

## Interim Consolidated Balance Sheets

|  | As at              |                    |
|--|--------------------|--------------------|
|  | June 30            | December 31        |
| (unaudited)(millions of Canadian dollars)                      | 2020               | 2019               |
| <b>ASSETS</b>  |                    |                    |
| Current Assets   |                    |                    |
| Cash and cash equivalents                                      | \$ 288.5           | \$ 32.6            |
| Accounts receivable  | 292.0              | 323.2              |
| Prepaid expenses and other assets                              | 51.1               | 47.9               |
| Inventory  | 14.0               | 14.7               |
| <b>Total Current Assets</b>                                    | <b>645.6</b>       | <b>418.4</b>       |
| Non-Current Assets   |                    |                    |
| Right-of-use assets  | 186.7              | 192.7              |
| Property, plant and equipment (note 4)                         | 12,271.9           | 11,757.8           |
| Goodwill and intangible assets                                 | 569.9              | 582.5              |
| <b>Total Assets</b>  | <b>\$ 13,674.1</b> | <b>\$ 12,951.4</b> |
| <b>LIABILITIES AND EQUITY</b>                                  |                    |                    |
| Current Liabilities  |                    |                    |
| Dividends payable (note 5)                                     | \$ 17.1            | \$ 60.0            |
| Accounts payable, accrued liabilities and provisions           | 579.0              | 638.0              |
| Lease liabilities  | 19.3               | 20.1               |
| Current income taxes payable                                   | 2.0                | 2.2                |
| Deferred revenue   | 11.3               | 8.5                |
| Short-term debt and current portion of long-term debt (note 6) | 842.9              | 1,170.1            |
| Commercial paper (note 6)                                      | 1,322.7            | 1,199.3            |
| <b>Total Current Liabilities</b>                               | <b>2,794.3</b>     | <b>3,098.2</b>     |
| Non-Current Liabilities  |                    |                    |
| Long-term debt (note 6)  | 5,115.6            | 4,267.6            |
| Long-term lease liabilities                                    | 198.7              | 203.9              |
| Provisions   | 348.6              | 286.2              |
| Employee benefits (note 7)                                     | 12.6               | 21.5               |
| Long-term deferred revenue and other liabilities               | 31.2               | 29.2               |
| Deferred income taxes  | 1,010.4            | 955.5              |
| <b>Total Liabilities</b>                                       | <b>9,511.4</b>     | <b>8,862.1</b>     |
| Commitments (notes 4 and 9)                                    |                    |                    |
| Equity   |                    |                    |
| Shareholders' equity   | 4,108.7            | 4,064.0            |
| Total reserves   | 54.0               | 25.3               |
| <b>Total Equity</b>  | <b>4,162.7</b>     | <b>4,089.3</b>     |
| <b>Total Liabilities and Equity</b>                            | <b>\$ 13,674.1</b> | <b>\$ 12,951.4</b> |

See accompanying condensed notes to the interim consolidated financial statements.

## Interim Consolidated Statements of Changes in Equity

(unaudited)(millions of Canadian dollars)

|  | Share<br>Capital | Earnings /<br>(Deficit) | Contributed<br>Surplus | Reserves       | Total<br>Equity   |
|--|------------------|-------------------------|------------------------|----------------|-------------------|
| Balance, January 1, 2020   | \$ 4,900.3       | \$ (838.8)              | \$ 2.5                 | \$ 25.3        | \$ 4,089.3        |
| Net income for the period  | —                | 151.6                   | —                      | —              | 151.6             |
| Other comprehensive income   | —                | —                       | —                      | 28.7           | 28.7              |
| Dividends declared (note 5)  | —                | (232.6)                 | —                      | —              | (232.6)           |
| Shares issued under Premium Dividend™<br>and Dividend Reinvestment Plan (note 8) | 125.7            | —                       | —                      | —              | 125.7             |
| Stated capital adjustment (note 8)   | (5,026.0)        | 5,026.0                 | —                      | —              | —                 |
| <b>Balance, June 30, 2020</b>  | <b>\$ —</b>      | <b>\$ 4,106.2</b>       | <b>\$ 2.5</b>          | <b>\$ 54.0</b> | <b>\$ 4,162.7</b> |
| Balance, January 1, 2019   | \$ 4,541.2       | \$ (671.4)              | \$ 2.5                 | \$ 93.0        | \$ 3,965.3        |
| Net income for the period  | —                | 358.6                   | —                      | —              | 358.6             |
| Other comprehensive loss   | —                | —                       | —                      | (70.6)         | (70.6)            |
| Dividends declared (note 5)  | —                | (349.6)                 | —                      | —              | (349.6)           |
| Shares issued under Premium Dividend™<br>and Dividend Reinvestment Plan          | 176.7            | —                       | —                      | —              | 176.7             |
| Balance, June 30, 2019   | \$ 4,717.9       | \$ (662.4)              | \$ 2.5                 | \$ 22.4        | \$ 4,080.4        |

See accompanying condensed notes to the interim consolidated financial statements.

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## Interim Consolidated Statements of Net Income

| (unaudited)(millions of Canadian dollars)  | Three Months Ended June 30 |                 | Six Months Ended June 30 |                 |
|--|----------------------------|-----------------|--------------------------|-----------------|
|  | 2020                       | 2019            | 2020                     | 2019            |
| <b>REVENUE</b>                             |                            |                 |                          |                 |
| Operating revenue                          | \$ 539.5                   | \$ 641.6        | \$ 1,143.3               | \$ 1,300.5      |
| <b>EXPENSES</b>                            |                            |                 |                          |                 |
| Cost of sales                              | 133.2                      | 187.0           | 307.9                    | 396.0           |
| Operating                                  | 128.5                      | 131.8           | 266.2                    | 277.7           |
| Depreciation and amortization              | 88.2                       | 77.6            | 173.7                    | 157.3           |
| Financing charges (note 13)                | 49.4                       | 48.0            | 98.1                     | 90.4            |
| General and administrative                 | 47.5                       | 38.5            | 75.0                     | 84.0            |
| Loss on disposal of assets                 | 7.2                        | 1.9             | 13.7                     | 2.3             |
| <b>Total Expenses</b>                      | <b>454.0</b>               | <b>484.8</b>    | <b>934.6</b>             | <b>1,007.7</b>  |
| <b>INCOME BEFORE INCOME TAXES</b>          | <b>85.5</b>                | <b>156.8</b>    | <b>208.7</b>             | <b>292.8</b>    |
| <b>Income tax expense (recovery)</b>       |                            |                 |                          |                 |
| Current                                    | 1.9                        | (0.5)           | 3.3                      | 0.9             |
| Deferred                                   | 21.1                       | (103.0)         | 53.8                     | (66.7)          |
| <b>Total Income Tax Expense (Recovery)</b> | <b>23.0</b>                | <b>(103.5)</b>  | <b>57.1</b>              | <b>(65.8)</b>   |
| <b>NET INCOME</b>                          | <b>\$ 62.5</b>             | <b>\$ 260.3</b> | <b>\$ 151.6</b>          | <b>\$ 358.6</b> |
| <b>Net income per share</b> (note 8)       |                            |                 |                          |                 |
| Basic and diluted                          | \$ 0.15                    | \$ 0.63         | \$ 0.36                  | \$ 0.88         |

## Interim Consolidated Statements of Comprehensive Income

| (unaudited)(millions of Canadian dollars)  | Three Months Ended June 30 |                 | Six Months Ended June 30 |                 |
|--|----------------------------|-----------------|--------------------------|-----------------|
|  | 2020                       | 2019            | 2020                     | 2019            |
| <b>NET INCOME</b>  | <b>\$ 62.5</b>             | <b>\$ 260.3</b> | <b>\$ 151.6</b>          | <b>\$ 358.6</b> |
| <b>OTHER COMPREHENSIVE (LOSS) INCOME</b>   |                            |                 |                          |                 |
| <b>Item that may be reclassified subsequently to net income</b>                  |                            |                 |                          |                 |
| Unrealized (loss) gain on translating financial statements of foreign operations | (29.0)                     | (32.6)          | 28.7                     | (70.6)          |
| <b>Other Comprehensive (Loss) Income</b>   | <b>(29.0)</b>              | <b>(32.6)</b>   | <b>28.7</b>              | <b>(70.6)</b>   |
| <b>COMPREHENSIVE INCOME</b>  | <b>\$ 33.5</b>             | <b>\$ 227.7</b> | <b>\$ 180.3</b>          | <b>\$ 288.0</b> |

See accompanying condensed notes to the interim consolidated financial statements.

## Interim Consolidated Statements of Cash Flows

| (unaudited)(millions of Canadian dollars)               | Three Months Ended June 30 |                | Six Months Ended June 30 |                |
|---|----------------------------|----------------|--------------------------|----------------|
|   | 2020                       | 2019           | 2020                     | 2019           |
| <b>OPERATING ACTIVITIES</b>                             |                            |                |                          |                |
| Net income  | \$ 62.5                    | \$ 260.3       | \$ 151.6                 | \$ 358.6       |
| Items not involving cash:                               |                            |                |                          |                |
| Depreciation and amortization                           | 88.2                       | 77.6           | 173.7                    | 157.3          |
| Loss on disposal of assets                              | 7.2                        | 1.9            | 13.7                     | 2.3            |
| Non-cash expense (recovery)                             | 5.4                        | 3.4            | (0.9)                    | 0.2            |
| Deferred income tax expense (recovery)                  | 21.1                       | (103.0)        | 53.8                     | (66.7)         |
| Funds from operations                                   | 184.4                      | 240.2          | 391.9                    | 451.7          |
| Net change in non-cash operating working capital        | 36.2                       | (15.3)         | 19.7                     | (45.7)         |
| Cash provided by operating activities                   | 220.6                      | 224.9          | 411.6                    | 406.0          |
| <b>INVESTING ACTIVITIES</b>                             |                            |                |                          |                |
| Expenditures on property, plant and equipment           | (283.3)                    | (382.6)        | (599.8)                  | (711.1)        |
| Receipt of government grants                            | 8.1                        | —              | 10.2                     | —              |
| Proceeds on disposal of assets                          | 0.5                        | 0.4            | 0.5                      | 1.1            |
| Net change in non-cash investing working capital        | (89.8)                     | 63.1           | (47.1)                   | 109.7          |
| Cash used in investing activities                       | (364.5)                    | (319.1)        | (636.2)                  | (600.3)        |
| <b>FINANCING ACTIVITIES</b>                             |                            |                |                          |                |
| Cash dividends paid on common shares                    | (18.2)                     | (87.8)         | (106.9)                  | (172.9)        |
| Principal payments on lease liabilities                 | (4.6)                      | (4.8)          | (10.5)                   | (5.7)          |
| Increase in debt  | 477.8                      | 198.5          | 651.2                    | 377.6          |
| Transaction costs on debt                               | (10.0)                     | (0.2)          | (10.1)                   | (6.9)          |
| Net change in non-cash financing working capital        | (43.5)                     | 0.6            | (42.0)                   | 2.5            |
| Cash provided by financing activities                   | 401.5                      | 106.3          | 481.7                    | 194.6          |
| Effect of foreign currency translation on cash          | (1.1)                      | 0.5            | (1.2)                    | (1.0)          |
| <b>Increase (decrease) in cash and cash equivalents</b> | <b>256.5</b>               | <b>12.6</b>    | <b>255.9</b>             | <b>(0.7)</b>   |
| <b>Cash and cash equivalents, beginning of period</b>   | <b>32.0</b>                | <b>32.9</b>    | <b>32.6</b>              | <b>46.2</b>    |
| <b>Cash and cash equivalents, end of period</b>         | <b>\$ 288.5</b>            | <b>\$ 45.5</b> | <b>\$ 288.5</b>          | <b>\$ 45.5</b> |
| Cash taxes (recovered) paid                             | \$ (3.1)                   | \$ 1.7         | \$ (0.2)                 | \$ 2.9         |
| Cash interest paid                                      | \$ 69.2                    | \$ 48.0        | \$ 137.5                 | \$ 93.9        |

See accompanying condensed notes to the interim consolidated financial statements.

# Condensed Notes to Interim Consolidated Financial Statements

June 30, 2020

*(unaudited)(millions of Canadian dollars, except as otherwise indicated)*

## 1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Ltd.'s (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2019.

Inter Pipeline has consistently applied the same accounting policies for all periods presented in these interim financial statements as those used in Inter Pipeline's audited consolidated financial statements for the year ended December 31, 2019.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Inter Pipeline on August 6, 2020.

## 2. ESTIMATION AND JUDGMENTS DUE TO NEW DEVELOPMENTS

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (COVID-19). The outbreak and the measures intended to limit the pandemic contributed to the recent retracement and volatility in financial markets, which have adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Due to the depressed commodity prices, Inter Pipeline's share price and market capitalization significantly declined since December 31, 2019.

The full extent of the impact of COVID-19 on Inter Pipeline's operations and future financial performance is currently unknown. In the short-to-medium term, Inter Pipeline believes that COVID-19 represents a set of macro risks which are challenging to quantify, and its impact on capital and financial markets continues to evolve as new information on the severity of the virus emerges. The outbreak presents uncertainty and risk with respect to Inter Pipeline, its performance, and estimates and assumptions used by Management in the preparation of its financial results. These uncertainties, which may persist beyond when it is determined how to contain the virus and reduce its impact, may increase the complexity of estimates and assumptions used to prepare the interim financial statements, and changes to these assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year. Examples of significant estimates include the determination of triggering events for impairment of non-financial assets, provisions, and fair value measurements, including those related to financial instruments.

For further information, including a full discussion of critical accounting estimates, please see Inter Pipeline's audited consolidated financial statements for the year ended December 31, 2019 available on SEDAR at [www.sedar.com](http://www.sedar.com) or on Inter Pipeline's website at [www.interpipeline.com](http://www.interpipeline.com).

### 3. SEGMENT REPORTING

Inter Pipeline operates its business under the following principal business segments:

| Three Months Ended June 30, 2020                     |                          |                   |                            |                  |                           |                     |                    |  |
|--|--------------------------|-------------------|----------------------------|------------------|---------------------------|---------------------|--------------------|--|
|  | Canada                   |                   |                            |                  |                           | Europe              |                    | Total Canadian and European Operations |
|  | Oil Sands Transportation | NGL Processing    | Conventional Oil Pipelines | Corporate        | Total Canadian Operations | Bulk Liquid Storage |                    |  |
| <b>REVENUE</b>                                       |                          |                   |                            |                  |                           |                     |                    |  |
| Cost-of-service                                      | \$ 200.4                 | \$ 11.4           | \$ 14.7                    | \$ —             | \$ 226.5                  | \$ 61.9             | \$ 288.4           |  |
| Fee-based  | —                        | 54.7              | 25.4                       | —                | 80.1                      | 18.9                | 99.0               |  |
| Commodity-based                                      | —                        | 89.6              | —                          | —                | 89.6                      | —                   | 89.6               |  |
| Product margin                                       | —                        | —                 | 62.5                       | —                | 62.5                      | —                   | 62.5               |  |
| <b>TOTAL REVENUE<sup>(1)</sup></b>                   | <b>\$ 200.4</b>          | <b>\$ 155.7</b>   | <b>\$ 102.6</b>            | <b>\$ —</b>      | <b>\$ 458.7</b>           | <b>\$ 80.8</b>      | <b>\$ 539.5</b>    |  |
| <b>EXPENSES</b>                                      |                          |                   |                            |                  |                           |                     |                    |  |
| Cost of sales  | —                        | 76.0              | 57.2                       | —                | 133.2                     | —                   | 133.2              |  |
| Operating  | 32.5                     | 42.5              | 18.7                       | —                | 93.7                      | 34.8                | 128.5              |  |
| Depreciation and amortization                        | 28.2                     | 23.8              | 6.8                        | 7.9              | 66.7                      | 21.5                | 88.2               |  |
| Financing charges                                    | 6.0                      | 0.3               | 0.3                        | 41.5             | 48.1                      | 1.3                 | 49.4               |  |
| General and administrative                           | 10.6                     | —                 | —                          | 27.6             | 38.2                      | 9.3                 | 47.5               |  |
| Loss on disposal of assets                           | 0.6                      | 3.6               | 1.7                        | 0.1              | 6.0                       | 1.2                 | 7.2                |  |
| <b>TOTAL EXPENSES</b>                                | <b>77.9</b>              | <b>146.2</b>      | <b>84.7</b>                | <b>77.1</b>      | <b>385.9</b>              | <b>68.1</b>         | <b>454.0</b>       |  |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>             | <b>122.5</b>             | <b>9.5</b>        | <b>17.9</b>                | <b>(77.1)</b>    | <b>72.8</b>               | <b>12.7</b>         | <b>85.5</b>        |  |
| Income tax expense                                   | —                        | —                 | —                          | 17.2             | 17.2                      | 5.8                 | 23.0               |  |
| <b>NET INCOME (LOSS)</b>                             | <b>\$ 122.5</b>          | <b>\$ 9.5</b>     | <b>\$ 17.9</b>             | <b>\$ (94.3)</b> | <b>\$ 55.6</b>            | <b>\$ 6.9</b>       | <b>\$ 62.5</b>     |  |
| Items not involving cash:                            |                          |                   |                            |                  |                           |                     |                    |  |
| Depreciation and amortization <sup>(2)</sup>         | 28.8                     | 27.4              | 8.5                        | 8.0              | 72.7                      | 22.7                | 95.4               |  |
| Non-cash expense (recovery)                          | 0.5                      | 0.2               | (0.1)                      | 5.1              | 5.7                       | (0.3)               | 5.4                |  |
| Deferred income tax expense                          | —                        | —                 | —                          | 16.2             | 16.2                      | 4.9                 | 21.1               |  |
| <b>FUNDS FROM (USED IN) OPERATIONS</b>               | <b>\$ 151.8</b>          | <b>\$ 37.1</b>    | <b>\$ 26.3</b>             | <b>\$ (65.0)</b> | <b>\$ 150.2</b>           | <b>\$ 34.2</b>      | <b>\$ 184.4</b>    |  |
| <b>EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT</b> |                          |                   |                            |                  |                           |                     |                    |  |
|  | \$ 2.9                   | \$ 247.9          | \$ 13.3                    | \$ 4.6           | \$ 268.7                  | \$ 14.6             | \$ 283.3           |  |
| <b>As at June 30, 2020</b>                           |                          |                   |                            |                  |                           |                     |                    |  |
| Property, plant and equipment - net book value       | \$ 6,030.1               | \$ 4,020.5        | \$ 858.1                   | \$ 85.0          | \$ 10,993.7               | \$ 1,278.2          | \$ 12,271.9        |  |
| Goodwill and intangible assets - net book value      | \$ 202.8                 | \$ 186.3          | \$ —                       | \$ —             | \$ 389.1                  | \$ 180.8            | \$ 569.9           |  |
| Other assets   | \$ 75.2                  | \$ 211.1          | \$ 74.4                    | \$ 314.4         | \$ 675.1                  | \$ 157.2            | \$ 832.3           |  |
| <b>TOTAL ASSETS</b>                                  | <b>\$ 6,308.1</b>        | <b>\$ 4,417.9</b> | <b>\$ 932.5</b>            | <b>\$ 399.4</b>  | <b>\$ 12,057.9</b>        | <b>\$ 1,616.2</b>   | <b>\$ 13,674.1</b> |  |

(1) NGL Processing revenue includes \$29.9 million of sales to external customers located in the United States.

(2) Includes loss on disposal of assets.

Three Months Ended June 30, 2019

|  | Canada                   |                 |                            |                  |                           | Europe              |                 | Total Canadian and European Operations |
|--|--------------------------|-----------------|----------------------------|------------------|---------------------------|---------------------|-----------------|--|
|  | Oil Sands Transportation | NGL Processing  | Conventional Oil Pipelines | Corporate        | Total Canadian Operations | Bulk Liquid Storage |                 |  |
| <b>REVENUE</b>                                       |                          |                 |                            |                  |                           |                     |                 |  |
| Cost-of-service                                      | \$ 200.4                 | \$ 11.0         | \$ 13.9                    | \$ —             | \$ 225.3                  | \$ 50.6             | \$ 275.9        |  |
| Fee-based  | —                        | 50.9            | 35.3                       | —                | 86.2                      | 19.8                | 106.0           |  |
| Commodity-based                                      | —                        | 109.1           | —                          | —                | 109.1                     | —                   | 109.1           |  |
| Product margin                                       | —                        | —               | 150.6                      | —                | 150.6                     | —                   | 150.6           |  |
| <b>TOTAL REVENUE<sup>(1)</sup></b>                   | <b>\$ 200.4</b>          | <b>\$ 171.0</b> | <b>\$ 199.8</b>            | <b>\$ —</b>      | <b>\$ 571.2</b>           | <b>\$ 70.4</b>      | <b>\$ 641.6</b> |  |
| <b>EXPENSES</b>                                      |                          |                 |                            |                  |                           |                     |                 |  |
| Cost of sales  | —                        | 53.9            | 133.1                      | —                | 187.0                     | —                   | 187.0           |  |
| Operating  | 35.5                     | 45.0            | 15.8                       | —                | 96.3                      | 35.5                | 131.8           |  |
| Depreciation and amortization                        | 22.5                     | 21.9            | 6.0                        | 7.1              | 57.5                      | 20.1                | 77.6            |  |
| Financing charges                                    | 9.5                      | 0.8             | 0.3                        | 36.1             | 46.7                      | 1.3                 | 48.0            |  |
| General and administrative                           | 6.2                      | —               | —                          | 24.0             | 30.2                      | 8.3                 | 38.5            |  |
| Loss on disposal of assets                           | 0.8                      | 0.8             | 0.1                        | —                | 1.7                       | 0.2                 | 1.9             |  |
| <b>TOTAL EXPENSES</b>                                | <b>74.5</b>              | <b>122.4</b>    | <b>155.3</b>               | <b>67.2</b>      | <b>419.4</b>              | <b>65.4</b>         | <b>484.8</b>    |  |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>             | <b>125.9</b>             | <b>48.6</b>     | <b>44.5</b>                | <b>(67.2)</b>    | <b>151.8</b>              | <b>5.0</b>          | <b>156.8</b>    |  |
| Income tax recovery                                  | —                        | —               | —                          | (102.0)          | (102.0)                   | (1.5)               | (103.5)         |  |
| <b>NET INCOME</b>                                    | <b>\$ 125.9</b>          | <b>\$ 48.6</b>  | <b>\$ 44.5</b>             | <b>\$ 34.8</b>   | <b>\$ 253.8</b>           | <b>\$ 6.5</b>       | <b>\$ 260.3</b> |  |
| Items not involving cash:                            |                          |                 |                            |                  |                           |                     |                 |  |
| Depreciation and amortization <sup>(2)</sup>         | 23.3                     | 22.7            | 6.1                        | 7.1              | 59.2                      | 20.3                | 79.5            |  |
| Non-cash expense (recovery)                          | 0.5                      | 0.8             | (1.0)                      | 2.2              | 2.5                       | 0.9                 | 3.4             |  |
| Deferred income tax recovery                         | —                        | —               | —                          | (102.2)          | (102.2)                   | (0.8)               | (103.0)         |  |
| <b>FUNDS FROM (USED IN) OPERATIONS</b>               | <b>\$ 149.7</b>          | <b>\$ 72.1</b>  | <b>\$ 49.6</b>             | <b>\$ (58.1)</b> | <b>\$ 213.3</b>           | <b>\$ 26.9</b>      | <b>\$ 240.2</b> |  |
| <b>EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT</b> | <b>\$ 22.1</b>           | <b>\$ 313.6</b> | <b>\$ 26.9</b>             | <b>\$ 6.6</b>    | <b>\$ 369.2</b>           | <b>\$ 13.3</b>      | <b>\$ 382.5</b> |  |

As at December 31, 2019

|   |                   |                   |                 |                 |                    |                   |                    |
|---|-------------------|-------------------|-----------------|-----------------|--------------------|-------------------|--------------------|
| Property, plant and equipment - net book value  | \$ 6,057.9        | \$ 3,541.7        | \$ 829.3        | \$ 80.8         | \$ 10,509.7        | \$ 1,248.1        | \$ 11,757.8        |
| Goodwill and intangible assets - net book value | \$ 204.7          | \$ 200.9          | \$ —            | \$ —            | \$ 405.6           | \$ 176.9          | \$ 582.5           |
| Other assets                                    | \$ 78.8           | \$ 196.3          | \$ 101.0        | \$ 85.0         | \$ 461.1           | \$ 150.0          | \$ 611.1           |
| <b>TOTAL ASSETS</b>                             | <b>\$ 6,341.4</b> | <b>\$ 3,938.9</b> | <b>\$ 930.3</b> | <b>\$ 165.8</b> | <b>\$ 11,376.4</b> | <b>\$ 1,575.0</b> | <b>\$ 12,951.4</b> |

(1) NGL Processing revenue includes \$51.8 million of sales to external customers located in the United States.

(2) Includes loss on disposal of assets.

**Six Months Ended June 30, 2020**

|  | Canada                   |                 |                            |                   |                           | Europe              |           | Total Canadian and European Operations |
|--|--------------------------|-----------------|----------------------------|-------------------|---------------------------|---------------------|-----------|--|
|  | Oil Sands Transportation | NGL Processing  | Conventional Oil Pipelines | Corporate         | Total Canadian Operations | Bulk Liquid Storage |           |  |
| <b>REVENUE</b>                                       |                          |                 |                            |                   |                           |                     |           |  |
| Cost-of-service                                      | \$ 405.0                 | \$ 23.3         | \$ 29.2                    | \$ —              | \$ 457.5                  | \$ 120.4            | \$        | 577.9                                  |
| Fee-based  | —                        | 111.5           | 60.7                       | —                 | 172.2                     | 41.4                |           | 213.6                                  |
| Commodity-based                                      | —                        | 192.4           | —                          | —                 | 192.4                     | —                   |           | 192.4                                  |
| Product margin                                       | —                        | —               | 159.4                      | —                 | 159.4                     | —                   |           | 159.4                                  |
| <b>TOTAL REVENUE<sup>(1)</sup></b>                   | <b>\$ 405.0</b>          | <b>\$ 327.2</b> | <b>\$ 249.3</b>            | <b>\$ —</b>       | <b>\$ 981.5</b>           | <b>\$ 161.8</b>     | <b>\$</b> | <b>1,143.3</b>                         |
| <b>EXPENSES</b>                                      |                          |                 |                            |                   |                           |                     |           |  |
| Cost of sales  | —                        | 157.7           | 150.2                      | —                 | 307.9                     | —                   |           | 307.9                                  |
| Operating  | 69.7                     | 88.7            | 35.2                       | —                 | 193.6                     | 72.6                |           | 266.2                                  |
| Depreciation and amortization                        | 55.8                     | 48.3            | 12.8                       | 15.4              | 132.3                     | 41.4                |           | 173.7                                  |
| Financing charges                                    | 14.5                     | 0.7             | 0.6                        | 79.6              | 95.4                      | 2.7                 |           | 98.1                                   |
| General and administrative                           | 15.3                     | —               | —                          | 42.7              | 58.0                      | 17.0                |           | 75.0                                   |
| Loss on disposal of assets                           | 2.0                      | 5.6             | 4.3                        | —                 | 11.9                      | 1.8                 |           | 13.7                                   |
| <b>TOTAL EXPENSES</b>                                | <b>157.3</b>             | <b>301.0</b>    | <b>203.1</b>               | <b>137.7</b>      | <b>799.1</b>              | <b>135.5</b>        |           | <b>934.6</b>                           |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>             | <b>247.7</b>             | <b>26.2</b>     | <b>46.2</b>                | <b>(137.7)</b>    | <b>182.4</b>              | <b>26.3</b>         |           | <b>208.7</b>                           |
| Income tax expense                                   | —                        | —               | —                          | 49.7              | 49.7                      | 7.4                 |           | 57.1                                   |
| <b>NET INCOME (LOSS)</b>                             | <b>\$ 247.7</b>          | <b>\$ 26.2</b>  | <b>\$ 46.2</b>             | <b>\$ (187.4)</b> | <b>\$ 132.7</b>           | <b>\$ 18.9</b>      | <b>\$</b> | <b>151.6</b>                           |
| Items not involving cash:                            |                          |                 |                            |                   |                           |                     |           |  |
| Depreciation and amortization <sup>(2)</sup>         | 57.8                     | 53.9            | 17.1                       | 15.4              | 144.2                     | 43.2                |           | 187.4                                  |
| Non-cash expense (recovery)                          | 0.8                      | 0.2             | (0.4)                      | (2.4)             | (1.8)                     | 0.9                 |           | (0.9)                                  |
| Deferred income tax expense                          | —                        | —               | —                          | 47.8              | 47.8                      | 6.0                 |           | 53.8                                   |
| <b>FUNDS FROM (USED IN) OPERATIONS</b>               | <b>\$ 306.3</b>          | <b>\$ 80.3</b>  | <b>\$ 62.9</b>             | <b>\$ (126.6)</b> | <b>\$ 322.9</b>           | <b>\$ 69.0</b>      | <b>\$</b> | <b>391.9</b>                           |
| <b>EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT</b> | <b>\$ 8.6</b>            | <b>\$ 511.9</b> | <b>\$ 37.8</b>             | <b>\$ 10.8</b>    | <b>\$ 569.1</b>           | <b>\$ 30.7</b>      | <b>\$</b> | <b>599.8</b>                           |

(1) NGL Processing revenue includes \$68.2 million of sales to external customers located in the United States.

(2) Includes loss on disposal of assets.



## Six Months Ended June 30, 2019

|  | Canada                   |                 |                            |                   |                           | Europe              |           | Total Canadian and European Operations |
|--|--------------------------|-----------------|----------------------------|-------------------|---------------------------|---------------------|-----------|--|
|  | Oil Sands Transportation | NGL Processing  | Conventional Oil Pipelines | Corporate         | Total Canadian Operations | Bulk Liquid Storage |           |  |
| <b>REVENUE</b>                                       |                          |                 |                            |                   |                           |                     |           |  |
| Cost-of-service                                      | \$ 401.1                 | \$ 24.6         | \$ 28.0                    | \$ —              | \$ 453.7                  | \$ 100.2            | \$        | 553.9                                  |
| Fee-based  | —                        | 115.6           | 71.6                       | —                 | 187.2                     | 43.3                |           | 230.5                                  |
| Commodity-based                                      | —                        | 239.6           | —                          | —                 | 239.6                     | —                   |           | 239.6                                  |
| Product margin                                       | —                        | —               | 276.5                      | —                 | 276.5                     | —                   |           | 276.5                                  |
| <b>TOTAL REVENUE<sup>(1)</sup></b>                   | <b>\$ 401.1</b>          | <b>\$ 379.8</b> | <b>\$ 376.1</b>            | <b>\$ —</b>       | <b>\$ 1,157.0</b>         | <b>\$ 143.5</b>     | <b>\$</b> | <b>1,300.5</b>                         |
| <b>EXPENSES</b>                                      |                          |                 |                            |                   |                           |                     |           |  |
| Cost of sales  | —                        | 141.4           | 254.6                      | —                 | 396.0                     | —                   |           | 396.0                                  |
| Operating  | 72.6                     | 98.0            | 36.2                       | —                 | 206.8                     | 70.9                |           | 277.7                                  |
| Depreciation and amortization                        | 45.5                     | 45.0            | 11.6                       | 14.7              | 116.8                     | 40.5                |           | 157.3                                  |
| Financing charges                                    | 19.4                     | 1.4             | 0.6                        | 66.2              | 87.6                      | 2.8                 |           | 90.4                                   |
| General and administrative                           | 12.3                     | —               | —                          | 55.0              | 67.3                      | 16.7                |           | 84.0                                   |
| Loss on disposal of assets                           | 0.8                      | 1.2             | —                          | —                 | 2.0                       | 0.3                 |           | 2.3                                    |
| <b>TOTAL EXPENSES</b>                                | <b>150.6</b>             | <b>287.0</b>    | <b>303.0</b>               | <b>135.9</b>      | <b>876.5</b>              | <b>131.2</b>        |           | <b>1,007.7</b>                         |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>             | <b>250.5</b>             | <b>92.8</b>     | <b>73.1</b>                | <b>(135.9)</b>    | <b>280.5</b>              | <b>12.3</b>         |           | <b>292.8</b>                           |
| Income tax recovery                                  | —                        | —               | —                          | (64.3)            | (64.3)                    | (1.5)               |           | (65.8)                                 |
| <b>NET INCOME (LOSS)</b>                             | <b>\$ 250.5</b>          | <b>\$ 92.8</b>  | <b>\$ 73.1</b>             | <b>\$ (71.6)</b>  | <b>\$ 344.8</b>           | <b>\$ 13.8</b>      | <b>\$</b> | <b>358.6</b>                           |
| Items not involving cash:                            |                          |                 |                            |                   |                           |                     |           |  |
| Depreciation and amortization <sup>(2)</sup>         | 46.3                     | 46.2            | 11.6                       | 14.7              | 118.8                     | 40.8                |           | 159.6                                  |
| Non-cash expense (recovery)                          | 0.5                      | 1.1             | (1.0)                      | (1.5)             | (0.9)                     | 1.1                 |           | 0.2                                    |
| Deferred income tax recovery                         | —                        | —               | —                          | (64.7)            | (64.7)                    | (2.0)               |           | (66.7)                                 |
| <b>FUNDS FROM (USED IN) OPERATIONS</b>               | <b>\$ 297.3</b>          | <b>\$ 140.1</b> | <b>\$ 83.7</b>             | <b>\$ (123.1)</b> | <b>\$ 398.0</b>           | <b>\$ 53.7</b>      | <b>\$</b> | <b>451.7</b>                           |
| <b>EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT</b> | <b>\$ 64.9</b>           | <b>\$ 571.5</b> | <b>\$ 46.6</b>             | <b>\$ 6.7</b>     | <b>\$ 689.7</b>           | <b>\$ 21.4</b>      | <b>\$</b> | <b>711.1</b>                           |

(1) NGL Processing revenue includes \$91.9 million of sales to external customers located in the United States.

(2) Includes loss on disposal of assets.

## 4. PROPERTY, PLANT AND EQUIPMENT

|  | Pipelines,<br>Facilities and<br>Equipment | Construction<br>Work in<br>Progress | Leased to<br>Others | Total              |
|--|---|-------------------------------------|---------------------|--------------------|
| <b>COST</b>  |   |                                     |                     |                    |
| Balance, January 1, 2019                             | \$ 9,556.4                                | \$ 1,288.0                          | \$ 1,534.2          | \$ 12,378.6        |
| Additions/transfers from construction <sup>(1)</sup> | 414.8                                     | 1,645.5                             | 44.3                | 2,104.6            |
| Disposals/completed construction <sup>(1)</sup>      | (38.4)                                    | (444.3)                             | (4.8)               | (487.5)            |
| Foreign currency translation adjustments             | (2.8)                                     | (0.6)                               | (80.3)              | (83.7)             |
| Balance, December 31, 2019                           | 9,930.0                                   | 2,488.6                             | 1,493.4             | 13,912.0           |
| Additions/transfers from construction <sup>(1)</sup> | 322.8                                     | 647.7                               | 9.4                 | 979.9              |
| Disposals/completed construction <sup>(1)</sup>      | (20.4)                                    | (331.3)                             | (3.0)               | (354.7)            |
| Foreign currency translation adjustments             | (3.3)                                     | 1.1                                 | 38.1                | 35.9               |
| <b>Balance, June 30, 2020</b>                        | <b>\$ 10,229.1</b>                        | <b>\$ 2,806.1</b>                   | <b>\$ 1,537.9</b>   | <b>\$ 14,573.1</b> |
| <b>ACCUMULATED DEPRECIATION</b>                      |   |                                     |                     |                    |
| Balance, January 1, 2019                             | \$ 1,538.4                                | \$ —                                | \$ 382.4            | \$ 1,920.8         |
| Depreciation   | 198.4                                     | —                                   | 69.0                | 267.4              |
| Disposals  | (15.4)                                    | —                                   | (3.8)               | (19.2)             |
| Foreign currency translation adjustments             | (0.1)                                     | —                                   | (14.7)              | (14.8)             |
| Balance, December 31, 2019                           | 1,721.3                                   | —                                   | 432.9               | 2,154.2            |
| Depreciation   | 114.7                                     | —                                   | 34.2                | 148.9              |
| Disposals  | (8.1)                                     | —                                   | (1.2)               | (9.3)              |
| Foreign currency translation adjustments             | (0.2)                                     | —                                   | 7.6                 | 7.4                |
| <b>Balance, June 30, 2020</b>                        | <b>\$ 1,827.7</b>                         | <b>\$ —</b>                         | <b>\$ 473.5</b>     | <b>\$ 2,301.2</b>  |
| <b>NET BOOK VALUE</b>                                |   |                                     |                     |                    |
| As at December 31, 2019                              | \$ 8,208.7                                | \$ 2,488.6                          | \$ 1,060.5          | \$ 11,757.8        |
| <b>As at June 30, 2020</b>                           | <b>\$ 8,401.4</b>                         | <b>\$ 2,806.1</b>                   | <b>\$ 1,064.4</b>   | <b>\$ 12,271.9</b> |

(1) The majority of property, plant and equipment additions are related to constructed assets and are initially recorded as construction work in progress before being transferred to pipelines, facilities and equipment, or classified as leased to others, when the related asset is available for use.

At June 30, 2020, Inter Pipeline had \$362.6 million of contractual commitments for property, plant and equipment.

## 5. DIVIDENDS TO SHAREHOLDERS

| <i>(millions, except per share amounts)</i>  | Three Months Ended June 30 |           | Six Months Ended June 30 |           |
|--|----------------------------|-----------|--------------------------|-----------|
|  | 2020                       | 2019      | 2020                     | 2019      |
| Dividends declared on common shares  | \$ 51.5                    | \$ 175.7  | \$ 232.6                 | \$ 349.6  |
| Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan | (33.3)                     | (87.9)    | (125.7)                  | (176.7)   |
| Cash dividends paid on common shares   | \$ 18.2                    | \$ 87.8   | \$ 106.9                 | \$ 172.9  |
| Dividends declared per share   | \$ 0.1200                  | \$ 0.4275 | \$ 0.5475                | \$ 0.8550 |

As at June 30, 2020, dividends of \$17.1 million were payable on 429.2 million outstanding common shares at \$0.04 per share (December 31, 2019 - \$60.0 million payable on 420.7 million outstanding common shares at \$0.1425 per share).

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On July 9, 2020, Inter Pipeline declared dividends of \$0.04 per share. The dividends will be paid on or about August 14, 2020, to shareholders of record on July 22, 2020. The total declared dividends are \$17.1 million.

## 6. FINANCIAL DEBT

The following table summarizes Inter Pipeline's financial debt as at June 30, 2020 and December 31, 2019:

|  | June 30<br>2020 | December 31<br>2019 |
|--|-----------------|---------------------|
| Corridor syndicated credit facility  | \$ 1,326.2      | \$ 1,205.1          |
| Inter Pipeline syndicated credit facilities  | —               | 18.0                |
| Inter Pipeline term credit facility  | 500.0           | 500.0               |
| Corridor debentures  | —               | 150.0               |
| Medium-term notes  | 4,025.0         | 3,325.0             |
| Subordinated hybrid notes  | 1,450.0         | 1,450.0             |
| Demand facilities <sup>(1)</sup>   | 18.1            | 21.4                |
| Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts) | 7,319.3         | 6,669.5             |
| Less: Short-term debt, current portion of long-term debt and commercial paper <sup>(2)</sup>     | (2,169.3)       | (2,376.5)           |
| Long-term debt excluding transaction costs and discounts   | 5,150.0         | 4,293.0             |
| Transaction costs, net of accumulated amortization   | (36.0)          | (28.8)              |
| Discount, net of accumulated amortization  | (2.1)           | (3.7)               |
| Add: Current portion of transaction costs and discounts  | 3.7             | 7.1                 |
| Long-term debt   | 5,115.6         | 4,267.6             |
| Short-term debt and current portion of long-term debt including transaction costs and discounts  | 842.9           | 1,170.1             |
| Commercial paper including transaction costs and discounts <sup>(2)</sup>                        | 1,322.7         | 1,199.3             |
| Financial debt   | \$ 7,281.2      | \$ 6,637.0          |

(1) At June 30, 2020, letters of credit totaling \$11.1 million (December 31, 2019 - \$11.3 million) have been issued under Inter Pipeline's demand facility; however, no amounts have been borrowed against the facility at June 30, 2020 (December 31, 2019 - \$nil).

(2) Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Corridor syndicated credit facility that has no repayment requirements until December 2023.

On February 3, 2020, the \$150 million 4.897% Corridor debentures matured and were repaid.

On April 24, 2020, Inter Pipeline entered into a new \$1.0 billion unsecured revolving credit facility. The facility has an initial term of 16 months which can be extended under certain conditions. Fees on amounts borrowed are based on bankers' acceptances plus an applicable margin. Other terms and conditions are substantially similar with Inter Pipeline's existing \$1.5 billion syndicated credit facility. At June 30, 2020, no amounts were drawn against this facility.

On April 24, 2020, Inter Pipeline extended the maturity date of the \$500 million term credit facility to August 13, 2022.

On June 1, 2020, Inter Pipeline issued \$700 million of medium-term notes in the Canadian public debt market. The \$700 million, Series 11, due June 1, 2027, bears a fixed interest rate of 4.232% per annum, payable semi-annually in equal instalments in arrears. Net proceeds were used to reduce indebtedness under Inter Pipeline's \$1.5 billion syndicated credit facility and to repay \$500 million of Series 4 medium-term notes that matured July 20, 2020.

## 7. EMPLOYEE BENEFITS

|                                    | June 30<br>2020 | December 31<br>2019 |
|------------------------------------|-----------------|---------------------|
| Long-term incentive plan liability | \$ 4.8          | \$ 12.7             |
| Pension liability                  | 7.8             | 8.8                 |
| Employee benefits                  | \$ 12.6         | \$ 21.5             |

For the three and six months ended June 30, 2020, employee benefits expense recognized in net income was \$64.6 million and \$106.0 million, respectively (three and six months ended June 30, 2019 - \$54.9 million and \$116.4 million, respectively).

### Long-Term Incentive Plan Liability

#### Restricted Share Units

The following table summarizes the status of Inter Pipeline's Restricted Share Units (RSUs) as at June 30, 2020, and December 31, 2019:

| <i>(thousands)</i>            | Number of RSUs |
|-------------------------------|----------------|
| Balance, January 1, 2019      | 1,259.1        |
| Granted                       | 1,231.8        |
| Exercised                     | (572.4)        |
| Forfeited                     | (107.8)        |
| Balance, December 31, 2019    | 1,810.7        |
| Granted                       | 1,266.2        |
| Exercised                     | (116.4)        |
| Forfeited                     | (20.3)         |
| <b>Balance, June 30, 2020</b> | <b>2,940.2</b> |

At June 30, 2020, the current portion of the liability included in accounts payable, accrued liabilities and provisions was \$19.8 million (December 31, 2019 - \$31.0 million). At June 30, 2020, 671.6 thousand RSUs are exercisable (December 31, 2019 - 788.3 thousand). Inter Pipeline's five day simple average closing share price at June 30, 2020, was \$12.39 (December 31, 2019 - \$22.61).

The total intrinsic value of RSUs vested and not exercised as at June 30, 2020 was \$10.5 million (December 31, 2019 - \$19.6 million).

The weighted average remaining contractual life of the outstanding RSUs as at June 30, 2020, was 1.7 years (December 31, 2019 - 1.7 years).

For the three months ended June 30, 2020, RSU costs of \$1.9 million were included in operating expenses and \$6.4 million were included in general and administrative expenses (three months ended June 30, 2019 - costs of \$0.7 million and \$2.7 million, respectively), before allocations to capital projects. For the six months ended June 30, 2020, RSU recoveries of \$1.0 million were included in operating expenses and \$3.7 million were included in general and administrative expenses (six months ended June 30, 2019 - costs of \$2.6 million and \$8.8 million, respectively), before allocations to capital projects.

## Performance Share Units

The following table summarizes the status of Inter Pipeline's Performance Share Units (PSUs) as at June 30, 2020, and December 31, 2019:

| (thousands)                       | Number of PSUs |
|-----------------------------------|----------------|
| Balance, January 1, 2019          | 243.9          |
| Granted                           | 207.3          |
| Exercised                         | (112.8)        |
| <b>Balance, December 31, 2019</b> | <b>338.4</b>   |
| Granted                           | 199.0          |
| Exercised                         | —              |
| <b>Balance, June 30, 2020</b>     | <b>537.4</b>   |

At June 30, 2020, the current portion of the liability included in accounts payable, accrued liabilities and provisions was \$0.4 million (December 31, 2019 - \$2.7 million). Inter Pipeline's 20 trading day volume weighted average share price at June 30, 2020 was \$12.80 (December 31, 2019 - \$22.31).

The weighted average remaining contractual life of the outstanding PSUs as at June 30, 2020, was 1.6 years (December 31, 2019 - 1.2 years).

For the three and six months ended June 30, 2020, PSU costs of \$nil and recoveries of \$1.3 million were included in general and administrative expenses, respectively (three and six months ended June 30, 2019 - costs of \$0.2 million and \$0.5 million, respectively).

## 8. SHAREHOLDERS' EQUITY

### a) Issued, Fully Paid and Outstanding

| (millions)  | Number of<br>Common Shares | Share Capital  |
|---|----------------------------|----------------|
| Balance, January 1, 2019                                      | 403.8                      | \$ 4,541.2     |
| Issued under Premium Dividend™ and Dividend Reinvestment Plan | 16.9                       | 359.1          |
| <b>Balance, December 31, 2019</b>                             | <b>420.7</b>               | <b>4,900.3</b> |
| Issued under Premium Dividend™ and Dividend Reinvestment Plan | 8.5                        | 125.7          |
| Stated capital adjustment                                     | —                          | (5,026.0)      |
| <b>Balance, June 30, 2020</b>                                 | <b>429.2</b>               | <b>\$ —</b>    |

### b) Premium Dividend™ and Dividend Reinvestment Plan

Effective March 30, 2020, Inter Pipeline suspended the Premium Dividend™ and Dividend Reinvestment Plan indefinitely.

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### c) Calculation of Net Income per Common Share

| <i>(millions, except per share amounts)</i>                | Three Months Ended June 30 |          | Six Months Ended June 30 |          |
|--|----------------------------|----------|--------------------------|----------|
|  | 2020                       | 2019     | 2020                     | 2019     |
| Net income – basic and diluted                             | \$ 62.5                    | \$ 260.3 | \$ 151.6                 | \$ 358.6 |
| Weighted average shares outstanding – basic                | 428.6                      | 410.3    | 425.8                    | 408.2    |
| Effect of Premium Dividend™ and Dividend Reinvestment Plan | 0.6                        | 1.1      | 1.0                      | 1.0      |
| Weighted average shares outstanding – diluted              | 429.2                      | 411.4    | 426.8                    | 409.2    |
| Net income per common share – basic and diluted            | \$ 0.15                    | \$ 0.63  | \$ 0.36                  | \$ 0.88  |

### d) Stated Capital Adjustment

On May 7, 2020, shareholders of Inter Pipeline approved a resolution to reduce Inter Pipeline's stated capital to \$1.00 without payment effective as of May 31, 2020. As a result, Inter Pipeline's share capital was reduced by \$5,026.0 million. This stated capital adjustment did not result in changes to Inter Pipeline's total shareholders' equity, only components therein.

## 9. COMMITMENTS AND CONTINGENCIES

Inter Pipeline had operating purchase commitments totaling approximately \$2,971.6 million at June 30, 2020. Refer to note 4 for committed property, plant and equipment expenditures.

Inter Pipeline is involved in a limited number of legal claims which arise in the normal course of business. While the final outcomes of such claims cannot be predicted with certainty and could have a material effect on its consolidated financial statements, Inter Pipeline believes its positions are supportable and it has not currently recognized a provision in its consolidated financial statements for any potential losses, which it has evaluated as being remote.

## 10. CAPITAL DISCLOSURES

Capital under management includes financial debt and shareholders' equity.

At June 30, 2020, Inter Pipeline had access to committed credit facilities totaling \$4,550.0 million, of which \$2,723.8 million remained unutilized. Inter Pipeline also had access to demand facilities of \$167.3 million, of which \$138.1 million remained unutilized. Certain facilities are available to specific subsidiaries of Inter Pipeline.

Inter Pipeline was compliant with all financial covenants throughout each of the periods presented.

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## 11. FINANCIAL INSTRUMENTS

### a) Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at June 30, 2020, are classified as follows:

|  | Amortized Cost | Non-Financial Asset or Liability <sup>(1)</sup> | Carrying Value of Asset or Liability |
|--|----------------|---|--------------------------------------|
| <b>Assets<sup>(2)</sup></b>  |                |   |                                      |
| Cash and cash equivalents  | \$ 288.5       | \$ —  | \$ 288.5                             |
| Accounts receivable  | 277.2          | 14.8  | 292.0                                |
| Prepaid expenses and other assets  | 0.2            | 50.9  | 51.1                                 |
| <b>Liabilities</b>   |                |   |                                      |
| Dividends payable  | \$ 17.1        | \$ —  | \$ 17.1                              |
| Accounts payable, accrued liabilities and provisions                         | 515.5          | 63.5  | 579.0                                |
| Deferred revenue and other liabilities                                       | 14.2           | 28.3  | 42.5                                 |
| Long-term debt, short-term debt and commercial paper (note 6) <sup>(3)</sup> | 7,319.3        | —   | 7,319.3                              |

(1) Not all components of assets and liabilities meet the definition of a financial asset or liability.

(2) Inter Pipeline does not have any assets that meet the definition of "fair value through profit or loss" or "fair value through other comprehensive income".

(3) Carrying values exclude transaction costs, discount and accumulated amortization.

### b) Fair Value of Fixed Rate Debt

At June 30, 2020, the carrying values of fixed rate debt compared to fair values are as follows:

|                           | Carrying Value <sup>(1)</sup> | Fair Value |
|---------------------------|-------------------------------|------------|
| Medium-term notes         | \$ 4,025.0                    | \$ 4,067.2 |
| Subordinated hybrid notes | \$ 1,450.0                    | \$ 1,327.2 |

(1) Carrying value excludes transaction costs, discount and accumulated amortization.

The estimated fair value of fixed rate debt has been determined based on available market information and appropriate valuation methods, including the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The actual amounts realized may differ from these estimates.

## 12. RISK MANAGEMENT

Inter Pipeline is exposed to a number of inherent financial risks arising in the normal course of operations which include market risk related to interest rates, commodity prices and foreign currency exchange rates, credit risk and liquidity risk.

### a) Market Risk

Based on the variable rate debt obligations outstanding at June 30, 2020, a 1% change in interest rates at this date would have changed interest expense for the three and six months ended June 30, 2020, by approximately \$4.6 million and \$9.2 million, respectively, assuming all other variables remain constant. Of this amount, \$3.3 million and \$6.6 million for the three and six months ended June 30, 2020, relates to the Corridor syndicated credit facility (note 6) and is recoverable through the terms of the Corridor Firm Service Agreement; therefore, the after-tax income impact for the three and six months ended June 30, 2020, would be \$1.0 million and \$2.0 million, respectively. 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 June 30, 2020, there were no interest rate or cross-currency swap agreements outstanding.

Inter Pipeline is exposed to commodity price risk on crude oil, natural gas, NGL, paraffinic and olefinic products. As at June 30, 2020, there were no commodity price derivative financial instruments outstanding.

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 June 30, 2020, there were no foreign exchange hedges outstanding.

## b) Credit Risk

Credit risk exposure relates primarily to the non-performance of Inter Pipeline's customer and financial counterparties. Inter Pipeline believes that the credit risk arising from cash and cash equivalents is minimal as these financial assets are predominantly held with major financial institutions. At June 30, 2020, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval, ongoing monitoring procedures and historical experience. However, with the uncertainty surrounding COVID-19 and recent market volatility, Inter Pipeline has increased the scrutiny and diligence applied to credit monitoring procedures.

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 June 30, 2020, lifetime expected credit losses for accounts receivable outstanding were insignificant.

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 June 30, 2020, accounts receivable associated with these two business segments was \$200.1 million or 68.5% 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.

## c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at June 30, 2020, on an undiscounted basis:

|   | Total             | Less Than<br>One Year | One to Five<br>Years | After Five<br>Years |
|---|-------------------|-----------------------|----------------------|---------------------|
| Dividends payable   | \$ 17.1           | \$ 17.1               | \$ —                 | \$ —                |
| Accounts payable, accrued liabilities and provisions                | 579.0             | 579.0                 | —                    | —                   |
| Lease liabilities   | 306.7             | 26.8                  | 95.9                 | 184.0               |
| Deferred revenue and other liabilities                              | 42.5              | 11.3                  | 22.3                 | 8.9                 |
| Long-term debt, short-term debt and commercial paper <sup>(1)</sup> | 7,319.3           | 2,169.3               | 2,050.0              | 3,100.0             |
| <b>Total</b>  | <b>\$ 8,264.6</b> | <b>\$ 2,803.5</b>     | <b>\$ 2,168.2</b>    | <b>\$ 3,292.9</b>   |

(1) Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Corridor syndicated credit facility that has no repayment requirements until December 2023.



## 13. FINANCING CHARGES

|  | Three Months Ended June 30 |         | Six Months Ended June 30 |         |
|--|----------------------------|---------|--------------------------|---------|
|  | 2020                       | 2019    | 2020                     | 2019    |
| Interest expense on:                                     |                            |         |                          |         |
| Credit facilities  | \$ 11.8                    | \$ 11.6 | \$ 24.3                  | \$ 27.1 |
| Corridor debentures                                      | —                          | 1.9     | 0.6                      | 3.7     |
| Medium-term notes  | 32.4                       | 29.9    | 62.3                     | 59.8    |
| Subordinated hybrid notes                                | 24.5                       | 12.8    | 49.0                     | 13.7    |
| Lease liabilities  | 2.1                        | 2.2     | 4.2                      | 4.4     |
| Total Interest   | 70.8                       | 58.4    | 140.4                    | 108.7   |
| Capitalized interest                                     | (24.6)                     | (13.0)  | (47.9)                   | (23.1)  |
| Amortization of transaction costs on financial debt      | 1.7                        | 1.0     | 2.8                      | 1.9     |
| Accretion of provisions and pension plan funding charges | 1.5                        | 1.6     | 2.8                      | 2.9     |
| Financing charges  | \$ 49.4                    | \$ 48.0 | \$ 98.1                  | \$ 90.4 |