243.8 million adjustment related to Canadian SIFT legislation.

(4) Please refer to the NON-GAAP FINANCIAL MEASURES section.

(5) "Funded Debt" includes long-term debt of the issuer and its restricted subsidiaries, but excluding non-recourse debt, subordinated debt and any obligations of the issuer to a restricted subsidiary or of a restricted subsidiary to the issuer or another restricted subsidiary.

(6) "Total Capitalization" for Inter Pipeline's medium-term notes covenant is the sum of Funded Debt plus subordinated debt, plus consolidated equity, plus a $243.8 million adjustment related to Canadian specified investment flow-through legislation.

(7) Rate Base Debt includes all Corridor debt excluding debt incurred in connection with financing additions to the rate base prior to the time those additions form part of the rate base, debt incurred to fund recoverable expenditures under the Corridor Firm Service Agreement (FSA) and subordinated debt.

(8) Rate Base includes the invested capital to bring the asset to service pursuant to the Corridor FSA.

The Corridor pipeline system is operated under the Corridor FSA, which is a long-term cost-of-service contract that provides for the recovery of debt financing costs, substantially all operating costs, rate base depreciation and taxes, in addition to providing a return on equity. As a result, Corridor's FFO is not impacted by throughput volume or commodity price fluctuations. Inter Pipeline actively manages Corridor's debt level to ensure the actual rate base debt to rate base ratio is very close to the benchmark criteria (i.e. not more than 75%) to optimize its defined capital structure.

The following earnings coverage* ratio is calculated on a consolidated basis:

(times)	December 31, 2019
Earnings coverage(1)(2)	**2.9**

(1) Please refer to the NON-GAAP FINANCIAL MEASURES section.

(2) Net income plus income taxes and borrowing costs, divided by the sum of borrowing costs, capitalized borrowing costs and any retirement of obligations.

Credit Ratings

The following investment grade, long-term corporate credit ratings or senior unsecured debt ratings are maintained by Inter Pipeline and by Inter Pipeline (Corridor) Inc.

	Credit Rating	Trend/Outlook
Inter Pipeline Ltd.		
S&P	BBB+	Negative
DBRS	BBB	Stable
Inter Pipeline (Corridor) Inc.		
S&P	BBB+	Stable
DBRS	A (low)	Stable

Contractual Obligations, Commitments and Guarantees

(millions)	Total	Less than one year	One to five years	After five years
Total debt(1)(2)				
Corridor syndicated credit facility(2)	$ 1,205.1	$ 1,205.1	$ —	$ —
Inter Pipeline syndicated credit facility	18.0	—	18.0	—
Inter Pipeline term credit facility	500.0	500.0	—	—
Corridor debentures	150.0	150.0	—	—
Medium-term notes	3,325.0	500.0	1,575.0	1,250.0
Subordinated hybrid notes	1,450.0	—	—	1,450.0
Inter Terminals demand facility	21.4	21.4	—	—
	6,669.5	2,376.5	1,593.0	2,700.0
Other obligations				
Capital expenditure commitments(4)	580.4	554.7	25.7	—
Lease liabilities	316.3	27.8	95.2	193.3
Purchase obligations(3)	2,703.3	45.8	345.7	2,311.8
Adjusted working capital deficit(5)	290.3	290.3	—	—
Long-term portion of incentive plan	12.7	—	12.7	—
	$ 10,572.5	$ 3,295.1	$ 2,072.3	$ 5,205.1

*Please refer to the NON-GAAP FINANCIAL MEASURES section

(1) At December 31, 2019, outstanding Inter Pipeline letters of credit of approximately $11.3 million were not included in total debt outstanding. Financial debt reported in the December 31, 2019 consolidated financial statements of $6,637.0 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,669.5 million less discounts and debt transaction costs of $32.5 million.

(2) Principal obligations are related to commercial paper. This amount is fully supported, and management expects that it will continue to be supported by Corridor's fully committed syndicated credit facility that has no repayment requirements until December 2023.

(3) Includes: 1) service agreements for the purchase of core utilities ranging from one to 40 years; 2) contracts ranging from one to 20 years for the purchase of power from electrical service providers; 3) transportation agreement ranging from one to 25 years to support the HPC, which include future commitments for leases that have not yet commenced; and 4) condensate and butane purchase agreements to support the midstream marketing activities.

(4) Capital expenditure commitments represent future minimum contractual purchase obligations.

(5) Please refer to the NON-GAAP FINANCIAL MEASURES section

The following future obligations resulting from the normal course of operations will be primarily funded from FFO in the respective periods that they become due or may be funded through debt:

i Lease liabilities and purchase obligations represent minimum payment obligations associated with leases and normal operating agreements for periods up to 2115.

ii Working capital deficiencies* arise primarily from capital expenditures outstanding in accounts payable and accrued liabilities at the end of a period.

iii Inter Pipeline has obligations of $46.4 million under its employee long-term incentive plan, of which $33.7 million is included in the working capital deficit*.

iv Present value of estimated expenditures expected to be incurred in the longer term on decommissioning of active pipeline systems, NGL processing facilities and leased bulk liquid storage sites and remediation of known environmental liabilities is $286.2 million at December 31, 2019. Due to the uncertainty of timing for payment of these obligations, they were excluded from the table above.

DIVIDENDS TO SHAREHOLDERS

	Three Months Ended December 31		Years Ended December 31	
(millions, except per share and % amounts)	**2019**	2018	**2019**	2018
Cash provided by operating activities	**$ 212.1**	$ 255.6	**$ 841.1**	$ 1,078.1
Net change in non-cash operating working capital	**4.7**	17.7	**31.8**	10.6
Funds from operations	**$ 216.8**	$ 273.3	**$ 872.9**	$ 1,088.7
Dividends to shareholders	**$ 179.3**	$ 169.7	**$ 706.4**	$ 655.4
Dividends per share(1)	**$ 0.4275**	$ 0.4250	**$ 1.7100**	$ 1.6850
Payout ratio(2)	**82.7%**	62.1%	**80.9%**	60.2%

(1) Dividends to shareholders are calculated based on the number of common shares outstanding at each record date.

(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

Inter Pipeline's objective is to provide shareholders with stable dividends over changing economic and industry cycles. As a result, not all FFO are distributed to shareholders. A portion is withheld and reinvested in the business to effectively manage its capital structure, and in particular, debt levels. Inter Pipeline sets dividend levels based on the underlying assumptions in each year's annual operating and capital budget and long-term forecast, consistent with its goal to provide shareholders with stable dividends. Dividends are determined at the discretion of Inter Pipeline's Board of Directors, subject to certain legal and debt agreement requirements, and are payable when declared.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

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.

The tables below show Inter Pipeline's dividends declared relative to cash provided by operating activities and net income attributable to shareholders for the periods indicated. See the **OUTLOOK** section of this report and **RISK FACTORS** section for further information regarding the sustainability of dividends.

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Cash provided by operating activities	**$ 212.1**	$ 255.6	**$ 841.1**	$ 1,078.1
Dividends to shareholders	**(179.3)**	(169.7)	**(706.4)**	(655.4)
Excess	**$ 32.8**	$ 85.9	**$ 134.7**	$ 422.7

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Net income	**$ 100.5**	$ 144.3	**$ 539.0**	$ 592.5
Dividends to shareholders	**(179.3)**	(169.7)	**(706.4)**	(655.4)
Shortfall	**$ (78.8)**	$ (25.4)	**$ (167.4)**	$ (62.9)

Cash provided by operating activities was greater than dividends to shareholders in all periods. Shortfalls of dividends to shareholders over net income fluctuates period over period due to certain non-cash expenses such as depreciation and amortization, and deferred income taxes, which have no immediate impact on dividend sustainability.

OUTSTANDING SHARE DATA

Inter Pipeline's outstanding common shares at December 31, 2019 are as follows:

(millions)	Total
Common shares outstanding	420.7

At February 18, 2020, Inter Pipeline had 423.6 million common shares outstanding.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Market Risk Management

Inter Pipeline may utilize derivative financial instruments to manage liquidity and market risk exposure to changes in commodity prices, foreign exchange and interest rates. Market risk management strategies are intended to minimize the volatility of Inter Pipeline's exposure to commodity price, foreign exchange and interest rate risk to assist with stabilizing FFO. Inter Pipeline prohibits the use of derivative financial instruments for speculative purposes. All hedging policies are authorized and approved by the Board of Directors through Inter Pipeline's market risk management policy.

Inter Pipeline may enter into the following types of derivative financial instruments: commodity price swap agreements, foreign currency exchange contracts, power price hedges and heat rate and interest rate swap agreements. The mark-to-market or fair value of these financial instruments is recorded as an asset or liability and any change in the fair value recognised as an unrealized change in fair value of these derivative financial instruments in the calculation of net income. When the financial instrument matures, any realized gain or loss is recorded in net income.

In the following sections, sensitivity analyses are presented to provide an indication of the amount that an isolated change in one variable may have on net income and are based on long-term debt, short-term debt and commercial paper outstanding at December 31, 2019. The analyses are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated based on one variable because the relationship with other variables may not be linear. In reality, changes in one variable may magnify or counteract the impact of another variable which may result in a significantly different conclusion.

FRAC-SPREAD RISK MANAGEMENT

Inter Pipeline is exposed to frac-spread risk being the difference between the selling prices for certain NGL products and the input cost of the natural gas required to produce the respective products, including shrinkage gas. Various frac-spreads are as defined in the **Frac-spread** section of the **NGL Processing Business Segment**. Inter Pipeline may enter into natural gas liquids, AECO natural gas and foreign exchange swap contracts to manage frac-spread risk exposure in the NGL processing business. As at December 31, 2019, there were no frac-spread hedges outstanding.

POWER PRICE RISK MANAGEMENT

Inter Pipeline may use derivative financial instruments to manage power price risk in its NGL processing and conventional oil pipelines business segments. When deemed appropriate, Inter Pipeline enters into financial heat rate swap and power price swap contracts to manage power price risk exposure in these businesses. As at December 31, 2019, there were no electricity price swap or heat rate price swap agreements outstanding.

FOREIGN EXCHANGE RISK MANAGEMENT

Inter Pipeline is exposed to currency risk resulting from the translation of assets and liabilities of its European bulk liquid storage operations and transactional currency exposures arising from purchases in currencies other than Inter Pipeline's functional currency, the Canadian dollar. Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future. As at December 31, 2019, there were no foreign currency exchange hedges outstanding.

Corporate

INTEREST RATE RISK MANAGEMENT

Inter Pipeline's exposure to interest rate risk primarily relates to its long-term debt obligations. Inter Pipeline manages its interest rate risk by balancing its exposure to fixed and variable rates while minimizing interest costs. When deemed appropriate, Inter Pipeline may enter into interest rate or cross-currency swap agreements to manage its interest rate price risk exposure. As at December 31, 2019, there were no interest rate or cross-currency swap agreements outstanding.

Based on the variable rate obligations outstanding at December 31, 2019, a 1% change in interest rates at this date would have changed interest expense for the three months and year ended December 31, 2019, by approximately $4.4 million and $17.4 million, respectively, assuming all other variables remain constant. Of this amount, $3.0 million and $12.1 million for the three months and year ended December 31, 2019, respectively, relates to Corridor's syndicated credit facility and is recoverable through the terms of the Corridor FSA. The after-tax income impact for the three months and year ended December 31, 2019 would be $1.0 million and $3.9 million, respectively.

Credit Risk

Inter Pipeline's credit risk exposure relates primarily to the non-performance of its customers and financial counterparties holding cash, accounts receivable, and prepaid expenses and other deposits. Credit risk is managed through Inter Pipeline's credit management policy, which establishes guidelines for defining and measuring credit risk, determining credit risk thresholds and monitoring credit risk exposures to counterparties and vendors. The creditworthiness assessment takes into account available qualitative and quantitative information about the counterparty including, but not limited to, business performance, financial status and external credit ratings. Depending on the outcome of each assessment, guarantees, letters of credit, prepayments or some other form of credit enhancement may be requested as security. Inter Pipeline attempts to mitigate its exposure by entering into contracts with customers that may permit netting or entitle Inter Pipeline to rely on indemnification provisions, a lien or take product in kind and/or allow for termination of the contract on the occurrence of certain events of default. Each business segment monitors outstanding accounts receivable on an ongoing basis.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL processing business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At December 31, 2019, accounts receivable associated with these two business segments were $221.1 million or 68.4% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business segments and customers.

With respect to credit risk arising from cash and cash equivalents, and derivative financial instruments, Inter Pipeline believes the risk of non-performance of counterparties is minimal as cash and derivatives are predominantly held with major financial institutions.

Inter Pipeline assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward looking information to determine the appropriate expected credit losses. At December 31, 2019, lifetime expected credit losses for accounts receivable outstanding were insignificant.

TRANSACTIONS WITH RELATED PARTIES

No revenue was earned from related parties in the three months and years ended December 31, 2019 or 2018.

CONTROLS AND PROCEDURES

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal controls over financial reporting (ICFR) are a process designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with GAAP in Inter Pipeline's consolidated financial statements.

There have been no significant changes in Inter Pipeline's internal control over financial reporting (ICFR) during the period covered by this MD&A that have materially affected, or are reasonably likely to materially affect, Inter Pipeline's ICFR.

At December 31, 2019, Inter Pipeline's management, including the President and Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of Inter Pipeline's disclosure controls and procedures and internal control over financial reporting as defined under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*. Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Inter Pipeline's disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2019.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the annual consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates and judgments in future years could be material. Information about critical judgments, estimates and assumptions in applying accounting policies for these areas is included in the relevant sections of the notes to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Readers should refer to note 3, Summary of Significant Accounting Policies, of the December 31, 2019 annual consolidated financial statements for a list of Inter Pipeline's significant accounting policies.

Intangible Assets

Inter Pipeline's intangible assets are amortized using an amortization method and term based on estimates of the useful lives of these assets. The carrying values of Inter Pipeline's intangible assets are periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. This review requires an estimate of future cash flows to be derived from the utilization of these assets based on assumptions about future events which may be subject to change depending on future economic or technical developments. A significant change in these assumptions or unanticipated future events could require a provision for impairment in the future which would be recorded as a charge against net income.

The Cold Lake Transportation Service Agreement (TSA) intangible asset is the estimated value, using a discounted cash flow analysis, of the shipping agreement entered into with the Cold Lake founding shippers on the Cold Lake pipeline system as valued on January 2, 2003. The term of the Cold Lake TSA extends until Cold Lake LP gives notice that it forecasts it will earn less than $1.0 million of capital fees in the year. This intangible asset is being amortized on a straight-line basis over 30 years.

The NGL processing business' intangible assets consist of customer contracts for the sales of ethane, ethane-ethylene and propane-plus and a patented operational process utilized in one of the straddle plants. Contracts include fee-based contracts, cost-of-service contracts and commodity-based arrangements. The value of these contracts is realized over the term of the agreement, which is the period over which amortization is being charged using the straight-line method. Should the useful life of a customer contract change, the amortization of the remaining balance would change prospectively.

In the bulk liquid storage business, intangible assets consist of contracts and relationships for the storage and handling of bulk liquid products, and for the use of leased land. The value of these intangible assets is being realized over the term of the agreement or the expected duration of the customer relationship, which is the period over which amortization is being charged using the straight-line method. Should the term of the contracts or relationship change, the amortization of the remaining balance would change prospectively.

Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting at the date control of a business is obtained. The cost of an acquisition is measured as the aggregate of the fair values of the assets given or equity instruments issued, net of liabilities incurred or assumed. Costs directly associated with the acquisition are expensed. The consideration transferred for an acquired business is allocated to the identifiable assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the consideration transferred over the amount allocated to net assets is recorded as goodwill. All available information is used to estimate fair values. External consultants are typically engaged to assist in the fair value determination of identifiable intangible assets and other significant assets or liabilities. The preliminary allocation of consideration transferred may be adjusted, as necessary, up to one year after the acquisition closing date due to additional information impacting asset valuation and liabilities assumed.

The allocation process of the consideration transferred involves uncertainty as management is required to make assumptions and apply judgment to estimates of the fair value of the acquired assets and liabilities, including highest and best use of assets. Quoted market prices and widely accepted valuation techniques, including discounted cash flows and market multiple analyses are used to estimate the fair market value of the assets and liabilities, and depreciated replacement costs are used for the valuation of tangible assets. These estimates include assumptions on inputs within the discounted cash flow calculations related to forecasted revenues, cash flows, contract renewals, asset lives, industry economic factors and business strategies.

In certain circumstances Inter Pipeline may also be required to consider the differences between the acquisition of a business and the purchase of assets depending on the terms of an acquisition contract. Certain judgments can be made in this determination which could impact the valuation and recognition of assets acquired and liabilities assumed. When an asset acquisition occurs, the identifiable assets acquired and liabilities assumed are allocated based on the cost of the acquisition and no goodwill or gain on a bargain purchase is recognized.

Goodwill

Inter Pipeline has goodwill in five of its cash generating units (CGU's): the Corridor and Polaris pipeline systems in the oil sands transportation business; Inter Terminals UK, Germany and Ireland (together as one CGU); Inter Terminals Denmark; and the Inter Terminals Netherlands in the bulk liquid storage business. Assets are grouped in CGU's which are the lowest levels for which there are separately identifiable cash inflows. Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the Corridor; Polaris; Inter Terminals UK, Germany and Ireland; Inter Terminals Denmark; and Inter Terminal Netherlands CGU's. After initial recognition, goodwill is carried at cost less any write downs for impairment. During each fiscal year and as economic events dictate, management conducts an impairment test taking into consideration any events or circumstances which might have impaired the recoverable amount. Inter Pipeline assesses the recoverable amount of the goodwill for impairment by discounting projected future cash flows generated by these assets at a weighted average cost of capital that reflects the relative risk of the asset. If it is determined that the recoverable amount of the future cash flows is less than the carrying amount of the assets at the time of assessment, an impairment loss would be determined by deducting the recoverable value on a discounted cash flow basis from the carrying amount. The recoverable amount of the underlying assets and liabilities were assessed and it was determined that there was no impairment of goodwill in 2019, except for Inter Terminals Denmark. Projected future cash flows used in the goodwill assessment represented management's best estimate of the future operating performance of these businesses at the current time. A significant change in these assumptions or unanticipated future events could require a provision for impairment in the future which would be recorded as a reduction of the carrying value of goodwill with a charge against net income.

Property, Plant and Equipment

Calculation of the net book value of property, plant and equipment requires Inter Pipeline to make estimates of the useful lives of the assets, residual value at the end of the asset's useful life, method of depreciation and whether impairment in value has occurred. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net income recorded in a period in which the change occurs, with a similar change in the carrying value of the asset on the consolidated balance sheets.

Property, plant and equipment in the oil sands transportation business consists of pipelines and related facilities. Depreciation of capital costs is calculated on a straight-line basis over the estimated service life of the assets, which ranges from three to 80 years. The cost of pipelines and facilities includes all expenditures directly attributable to bringing the pipeline to the location and condition necessary for its intended use, including costs incurred for system construction, expansion and betterments until the assets are available for use. Pipeline system costs also include an allocation of directly attributable overhead costs and capitalized borrowing costs. Capitalization of borrowing costs ceases when the related property, plant and equipment are substantially complete and ready for its intended productive use.

Pipeline line fill and tank working inventory for the Cold Lake and Corridor pipeline systems represent petroleum based product purchased for the purpose of charging the pipeline system and partially filling the petroleum product storage tanks with an appropriate volume of petroleum products to enable a commercial operation of the facilities and pipeline. Pipeline line fill for the Cold Lake and Polaris pipeline systems is owned by Inter Pipeline and the shippers directly. The cost of line fill owned by Inter Pipeline includes all direct expenditures for acquiring the petroleum based products. Any line fill that Inter Pipeline continues to own upon the ultimate retirement and decommissioning of the pipeline systems will be recovered under the terms of the agreements. Cold Lake and Polaris line fill is carried at cost and Corridor line fill is carried at cost less accumulated depreciation. Proceeds from the sale of Inter Pipeline's line fill on Cold Lake and Polaris will be fully available to Inter Pipeline, whereas proceeds from the sale of Corridor's line fill will be used to fund the cost of any decommissioning obligations and to the extent Corridor's decommissioning obligations exceed the value of the line fill, Inter Pipeline will be obligated to fund the excess. To the extent the value of the line fill exceeds the decommissioning obligation; the excess funds will be refunded to the Corridor shippers. Depreciation of Corridor line fill is calculated on the same basis as the related property, plant and equipment.

Expenditures on conventional oil pipeline systems for expansions and betterments are capitalized. Maintenance, pipeline integrity verification and repair costs are expensed as incurred. Depreciation of pipeline facilities and equipment commences when the pipelines are available for use. Depreciation of the capital costs is calculated on a straight-line basis over the estimated three to 80 year service life of the Bow River pipeline system assets and three to 30 year service life of the Central Alberta and Mid-Saskatchewan pipeline system assets. These estimates are connected to the estimated remaining life of the crude oil reserves expected to be gathered and shipped on these pipeline systems. Pipeline line fill and tank working inventory for the conventional oil pipeline systems represents petroleum based product purchased for the purpose of charging the pipeline systems and partially filling the petroleum product storage tanks with an appropriate volume of petroleum products to enable a commercial operation of the facilities and pipelines. The cost of line fill includes all direct expenditures for acquiring the petroleum based products. This product volume will be recovered upon the ultimate retirement and decommissioning of the pipeline systems and are carried at cost.

Property, plant and equipment of the NGL processing business is comprised primarily of three straddle plants, two offgas plants, an olefinic fractionator, the Boreal pipeline system and the HPC, which is currently under construction. Expenditures on new construction, facility expansions, major repairs and maintenance, or betterments are capitalized, while routine maintenance and repair costs are expensed as incurred. Depreciation of the property, plant and equipment and additions thereto is charged once the assets are ready for their intended use, and is calculated on a straight-line basis over the estimated useful life of the assets which ranges from three to 30 years.

The bulk liquid storage business' property, plant and equipment consist of storage facilities and associated equipment. Expenditures on expansion and betterments are capitalized, while maintenance and repair costs are expensed as incurred. Depreciation of the property, plant and equipment is calculated on a straight-line basis over the estimated service life of the assets, the majority of which ranges from four to 100 years.

Provisions

A provision is recognized when it is determined that an obligation has arisen as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Inter Pipeline's provisions represent legal or constructive obligations associated, decommissioning tangible long-lived assets at the end of their useful lives, environmental remediation costs, and loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources.

Decommissioning obligations and environmental liabilities are calculated based on current price estimates using current technologies in accordance with current legal or constructive requirements and are adjusted for inflation to when the decommissioning or remediation activity is anticipated. Where a range of estimates exists, the possible outcomes are weighted to determine a probable settlement value or the midpoint is used where all outcomes are equally likely. Inter Pipeline's decommissioning obligations are expected to occur when the assets are no longer economically viable. The economic lives of these assets are estimated based on future expectations involving the supply of petroleum, chemical and other products and demand for certain services and therefore the timing of decommissioning may change significantly in the future. Actual costs and cash outflows may differ from these estimates due to changes in laws or regulations, timing of projects, costs and technology. As a result, there could be material adjustments to the provisions established. If the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax risk-free rate. The provision will accrete to its full value over time through charges to income, or until Inter Pipeline settles the obligation. Recoveries from third parties which are virtually certain to be realized are recorded separately and are not offset against the related provision.

On initial recognition of a decommissioning obligation, an amount equal to the estimated present value of the obligation is capitalized as part of the cost of the related long-lived asset and depreciated over the asset's estimated useful life. Any subsequent changes to the decommissioning cost estimate or discount rate will result in a similar adjustment to the cost of the related long-lived asset.

Property, plant and equipment related to the oil sands transportation and conventional oil pipelines businesses consist primarily of underground pipelines and above ground equipment and facilities. The potential cost of future decommissioning activities is a function of several factors, including regulatory requirements at the time of pipeline abandonment, the diameter and length of the pipeline and the pipeline's location. Decommissioning requirements can vary considerably, ranging from purging product from the pipeline, refilling with inert gas and capping all open ends to removal of the pipeline and reclamation of the right-of-way. Under current regulations, the estimated cost for the decommissioning obligation include: such activities as purging product from the pipeline, refilling with inert gas and capping all open ends; and removal of surface facilities and reclamation of the surface facility sites. Decommissioning obligations for the oil sands transportation and conventional oil pipelines business assets are being accreted over a period of 40 to 190 years at a rate of 2.2% per annum, based on an estimated discounted value at December 31, 2019 of $67.7 million.

NGL processing and the bulk liquid storage businesses consist mainly of three straddle plants, two offgas plants, one olefinic fractionator, the Boreal pipeline system and 23 bulk liquid storage facilities, respectively. Inter Pipeline's decommissioning obligation represents the present value of the expected cost to be incurred upon the termination of operations and closure of the extraction plants, olefinic fractionator and leased bulk liquid storage sites. The estimated costs for decommissioning obligations include such activities as dismantling, demolition and disposal of the facilities and equipment, as well as remediation and restoration of the sites. Decommissioning obligations for the NGL processing business assets are being accreted over a period of 25 to 40 years at rates of 2.2% per annum based on the estimated discount value of $89.0 million at December 31, 2019. The decommissioning obligation for the bulk liquid storage business assets are being accreted over a range of 30 to 40 years at rates of 1.0% to 2.7% per annum based on the estimated discounted value at December 31, 2019 of $104.6 million.

Inter Pipeline's environmental remediation obligation relates to a number of projects which have been identified that Inter Pipeline is obligated to remediate in future periods. Based on management's current knowledge of regulations, technology and current plans to remediate these sites, an estimated discounted liability of $24.9 million has been recognized at December 31, 2019. Environmental obligations for the conventional oil pipelines and bulk liquid storage businesses are being accreted over a period of five to ten years at rates of 1.5% to 2.0% and (0.6)% to 0.4% per annum, respectively.

Deferred Income Taxes

Inter Pipeline uses the liability method where deferred income taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities recorded for financial reporting purposes and their tax bases.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carried forward tax losses can be utilized. Assessing the recoverability of deferred taxes requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast FFO and the application of existing tax laws.

The carrying amount of deferred tax assets is reviewed each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income taxes contain uncertainties because of the assumptions made about when deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain.

Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted at the reporting date. The tax rates are those that are expected to apply in the year the asset is to be realized or the liability is to be settled. Future changes in tax laws affecting existing tax rates could limit the ability of Inter Pipeline to obtain tax deductions in future periods.

Deferred tax relating to items recognized outside net income is also recognized outside net income. Deferred tax items are recognized in correlation to the underlying transaction either in comprehensive income or directly in shareholders' equity.

Deferred tax assets and liabilities have been offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority.

ACCOUNTING POLICY ADOPTED IN 2019

IFRS 16 *Leases* (IFRS 16)

Inter Pipeline adopted IFRS 16 on January 1, 2019. IFRS 16 replaces IAS 17 *Leases* and related interpretations, and establishes a single, on-balance sheet accounting model for lessees which results in the recognition of a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lessors continue with a dual lease classification model. Classification as a finance or operating lease determines how and when a lessor will recognize lease revenue, and the type of assets to be recorded. Inter Pipeline has identified certain bulk liquid storage agreements in which it is a lessor in accordance with IFRS 16.

Inter Pipeline adopted IFRS 16 using the modified retrospective approach which does not require the restatement of prior period financial information. The cumulative financial effect of the adoption was recognized as an adjustment to opening balances at January 1, 2019, with the standard applied prospectively. Inter Pipeline utilized the practical expedient of relying on the December 31, 2018 onerous lease assessment as an alternative to performing an impairment review of right-of-use assets at January 1, 2019.

Lease payments associated with short-term leases with a term of 12 months or less continue to be expensed, with no right-of-use asset or lease liability recognized. Inter Pipeline has applied IFRS 16 requirements to certain portfolios of leases with similar characteristics.

The following table summarizes the impact of the adoption of IFRS 16 on Inter Pipeline's consolidated balance sheet at January 1, 2019:

		December 31 2018		IFRS 16 adjustments		January 1 2019
ASSETS						
Right-of-use assets	$	—	$	196.6	$	196.6
Total	$	—	$	196.6	$	196.6
LIABILITIES						
Accounts payable, accrued liabilities and provisions	$	467.8	$	(5.4)	$	462.4
Lease liabilities(1)		—		14.1		14.1
Long-term lease liabilities(1)		—		210.0		210.0
Provisions		228.1		(2.9)		225.2
Long-term deferred revenue and other liabilities		55.3		(19.2)		36.1
Total	$	751.2	$	196.6	$	947.8

(1) Lease liabilities at January 1, 2019 were calculated at a weighted average borrowing rate of 3.9%.

In the current quarter of 2019, the adoption of IFRS 16 had the following impact to Inter Pipeline's financial results:

i) decrease in general and administrative expenses of $3.6 million;

ii) decrease in operating expenses of $2.6 million;

iii) decrease in cost of sales of $0.8 million;

iv) increase in depreciation and amortization of $5.0 million; and

v) increase in financing charges of $2.0 million.

For the full year of 2019, the adoption of IFRS 16 had the following impact to Inter Pipeline's financial results:

i) decrease in general and administrative expenses of $15.0 million;

ii) decrease in operating expenses of $10.3 million;

iii) decrease in cost of sales of $2.5 million;

iv) increase in depreciation and amortization of $19.2 million; and

v) increase in financing charges of $8.6 million.

For the three months and year ended December 31, 2019, the adoption of IFRS 16 increased FFO by $5.0 million and $19.2 million, respectively, and had no impact on Inter Pipeline's net income. For further information on the adoption of IFRS 16, please see the notes to Inter Pipeline's consolidated financial statements available on SEDAR at www.sedar.com or on Inter Pipeline's website at www.interpipeline.com.

RISK FACTORS

Risks Inherent in Inter Pipeline's Business

Reserve Replacement, Throughput and Product Demand Risks

Future throughput on Inter Pipeline's pipelines and replacement of petroleum reserves in the pipelines' service areas are dependent upon the continuing petroleum exploration and development activity by, and success of, producers operating in those areas in exploiting their existing reserve bases and exploring for, developing and acquiring additional reserves. Reserve bases necessary to maintain long-term supply cannot be assured, and petroleum price declines, without corresponding reductions in costs of production, may reduce or eliminate the profitability of production and therefore the supply of petroleum for the pipelines. The pipelines are also impacted by technological improvements that could lead to increased recovery rates to offset or partially offset natural declines in petroleum production in the areas serviced by the pipelines. Public opinion and opposition to crude oil development, production, and transportation may have an adverse impact on the approval of new oil production and infrastructure by both producers and regulators. Without reserve additions and increased recovery rates, production will decline over time as reserves are depleted.

Inter Pipeline's business will depend, in part, on the level of demand for petroleum in the geographic areas in which deliveries are made by the pipelines and the ability and willingness of shippers to utilize the pipelines to supply such demand. Inter Pipeline cannot predict the impact of future economic conditions, fuel conservation measures, emission standards, increasing demand for alternative fuels and energy, government regulation (including greenhouse gas legislation and other de-carbonization or social policies), reduced consumer demand for petroleum products or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for petroleum, and major changes may have a material adverse effect on its business, financial condition, results of operations and future prospects.

Inter Pipeline tries to mitigate these risks through a number of strategies, including: maintaining formal inspection, monitoring and maintenance programs for its equipment and pipelines to assist in maximizing facility availability and operational efficiency; working cooperatively with customers to provide them with comprehensive and competitive service options; pursuing business development initiatives to attract additional volume; expanding or modifying functional units at certain facilities if conditions warrant and/or there is sufficient demand; working with customers to manage inlet volume; and pursuing projects to improve efficiencies and remove bottlenecks. In addition to the foregoing, Inter Pipeline maintains a robust environmental, safety, social and governance program, which reflects Inter Pipeline's commitment to corporate responsibility, safety and sustainability. There is no guarantee any of these strategies will be effective.

Supply and Commodity Price Risks

Sustained low petroleum prices could lead to a decline in drilling or mining activity and production levels or the shutting-in or abandonment of wells or oil sands operations. Drilling and mining activity, production levels and shut-in or abandonment decisions may also be affected by the availability of capital to producers for drilling, allocation by producers of available capital to produce petroleum, current or projected petroleum price volatility, overall supply and demand expectations, light crude oil to heavy crude oil price differentials and recent market events and conditions.

Producer net-back prices are affected by several factors, including bitumen prices, crude oil prices, natural gas and diluent costs, oil price differentials, foreign exchange rates and government royalties. In addition, Inter Pipeline provides bitumen transportation services from the Athabasca and Cold Lake oil sands regions. Production techniques in these regions typically require higher levels of capital investment and, as a result, bitumen production in these areas can be more sensitive to lower producer net-back prices than crude oil production in the conventional oil pipeline business segment. These factors may increase the overall costs of producing bitumen and crude oil, which may reduce production and/or delay development of new production.

The revenue generated from Inter Pipeline's midstream marketing activities relies on the availability and pricing of different crude oil streams and other commodities. The variability of supply, or an increase or decrease in the price of such crude oil or other commodities, could reduce the financial results from these activities.

If a sustained slowdown in either petroleum refining, biofuels or chemical sectors serviced by the bulk liquid storage business occurs or if there was a closure to one or more of these refineries, or if a refinery was converted into a competing storage facility, it could adversely affect financial and operating results. A sustained slowdown in the petroleum sector or a sustained period of backwardation in the oil products market, could adversely affect financial and operating results of the bulk liquid storage business, which is primarily involved in the storage and handling of liquids for the petroleum refining and general oil-trading business.

At Inter Pipeline's Cochrane plant (the "**Cochrane Plant**"), Inter Pipeline is exposed to frac-spread risk, which is the relative price differential between the propane-plus produced and the natural gas used to replace the heat content removed during processing of the NGL from the natural gas stream. Financial results obtained from this portion of the NGL processing business will increase or decrease as the difference between the price of the applicable NGL and the price of natural gas varies.

At the Redwater Olefinic Fractionator, Inter Pipeline can be exposed to possible price fluctuations between the time it stores ethane-plus from the Boreal pipeline system in local storage caverns, the time it processes the ethane-plus and the time when it sells the NGL products. This can vary depending on the amount of inventory and price fluctuations. Inter Pipeline is also exposed to frac-spread risk in its offgas business, which is comprised of two components. The first is the indicative frac-spread that reflects the production composition mix and the related benchmark pricing. The offgas olefinic indicative frac-spread is defined as the difference between the benchmark prices of polymer grade propylene, alky feed and olefinic condensate products and the daily index price of AECO natural gas calculated in USD/USG before the olefinic benchmark adjustment. The offgas paraffinic indicative frac-spread is defined as the difference between the benchmark prices of propane and butane products and the daily index price of AECO natural gas calculated in USD/USG before the paraffinic benchmark adjustment. The second component of frac-spread is an aggregate benchmark adjustment that represents product sales composition, differentials, marketing fees, product and natural gas transportation, extraction premiums, seasonality, and other associated costs calculated in USD/USG. As a result, financial results obtained from the offgas processing business may change as a result of fluctuations in benchmark pricing, production composition mix, contractual arrangements and foreign exchange rate.

The cost of natural gas feedstock in excess of the market price of natural gas may have an adverse impact on the financial results of Inter Pipeline's NGL processing business. Currently, extraction premiums for the straddle plants are paid to export shippers in exchange for the ability to process the export shippers' natural gas for NGL processing. These premiums have, in the past, been moderate relative to the selling price of NGL. However, it is possible that the premiums could increase which could have an adverse effect on the NGL processing business.

Inter Pipeline minimizes risks relating to extraction rights for the offgas by acquiring such extraction rights pursuant to long-term contracts with the owners of oil sands upgrading facilities, which provide compensation through both fixed premium and profit-sharing arrangements.

Operational Risks

The pipelines, the straddle plants, the offgas plants, Redwater Olefinic Fractionator, the Boreal pipeline system and the storage terminals (collectively, the "**Facilities**") are directly or indirectly connected to various third-party mainline and operating systems, as well as refineries and third-party storage terminals. Operational disruptions, apportionment, or changes to operating parameters on third party systems, facilities or refineries may prevent the full utilization of the Facilities and could have an adverse effect on Inter Pipeline's overall operating results.

The Facilities are reliant on electrical power for their operations. A failure or disruption within the local or regional electrical power supply or distribution or transmission systems could significantly affect ongoing operations. In addition, a significant increase in the cost of utilities, power, fuel or other operating costs in relation to the straddle plants, the offgas plants, Redwater Olefinic Fractionator and the Boreal pipeline system could have a materially negative effect on the financial results realized by the Facilities in certain cases where the relevant contracts do not provide for recovery of such costs.

In the event of an incident at our Facilities resulting in a major fire or the release of large quantities of product, dependent on the location and applicable insurance coverage, there could be a significant impact to the financial results and continuing operation of the impacted Facilities. In addition, a major environmental incident may significantly impact reputation and continuing operation of the Facilities.

Products produced at the Redwater Olefinic Fractionator are transported by rail or tank truck to end-use customers in Canada and the United States. Any disruption to the operations, including labour disputes, service disruptions (including due to protests or blockades), infrastructure issues, or potential regulatory changes to the rail or trucking industry, could also impact the utilization of the offgas plants, Redwater Olefinic Fractionator and Boreal pipeline system.

In addition, the Redwater Olefinic Fractionator is also dependent on ethane-plus supplied by the Boreal pipeline system, which along with the offgas plants, is dependent on the reliable operation of the pipeline system. Any failure or disruption associated with the pipeline system could prevent the full utilization of the Redwater Olefinic Fractionator and the offgas plants, although this risk is partially mitigated through cavern storage for ethane-plus at the Redwater Olefinic Fractionator.

Inter Pipeline is not currently a party to any collective bargaining agreements. However, labour unions may be established in certain Inter Pipeline business segments. Unionized labour disruptions could restrict the ability of Inter Pipeline to carry out its business and therefore affect Inter Pipeline's financial results.

Risks Relating to Transportation of NGL by Rail

Inter Pipeline's operations include rail loading, offloading and terminalling facilities. Inter Pipeline relies on railroads to distribute its products for customers and to transport raw materials to its processing facilities. Costs for environmental damage, damage to property and/or personal injury in the event of a railway incident involving hydrocarbons have the potential to be significant. Under various environmental legislation in Canada and the U.S., Inter Pipeline could be held responsible for environmental damage caused by hydrocarbons loaded at its facilities or being carried on its leased rail cars. Inter Pipeline partially mitigates this risk by securing insurance coverage, but such insurance coverage may not be adequate in the event of an incident.

Railway incidents in Canada and the U.S. have prompted regulatory bodies to initiate reviews of transportation rules and publish various directives. Regulators in Canada and the U.S. have begun to phase-in more stringent engineering standards for tank cars used to move hydrocarbon products, which require all North American tank cars carrying crude oil or ethanol to be retrofitted and all tank cars carrying flammable liquids to be compliant in accordance with specified regulatory timelines. While most legislative changes apply directly to railway companies, costs associated with retrofitting locomotives and rail cars, implementing safety systems, increased inspection and reporting requirements may be directly or indirectly passed on to Inter Pipeline through increased freight rates and car leasing costs. In addition, regulators in Canada and the U.S. have implemented changes that impose obligations directly on consignors and shippers relating to the certification of product, equipment procedures and emergency response procedures.

In the event Inter Pipeline is held liable for any damages resulting from its activities relating to transporting NGLs by rail, for which insurance is not available, or increased costs or obligations are imposed on Inter Pipeline as a result of any new regulations, this could have a negative impact on Inter Pipeline's business, operations, future prospects and financial results could be negatively impacted.

Risks Relating to Environmental Compliance and Public Safety Considerations

Inter Pipeline's operations are subject to the laws and regulations of the European Union, the UK, the Netherlands, Germany, Ireland, Denmark, Sweden, Canada, Alberta, Saskatchewan and certain municipalities relating to environmental protection and operational safety.

Inter Pipeline routinely reviews systems, programs, applicable laws, regulations, environmental standards, and processes critical to protecting the environment to continuously improve environmental performance, address regulatory requirements and monitor corporate sustainability. This includes a review of integrity programs, leak detection systems, air monitoring systems, contaminated sites programs and maintenance standards, preparedness, emergency response plans and corporate sustainability reporting. Improvement opportunities are implemented (as deemed appropriate) with costs budgeted during Inter Pipeline's normal budget cycle in accordance with applicable accounting practices.

Any past remediation of releases or contamination may have met the established environmental standards. However, such remediation may not meet the current or future environmental standards and historical contamination may exist for which Inter Pipeline may be liable. Inter Pipeline has completed internal environmental reviews that have identified locations of historical contamination and several locations have been remediated. While Inter Pipeline believes such reviews have identified all locations of historical contamination, others may exist. The remaining identified, but unremediated, sites will be addressed in a prioritized manner, utilizing industry practices, with some locations being subject to multi-year reclamation plans.

Inter Pipeline strives to protect the health and safety of people at the locations in which Inter Pipeline operates. Inter Pipeline's preparedness and emergency response plans have been developed based on our analysis of risk scenarios, the estimated consequences of these events and the implementation of strategies to be followed in response to each scenario. An inability to effectively handle an emergency may have a material adverse effect on Inter Pipeline's business, financial condition and results of operations and future prospects.

While Inter Pipeline maintains insurance in respect of damage caused by seepage or pollution in amounts it considers prudent and in accordance with industry standards, certain provisions of such insurance may limit the availability of such insurance. If Inter Pipeline is unaware of a problem or is unable to locate the problem within the relevant time period, insurance coverage may not be available.

Regulation and Legislation Risks

Inter Pipeline is subject to intra-provincial and multi-jurisdictional regulation, including regulation by the Alberta Energy Regulator ("***AER***") in Alberta and the Ministry of Energy and Resources ("***MER***") in Saskatchewan. In particular, the Boreal, Bow River, Central Alberta, Cold Lake, Corridor and Polaris pipeline systems are wholly within the boundaries of the Province of Alberta and are primarily subject to regulation under the *Pipeline Act* (Alberta) and Pipeline Regulation (Alberta). The Mid-Saskatchewan pipeline system is wholly within the boundaries of the Province of Saskatchewan and is subject to regulation under the *Pipelines Act* (Saskatchewan) and the Pipelines Regulation (Saskatchewan). Oil pipelines in Alberta may be subject to rate regulation pursuant to the *Public Utilities Act* (Alberta). In Saskatchewan, oil pipelines may similarly be subject to rate regulation under the *Pipelines Act* (Saskatchewan). The straddle plants, the Redwater Olefinic Fractionator and the offgas plants are also subject to regulation under the *Oil and Gas Conservation Act* (Alberta), the *Oil and Gas Conservation Rules* (Alberta) and the *Environmental Protection and Enhancement Act* (Alberta). Inter Pipeline's operations may be affected by changes or orders implemented by such regulatory authorities or in the legislation governing such authorities. Inter Pipeline's operations require it to obtain approvals from various regulatory authorities and there are no guarantees that it will be able to obtain all necessary licenses, permits and other approvals that may be required to conduct its business.

Certain Facilities can be subject to common carrier and common processor applications and to rate setting by regulatory authorities in the event that agreement on fees or tariffs cannot be reached with producers. To the extent that producers believe processing fees or tariffs respecting pipelines and facilities are too high, they may seek rate relief through regulatory means. Inter Pipeline tries to reduce the likelihood of regulatory intervention by taking industry standards and guidelines into account and by working proactively with various stakeholders and its customers. Transportation service on the pipelines has been made available on an open access, non-discriminatory basis and the pipelines' tolls have not been set or restricted by any regulatory agency. There is no guarantee that Inter Pipeline will be able to avoid challenges to its rates and tariffs. Should an order for access or for the setting of tolls be made, it could result in a toll reduction and adversely affect the financial results of Inter Pipeline.

Although fees charged to customers of the pipelines and the NGL processing business have not been set or restricted by any regulatory agency, an application to the Alberta or Saskatchewan regulators for the setting of fees could result in a reduction of fees and revenue for Inter Pipeline and financial results could be negatively impacted.

Inter Pipeline's facilities and other operations and activities emit greenhouse gases ("**GHGs**") and require Inter Pipeline to comply with greenhouse gas emissions legislation in Alberta. Alberta facilities emitting more than 100,000 tonnes of carbon dioxide equivalent GHGs a year were previously subject to compliance with the *Climate Change and Emissions Management Act* and the Carbon Competitiveness Incentive Regulation for the year ended 2019. As of January 1, 2020, Alberta facilities emitting more than 100,000 tonnes of GHGs in 2016 or any subsequent year are now subject to the *Technology Innovation and Emissions Reductions Implementation Act*, *2019* and the Technology Innovation and Emissions Reductions Regulation ("**TIER**"). Facilities that emit less than 100,000 tonnes of GHGs are eligible to opt-in to the TIER system. Currently, the Cochrane Plant is the only asset of Inter Pipeline that emits more than 100,000 tonnes of GHGs and is subject to the TIER system. Inter Pipeline Offgas Ltd., along with the Cold Lake Pipeline Ltd. entities, opted-in to TIER in order to avoid being federally regulated under the federal legislation, the *Greenhouse Gas Pollution Pricing Act* ("***GGPPA***") and paying federal fuel charges. As the Alberta TIER system was deemed equivalent to the federal *GGPPA* for 2020, Inter Pipeline has obtained all required registrations and available exemptions from the *GGPPA* resulting in Inter Pipeline having only non-material obligations under the *GGPPA.*

Current provincial, federal and international legislation and the further adoption of legislation or other regulatory initiatives designed to address climate change concerns, by reducing GHG and air pollutants from oil and gas producers, refiners and chemical producers and electric generators in the geographic areas served by the Facilities could result in, among other things, increased operating, and capital expenditures as well as increased regulatory burden for those operators. This may make certain production of petroleum and natural gas by those producers uneconomic, resulting in reduced or delayed production, or reduced scope in planned new development or expansion projects. The operation of certain refineries and chemical plants may also become uneconomic. In addition, the adoption of new regulations concerning climate change and the reduction of GHG emissions and other air pollutants or other applicable laws, may also result in higher operating and capital costs for the Facilities. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is not possible to fully predict the impact on Inter Pipeline and its operations and financial condition.

Income tax laws relating to the oil and natural gas industry or Inter Pipeline, environmental and applicable operating legislation, and the legislation and regulatory framework governing the oil and natural gas industry may be changed, applied, or interpreted in a manner which adversely affects Inter Pipeline. Inter Pipeline's tax returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Inter Pipeline's income taxes such reassessment may have an impact on current and future taxes payable.

Inter Pipeline's business and financial condition may be influenced by federal and foreign legislation, affecting, in particular, foreign investment through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada), as well as anti-bribery laws, including the *Corruption of Foreign Public Officials Act* (Canada). Given the nature of Inter Pipeline's business and international operations, Inter Pipeline has, from time to time, regulatory and business interaction with governments and government-owned entities and contact with persons who may be considered foreign officials. Inter Pipeline cannot guarantee that its employees, officers, directors, agents, or business partners have not in the past or will not in the future engage in conduct undetected by Inter Pipeline's processes and procedures and for which Inter Pipeline might be held liable under applicable anti-corruption laws.

Some of Inter Pipeline's Facilities may be impacted by changes to the oil and gas royalty regime in effect in Alberta and Saskatchewan. Future royalty regime modifications could have adverse impacts on production of oil and gas volume.

In June 2019, the federal government of Canada announced it would seek to ban many single-use plastics, beginning in 2021. Although the final list of banned items is still undetermined, it will likely include many single-use plastic items, including plastic bags, takeaway containers and cutlery and straws. Future regulation of plastics products could have adverse impacts on production of polypropylene at Inter Pipeline's Heartland Petrochemical Complex.

Failure of Inter Pipeline to comply with applicable regulations could result in sanctions, fines, litigation, or other adverse outcomes. Furthermore, new regulations or legislation introduced may result in a significant increase in operating costs to ensure compliance. Such changes could have a materially negative effect on the financial results realized by Inter Pipeline in certain cases where the relevant contracts do not provide for recovery of such costs. The cost to comply with regulatory requirements may be significant and changes to applicable legislation may adversely affect Inter Pipeline's ability to advance projects which could affect Inter Pipeline's ability to advance growth opportunities. Regulatory and legislative uncertainty makes it challenging for Inter Pipeline to make investment decisions and forecast compliance obligations.

The bulk liquid storage business operates approved customs and excise warehouses, thereby permitting their respective customers to store products on a duty-suspended basis. Failure to comply with legal and regulatory requirements governing the operation of such warehouses could lead to liability for customs and excise duties, value added tax and penalties, including the withdrawal of the related authorizations, which in turn could result in a reduction in commercial activity at the facilities. Authorizations granted for both customs and excise warehouses gives rise to a risk that the bulk liquid storage business could become jointly and severally liable with the product owner to any duties or taxes on products irrespective of compliance with legal and regulatory requirements.

The bulk liquid storage business stores alcohol products at some locations. Failure to comply with regulatory measures to counteract fraudulent activity within the alcohol sector could result in the bulk liquid storage business being held liable for duties or taxes in cases where it is deemed that controls have not been sufficient to mitigate the risks.

Project Development and Execution Risks

Inter Pipeline's business includes the development, construction and operation of large-scale energy and petrochemical projects, such as the Heartland Petrochemical Complex. Unforeseen conditions or developments could arise during these projects that could delay or prevent completion of, and/or substantially increase the cost of construction and/or affect the current and projected levels of production. Such conditions or developments may include: shortages of equipment, materials or labour; delays in delivery of equipment or materials; significant cost over-runs; customs issues; labour disruptions; poor labour productivity; service disruptions; community protests or blockades; difficulties in obtaining necessary services; delays in obtaining regulatory permits; local government issues; political events; regulatory changes; investigations involving various authorities; adverse weather conditions (including climate change); opposition to projects including those stemming from a climate change/greenhouse gas emissions agenda; unanticipated increases in equipment, material or labour costs; unanticipated increases in utility supply requirements; unfavourable currency fluctuations; access to financing; inadequate third-party contracting for sales of polypropylene and/or supply of feedstock; natural or man-made disasters or accidents; unforeseen engineering, technical and technological design, environmental, infrastructure or engineering issues; a general inability to realize the anticipated benefits of the Heartland Petrochemical Complex, including all the benefits associated with the royalty credits granted by the Province of Alberta pursuant to the Petrochemicals Diversification Program Royalty Credit Regulation; and there can be no assurance that Inter Pipeline will have the ability to attract, retain, and develop employees with the right skillsets, which could result in an insufficient number and competencies of employees to reliably prepare for and operate the Heartland Petrochemical Complex. Any such event could delay commissioning and affect production and cost estimates. Further, there can be no assurance that the development or construction activities will proceed in accordance with current expectations. These risks and uncertainties could have an adverse effect on Inter Pipeline's business, results of operations and financial performance. In addition, an inability to complete the Heartland

Petrochemical Complex as planned or realize the anticipated benefits of the Heartland Petrochemical Complex could have an adverse effect on the financial results of Inter Pipeline.

Risks Relating to Capital and Operating Estimates

Capital and operating cost estimates made in respect of Inter Pipeline's operations and projects represent significant components of the cost of providing services and may not prove accurate. Capital and operating costs are estimated based on the cost of previous Inter Pipeline projects, interpretation of third-party data, feasibility studies and other factors. The following events could affect the ultimate accuracy of such estimates: unanticipated changes in products to be processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; failure to meet scheduled construction completion dates and production dates due to any of the foregoing events and uncertainties; expenditures in connection with a failure to meet such scheduled dates; unsatisfactory construction quality resulting in failure to meet such scheduled dates; labour negotiations; unanticipated costs related to commencing operations, ramping up and/or sustaining production; changes in government regulation (including regulations regarding climate change, prices, cost of feedstock, royalties, duties, taxes, permitting and restrictions on production quotas or exportation of Inter Pipeline’s products); and unanticipated changes in commodity input costs and quantities. Inter Pipeline’s financial results may be adversely affected if significant increases in capital and operating costs are incurred and not recovered.

Inter Pipeline typically maintains its assets with reasonable levels of sustaining capital* and maintenance expenditures and periodically replaces portions of its assets to sustain facility performance and provide a high level of asset integrity and ensure reliable operations. Maintenance capital requirements and maintenance expenses may vary from year to year depending on factors such as high equipment failure rates, more stringent government regulations and any additional efforts deemed necessary by Inter Pipeline to improve the reliability of its assets. An increase in capital and/or maintenance expenditures could result in significant additional costs to Inter Pipeline that could adversely affect Inter Pipeline's financial results.

Competition Risks

Inter Pipeline is subject to competition from other companies that operate in the same markets as Inter Pipeline. Inter Pipeline’s competitors include other energy infrastructure companies, major integrated oil and gas companies and numerous other independent oil and gas companies, individual producers and operators, some of which are substantially larger than Inter Pipeline, have greater financial resources and control substantially greater storage capacity than Inter Pipeline does. Inter Pipeline also faces competition from other means of transporting, storing and distributing crude oil and petroleum products, including from other pipeline systems, terminal operators and integrated refining and marketing companies that may be able to supply Inter Pipeline’s customers with the same or comparable services on a more competitive basis, and with other industries in supplying energy, fuel and related products to customers. Inter Pipeline’s customers demand delivery of products on tight time schedules and in several geographic markets. If Inter Pipeline’s quality of service declines or it cannot meet the demands of its customers, they may utilize the services of Inter Pipeline’s competitors. Competitive forces may result in a shortage of development opportunities for infrastructure to produce crude oil, natural gas, petroleum products or chemicals and transport such production. It may also result in an oversupply of crude oil, natural gas, petroleum products and chemicals. Each of these factors could have a negative impact on costs and prices and, therefore Inter Pipeline’s financial results. If Inter Pipeline is unable to compete with services offered by other competitors, Inter Pipeline’s cash flow and revenue may be adversely affected.

In addition, the Cold Lake founding shippers may utilize alternative transportation methods (if certain minimum volume levels are maintained) subject to Inter Pipeline's right to match the alternative proposal. Consequently, there is no assurance that the level of volume or revenue received from the Cold Lake founding shippers will be sustained.

---

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Contractual Risks

The Cold Lake, Corridor and Polaris pipeline systems are operated pursuant to long-term ship-or-pay contracts with counterparties that are contractually obligated to utilize these pipeline systems. However, there is no assurance that these counterparties will be able to perform their obligations under these contracts with Inter Pipeline, or that revenue received from the counterparties following the expiry of the term of the contracts will be sustained. Inter Pipeline supplements its revenues by marketing excess capacity on its pipeline systems to third parties, but there can be no assurance that it will be successful in doing so. Furthermore, any potential third-party capacity rights on the Corridor pipeline system are also subject to the approval of the current Corridor shippers.

NOVA Chemicals, Dow Chemical, and Plains Midstream are the principal customers of the NGL processing business and represent the majority of the revenue from this business. Plains Midstream also operates the Empress straddle plants. If, for any reason, any of these parties are unable to perform their obligations under the various agreements with Inter Pipeline, the financial results of the NGL processing business or the operations of the straddle plants could be negatively impacted. Inter Pipeline relies on NOVA Chemicals to purchase ethane-ethylene mix produced at the Redwater Olefinic Fractionator which is operated by Pembina NGL Corporation (Pembina). If, for any reason, NOVA Chemicals or Pembina are unable to perform their obligations under the agreements, the revenue and the operations of the offgas plants and Redwater Olefinic Fractionator could be negatively impacted. Various other products produced at the Redwater Olefinic Fractionator are sold under shorter term agreements to a variety of customers. Failure of these customers to accept the products, perform their obligations under the agreements, or the failure of Inter Pipeline to renew these agreements and/or find suitable alternative customers under similar terms and conditions could also negatively impact the financial results and operations of the offgas plants and Redwater Olefinic Fractionator.

Inter Pipeline has contractual relationships with Suncor and Canadian Natural for the delivery of offgas supply. If Suncor and Canadian Natural do not fulfill their contractual obligations, Inter Pipeline may not be able to source offgas supply and may therefore not be able to operate the offgas plants, Redwater Olefinic Fractionator and/or Boreal pipeline system, causing Inter Pipeline to suffer financial losses. Inter Pipeline is subject to re-contracting risk upon the expiry of long-term offgas supply contracts. The ability to re-contract an economic volume of offgas supply will be dependent on the viable production and upgrading of bitumen at the Suncor and Canadian Natural oil sands sites.

A large proportion of the transportation revenue associated with Inter Pipeline’s conventional pipeline business has been, and is currently derived from, contracts or arrangements of 30 days duration or less with producers in the geographic areas served by its pipelines. While Inter Pipeline attempts to renew contracts on the same or similar terms and conditions, there can be no assurance that such contracts will continue to be renewed or, if renewed, will be renewed upon terms favourable to Inter Pipeline. Most of Inter Pipeline's transportation contracts with producers in the areas serviced by the conventional oil pipelines business are based on market-based toll structures negotiated from time to time with individual producers, rather than the cost-of-service recovery or fixed rate of return structures applicable to certain other pipelines.

The straddle plants secure extraction rights for the processing of natural gas from shippers on the TransCanada Alberta System under proprietary commercial arrangements known as the “NGL Extraction Convention”. If an alternative model for contracting for extraction rights was to be implemented, requiring changes to the contracting counterparties and commercial arrangements, and potentially business process changes to the NGL processing facilities, such changes could adversely affect the NGL processing business.

Risks Relating to Leases and Rights of Way Access

Inter Pipeline’s Facilities and associated infrastructure are located on lands leased or licensed from third parties that must be renewed from time to time. Failure to renew the leases or licenses on terms acceptable to Inter Pipeline could significantly reduce the operations of the Facilities and could result in related decommissioning costs for Inter Pipeline, pursuant to the terms of such leases or licenses. Successful development of the Pipelines through construction of new pipelines or extensions to existing pipelines depends in part on securing leases, easements, rights-of-way, permits and/or licenses from landowners or governmental authorities allowing access for such purposes. The process of securing rights-of-way or similar access is becoming more complex, particularly in more densely populated, environmentally sensitive and other areas. Inability to secure such rights-of-way or similar access could have an adverse effect on Inter Pipeline's operations and financial results.

Failure to Realize Anticipated Benefits of Expansions, Acquisitions and Dispositions

Inter Pipeline, as part of its business plan, anticipates making additional acquisitions in the future. Inter Pipeline evaluates the value proposition of projects, new acquisitions and dispositions on an ongoing basis. Planning and investment analysis is highly dependent on accurate forecasting assumptions and, to the extent that these assumptions do not materialize, Inter Pipeline's financial performance may be lower or more volatile than expected. There is a risk that some or all of the expected benefits of completed acquisitions may fail to materialize or may not occur within the time periods Inter Pipeline anticipates. Achieving the benefits of completed and future acquisitions depends in part on successfully consolidating functions, and integrating operations, procedures and personnel in a timely and efficient manner, as well as Inter Pipeline's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Inter Pipeline. The integration of acquired businesses requires the dedication of substantial management effort, time and resources, which may divert management's focus, and resources from other strategic opportunities and from operational matters. The integration process may also result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Inter Pipeline's ability to achieve the anticipated benefits of past and future acquisitions. Acquisitions may expose Inter Pipeline to additional risks, including entry into markets or businesses in which Inter Pipeline has little or no direct prior experience, increased credit risks through the assumption of additional debt, costs and contingent liabilities and exposure to known or unknown liabilities of the acquired business or assets. Any related liabilities may be greater than the amounts for which Inter Pipeline is indemnified under an acquisition.

Risks Relating to Natural Gas and NGL Composition

Each of Inter Pipeline's straddle plants is designed to process raw natural gas feedstock within a certain range of composition specifications. The straddle plants may require modification to operate efficiently if the composition of the raw gas being processed changes significantly. The configuration of each of Inter Pipeline's straddle plants may not be optimal for efficient operation in the future if a change in inlet gas composition is outside of a plant's acceptable range of composition specifications.

The quantity and composition of NGL may vary over time. In addition, marketable natural gas on the TC Energy Alberta System contains contaminants such as carbon dioxide and various sulphur compounds can become concentrated in the NGL products through the processing process. Increased content of these contaminants in the natural gas supply may require incurring additional capital and operating costs at the straddle plants. Other factors, such as an increased level of NGL recovery conducted at field processing plants upstream of or in parallel to the straddle plants, increased intra-Alberta consumption of natural gas or processing completed at any new processing plants constructed upstream of or in parallel to the straddle plants, or changes in the quantity and composition of the natural gas produced from the reservoirs that supply the straddle plants, could have a materially negative effect on NGL production from the straddle plants.

The production of ethane-plus from the offgas plants is largely dependent on the quantity and composition of the offgas supply produced by Canadian Natural and Suncor. The quantity and composition may vary over time as a result of changing bitumen quality, production issues, and/or process changes implemented by Canadian Natural and Suncor, which could have a materially negative effect on production from the offgas plants and the Redwater Olefinic Fractionator.

Reputational Risks

Inter Pipeline's reputation as a reliable, safe, sustainable and responsible energy services provider with consistent financial performance and long-term financial stability is one of its most valuable assets. The key to effectively building and maintaining Inter Pipeline's reputation is fostering a culture that promotes integrity, innovation, ethical conduct, safety, sustainability and environmental protection. Ultimate responsibility for Inter Pipeline's reputation lies with Inter Pipeline's board of directors.

Reputational risk is the potential for negative impacts that could result from the deterioration of Inter Pipeline's reputation in the market or with key stakeholders. The potential for harming Inter Pipeline's reputation exists in every business decision and all risks can have an impact on reputation, which in turn can negatively impact Inter Pipeline's business and the value of its securities. In addition, Inter Pipeline's reputation may be affected by the actions and activities of other companies operating in the energy industry and by general public perceptions of the energy industry, over which Inter Pipeline has no control.

Negative Public Perception Regarding Single Use Plastics

Concerns regarding the use of plastics and their potential impact on health and the environment reflect a growing trend in societal demands for increasing levels of product safety and environmental protection including bans regarding single use plastics. These concerns could also influence public perceptions, the viability or continued sales of products made from polypropylene, Inter Pipeline's reputation and the cost to comply with regulations. Although an independent study found that the polypropylene produced at Inter Pipeline's Heartland Petrochemical Complex will have a GHG emission footprint that is 65 percent lower than the global average and 35 percent lower than the North American average, these concerns could have a negative impact on financial results. We are working to mitigate these concerns, including through a ten year, $10 million-dollar funding commitment with the Northern Alberta Institute of Technology that we recently announced. Through our funding agreement, we have created a research department that has been tasked with facilitating concrete actions to reuse, and recycle plastics in Canada

Risks Relating to Decommissioning, Abandonment and Reclamation Costs

Inter Pipeline is responsible for compliance with all laws, regulations and relevant agreements regarding the dismantling, decommissioning, environmental, reclamation and remediation activities on abandonment of its assets at the end of their economic lives and all associated costs, which costs may be substantial. Abandonment costs are a function of regulatory requirements at the time of abandonment, and the characteristics (such as diameter, length and location) of the pipeline or the size and complexity of the NGL processing or storage facility. As such, abandonment requirements can vary considerably, and it is not possible to predict these costs with certainty.

Abandonment and reclamation costs for the straddle plants and Redwater Olefinic Fractionator are regulated by the AER, pursuant to Directive 001 and, with respect to the straddle plants, Directive 024. The straddle plants and Redwater Olefinic Fractionator are included in the AER's Large Facilities Liability and Reclamation Regulations and have defined reclamation requirements and financial tests to ensure that end of life costs can be funded. However, future requirements may be more stringent.

Certain European storage terminals and associated infrastructure are located on lands leased or licensed from third parties, which may require renewal. Failure to renew the leases or licenses on terms acceptable to Inter Pipeline could significantly reduce the operations of the bulk liquid storage business and could result in related decommissioning costs. Where there is such a legal obligation, decommissioning costs have been provided in the financial statements in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In the future, Inter Pipeline may determine it prudent to establish and fund one or more reclamation trusts to address anticipated decommissioning, abandonment and reclamation costs. The payment of the costs of abandonment of the Facilities or the establishment of cash reserves for that purpose could have a materially negative effect on the financial results realized by Inter

Pipeline. Furthermore, even if such reclamation trusts are established, they may not be sufficient to satisfy the future decommissioning, abandonment and reclamation costs and Inter Pipeline will be responsible for the payment of the balance of any such costs.

Risks Relating to Weather Conditions

Weather conditions (including those associated with climate change) can affect the demand for and price of natural gas and NGL. As a result, changes in weather patterns may affect Inter Pipeline's NGL processing business. For instance, colder winter temperatures generally increase demand for natural gas and NGL used for heating which tends to result in increased throughput volume at facilities and higher prices in the processing and storage businesses. In its NGL processing business, Inter Pipeline attempts to position itself to be able to handle an increased volume of throughput and storage at its facilities to meet changes in seasonal demand; however, at any given time, facility and storage capacity is finite.

Weather conditions (including those associated with climate change) may influence Inter Pipeline's ability to complete capital projects, repairs or facility turnarounds on time, potentially resulting in delays and increasing costs of such capital projects and turnarounds. Weather may also affect access to Inter Pipeline facilities, and operations and projects of Inter Pipeline's customers or shippers, thereby influencing the supply of transportation services and products. With respect to construction activities, in areas where construction can be conducted in non-winter months, Inter Pipeline attempts to schedule its construction timetables so as to minimize potential delays due to cold winter weather.

Risks Relating to Climate Change

There has been public discussion that climate change may be associated with weather conditions and increased volatility in seasonal temperatures. Extreme weather events such as fires, floods and windstorms, and other similar natural disasters caused by climate change could cause destruction to some or all of our Facilities, which could in turn disrupt operations, development, and construction. While we conduct risk assessments of our Facilities and have implemented mitigation strategies to address, where practical, physical risks related to extreme weather events or natural disasters, Inter Pipeline is, at this time, unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

Risks Relating to the Securities of Inter Pipeline

Risks Relating to the Market Price of the Common Shares

Inter Pipeline cannot predict the prices at which Inter Pipeline's common shares will trade in the future. The annual yield on the common shares as compared to annual yield on other financial instruments may also influence the price of Inter Pipeline's common shares.

In addition, the market price for Inter Pipeline's common shares may be affected by changes in general market, economic or social conditions, legislative changes, fluctuations in the markets for equity securities, interest rates, commodity prices and numerous other factors within and beyond the control of Inter Pipeline. Investors and shareholders should not rely on past trends in the price of the common shares to predict the future price of the common shares.

Dilution Risks

Inter Pipeline may issue additional common shares in the future to finance capital expenditures, including acquisitions. It is not possible to predict the size of future issuances of common shares or the effect, if any, that future issuances of common shares will have on the market price of the common shares. Any issuance of common shares may have a dilutive effect to existing shareholders.

Risks Relating to Cash Dividends; Cash Dividends are not Guaranteed

Dividends are not guaranteed and will fluctuate with Inter Pipeline's performance. The board of directors has the discretion to determine the amount of dividends to be declared and paid to shareholders each month. Funds available for the payment of dividends will be dependent upon, among other things, the execution of its growth strategy, financial requirements for Inter Pipeline's operations and limitations under its credit facilities as well as the satisfaction of liquidity and solvency tests imposed by the *Business Corporations Act* (Alberta) ("***ABCA***") on corporations for the declaration and payment of dividends. Dividends may be increased, decreased, suspended or eliminated entirely depending on the performance of Inter Pipeline's business.

If external sources of capital, including borrowings and the issuance of common shares, become limited or unavailable on commercially reasonable terms, Inter Pipeline's ability to sustain its dividends and make the capital investments required to maintain or expand its operations may be impaired. The extent to which Inter Pipeline is required to use cash flow to finance capital expenditures or acquisitions may reduce the cash flow available to declare and pay dividends.

Risks Relating to Inter Pipeline Generally

Additional Financing and Capital Resources Risks

Inter Pipeline may find it necessary in the future to obtain additional debt or equity financing to support Inter Pipeline's ongoing operations, undertake capital expenditures, finance expansion, develop new projects, respond to competitive pressures, acquire complementary businesses, repay existing or future indebtedness or take advantage of unanticipated opportunities. There can be no assurance that such additional funding, if needed, will be available on terms acceptable to Inter Pipeline, or at all, and any volatility or uncertainty in the credit markets in the future may increase costs associated with issuing debt. Inter Pipeline's ability to obtain additional capital is dependent on, among other things, investor interest in investments in the energy industry in general and investor interest in its securities. If adequate funds are not available on acceptable terms, Inter Pipeline may be unable to develop or enhance its business, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on its business, financial conditions and operating results. In addition, in the event that Inter Pipeline's activities are financed partially or wholly with debt, such debt levels may exceed industry standards and the level of Inter Pipeline's indebtedness from time to time could impair Inter Pipeline's ability to obtain additional financing in the future on a timely basis.

Credit Risks

Inter Pipeline is subject to credit risk arising out of its operations. A majority of Inter Pipeline's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk. Credit risk is managed through Inter Pipeline's credit management policy, which sets out guidelines for defining and measuring credit risk, determining credit risk thresholds and monitoring credit risk exposures of counterparties and vendors. The credit worthiness assessment considers available qualitative and quantitative information about the counterparty, including, business performance, financial status and external credit ratings. Depending on the outcome of each assessment, guarantees, letters of credit, prepayments or some other form of credit enhancement may be requested as security. However, Inter Pipeline cannot be sure that counterparties are able to or will provide such requested security or that the amount of security provided will secure all obligations owing to Inter Pipeline. Inter Pipeline attempts to mitigate its exposure by entering into contracts with customers that may permit netting or entitle Inter Pipeline to rely on indemnification provisions, a lien or take product in kind, and/or allow for termination of the contract on the occurrence of certain events of default. While Inter Pipeline takes active steps to monitor and manage its credit risk, it is possible that credit exposure to counterparties (or any one of them), may result in Inter Pipeline suffering losses, in which case its operations and financial results may be adversely affected.

Risks Relating to Credit Ratings

Rating agencies regularly evaluate Inter Pipeline and base their ratings of its long-term and short-term debt on a number of factors. The credit ratings applied to Inter Pipeline and its securities are an assessment by the relevant ratings agencies of Inter Pipeline's ability to pay its obligations as of the respective dates the ratings are assigned. The credit ratings may not reflect the potential impact of risks related to structure, market or other factors discussed herein on the value of Inter Pipeline's securities.

Credit ratings affect Inter Pipeline's financing costs, liquidity and operations over the long term and are intended as an independent measure of the credit quality of long-term debt securities or the issuer. Credit ratings affect Inter Pipeline's ability to obtain short and long-term financing and Inter Pipeline's ability to engage in certain business activities in a cost-effective manner. There is no assurance that one or more of Inter Pipeline's credits will not be downgraded or withdrawn entirely. In addition, real or anticipated changes in credit ratings can affect the cost at which Inter Pipeline can access public or private debt markets.

Should Inter Pipeline's credit ratings fall below investment grade, Inter Pipeline or Inter Pipeline (Corridor) Inc. may have to provide security, may not be able to issue certain types of debt securities or use higher cost financing to fund its financial obligations, pay additional interest or pay in advance for goods and services. The perceived creditworthiness of Inter Pipeline and changes in, or a withdrawal of, its credit ratings may also affect the value of Inter Pipeline's common shares or debt securities.

Commodity Price Volatility Risks

Inter Pipeline's business is exposed to commodity price volatility and a substantial decline in the prices of these commodities could adversely affect its financial results. Petroleum prices are determined by a wide range of political and economic factors external to Inter Pipeline and beyond its control. These factors include economic conditions in the US, Canada and worldwide, the actions of Organization of the Petroleum Exporting Countries, slowing growth in China and emerging economies, market volatility and disruptions in Asia, global excess in petroleum supply, weakening global relationships, isolationist trade policies, increased U.S. shale production, sovereign debt levels, political upheavals in various countries, governmental regulation, political stability in the Middle East and elsewhere, weather conditions (including climate change), opposition to petroleum products stemming from a climate change/greenhouse gas emissions agenda, the foreign supply of oil and natural gas, risks of supply disruption, the price of foreign imports, the availability of alternative fuel sources and pandemics. Any substantial and extended decline in the prices of oil and natural gas liquids may have a material adverse effect on Inter Pipeline's business, borrowing capacity, financial condition, results of operations, financial results and future prospects. Lower commodity prices may render Inter Pipeline's development and expansion plans uneconomic.

Dependence on Key Personnel and Human Resources Risks

The continued success of Inter Pipeline will be dependent upon its ability to hire and retain key personnel who manage Inter Pipeline's business. In particular, Inter Pipeline's success depends on the abilities, experience, engagement, and succession of its management team and board of directors. The loss of key employees and/or directors through either attrition or retirement could adversely impact Inter Pipeline's future business and financial results. Inter Pipeline does not have any "key man" insurance. Inter Pipeline also places significant emphasis on employee engagement, leadership training, succession planning, and maintaining a positive corporate culture.

Risks Relating to Indigenous Land Claims and Obligation to Consult

Indigenous peoples have claimed indigenous title and/or rights, whether established pursuant to treaty or otherwise, to a substantial portion of the lands in western Canada. The successful assertion of such claims and rights could have an impact on future access to public lands and thereby adversely affect Inter Pipeline's Canadian operations.

In Canada, the federal and provincial governments (the "**Crown**") have a duty to consult and, where appropriate, accommodate indigenous people where the interests of the indigenous peoples may be affected by a Crown action or decision. Accordingly, the Crown's duty may result in regulatory approvals being delayed or not being obtained in relation to Inter Pipeline's Canadian operations. The Crown may rely on steps taken by a regulatory agency to fulfill its duty to consult and accommodate, in whole or in part. Although the Crown holds ultimate responsibility for ensuring that the consultation process is adequate, this issue is often a major aspect of the regulatory permitting process. If either the Crown or a regulatory body, to which it has delegated consultation, determines that the duty to consult has not been adequately discharged, the issuance of certain regulatory approvals required by Inter Pipeline may be delayed or denied, resulting in a material adverse effect on Inter Pipeline's operations.

Litigation and Arbitration Risks

In the course of business, Inter Pipeline and its subsidiaries are subject to legal proceedings and claims. Although Inter Pipeline's management believes such claims are likely to be without merit, litigation or arbitration is expensive, time consuming and may divert management's attention away from the operation of Inter Pipeline. Due to the inherent uncertainty of the litigation and arbitration processes, the resolution of any particular legal or other proceeding may have a material adverse effect on the financial position or operational results of Inter Pipeline.

In certain instances, third parties have agreed or will agree to indemnify, defend and hold Inter Pipeline harmless from and against various claims, litigation and liabilities arising in connection with certain transactions or business matters. There is no assurance that third parties will possess sufficient assets, income, access to financing and insurance coverage to enable them to satisfy their indemnification obligations in favour of Inter Pipeline. In addition, Inter Pipeline may not be able to successfully enforce such indemnities and any such indemnities may not be sufficient to fully indemnify Inter Pipeline from third party claims. The inability to recover fully any significant liabilities through an indemnity may have adverse effects on Inter Pipeline's financial position, operations or results of operations.

Risks Relating to Potential Conflicts of Interest

Shareholders and other security holders of Inter Pipeline rely on senior management and the directors of Inter Pipeline for the governance, administration and management of Inter Pipeline. Certain directors of Inter Pipeline are also directors of other entities engaged in the energy business generally. Inter Pipeline mitigates this risk by requiring directors and officers to disclose the existence of potential conflicts of interest in accordance with Inter Pipeline's Code of Ethics and in accordance with the ABCA.

Foreign Exchange Risks

Inter Pipeline's cash dividends will be declared and paid in Canadian dollars. As a consequence, non-resident shareholders, and shareholders who calculate their income in currencies other than the Canadian dollar, will be subject to foreign exchange risk. To the extent that the Canadian dollar strengthens with respect to the reporting currency of a shareholder, the amount of the dividend will be reduced when converted to that currency. In addition, the bulk liquid storage business' earnings and FFO are subject to foreign exchange rate variability, primarily arising from the denomination of such earnings and FFO in British Pounds, Euros, Danish Krone, Swedish Krona and US dollars. Inter Pipeline monitors, assesses, and responds to these foreign currency risks using an active risk management program, which may include the exchange of foreign currency for domestic currency at a fixed rate.

Risks Relating to Cyber Security Threats and Reliance on Information Technology

Inter Pipeline's operations are dependent on the functioning of multiple information technology systems. The reliability and security of these systems is critical. Exposure of Inter Pipeline's information technology systems to external threats poses a risk to the security of these systems. Such cybersecurity threats include unauthorized access to information technology systems due to hacking, viruses, cyber phishing attacks, and other causes that can result in service disruptions, system failures and the disclosure, deliberate or inadvertent, of confidential business information. Significant interruption or failure of the functionality of any or all of these systems could result in operational outages, delays, lost profits, lost data, increased costs, and other adverse outcomes. These factors could include a loss of communication links or reliable information, security breaches by computer hackers and cyber terrorists, and the inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Furthermore, as social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that Inter Pipeline may not be able to properly preserve adequate records of business activities and communications conducted through the use of social media platforms. Inter Pipeline tries to mitigate these risks by regulating and monitoring potential threats through specific policies addressing cybersecurity, disclosure, social media and acceptable use of technology.

Debt Service and Refinancing Risks

The credit facilities, medium-term notes, hybrid-notes and the Corridor debentures described in the **LIQUIDITY AND CAPITAL RESOURCES** section contain numerous restrictive covenants that limit the discretion of Inter Pipeline's management with respect to certain business matters. These loan agreements may contain covenants that place restrictions on, among other things, the ability of Inter Pipeline to create liens or other encumbrances, to pay dividends or make certain other payments, loans and guarantees, and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the loan agreements contain various financial covenants that require Inter Pipeline to meet certain financial ratios and financial condition tests. A failure to comply with these obligations could result in a default which, if not cured or waived, could result in a reduction or termination of dividends by Inter Pipeline and permit acceleration of the relevant indebtedness. In the event of certain Inter Pipeline (Corridor) Inc. bankruptcy or insolvency events, Inter Pipeline lenders have certain rights to accelerate Inter Pipeline's debt. In addition, in some circumstances, it may become necessary to restrict or terminate dividends by Inter Pipeline in order to avoid a default of such obligations.

Borrowings made by Inter Pipeline (including, for clarity, various subsidiaries thereof) introduce leverage into Inter Pipeline's business which increases the level of financial risk in the operations of Inter Pipeline. To the extent interest rates are not fixed, interest rate variations will increase the sensitivity of interest payments made by Inter Pipeline.

Inter Pipeline may not be able to meet its financial obligations. To manage this risk, Inter Pipeline forecasts its cash requirements to determine whether sufficient funds will be available. Inter Pipeline's primary sources of liquidity and capital resources are FFO, draws under committed credit facilities and the issuance of new equity capital or debt securities. Inter Pipeline maintains a base shelf prospectus with Canadian securities regulators, which, subject to market conditions, enables it to readily access Canadian public capital markets.

Inter Pipeline's credit facilities, medium-term notes, hybrid-notes and other outstanding financing instruments or debt securities each have a maturity date, on which date, absent replacement, extension or renewal, the indebtedness under the respective loan agreement becomes repayable in its entirety. If Inter Pipeline is unable to refinance debt obligations at the time of maturity or is unable to refinance on equally favourable terms, Inter Pipeline's ability to fund ongoing operations and pay dividends could be impaired. Inter Pipeline's ability to refinance its indebtedness under its credit facilities, medium-term notes, and other outstanding financing instruments or debt securities will depend upon its future operating performance, all of which are subject to prevailing economic and credit conditions, prevailing interest rate levels and financial, competitive, business and other factors, many of which are beyond its control.

Risks Relating to Inter Terminals' Defined Benefit Pension Plan

Defined benefit pension plans exist for certain employees and former employees of Inter Terminals' UK and German businesses. The UK plan holds interests in various securities invested in equities, fixed income instruments and real estate. Fluctuations in the value of the UK plan's assets and the factors which are applied to calculate the plan's liabilities could result in a requirement for additional cash contributions by Inter Terminals.

Risks Relating to Political Uncertainty

Inter Pipeline's business may be adversely affected by recent political and social events and decisions made in Canada, the United States, Europe and elsewhere. The current United States administration withdrew the United States from the Trans-Pacific Partnership and U.S. congress passed sweeping tax reform, which, among other things, significantly reduced U.S. corporate tax rates. This may affect competitiveness of other jurisdictions, including Canada. In addition, the North American Free Trade Agreement ("**NAFTA**") has been renegotiated and on November 30, 2018, Canada, the U.S. and Mexico signed the Canada United States-Mexico Agreement ("**USCMCA**"), which replaced NAFTA. The USMCA was revised on December 20, 2019 to satisfy demands from the U.S. congress. USMCA includes a change to the crude oil and natural gas rules of origin, which may make it easier for Canadian exporters to qualify for duty-free treatment on shipments to the U.S. and Mexico. Canada must, however, notify the U.S. of its intention to enter into free trade talks with any "non-market economies" under USMCA, which may include China or any other potential importers of Canadian oil and gas exports.

USMCA has been reviewed by legislators from each of the three countries according to their own domestic legislative processes. However, it is still required to be ratified and implemented before it takes effect and replaces NAFTA. Mexico became the first country to ratify USMCA in June 2019. The United States ratified USMCA in January 2020. The ratification and implementation process in Canada is not yet complete. It is currently unknown when USMCA will come into force.

If USMCA is not ratified and implemented by all three countries, this may alter the terms of trade for energy and petrochemical resources in North America, which could impact Inter Pipeline's ability to sell and transport petroleum products within North America and could have an adverse impact on our results from operations and financial condition.

The United States administration has also acted with respect to reduction of regulation which may also affect relative competitiveness of other jurisdictions. Future actions taken by the administration in the United States may impact Canada and in particular the energy industry. Any actions taken by the current United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian companies, including Inter Pipeline.

The citizens of the UK voted to withdraw from the European Union and the Government of the UK has taken steps to implement such withdrawal. The UK formally exited the European Union on January 31, 2020. A transitionary arrangement governing the terms of the withdrawal is in place until December 31, 2020. The final terms of the UK's exit from the European Union remain to be determined. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on Inter Pipeline's ability to market its products internationally, increase costs for goods and services required for Inter Pipeline's operations, reduce access to skilled labour and negatively impact Inter Pipeline's business, operations, financial condition and the market value of Inter Pipeline's common shares.

The minority federal government, or a change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the energy industry including the balance between economic development and environmental policy.

Risks Relating to International Operations

A portion of Inter Pipeline's operations are conducted in the UK, Germany, Ireland, the Netherlands, Denmark and Sweden. Operations outside of Canada are subject to various discrete risks, including: natural disasters; market downturn or failure; currency exchange rate fluctuations; foreign economic conditions; credit conditions; trade barriers; exchange controls; national and regional labour strikes; political risks and risks of increases in duties; taxes and changes in tax laws; and changes in laws and policies governing operations of foreign-based companies.

Non-Governmental Organizations and Eco-Terrorism Risks

Inter Pipeline's business may be subject to action by non-governmental organizations, eco-terrorist attack or public opposition. Any such action could expose Inter Pipeline to the risk of higher costs, delays or project cancellations due to increased pressure on governments and regulators by special interest groups and other nongovernmental organizations. There is no guarantee that Inter Pipeline will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require Inter Pipeline to incur significant and unanticipated capital and operating expenditures.

Risks Relating to Breach of Confidentiality

Inter Pipeline regularly enters into confidentiality agreements with third parties prior to the disclosure of any confidential information when discussing potential business relationships or other transactions. Breaches of confidentiality could put Inter Pipeline at competitive risk and may cause significant damage to its business. There is no assurance that, in the event of a breach of confidentiality, Inter Pipeline will be able to obtain equitable remedies from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Risks Relating to Records Management

Inter Pipeline maintains a records management practice, linked to document creation and control capabilities, to align with effective corporate governance, privacy regulations and investor protection legislation. Any inability to perform records management practices in a timely manner in accordance with all applicable business, corporate, legal and regulatory requirements, including the proper classification, maintenance, protection, retrieval and disposal of records could have a material effect on Inter Pipeline's business, operations and financial performance.

Risk Relating to Changing Investor Sentiment in the Oil and Gas Industry

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they are no longer willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from Inter Pipeline's board of directors, management and employees. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in Inter Pipeline or not investing in Inter Pipeline at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, Inter Pipeline, may result in limiting Inter Pipeline's access to capital, increasing the cost of capital, and decreasing the price and liquidity of Inter Pipeline's securities even if Inter Pipeline's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of an asset which may result in an impairment charge.

Risks Relating to Concentration of Assets in Alberta

The majority of Inter Pipeline's assets are concentrated in Alberta, which leaves the company exposed to the economic conditions of that province. Inter Pipeline mitigates this risk through a diversity of business activities within the province of Alberta and by owning and operating assets in Saskatchewan and Western Europe.

SELECTED ANNUAL FINANCIAL INFORMATION

	Years Ended December 31					
(millions, except per share amounts)		**2019**		2018		2017
Revenue	**$**	**2,535.3**	$	2,592.9	$	2,260.6
Net income	**$**	**539.0**	$	592.5	$	526.7
Per share – basic and diluted	**$**	**1.31**	$	1.53	$	1.41
Dividends declared per share(1)	**$**	**1.710**	$	1.685	$	1.630
Total assets	**$**	**12,951.4**	$	11,461.5	$	10,361.7
Total debt(2)	**$**	**6,669.5**	$	5,680.1	$	5,457.2

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

(2) Financial debt reported in the December 31, 2019 consolidated financial statements of $6,637.0 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,669.5 million less discounts and debt transaction costs of $32.5 million.

NON-GAAP FINANCIAL MEASURES

Certain non-GAAP financial measures referred to in this MD&A, namely “adjusted working capital deficiency”, “EBITDA”, “adjusted EBITDA”, “adjusted EBITDA by contract type”, “Consolidated Net Debt to Total Capitalization”, “enterprise value”, “funds from operations per share”, “growth capital expenditures”, “sustaining capital expenditures”, “earnings coverage”, 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 non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.

The following non-GAAP financial measures are provided to assist investors with their evaluation of Inter Pipeline, including their assessment of its ability to generate cash and fund monthly dividends. Management considers these non-GAAP financial measures to be important indicators in assessing its performance.

Adjusted working capital deficiency is calculated by subtracting current liabilities from current assets including cash and excluding commercial paper, current portion of long-term debt and lease liabilities. This financial measure is used by Inter Pipeline in the Contractual Obligations, Commitments and Guarantees table in the **LIQUIDITY AND CAPITAL RESOURCES** section of this MD&A to capture other working capital items not specifically included in the table.

(millions of Canadian dollars)	As at December 31 **2019**	2018
Current Assets		
Cash and cash equivalents	**$ 32.6**	$ 46.2
Accounts receivable	**323.2**	242.2
Prepaid expenses and other assets	**47.9**	29.2
Inventory	**14.7**	10.1
Current Liabilities		
Dividends payable	**(60.0)**	(57.5)
Accounts payable, accrued liabilities and provisions	**(638.0)**	(467.8)
Current income taxes payable	**(2.2)**	(2.6)
Deferred revenue	**(8.5)**	(16.6)
Adjusted working capital deficiency	**$ (290.3)**	$ (216.8)

EBITDA and adjusted EBITDA are reconciled from the components of net income as noted below. 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.

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Net income	**$ 100.5**	$ 144.3	**$ 539.0**	$ 592.5
Financing charges	**48.4**	34.4	**185.8**	163.4
Current income tax expense	**0.4**	1.9	**2.0**	2.4
Deferred income tax expense (recovery)	**27.9**	54.1	**(23.7)**	213.1
Depreciation and amortization	**83.6**	68.9	**356.4**	273.7
EBITDA	**$ 260.8**	$ 303.6	**$ 1,059.5**	$ 1,245.1
Loss (gain) on disposal of assets	**2.8**	2.8	**(7.1)**	4.9
Non-cash financing charges	**(2.2)**	(2.2)	**(9.5)**	(9.2)
Non-cash expense	**2.0**	3.2	**8.3**	4.5
Adjusted EBITDA	**$ 263.4**	$ 307.4	**$ 1,051.2**	$ 1,245.3

	Three Months Ended December 31		Years Ended December 31	
(millions)	**2019**	2018	**2019**	2018
Funds from operations	**$ 216.8**	$ 273.3	**$ 872.9**	$ 1,088.7
Total interest less capitalized interest	**46.2**	32.2	**176.3**	154.2
Current income tax expense	**0.4**	1.9	**2.0**	2.4
Adjusted EBITDA	**$ 263.4**	$ 307.4	**$ 1,051.2**	$ 1,245.3

Adjusted EBITDA by contract type is a percentage of adjusted EBITDA, reconciled in the table above, based on the type of contract: (i) cost-of-service contracts generally are not impacted by throughput volume or commodity price fluctuations. This includes take-or-pay contracts with dedicated volume or revenue commitments, modified cost-of-service contracts that may have throughput volume exposure in certain circumstances, as well as contracts which generally provide for a return on invested capital and recovery of substantially all operating costs; (ii) fee-based contracts are generally subject to fluctuations in throughput volume but not commodity prices; (iii) commodity-based contracts are generally subject to throughput volume and commodity price fluctuations; and (iv) product margin contracts, which relate to midstream marketing activities on Inter Pipeline's conventional oil pipeline assets. This measure, in combination with other measures, is used by the investment community to assess the overall stability and predictability of the business.

	Three Months Ended December 31		Years Ended December 31	
	2019	2018	**2019**	2018
Adjusted EBITDA by contract type				
Cost-of-service	**69%**	57 %	**67%**	56%
Fee-based	**15%**	15 %	**17%**	13%
Commodity-based	**12%**	30 %	**13%**	29%
Product margin	**4%**	(2)%	**3%**	2%

Consolidated Net Debt to Total Capitalization is disclosed and discussed in the Financial Covenant table of the **LIQUIDITY AND CAPITAL RESOURCES** section of this report. This measure in combination with other measures, is used by the investment community to assess the financial strength of the business.

Enterprise value is calculated by multiplying the period-end closing common share price by the total number of common shares outstanding and adding total debt (excluding discounts and debt transaction costs). This measure, in combination with other measures, is used by the investment community to assess the overall market value of the business. Enterprise value is calculated as follows:

	As at December 31	
(millions, except per share amounts)	**2019**	2018
Closing share price	**$ 22.54**	$ 19.34
Total closing number of common shares	**420.7**	403.8
	9,483.7	7,809.7
Total debt	**6,669.5**	5,680.1
Enterprise value	**$ 16,153.2**	$ 13,489.8

Funds from operations per share are 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.

Growth capital expenditures are generally defined as expenditures which are recoverable or incrementally increase cash flow or earnings potential of assets, expand the capacity of current operations or significantly extend the life of existing assets. This measure is used by the investment community to assess the extent of discretionary capital spending.

Sustaining capital expenditures are generally defined as expenditures which support and/or maintain the current capacity, cash flow or earnings potential of existing assets without the associated benefits characteristic of growth capital expenditures. This measure is used by the investment community to assess the extent of non-discretionary capital spending.

Three Months Ended December 31				
			2019	2018
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 17.6**	**$ 2.8**	**$ 20.4**	$ 25.0
NGL processing	**326.7**	**6.0**	**332.7**	277.9
Conventional oil pipelines	**48.0**	**2.7**	**50.7**	21.5
Bulk liquid storage	**16.8**	**14.0**	**30.8**	12.1
Corporate[(1)]	**5.7**	**—**	**5.7**	6.7
Capital expenditures	**$ 414.8**	**$ 25.5**	**$ 440.3**	$ 343.2

Years Ended December 31				
			2019	2018
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 93.0**	**$ 6.5**	**$ 99.5**	$ 61.6
NGL processing	**1,240.5**	**31.3**	**1,271.8**	784.3
Conventional oil pipelines	**126.1**	**7.6**	**133.7**	43.1
Bulk liquid storage	**43.3**	**26.2**	**69.5**	39.5
Corporate[(1)]	**21.1**	**(2.0)**	**19.1**	21.8
Capital expenditures	**$ 1,524.0**	**$ 69.6**	**$ 1,593.6**	$ 950.3

(1) In the third quarter of 2019, corporate sustaining capital expenditures were reclassified to growth capital expenditures in order to better align with how management monitors its non-discretionary capital spending.

Earnings coverage is calculated as net income plus income taxes, and borrowing costs, divided by the sum of borrowing costs, capitalized borrowing costs and any retirement of obligations. This measure is used by the investment community to determine the ease with which borrowing costs are satisfied.

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.

ADDITIONAL INFORMATION

Additional information relating to Inter Pipeline, including Inter Pipeline's **Annual Information Form** is available on SEDAR at www.sedar.com or on Inter Pipeline's website at www.interpipeline.com.

The MD&A has been reviewed and approved by the Audit Committee and the Board of Directors of Inter Pipeline.

Dated at Calgary, Alberta this 20th day of February, 2020