Management's Discussion and Analysis

For the three months ended March 31, 2020

FORWARD-LOOKING INFORMATION

The following **Management's Discussion and Analysis (MD&A)** highlights Inter Pipeline Ltd. and its subsidiaries' (collectively, Inter Pipeline) operating and financial results for the three months ended March 31, 2020, 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. This MD&A contains certain forward-looking statements or information (collectively referred to as forward-looking statements) within the meaning of applicable securities legislation. All statements, other than statements of historical fact included in the MD&A, which address activities, events or developments that Inter Pipeline expects or anticipates to occur in the future, are forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expect", continue, estimate, believe, project, forecast, plan, intend, target, outlook, focus, could and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A may include, but are not limited to, statements regarding: 1) the stability of Inter Pipeline's business and current level of dividends to its shareholders; 2) Inter Pipeline being able to maintain its financial liquidity to fund its ongoing business activities; 3) Inter Pipeline's access to additional financial resources; 4) Inter Pipeline's customer base being diverse and supported by creditworthy counterparties; 5) financial forecasts or anticipated financial performance; 6) timing, estimates, cost and anticipated benefits of capital projects (including the Heartland Petrochemical Complex, expansion of the crude terminal near Stettler, and the Viking Connector pipeline); 7) capital expenditure forecasts and financing plans for such expenditures; and 8) the plans and forecasts described under the OUTLOOK section, including the potential of securing a partner to take a material interest in the Heartland Petrochemical Complex, Inter Pipeline's financial resilience being underpinned by the long-term, stable cash flow that is generated by its oil sands transportation business, the expected demand for storage infrastructure in Europe and the exceptions of Inter Pipeline's diversified asset portfolio to produce long-term and predicable cash flows from predominately high-quality customers. 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 statements or may affect the operations, performance, development and results of Inter Pipeline's businesses include, among other things: risks and assumptions associated with operations, such as Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits therefrom, including the further development of its pipeline systems and other facilities or projects including the construction of the Heartland Petrochemical Project; assumptions concerning operational reliability; Inter Pipeline's ability to maintain its investment grade credit ratings; risks and uncertainties associated with Inter Pipeline's ability to maintain its current level of cash dividends to its shareholders; assumptions based upon Inter Pipeline's current guidance including projected future EBITDA levels; the ability to access sufficient capital from internal and external sources including debt and equity capital; risks inherent in Inter Pipeline's Canadian and foreign operations; Inter Pipeline's ability to generate sufficient cash flow from operations to meet its current and future obligations; the potential delays of and costs of overruns on construction projects, including, but not limited to Inter Pipeline's current and future projects; risks associated with the failure to finalize formal agreements with counterparties in circumstances; Inter Pipeline's ability to make capital investments and the amounts of capital investments; increases in maintenance, operating or financing costs; the realization of the anticipated benefits of acquisitions; the availability and price of labour, equipment and construction materials; the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its affiliates; availability of energy commodities; volatility of and assumptions regarding prices of energy commodities; competitive factors, including competition from third parties in the areas in which Inter Pipeline operates or intends to operate, pricing pressures and supply and demand in the natural gas, propane and oil transportation, natural gas liquids extraction and storage industries; fluctuations in currency and interest rates; inflation; risks of war, hostilities, civil insurrection, pandemics (including COVID-19), instability and political and economic conditions in or affecting countries in which Inter Pipeline and its affiliates operate; severe weather conditions and risks related to climate change; terrorist threats; risks associated with technology; 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; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals or land access rights and maintenance of support of such approvals and rights; the effects and impacts of the COVID-19 pandemic as further described in this MD&A under the section RISK FACTORS and the supply conflict between the Organization of Petroleum Exporting Countries and other oil producing countries over production restrictions which have also impacted crude oil prices, resulting in increased global supply, the extent and duration of which are uncertain at this time, on Inter Pipeline's business and general economic and business conditions and markets; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. The impact of any one assumption, risk, uncertainty or other factor on a 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. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at www.sedar.com.

The estimates of future EBITDA in this MD&A may be considered to be "future-oriented financial information" or a "financial outlook" under applicable securities laws and are based on the assumptions and factors set out above. The future-oriented financial information and financial outlook contained in this MD&A have been approved by management as of the date of this MD&A. Readers are cautioned that any such financial outlook and future oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

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. The forward-looking statements contained in this MD&A are made as of the date of this document and, except to the extent expressly required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document and all subsequent forward-looking statements, whether written or oral, attributable to Inter Pipeline or persons acting on Inter Pipeline's behalf are expressly qualified in their entirety by these cautionary statements.

CREDIT RATINGS

This MD&A contains references to credit ratings. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Management's Discussion and Analysis

For the three month period ended March 31, 2020

The MD&A provides a detailed explanation of Inter Pipeline's operating and financial results for the three month period ended March 31, 2020, as compared to the three month period ended March 31, 2019. The MD&A should be read in conjunction with the March 31, 2020 unaudited condensed interim financial statements (interim financial statements), the interim financial statements and MD&A for the quarterly period ended March 31, 2019, the audited consolidated financial statements and MD&A for the year ended December 31, 2019, 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

FIRST QUARTER HIGHLIGHTS

- Funds from operations (FFO) totalled $208 million
- Oil sands transportation FFO of $155 million, a five percent increase over first quarter 2019
- Net income for the quarter was $89 million
- Declared cash dividends of $181 million
- Quarterly payout ratio* of 87 percent
- Total pipeline throughput volume averaged 1,527,800 barrels per day (b/d), a 10 percent increase over first quarter 2019
- Bulk Liquid storage utilization averaged 95 percent for the quarter

SUBSEQUENT EVENTS

- Closed a new $1 billion committed credit facility to provide additional financial liquidity
- Updated Heartland Petrochemical Complex cost estimate to $4 billion
- Viking Connector pipeline was placed into service on April 1, on time and on budget
- Dividend reduced and other cost-containment measures identified to improve financial flexibility

*Please refer to the NON-GAAP FINANCIAL MEASURES section

RESULTS OVERVIEW

	Three Months Ended March 31	
(millions, except volume, per share and % amounts)	**2020**	2019
Pipeline volume (000s b/d)		
Oil sands transportation	**1,345.9**	1,199.5
Conventional oil pipelines	**181.9**	187.1
Total pipeline volume	**1,527.8**	1,386.6
NGL processing volume (000s b/d)[(1)]		
Natural gas processing - Ethane	**70.5**	72.2
Natural gas processing - Propane-plus	**46.1**	49.5
Redwater Olefinic Fractionator sales volume	**36.6**	35.5
Total NGL processing volume	**153.2**	157.2
Utilization		
Bulk liquid storage	**95%**	78%
Revenue		
Oil sands transportation	**$ 204.6**	$ 200.7
NGL processing	**171.5**	208.8
Conventional oil pipelines	**146.7**	176.3
Bulk liquid storage	**81.0**	73.1
Total revenue	**$ 603.8**	$ 658.9
Funds from operations		
Oil sands transportation	**$ 154.5**	$ 147.6
NGL processing	**43.2**	68.0
Conventional oil pipelines	**36.6**	34.1
Bulk liquid storage	**34.8**	26.8
Corporate costs	**(61.6)**	(65.0)
Total funds from operations	**$ 207.5**	$ 211.5
Per share[(2)]	**$ 0.49**	$ 0.52
Net income	**$ 89.1**	$ 98.3
Per share – basic and diluted	**$ 0.21**	$ 0.24
Adjusted EBITDA[(2)]	**$ 255.2**	$ 253.1
Dividends to shareholders	**$ 181.1**	$ 173.9
Per share[(3)]	**$ 0.4275**	$ 0.4275
Shares outstanding (basic)		
Weighted average	**422.9**	406.0
End of period	**425.4**	408.2
Capital expenditures		
Growth[(2)]	**$ 311.6**	$ 316.7
Sustaining[(2)]	**4.9**	11.9
Total capital expenditures	**$ 316.5**	$ 328.6
Payout ratio[(2)]	**87.3%**	82.2%

	As at March 31	As at December 31
(millions, except % amounts)	**2020**	2019
Total assets	**$ 13,240.0**	$ 12,951.4
Total debt[(4)]	**$ 6,843.0**	$ 6,669.5
Total equity	**$ 4,147.4**	$ 4,089.3
Enterprise value[(2)]	**$ 10,425.2**	$ 16,153.2
Consolidated net debt to total capitalization[(2)]	**42.3%**	41.3%

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

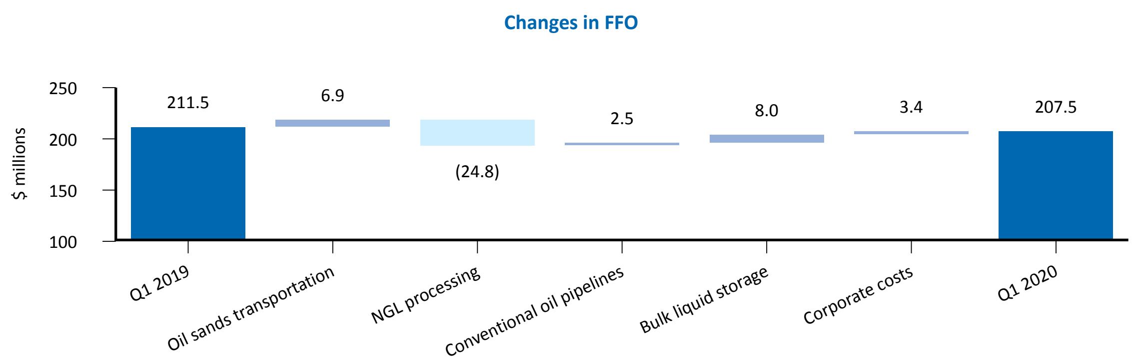
(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

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

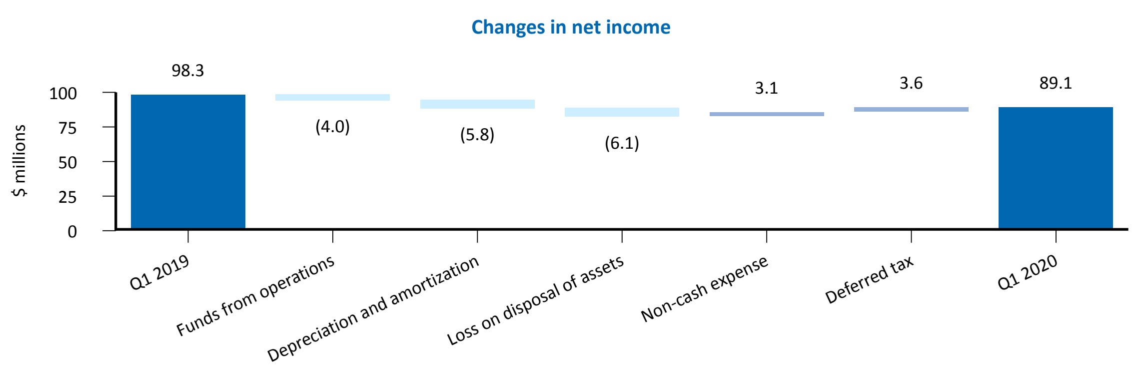
(4) Financial debt reported in the March 31, 2020 interim financial statements of $6,812.2 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,843.0 million less discounts and debt transaction costs of $30.8 million.

Financial performance review

Three Months Ended March 31, 2020



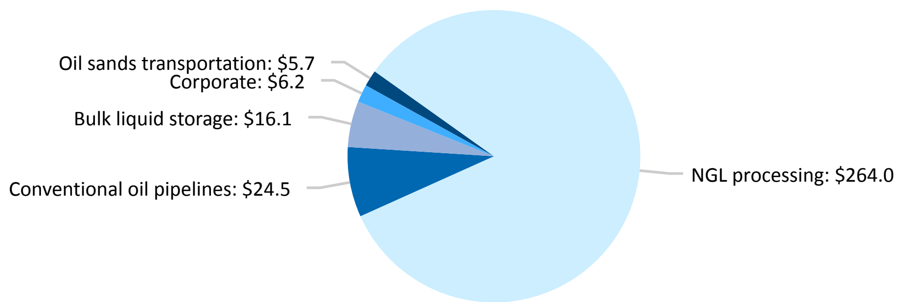
- Inter Pipeline generated FFO of $207.5 million in the current quarter, a 2% decrease from the first quarter of 2019.
- The decrease in the NGL processing business was due to lower frac-spread pricing, partially offset by higher olefinic sales volume.
- Bulk liquid storage FFO increased due to higher demand resulting in increased utilization and contracted rates, particularly in Denmark.
- The increase in oil sands business FFO was due to higher capital fee revenue on both Cold Lake and Polaris pipeline systems.
- The conventional oil pipelines business FFO was relatively consistent quarter over quarter.
- Corporate costs decreased due to lower general and administrative costs, partially offset by higher financing costs on the hybrid debt notes.



- Inter Pipeline’s first quarter net income decreased $9.2 million to $89.1 in 2020.
- Net income was unfavourably impacted by the decrease in FFO, higher depreciation and amortization expense and loss on disposal of assets, partially offset by lower deferred income taxes.
- Total dividends to shareholders increased $7.2 million or 4.1% due to a greater number of common shares outstanding.
- Inter Pipeline's total debt outstanding of $6,843.0 million increased $173.5 million from $6,669.5 million largely as a result of funding capital projects, including the Heartland Petrochemical Complex. Total debt includes non-recourse debt held by Inter Pipeline (Corridor) Inc. of $1,344.5 million, compared to $1,355.1 million at December 31, 2019.

Capital expenditures review

Q1 2020 capital expenditures of $316.5 million by business segment



- For the three months ended March 31, 2020, Inter Pipeline's capital expenditures primarily related to NGL processing, which included construction services and the procurement of materials 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, but the health and safety of our workforce has always been a top priority. That has never been more evident than now, when the novel coronavirus pandemic (COVID-19) as well as a rapid and significant decrease in global energy prices has created unprecedented challenges for our industry, customers and employees.

Inter Pipeline's operations are recognized as an essential service as we manage through the COVID-19 pandemic. Many of our employees continue to work at our pipeline control facilities, NGL extraction and offgas plants, European storage terminals and major project sites, such as the Heartland Petrochemical Complex (HPC). Since the beginning of March, we have taken additional measures to ensure the ongoing health and safety of the workforce, aligning with the recommendations of governments and public health authorities. To date, there have been no reported COVID-19 cases anywhere in Inter Pipeline's global operations.

Inter Pipeline's operations in Canada and Europe have not experienced any significant business disruptions or service issues due to COVID-19, and our business continuity plans continue to be enacted as required. For the past eight weeks, more than 1,200 individuals in our workforce have been successfully working remotely, utilizing technology to continue advancing business activities. We expect our current operating model will continue to allow all critical business activity to function, even as the timeline for a return to more normalized working conditions is undetermined at this time but expected to extend into the second half of 2020.

Heartland Petrochemical Complex

We continue to remain highly focused on executing construction, commercial and operational readiness activities for HPC. Construction at HPC remains active with rigorous sanitation and social distancing controls in place to protect the workforce from COVID-19. To date, there have been no reported COVID-19 cases on our site, however increased precautionary measures have lowered construction staffing and impacted planned productivity. 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.

In the first quarter of 2020, Inter Pipeline spent approximately $255 million, bringing the total project spend since inception to approximately $2.5 billion.

We recently completed a detailed analysis of the remaining capital costs for the PP plant and refreshed the contingency costs for the PDH facility. A full review of project commissioning and startup plans has also been completed and Inter Pipeline has elected to devote additional resources to support these critical activities. Additionally, the COVID-19 pandemic has affected our near-term construction execution plans, which will impact capital costs and may extend the construction schedule. As a result, the estimated cost of HPC has increased by $500 million to approximately $4 billion. The majority of incremental costs are expected to be incurred in 2021 and 2022 and relate to revised PP/PDH design and construction, commissioning and start-up, COVID-19 and additional interest during construction. The project in service date may shift to early 2022, however mitigation plans to address this are under development.

Inter Pipeline recently announced that it began a process to secure a partner to purchase a material interest in HPC in late 2019. It is our view that a partner would benefit from joining a very well-developed world-scale petrochemical project that has substantial commercial advantages, and it would lower Inter Pipeline's overall project concentration exposure. While there can be no certainty that a definitive agreement will be reached, the process remains active and financial advisors have been retained.

In the interim, Inter Pipeline continues to execute HPC on a stand-alone basis and plans to operate under a self-funding equity model. The HPC remains positioned to generate approximately $450 million to $500 million in long-term average annual EBITDA* once it is in-service.

Oil Sands Transportation and Conventional Oil Pipelines

Inter Pipeline's financial resilience is underpinned by the long-term, stable cash flow that is generated by our oil sands transportation business. The majority of shippers in this segment are large, investment grade entities that support 20+ year cost-of-service contracts, which are not materially impacted by throughput volume or commodity price fluctuations. Our largest business segment, is comprised of 100 percent ownership of the Corridor, Cold Lake and Polaris pipeline systems. Average throughput volume for these transportation systems for the first quarter of 2020 was 1,345,900 b/d.

The majority of cash flow from our conventional oil pipeline business is supported by fee-based contracts, with more than 100 producers and shippers within our broad service capture areas. This business consists of the Bow River, Central Alberta and Mid-Saskatchewan pipeline systems. In the first quarter of 2020, these pipeline systems transported an average of 181,900 b/d. In the second quarter of 2020, average throughput volume is expected to be substantially lower as weak crude oil prices, production shut-ins and lack of storage capacity impact volume produced by our shippers.

A milestone in the multi-phase expansion of Inter Pipeline's Central Alberta pipeline system was reached as the new 75-kilometer Viking Connector pipeline was placed into service on April 1, 2020 on time and on budget. The Viking Connector is expected to add approximately 10,000 to 15,000 b/d of throughput volume to the Central Alberta pipeline system during normal operating conditions, providing new access to the Edmonton market hub and additional flexibility for the producers that we serve. We remain on track to complete the construction of two, 130,000 barrel storage tanks at the Stettler Terminal, placing them into service in July 2020 and marking the completion of phase one and phase two of the expansion.

Bulk Liquid Storage

Inter Pipeline's well-contracted bulk liquid storage business is currently exceeding expectations as demand for storage infrastructure continues to improve in Europe. The severe decline of energy related commodity prices and return of strong contango pricing benefited Inter Pipeline's European operations. Demand for product storage is very high and utilization rates were 95 percent

*Please refer to the NON-GAAP FINANCIAL MEASURES section

across this business in the first quarter of 2020 compared to 78 percent for the same period in 2019. 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. During the COVID-19 pandemic, there have been no material disruptions at any of the 23 terminals, which have all remained fully operational.

In the first quarter 2020, a decision was made to suspend the sales process of this business as a result of potential purchasers of this business being significantly affected by the COVID-19 pandemic. While this is not currently the right environment to pursue and complete a major pan-European transaction, we may revisit this process at a later date.

NGL Processing

The cash flow from our NGL processing business is subject to fluctuations in market prices, feedstock flows, and various operational and commercial matters. 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.

Results remain under pressure in this lower commodity price environment, despite relatively strong throughput. Our three major straddle facilities processed approximately 3.38 billion cubic feet of natural gas per day and produced 116,600 b/d of liquids in the first quarter of 2020. The Pioneer I and Pioneer II offgas plants processed an average of 183 million cubic feet of natural gas per day and NGL sales volume from the Redwater Olefinic Fractionator (ROF) averaged 36,600 b/d. There are no major planned turnarounds for this business in 2020.

Financial

In the current challenging market environment, it is critical we maintain financial flexibility to fund our ongoing business. This has resulted in Inter Pipeline undertaking several key measures over the past few months to enhance financial strength and flexibility, including changes to our dividend program, implementing expense reductions and scaling back the 2020 capital program and securing new credit lines.

In March, the Board of Directors conducted a comprehensive review of the dividend policy and approved a reduction to the monthly cash dividend from $0.1425 per share to $0.04 per share, or $0.48 per share on an annualized basis. We also suspended our Premium Dividend™ and Dividend Reinvestment Plan to reduce dilution to shareholders.

The reduction in the dividend results in annualized cash savings of approximately $525 million and allows us to self-fund the remaining equity portion of the financing requirements of HPC. Inter Pipeline holds delivering a meaningful and sustainable dividend to its shareholders as a core business objective and will look for opportunities to increase the dividend in the future as business conditions permit.

In addition to implementing expense reductions organization wide, Inter Pipeline has eliminated certain discretionary expenditures within the 2020 capital program to further protect the balance sheet. This is an on-going process and, as at the end of the first quarter of 2020, the remaining 2020 growth capital* is approximately $675 million for HPC and $100 million in other smaller growth expenditures across the business. A further $50 million is planned for investment in certain sustaining capital* projects. Approximately $317 million of total capital has been spent in the first quarter of 2020.

As of March 31, 2020, Inter Pipeline had significant available capacity on its $1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio* of 42.3%, significantly below the maximum covenant level of 65 percent.

™ Denotes trademark of Canaccord Genuity Corp.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Subsequent to the first quarter, Inter Pipeline entered into a new $1.0 billion unsecured revolving credit facility with a syndicate of key lenders. We also extended the maturity date of our drawn $500 million term loan facility by two years to August 2022. As a result of these financial measures, as at May 5, 2020, Inter Pipeline currently has approximately $2.2 billion of available capacity on its existing revolving credit facilities and significantly reduced its 2020 debt maturities.

Inter Pipeline maintains investment grade credit ratings. Standard & Poor's (S&P) and DBRS Limited (DBRS) have assigned Inter Pipeline a credit rating of BBB- (negative) and BBB (stable), respectively. Inter Pipeline (Corridor) Inc. has investment grade credit ratings of A (low) from DBRS and BBB from S&P, both of which have a stable outlook.

Our diversified asset portfolio is expected to produce long-term and predictable cash flows from predominantly high-quality customers. We are focused on maintaining financial strength and flexibility in the current environment and believe we are well-positioned to generate positive returns for our investors over the long term.

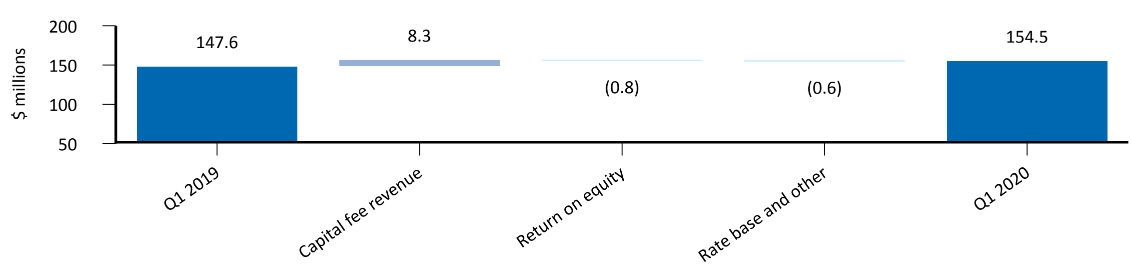
RESULTS OF OPERATIONS

Oil Sands Transportation Business Segment

	Three Months Ended March 31		
Volume (000s b/d)	**2020**	2019	*% Change*
Cold Lake	**654.0**	558.7	*17.1*
Corridor	**404.6**	402.9	*0.4*
Polaris	**287.3**	237.9	*20.8*
	1,345.9	1,199.5	*12.2*
(millions)			
Revenue	**$ 204.6**	$ 200.7	*1.9*
Operating expenses	**$ 37.2**	$ 37.1	*0.3*
Funds from operations	**$ 154.5**	$ 147.6	*4.7*
Capital expenditures			
Growth[(1)]	**$ 5.3**	$ 41.4	
Sustaining[(1)]	**0.4**	1.4	
	$ 5.7	$ 42.8	

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

Changes in FFO
Three months ended March 31, 2020



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 March 31, 2020, average volume transported in the oil sands transportation business increased by 146,400 b/d, compared to the same period in 2019. The increase was primarily related to Canadian Natural's Kirby North, FCCL Partnership's Christina Lake, and Imperial's Kearl oil sands projects.

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 ended March 31, 2020, has increased by $3.9 million, compared to the same period in 2019. The increase was largely due to higher capital fee revenue, partially offset by a lower return on debt, due to a decrease in interest rates during the current period, and a lower return on equity associated with a decrease in the long-term Government of Canada bond rate.

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 remained relatively consistent in the three months ended March 31, 2020, compared to the same period in 2019, as higher power costs were offset by lower integrity costs.

Capital Expenditures

The oil sands transportation business incurred growth capital expenditures* of $5.3 million in the first quarter of 2020, primarily related to the Kirby North project and system enhancement projects on the Corridor and Polaris pipeline systems. Sustaining capital expenditures* of $0.4 million in 2020 primarily related to maintenance 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 March 31							
	2020				2019			
	mmcf/d	*(000s b/d)*			*mmcf/d*	*(000s b/d)*		
Straddle plant	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	**2,467**	**47.2**	**35.0**	**82.2**	2,398	37.9	31.9	69.8
Empress V (100% basis)	**830**	**23.3**	**10.0**	**33.3**	1,055	25.3	12.7	38.0
Empress II	**91**	**—**	**1.1**	**1.1**	403	9.0	4.9	13.9
	3,388	**70.5**	**46.1**	**116.6**	3,856	72.2	49.5	121.7

Offgas processing

	Three Months Ended March 31	
	2020	2019
(mmcf/d)		
Offgas plants throughput volume	**183**	171
(000s b/d)		
Offgas plants production volume	**37.2**	35.7
Redwater Olefinic Fractionator sales volume	**36.6**	35.5
Redwater Olefinic Fractionator volume composition[1]		
Ethane-ethylene	**42%**	40%
Paraffinic NGL		
Propane	**30%**	29%
Normal butane	**7%**	7%
Olefinic NGL		
Polymer grade propylene	**11%**	13%
Alky feed	**7%**	7%
Olefinic condensate	**3%**	4%

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

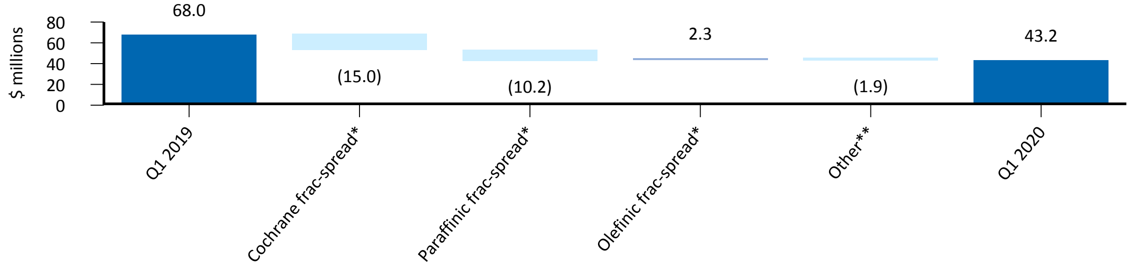
NGL processing financial results

	Three Months Ended March 31		
(millions)	**2020**	2019	*% Change*
Revenue[1]	**$ 171.5**	$ 208.8	*(17.9)*
Cost of sales[1]	**$ 81.7**	$ 87.5	*(6.6)*
Operating expenses[1]	**$ 46.2**	$ 53.0	*(12.8)*
Funds from operations[1]	**$ 43.2**	$ 68.0	*(36.5)*
Capital expenditures[1]			
Growth[2]	**$ 262.4**	$ 253.0	
Sustaining[2]	**1.6**	$ 4.9	
	$ 264.0	$ 257.9	

(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 March 31, 2020



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

Volume

Inter Pipeline's straddle plants processed average natural gas volume of 3,388 million cubic feet per day (mmcf/d) in the current quarter, a decrease of 468 mmcf/d over the comparable period in 2019.

Average natural gas throughput volume at the Cochrane straddle plant increased by 69 mmcf/d in the current quarter, compared to the same period in 2019 due to increased operating efficiencies as a result of upgrades at the Cochrane straddle plant, as well as increased throughput volume 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 225 mmcf/d during the current quarter, compared to the same period in 2019 due to 15 days of unplanned outages during the quarter. Average throughput volume at the Empress II straddle plant in the three months ended March 31, 2020, decreased by 312 mmcf/d, compared to the same period in 2019. The decrease in throughput volume at the Empress II straddle plant 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 depend 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 5,100 b/d, compared to the same period in 2019. The current quarter decrease was primarily due to lower natural gas volume processed at Empress II and Empress V, partially offset by higher ethane and propane-plus volume processed at Cochrane. 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 183 mmcf/d during the three months ended March 31, 2020, compared to 171 mmcf/d during the same period in 2019. Average ethane-plus volume produced from the offgas plants increased 1,500 b/d in the current quarter to 37,200 b/d. The current quarter increase in production was due to the absence of unplanned plant shutdowns and third-party upgrader maintenance activity that occurred during the first quarter of 2019. 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 ended March 31, 2020, increased by 1,100 b/d, compared to the same period in 2019. The current quarter increase was largely due to a full quarter with contractual arrangements relating to the sales and marketing of polymer grade propylene and the absence of rail logistical challenges which impacted olefinic sales volume in the first quarter of 2019, partially offset by lower paraffinic sales volume as a result of decreased propane 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, 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 $37.3 million in the three months ended March 31, 2020, compared to the same period in 2019. The current quarter decrease was primarily due to lower propane-plus, paraffinic and olefinic frac-spread pricing, partially offset by higher olefinic sales volume.

Natural gas processing frac-spread

	Three Months Ended March 31			
(dollars)		**2020**		2019
	USD/USG[1]	*CAD/USG*[1]	*USD/USG*[1]	*CAD/USG*[1]
Cochrane propane-plus market frac-spread	**$ 0.30**	**$ 0.41**	$ 0.59	$ 0.78
Cochrane propane-plus realized frac-spread	**$ 0.31**	**$ 0.42**	$ 0.54	$ 0.72

(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 $0.54 USD/USG in 2019 to $0.31 USD/USG in 2020.

Offgas processing frac-spread

	Three Months Ended March 31			
(dollars)		**2020**		2019
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Offgas olefinic indicative frac-spread	**1.09**	**1.46**	1.31	1.75
Offgas paraffinic indicative frac-spread	**0.34**	**0.45**	0.53	0.70
Offgas olefinic benchmark adjustment	**0.49**	**0.67**	0.63	0.84
Offgas paraffinic benchmark adjustment	**0.21**	**0.29**	0.28	0.37

(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.

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 ended March 31, 2020, paraffinic and olefinic indicative frac-spreads decreased compared to the same period in 2019, due to weaker product pricing. The paraffinic benchmark adjustment decreased in the current quarter due to favourable sales composition relating to normal butane and stronger product differentials for propane. The olefinic benchmark adjustment decreased in the current quarter due to a favourable product sales composition, as a result of a full quarter with contractual arrangements relating to the sales and marketing of polymer grade propylene, and the absence of rail logistical challenges.

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 ended March 31, 2020, cost of

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

sales decreased $5.8 million, compared to the same period in 2019 due to lower daily AECO natural gas prices. Weighted average AECO monthly prices* increased for the three months ended March 31, 2020 to $2.03/GJ, compared to $1.84/GJ in 2019.

Operating Expenses

Operating expenses in the NGL processing business decreased in the three months ended March 31, 2020 by $6.8 million, compared to the same period in 2019. In the current quarter, the straddle plants and offgas processing operating expense decreased $3.6 million and $3.2 million, respectively, compared to the same period in 2019. The decrease was mainly due to lower power costs. Average Alberta power pool prices decreased in the current quarter from $69.46/MWh in 2019 to $67.05/MWh in 2020.

Capital Expenditures

In the current quarter, the NGL processing business incurred total growth capital expenditures*of $262.4 million. Net of the Government of Canada's Strategic Innovation grant received in 2020, $252.7 million was incurred on HPC for construction services and procurement of materials. The remaining growth capital expenditures* of $7.6 million related to various equipment and facility upgrades at the Redwater Olefinic Fractionator. Total sustaining capital expenditures* of $1.6 million in the first quarter of 2020 primarily related to maintenance projects at the Cochrane straddle plant.

Conventional Oil Pipelines Business Segment

	Three Months Ended March 31		
Volume (000s b/d)	**2020**	2019	*% change*
Bow River	**94.4**	98.2	*(3.9)*
Central Alberta	**35.2**	29.7	*18.5*
Mid-Saskatchewan	**52.3**	59.2	*(11.7)*
	181.9	187.1	*(2.8)*

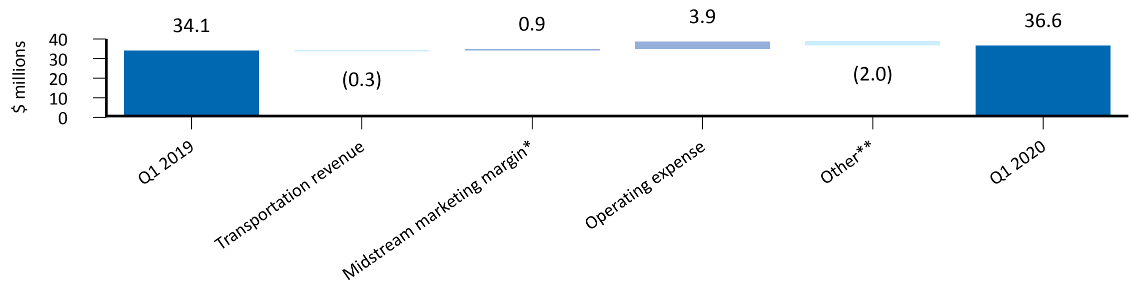
(millions, except per barrel amount)			
Revenue	**$ 146.7**	$ 176.3	*(16.8)*
Cost of sales	**$ 93.0**	$ 121.5	*(23.5)*
Operating expenses	**$ 16.5**	$ 20.4	*(19.1)*
Funds from operations	**$ 36.6**	$ 34.1	*7.3*
Revenue per barrel(1)	**$ 3.07**	$ 2.97	*3.4*
Capital expenditures			
Growth(2)	**$ 24.1**	$ 16.2	
Sustaining(2)	**0.4**	3.5	
	$ 24.5	$ 19.7	

(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.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Changes in FFO
Three months ended March 31, 2020



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

Volume

In the three months ended March 31, 2020, average volume transported on the conventional oil pipeline systems decreased by 5,200 b/d, compared to the same period in 2019. The decrease was primarily related to lower volume on the Mid-Saskatchewan pipeline system and commissioning activities on the Bow River pipeline system related to the Viking Connector, partially offset by volume on the Central Alberta 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 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 decreased in the three months ended March 31, 2020, by $29.6 million, compared to the same period in 2019. Midstream marketing revenue decreased in the current quarter by $29.3 million due to lower light sweet crude oil benchmark pricing. Transportation revenue for the current quarter remained relatively consistent.

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 ended March 31, 2020 decreased $28.5 million, compared to the same period in 2019. The decrease is largely due to lower light sweet crude oil benchmark pricing as well as lower product purchases for product marketing services and blending activities.

Operating Expenses

Conventional oil pipelines operating expenses in the three months ended March 31, 2020 decreased by $3.9 million, compared to the same period in 2019. The decrease is largely due to lower integrity costs in 2020, compared to an accelerated integrity program in the first quarter of 2019.

Capital Expenditures

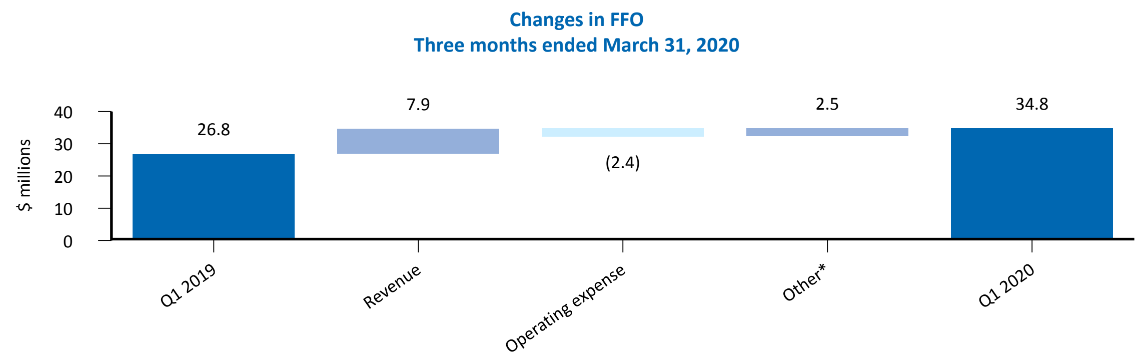
In the first quarter of 2020, the conventional oil pipelines business incurred growth capital expenditures* of $24.1 million, primarily related to pipeline and facility upgrades and expansions on the Bow River and Central Alberta pipeline systems, including the Viking Connector and Stettler Crude Oil Terminal expansion. Sustaining capital expenditures* of $0.4 million in the current quarter primarily related to various improvement projects on the Bow River pipeline system.

Bulk Liquid Storage Business Segment

	Three Months Ended March 31		
	2020	2019	*% Change*
Utilization	**95%**	78%	*21.8*

(millions)			
Revenue	**$ 81.0**	$ 73.1	*10.8*
Operating expenses	**$ 37.8**	$ 35.4	*6.8*
Funds from operations	**$ 34.8**	$ 26.8	*29.9*
Capital expenditures			
Growth[(1)]	**$ 13.6**	$ 6.1	
Sustaining[(1)]	**2.5**	2.0	
	$ 16.1	$ 8.1	

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



* Includes general and administrative expenses, current taxes and financing charges.

Utilization

Average utilization in the bulk liquid storage business increased in the current quarter from 78% in 2019 to 95% in 2020. The increase reflects higher demand for oil product storage, resulting in higher utilization rates, particularly in Denmark.

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.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Revenue from the bulk liquid storage business increased by $7.9 million in the three months ended March 31, 2020, compared to the same period in 2019. The increase was due to higher demand, which led to higher utilization and activity. Foreign currency translation adjustments unfavourably impacted revenue by $1.3 million in the current quarter, compared to the same period in 2019.

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

Foreign Exchange Rates

	Three Months Ended March 31		
(dollars)	**2020**	2019	*% Change*
Euro/CAD	**1.4826**	1.5098	*(1.8)*
Pound Sterling/CAD	**1.7184**	1.7316	*(0.8)*

Operating Expenses

Bulk liquid storage operating expenses increased $2.4 million in the three months ended March 31, 2020, compared to the same period in 2019. The increase in operating costs was primarily attributable to higher activity levels in Denmark. However, this was somewhat offset by foreign exchange favourably impacting operating expenses by $0.6 million in the current quarter, compared to the same period in 2019.

Capital Expenditures

In the current quarter, the bulk liquid storage business incurred total growth capital expenditures* of $13.6 million, primarily related to tank life extension and enhancements. Total sustaining capital expenditures* in the current quarter of $2.5 million, primarily related to infrastructure renovations, safety improvement projects, environmental enhancement initiatives, automation and financial system upgrade projects.

Other Expenses

	Three Months Ended March 31	
(millions)	**2020**	2019
Depreciation and amortization	**$ 85.5**	$ 79.7
Income tax expense	**$ 34.1**	$ 37.7
Financing charges	**$ 48.7**	$ 42.4
General and administrative	**$ 27.5**	$ 45.5
Loss on disposal of assets	**$ 6.5**	$ 0.4

Depreciation and Amortization

Depreciation and amortization of tangible and intangible assets for the three months ended March 31, 2020, increased $5.8 million, compared to the same period in 2019. The current quarter increase is largely a result of new assets now in service, as well as accelerated depreciation of certain assets in the oil sands transportation business.

Income Tax Expense

In the three months ended March 31, 2020, consolidated income tax expense decreased $3.6 million, compared to the same period in 2019. Consolidated income tax is the sum of current income tax and deferred income tax.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Current income tax in the current quarter has remained consistent, compared to the same period in 2019.

In the three months ended March 31, 2020, deferred income tax decreased $3.6 million, compared to the same period in 2019. The current quarter decrease is due to lower consolidated income before taxes which resulted in fewer tax assets being deducted in the current period.

Financing Charges

	Three Months Ended March 31	
(millions)	**2020**	2019
Interest expense on:		
Credit facilities	**$ 12.5**	$ 15.5
Corridor debentures	**0.6**	1.8
Medium-term notes	**29.9**	29.9
Subordinated hybrid notes	**24.5**	0.9
Lease liabilities	**2.1**	2.2
Total Interest	**69.6**	50.3
Capitalized interest	**(23.3)**	(10.1)
Amortization of transaction costs on financial debt	**1.1**	0.9
Accretion of provisions and pension plan funding charges	**1.3**	1.3
Financing charges	**$ 48.7**	$ 42.4

In the three months ended March 31, 2020, total financing charges increased $6.3 million, compared to the same period in 2019.

Interest on credit facilities decreased $3.0 million in the current quarter largely due to lower weighted average syndicated credit facility debt outstanding.

Interest charges on the Corridor debentures decreased in the current quarter, compared to the same period in 2019, as the $150 million 4.897% debentures matured and were repaid on February 3, 2020.

Interest charges on the subordinated hybrid notes increased in the current quarter, compared to the same period in 2019, due to the hybrid note issuances of $750 million on March 26, 2019 and $700 million on November 19, 2019.

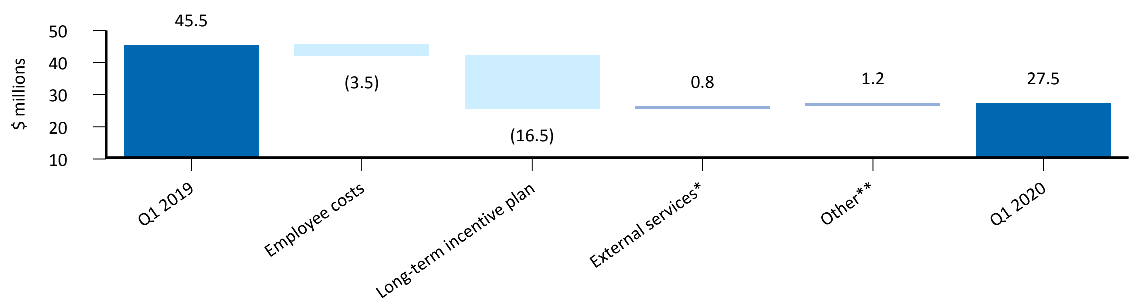
Capitalized interest increased by $13.2 million in the current quarter, compared to the same period in 2019, largely as result of the increased spending on HPC.

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

General and Administrative

	Three Months Ended March 31	
(millions)	**2020**	2019
Canada	**$ 19.8**	$ 37.1
Europe	**7.7**	8.4
	$ 27.5	$ 45.5

Q1 2020 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 ended March 31, 2020, Canadian general and administrative expenses decreased $17.3 million, compared to the same period in 2019. The decrease was primarily due to the long-term incentive plan as a result of a lower share price. For the three months ended March 31, 2020, approximately $7.0 million of HPC readiness costs, associated with systems and processes that will be required to support HPC business, were included within general and administrative expenses.

European general and administrative costs in the current quarter decreased by $0.7 million, compared to the same period in 2019, largely due to lower long-term incentive plan and foreign currency translation adjustments.

Loss on Disposal of Assets

Inter Pipeline incurred a loss on disposal of assets of $6.5 million in the current quarter of 2020 related to the de-recognition of certain non-core assets in the conventional and NGL processing businesses.

SUMMARY OF QUARTERLY RESULTS

	2018			2019				2020
(millions, except volume, per share and % amounts)	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**First Quarter**
Pipeline volume (000s b/d)								
Oil sands transportation	1,181.3	1,227.2	1,216.4	1,199.5	1,158.1	1,183.5	1,324.9	**1,345.9**
Conventional oil pipelines	196.4	214.3	184.2	187.1	184.9	183.9	189.3	**181.9**
Total pipeline volume	1,377.7	1,441.5	1,400.6	1,386.6	1,343.0	1,367.4	1,514.2	**1,527.8**
NGL processing volume (000s b/d)[1]								
Natural gas processing - Ethane	43.9	56.1	65.4	72.2	59.5	62.2	59.8	**70.5**
Natural gas processing - Propane-plus	41.3	41.6	49.7	49.5	41.8	43.7	41.7	**46.1**
Redwater Olefinic Fractionator sales volume	27.8	32.3	37.0	35.5	32.6	25.9	33.7	**36.6**
Total NGL processing volume	113.0	130.0	152.1	157.2	133.9	131.8	135.2	**153.2**
Utilization								
Bulk liquid storage	84%	74%	68%	78%	83%	92%	93%	**95%**
Revenue								
Oil sands transportation	$ 200.3	$ 199.4	$ 205.3	$ 200.7	$ 200.4	$ 202.7	$ 209.6	**$ 204.6**
NGL processing	195.3	235.0	243.8	208.8	171.0	138.2	192.9	**171.5**
Conventional oil pipelines	184.7	205.2	126.5	176.3	199.8	175.4	165.3	**146.7**
Bulk liquid storage	50.7	45.4	55.3	73.1	70.4	74.5	76.2	**81.0**
Total revenue	$ 631.0	$ 685.0	$ 630.9	$ 658.9	$ 641.6	$ 590.8	$ 644.0	**$ 603.8**
Funds from operations								
Oil sands transportation	$ 150.0	$ 150.3	$ 150.8	$ 147.6	$ 149.7	$ 152.5	$ 153.8	**$ 154.5**
NGL processing	101.3	134.8	120.1	68.0	72.1	46.2	50.3	**43.2**
Conventional oil pipelines	48.2	53.8	24.9	34.1	49.6	39.7	44.6	**36.6**
Bulk liquid storage	17.4	14.8	15.0	26.8	26.9	30.5	30.8	**34.8**
Corporate costs	(55.4)	(54.0)	(37.5)	(65.0)	(58.1)	(64.5)	(62.7)	**(61.6)**
Total funds from operations	$ 261.5	$ 299.7	$ 273.3	$ 211.5	$ 240.2	$ 204.4	$ 216.8	**$ 207.5**
Per share[2]	$ 0.68	$ 0.77	$ 0.68	$ 0.52	$ 0.59	$ 0.49	$ 0.52	**$ 0.49**
Net income	$ 136.1	$ 169.4	$ 144.3	$ 98.3	$ 260.3	$ 79.9	$ 100.5	**$ 89.1**
Per share – basic and diluted	$ 0.35	$ 0.44	$ 0.36	$ 0.24	$ 0.63	$ 0.19	$ 0.24	**$ 0.21**
Dividends to shareholders[3]	$ 162.0	$ 163.3	$ 169.7	$ 173.9	$ 175.7	$ 177.5	$ 179.3	**$ 181.1**
Per share[3]	$ 0.420	$ 0.420	$ 0.425	$ 0.428	$ 0.428	$ 0.428	$ 0.428	**$ 0.428**
Adjusted EBITDA[2]	$ 302.6	$ 340.1	$ 307.4	$ 253.1	$ 285.1	$ 249.6	$ 263.4	**$ 255.2**
Shares outstanding (basic)								
Weighted average	384.9	388.4	397.8	406.0	410.3	414.6	418.7	**422.9**
End of period	386.7	390.2	403.8	408.2	412.4	416.6	420.7	**425.4**
Capital expenditures								
Growth[2]	$ 185.5	$ 229.9	$ 314.3	$ 316.7	$ 363.7	$ 428.8	$ 414.8	**$ 311.6**
Sustaining[2]	14.8	24.7	28.9	11.9	18.8	13.4	25.5	**4.9**
Total capital expenditures	$ 200.3	$ 254.6	$ 343.2	$ 328.6	$ 382.5	$ 442.2	$ 440.3	**$ 316.5**
Payout ratio[2]	61.9%	54.5%	62.1%	82.2%	73.1%	86.8%	82.7%	**87.3%**
Total assets	$10,570.3	$10,699.7	$11,461.5	$11,882.6	$12,162.8	$12,441.1	$12,951.4	**$13,240.0**
Total debt[4]	$ 5,387.2	$ 5,339.8	$ 5,680.1	$ 5,858.2	$ 6,056.5	$ 6,252.3	$ 6,669.5	**$ 6,843.0**
Total equity	$ 3,592.4	$ 3,660.4	$ 3,965.3	$ 3,940.5	$ 4,080.4	$ 4,040.1	$ 4,089.3	**$ 4,147.4**
Enterprise value[2]	$14,915.4	$14,079.6	$13,489.8	$14,883.2	$14,457.7	$15,939.0	$16,153.2	**$10,425.2**
Consolidated net debt to total capitalization[2]	52.5%	51.8%	51.8%	44.2%	45.0%	46.5%	41.3%	**42.3%**

(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 adjust 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 March 31, 2020, Inter Pipeline had access to committed credit facilities totaling $3.6 billion, of which $1.5 billion remained unutilized, and demand facilities totaling $170.4 million of which $133.8 million remained unutilized. Certain facilities are available to specific subsidiaries of Inter Pipeline. Inter Pipeline may also issue equity capital to ensure its balance sheet remains well prepared for expected growth. During the three months ended March 31, 2020, $92.4 million of equity was issued through the dividend reinvestment plan.

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

In the current challenging market environment, driven by an unprecedented decline in global energy prices and the COVID-19 pandemic, Inter Pipeline has remained focused on maintaining its financial flexibility to fund our ongoing business activities. The following measures have allowed Inter Pipeline to enhance its financial liquidity position in order to refinance any near-term debt obligations in the event of prolonged capital market disruption:

- On March 30, 2020, Inter Pipeline announced a reduction of its monthly dividend by 72% to $0.04 per share and suspended the Premium Dividend™ and Dividend Reinvestment Plan indefinitely, all effective for the April 22, 2020 record date. This reduction results in annualized cash savings of approximately $525 million.
- On April 24, 2020, Inter Pipeline closed a $1.0 billion unsecured, revolving credit facility with an initial term of 16 months maturing August 13, 2021. This new facility provides Inter Pipeline with increased financial liquidity and access to additional financial resources should it be required.
- On April 24, 2020, Inter Pipeline amended its $500 million term loan facility by extending the maturity date to August 13, 2022.

S&P downgraded Inter Pipeline's issuer credit rating in March 2020 to BBB- (negative outlook) from BBB+ (negative outlook) as a result of its capital structure and funding risks associated with HPC. S&P also downgraded Inter Pipeline (Corridor) Inc's credit rating to BBB from BBB+, with a stable outlook which reflects the average credit quality of the shippers on the Corridor pipeline system. DBRS has assigned Inter Pipeline a credit rating of BBB (stable trend) and Inter Pipeline (Corridor) Inc. a rating of A (low) (stable trend).

*Please refer to the NON-GAAP FINANCIAL MEASURES section

™ Denotes trademark of Canaccord Genuity Corp.

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 March 31, 2020:

(millions)	Rate type	Total amount	Amount drawn
Recourse debt			
Inter Pipeline syndicated credit facility	Variable	1,500.0	**$ 198.0**
Inter Pipeline term credit facility	Variable	500.0	**500.0**
Demand facilities(1)	Variable	145.4	**25.5**
Medium-term notes	Fixed	3,325.0	**3,325.0**
Subordinated hybrid notes			
Series 2019-A(2)	Fixed	750.0	**750.0**
Series 2019-B(3)	Fixed	700.0	**700.0**
Non-recourse debt(4)			
Corridor syndicated credit facility	Variable	1,550.0	**1,344.5**
Corridor demand facility	Variable	25.0	**—**
Total debt outstanding(5)(6)			**$ 6,843.0**

(1) Inter Terminals Pound Sterling 40 million demand facility which is converted at a Pound Sterling/CAD rate of 1.7604 at March 31, 2020.

(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.

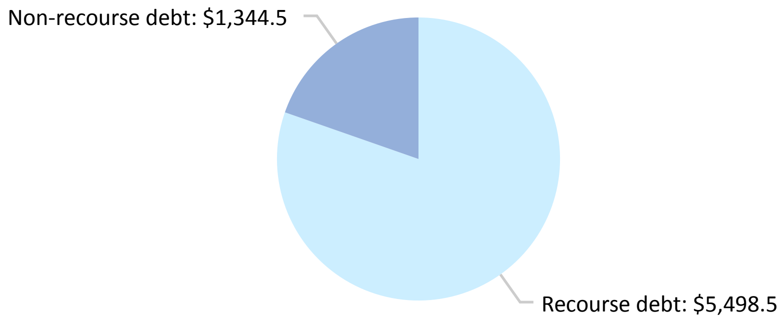
(3) For the initial 10 years, the subordinated hybrid notes carry a fixed interest rate of 6.625%. Subsequently, the interest rate will be set to equal the three-month banker's acceptance rate plus a margin of 4.90% from years 10 to 30, and margin of 5.65% from years 30 to 60.

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

(5) At March 31, 2020, outstanding Inter Pipeline letters of credit of approximately $11.1 million were not included in total debt outstanding.

(6) Financial debt reported in the March 31, 2020 interim financial statements of $6,812.2 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,843.0 million less discounts and debt transaction costs of $30.8 million.

Total debt of $6,843.0 million - March 31, 2020



Financial Covenants

The following table provides a listing of the key financial covenants as at March 31, 2020:

	Ratio	March 31, 2020
Inter Pipeline Ltd.		
Inter Pipeline syndicated credit facility		
Consolidated net debt to total capitalization	Maximum 65%	42.3%
EBITDA to senior interest coverage	Minimum 2.5:1.0	7.3
Medium-term notes		
Funded debt to total capitalization	Maximum 70%	33.1%
Inter Pipeline (Corridor) Inc.		
Corridor syndicated credit facility		
Rate base debt to rate base	Maximum 75%	73.4%

The covenants noted above are subject to specific definitions in their respective credit agreements and cannot be directly derived from the interim financial statements, including "EBITDA" noted above. 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. Inter Pipeline was in compliance with all financial covenants under its credit facilities and note indentures as at March 31, 2020.

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

	Twelve Months Ended
(times)	March 31, 2020
Earnings coverage[(1)(2)]	**2.7**

(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.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Contractual Obligations, Commitments and Guarantees

The following table summarizes Inter Pipeline's contractual obligations, commitments and guarantees as at March 31, 2020:

(millions)	Total	Less than one year	One to five years	After five years
Total debt[(1)(2)]				
Corridor syndicated credit facility[(2)]	$ 1,344.5	$ 1,117.7	$ 226.8	$ —
Inter Pipeline syndicated credit facility	198.0	—	198.0	—
Inter Pipeline term credit facility	500.0	500.0	—	—
Medium-term notes	3,325.0	825.0	1,550.0	950.0
Subordinated hybrid notes	1,450.0	—	—	1,450.0
Inter Terminals demand facility	25.5	25.5	—	—
	6,843.0	2,468.2	1,974.8	2,400.0
Other obligations				
Capital expenditure commitments[(4)]	487.6	454.2	33.4	—
Lease liabilities	315.1	27.6	95.9	191.6
Purchase obligations[(3)]	2,743.4	76.4	389.5	2,277.5
Adjusted working capital deficit[(5)]	317.7	317.7	—	—
Long-term portion of incentive plan	2.5	—	2.5	—
	$ 10,709.3	$ 3,344.1	$ 2,496.1	$ 4,869.1

(1) At March 31, 2020, outstanding Inter Pipeline letters of credit of approximately $11.1 million were not included in total debt outstanding. Financial debt reported in the March 31, 2020 interim financial statements of $6,812.2 million, includes long-term debt, short-term debt and commercial paper outstanding of $6,843.0 million less discounts and debt transaction costs of $30.8 million.

(2) Principal obligations are related to commercial paper and banker's acceptance. The commercial paper 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 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 $16.5 million under its employee long-term incentive plan, of which $14.0 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 $355.4 million at March 31, 2020. Due to the uncertainty of timing for payment of these obligations, they were excluded from the table above.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

DIVIDENDS TO SHAREHOLDERS

	Three Months Ended March 31	
(millions, except per share and % amounts)	**2020**	2019
Cash provided by operating activities	**$ 191.0**	$ 181.1
Net change in non-cash operating working capital	**16.5**	30.4
Funds from operations	**$ 207.5**	$ 211.5
Dividends to shareholders	**$ 181.1**	$ 173.9
Dividends per share[1]	**$ 0.4275**	$ 0.4275
Payout ratio[2]	**87.3%**	82.2%

(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.

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.

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 March 31	
(millions)	**2020**	2019
Cash provided by operating activities	**$ 191.0**	$ 181.1
Dividends to shareholders	**(181.1)**	(173.9)
Excess	**$ 9.9**	$ 7.2

	Three Months Ended March 31	
(millions)	**2020**	2019
Net income	**$ 89.1**	$ 98.3
Dividends to shareholders	**(181.1)**	(173.9)
Shortfall	**$ (92.0)**	$ (75.6)

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 March 31, 2020 are as follows:

(millions)	Total
Common shares outstanding	425.4

At May 5, 2020, Inter Pipeline had 429.2 million common shares outstanding.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 recognized 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.

CONTROLS AND PROCEDURES

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Inter Pipeline's interim financial statements requires management to make critical and complex judgments, estimates and assumptions about future events, when applying GAAP, that have a significant impact on the financial results reported. These judgments, estimates, and assumptions are subject to change as future events occur or new information becomes available. Readers should refer to note 2 *Estimation and Judgments Due To New Developments* of the March 31, 2020 interim financial statements and note 3 *Summary of Significant Accounting Policies* of the December 31, 2019 audited consolidated financial statements for a list of Inter Pipeline's significant accounting policies.

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. The supply conflict between the Organization of Petroleum Exporting Countries and other oil producing countries over production restrictions has also impacted crude oil prices, resulting in increased global supply. Due to the depressed commodity prices and financial markets, Inter Pipeline's share price and market capitalization significantly declined in the current quarter.

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, with respect to its continued impact on capital and financial markets, including any new information that may emerge concerning the severity of the virus. 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 or treat 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 allowance for credit losses, the determination of triggering events for impairment for non-financial assets, fair value measurements, including those related to financial instruments, unrecognized tax benefits and recognition of tax assets.

The amounts recorded for business combinations, non-financial asset impairment, property, plant and equipment, provisions, deferred income taxes and depreciation and amortization are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material.

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 or on Inter Pipeline's website at www.interpipeline.com.

RISK FACTORS

For a full list of key risks and uncertainties, please see Inter Pipeline's audited consolidated financial statements and the MD&A, each for the year ended December 31, 2019 available on SEDAR at www.sedar.com or on Inter Pipeline's website at www.interpipeline.com.

Risks relating to Coronavirus (COVID-19) pandemic

In addition to the risk factors discussed in Inter Pipeline's 2019 annual MD&A, Inter Pipeline is also exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which could have a material and adverse effect on Inter Pipeline's business, financial condition and results of operations. The extent to which COVID-19 and other infectious diseases may impact Inter Pipeline's business, including its operations and the market for its securities and its financial condition, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These include the duration, severity and scope of the outbreak and the responses or actions taken by applicable governmental entities to address and mitigate COVID-19 or any other infectious diseases. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase or extend regulations and restrictions regarding the flow of labour or products, and travel bans, and Inter Pipeline's operations, suppliers, customers, counterparties, shippers or partners, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its existing and future growth projects or carry out its ongoing business plan, could be adversely affected. In particular, should any employees, consultants or other service providers of Inter Pipeline become infected with COVID-19 or similar pathogens, it could have a material negative impact on Inter Pipeline's prospects, business, financial condition, results of operations and advancement of its existing and future growth projects, including HPC. In addition, government efforts to curtail the spread of COVID-19 may result in temporary or long-term suspensions, shut-downs or disruptions of Inter Pipeline's facilities or operations, impact Inter Pipeline's suppliers, customers, counterparties, shippers or partners and affect Inter Pipeline's supply chain. Such suspensions, shut-downs or disruptions may have a material and adverse effect on Inter Pipeline's business, financial condition and results of operations.

Inter Pipeline is continually monitoring all recommendations from applicable government agencies and public health authorities to ensure the continued safe operation of its business operations and projects and has implemented steps to ensure the ongoing health of its workforce, including enacting work-at-home plans across the organization, limited business travel and large group meetings, providing on-going employee support and providing additional measures to critical business processes to ensure business continuity. In particular, Inter Pipeline is taking additional proactive health and safety measures such as the adoption of workforce self-screenings, isolation guidelines, social gathering restrictions and social distancing requirements at its facilities or projects including the HPC, all in accordance with the guidelines recommended by the applicable public health authorities. However, such measures and related government mandates may not be effective, and one or more of our employees, consultants or service providers may get sick and may come to work infected, necessitating a short or long-term closure of the affected facilities or projects, disrupting business and/or internal controls. Such measures and mandates may also increase Inter Pipeline's expenses and otherwise impair throughput volumes and processing handling levels or cause us to close or significantly reduce the business conducted at Inter Pipeline's facilities. Further, certain businesses in certain markets may close voluntarily or be forced to close by the applicable governments, reducing our ability to conduct operations.

Oil and gas production limitations, curtailments or stoppages, social distancing measures and other impediments affecting Inter Pipeline's suppliers, customers, counterparties, shippers or partners or its facilities, should they materialize, may make it difficult, more costly, or impossible for Inter Pipeline to conduct portions of its business. Limitations on the function of regulatory authorities as a result of remote work of its employees or redeployment of its resources to addressing the pandemic may delay our communications with the regulatory authorities and delay renewal of permits or the receipt of additional approvals required for our operations, should any such approvals be sought. If macroeconomic conditions continue to worsen in Canada and around the world, demand for oil and gas and other products may significantly decline and industry participants, including our suppliers, customers, counterparties, shippers or partners may face severe financial hardship. In addition, the increased market volatility resulting from global business and economic disruption related to the pandemic and measures to contain it has made it more difficult for companies to access capital markets. The duration and severity of the COVID-19 pandemic is currently unknown, and the pandemic may continue for a significant period of time. Any of the foregoing may adversely affect our business, financial position and results of operations.

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)	March 31 2020	December 31 2019
Current Assets		
Cash and cash equivalents	$ 32.0	$ 32.6
Accounts receivable	266.9	323.2
Prepaid expenses and other assets	43.6	47.9
Inventory	8.2	14.7
Current Liabilities		
Dividends payable	(60.6)	(60.0)
Accounts payable, accrued liabilities and provisions	(594.3)	(638.0)
Current income taxes payable	(0.5)	(2.2)
Deferred revenue	(13.0)	(8.5)
Adjusted working capital deficiency	$ (317.7)	$ (290.3)

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 March 31	
(millions)	2020	2019
Net income	$ 89.1	$ 98.3
Financing charges	48.7	42.4
Current income tax expense	1.4	1.4
Deferred income tax expense	32.7	36.3
Depreciation and amortization	85.5	79.7
EBITDA	$ 257.4	$ 258.1
Loss on disposal of assets	6.5	0.4
Non-cash financing charges	(2.4)	(2.2)
Non-cash recovery	(6.3)	(3.2)
Adjusted EBITDA	$ 255.2	$ 253.1

	Three Months Ended March 31	
(millions)	2020	2019
Funds from operations	$ 207.5	$ 211.5
Total interest less capitalized interest	46.3	40.2
Current income tax expense	1.4	1.4
Adjusted EBITDA	$ 255.2	$ 253.1

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 March 31	
	2020	2019
Adjusted EBITDA by contract type		
Cost-of-service	**72%**	66%
Fee-based	**18%**	18%
Commodity-based	**9%**	15%
Product margin	**1%**	1%

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:

	March 31	December 31
(millions, except per share amounts)	**2020**	2019
Closing share price	**$ 8.42**	$ 22.54
Total closing number of common shares	**425.4**	420.7
	3,582.2	9,483.7
Total debt	**6,843.0**	6,669.5
Enterprise value	**$ 10,425.2**	$ 16,153.2

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 March 31			
			2020	2019
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 5.3**	**$ 0.4**	**$ 5.7**	$ 42.8
NGL processing	**262.4**	**1.6**	**264.0**	257.9
Conventional oil pipelines	**24.1**	**0.4**	**24.5**	19.7
Bulk liquid storage	**13.6**	**2.5**	**16.1**	8.1
Corporate(1)	**6.2**	**—**	**6.2**	0.1
Capital expenditures	**$ 311.6**	**$ 4.9**	**$ 316.5**	$ 328.6

(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 7th day of May, 2020