inter pipeline

Management's Discussion and Analysis

For the three and six months ended June 30, 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 and six months ended June 30, 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) financial forecasts or anticipated financial performance; 5) timing, estimates, cost and anticipated benefits of capital projects (including the Heartland Petrochemical Complex); 6) the Viking Connector pipeline and the Stettler Terminal being well-positioned to service growing production from the East Duvernay light oil basin and other emerging oil plays in Alberta's south-central region; 7) capital expenditure forecasts and financing plans for such expenditures; and 8) the plans and forecasts described under the OUTLOOK section, including planning to safely transition staff back to more normalized working environments over the coming months, 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 expectations of Inter Pipeline's diversified asset portfolio to produce long-term and predictable 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 and six months ended June 30, 2020

The MD&A provides a detailed explanation of Inter Pipeline's operating and financial results for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019. The MD&A should be read in conjunction with the June 30, 2020 unaudited condensed interim financial statements (interim financial statements), 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, but are 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.

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SECOND QUARTER HIGHLIGHTS

- Funds from operations (FFO) totalled $184 million
- Oil sands transportation FFO increased slightly quarter over quarter due to higher capital fee revenue
- Net income for the quarter was $63 million
- Declared cash dividends of $52 million or $0.12 per share
- Quarterly payout ratio* of 28 percent
- Total pipeline throughput volume averaged 1,373,000 barrels per day (b/d)
- European bulk Liquid storage capacity utilization averaged 98 percent for the quarter
- Construction activities at the Heartland Petrochemical Complex (HPC) site continued to track according to the revised schedule and cost estimate
- Completed the first two phases of Inter Pipeline's Central Alberta pipeline system expansion, including a new 75 km pipeline and 260,000 barrels of additional storage
- Successfully issued $700 million of senior unsecured medium-term notes to repay maturing debt and increase financial flexibility

*Please refer to the NON-GAAP FINANCIAL MEASURES section

RESULTS OVERVIEW

(millions, except volume, per share and % amounts)	Three Months Ended June 30 **2020**	2019	Six Months Ended June 30 **2020**	2019
Pipeline volume (000s b/d)				
Oil sands transportation	**1,232.9**	1,158.1	**1,289.4**	1,178.7
Conventional oil pipelines	**139.7**	184.9	**160.8**	186.0
Total pipeline volume	**1,372.6**	1,343.0	**1,450.2**	1,364.7
NGL processing volume (000s b/d)[1]				
Natural gas processing - Ethane	**71.6**	59.5	**71.0**	65.8
Natural gas processing - Propane-plus	**48.6**	41.8	**47.4**	45.6
Redwater Olefinic Fractionator sales volume	**34.7**	32.6	**35.7**	34.1
Total NGL processing volume	**154.9**	133.9	**154.1**	145.5
Utilization				
Bulk liquid storage	**98%**	83%	**97%**	80%
Revenue				
Oil sands transportation	**$ 200.4**	$ 200.4	**$ 405.0**	$ 401.1
NGL processing	**155.7**	171.0	**327.2**	379.8
Conventional oil pipelines	**102.6**	199.8	**249.3**	376.1
Bulk liquid storage	**80.8**	70.4	**161.8**	143.5
Total revenue	**$ 539.5**	$ 641.6	**$ 1,143.3**	$ 1,300.5
Funds from operations				
Oil sands transportation	**$ 151.8**	$ 149.7	**$ 306.3**	$ 297.3
NGL processing	**37.1**	72.1	**80.3**	140.1
Conventional oil pipelines	**26.3**	49.6	**62.9**	83.7
Bulk liquid storage	**34.2**	26.9	**69.0**	53.7
Corporate costs	**(65.0)**	(58.1)	**(126.6)**	(123.1)
Total funds from operations	**$ 184.4**	$ 240.2	**$ 391.9**	$ 451.7
Per share[2]	**$ 0.43**	$ 0.59	**$ 0.92**	$ 1.11
Net income	**$ 62.5**	$ 260.3	**$ 151.6**	$ 358.6
Per share – basic and diluted	**$ 0.15**	$ 0.63	**$ 0.36**	$ 0.88
Adjusted EBITDA[2]	**$ 232.5**	$ 285.1	**$ 487.7**	$ 538.2
Dividends to shareholders	**$ 51.5**	$ 175.7	**$ 232.6**	$ 349.6
Per share[3]	**$ 0.1200**	$ 0.4275	**$ 0.5475**	$ 0.8550
Shares outstanding (basic)				
Weighted average	**428.6**	410.3	**425.8**	408.2
End of period	**429.2**	412.4	**429.2**	412.4
Capital expenditures				
Growth[2]	**$ 275.7**	$ 363.7	**$ 587.3**	$ 680.4
Sustaining[2]	**7.6**	18.8	**12.5**	30.7
Total capital expenditures	**$ 283.3**	$ 382.5	**$ 599.8**	$ 711.1
Payout ratio[2]	**27.9%**	73.1%	**59.4%**	77.4%

(millions, except % amounts)	As at June 30 **2020**	As at December 31 2019
Total assets	**$ 13,674.1**	$ 12,951.4
Total debt[4]	**$ 7,319.3**	$ 6,669.5
Total equity	**$ 4,162.7**	$ 4,089.3
Enterprise value[2]	**$ 12,744.6**	$ 16,153.2
Consolidated net debt to total capitalization	**42.5%**	41.3%

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

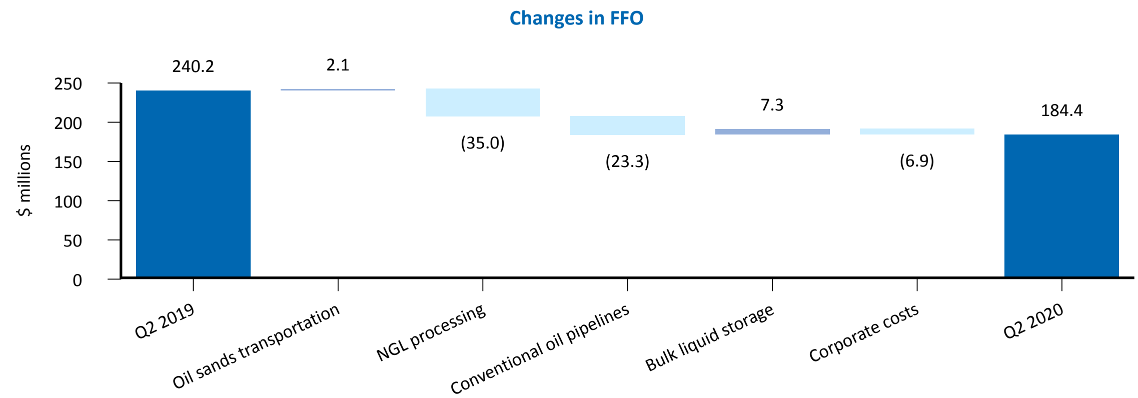
(2) Please refer to the NON-GAAP FINANCIAL MEASURES section.

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

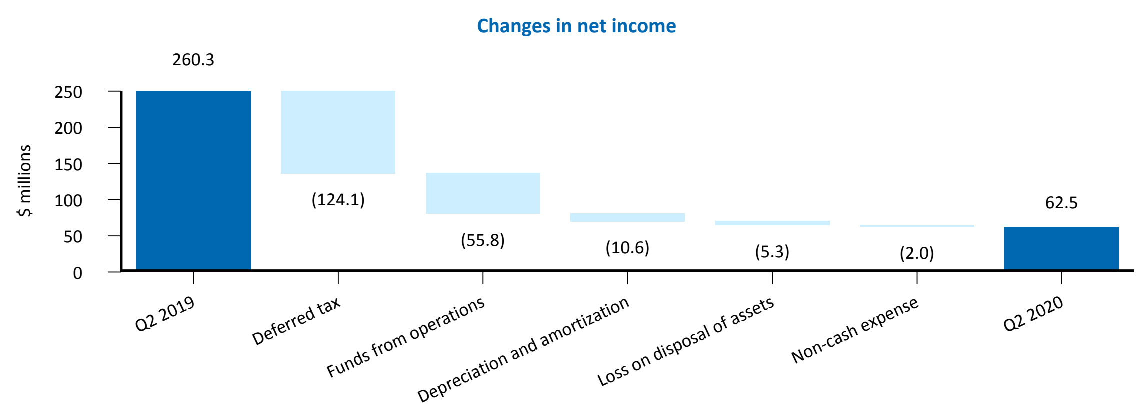
(4) Financial debt reported in the June 30, 2020 interim financial statements of $7,281.2 million, includes long-term debt, short-term debt and commercial paper outstanding of $7,319.3 million less discounts and debt transaction costs of $38.1 million.

Financial performance review

Three Months Ended June 30, 2020

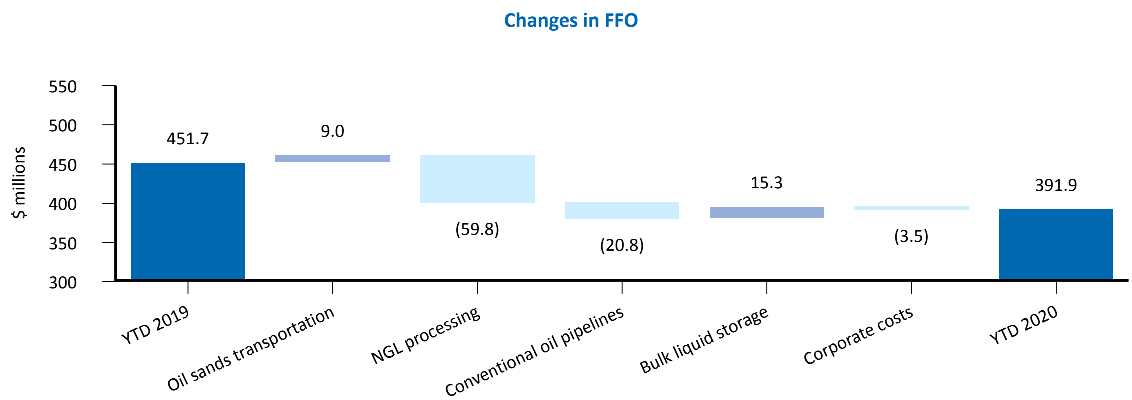


- Inter Pipeline generated FFO of $184.4 million in the current quarter, a 23% decrease from the second quarter of 2019.
- The oil sands business FFO increased slightly quarter over quarter due to higher capital fee revenue on Cold Lake.
- The decrease in the NGL processing business FFO was primarily due to lower olefinic and propane-plus frac-spread pricing, partially offset by higher paraffinic frac-spread pricing.
- The conventional oil pipelines business FFO was significantly impacted by the collapse in global energy prices which resulted in production curtailments and a reduction in blending activity.
- Bulk liquid storage FFO increased due to higher demand that resulted in increased utilization and higher contracted rates, particularly in Denmark.
- Corporate costs increased due to higher financing costs on the hybrid debt notes and general and administrative costs.

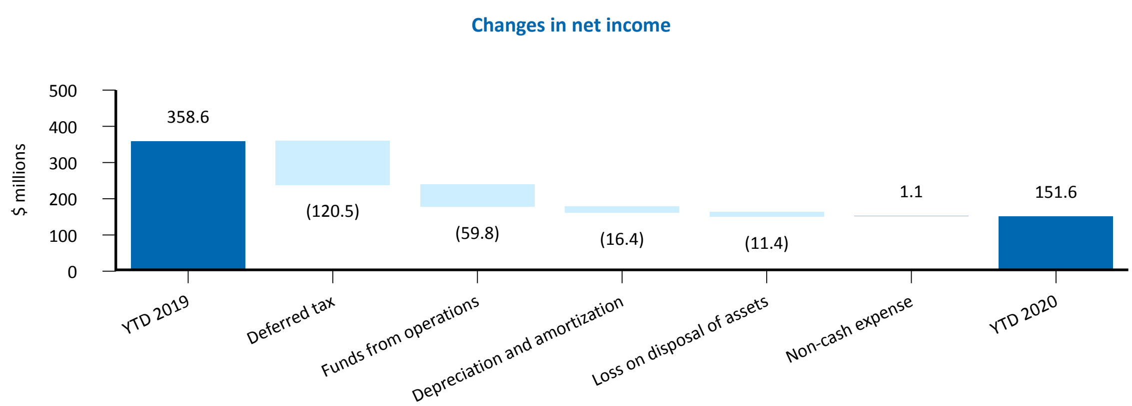


- Inter Pipeline's second quarter net income decreased by $197.8 million to $62.5 million in 2020.
- Net income was unfavourably impacted by an increase in deferred income taxes due to a one-time $143.6 million recovery in the second quarter of 2019 related to a revaluation of deferred income tax balances resulting from a staged reduction in the provincial corporate income tax rate. In addition, the decrease in FFO, as discussed above, and higher depreciation also contributed to the reduction in net income.
- Total dividends to shareholders decreased $124.2 million due to the reduced monthly cash dividend from $0.1425 per share to $0.04 per share.
- Inter Pipeline's total debt outstanding increased $476.3 million to $7,319.3 million in the current quarter from $6,843.0 million as at March 31, 2020, 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 $1,326.2 million.

Six Months Ended June 30, 2020

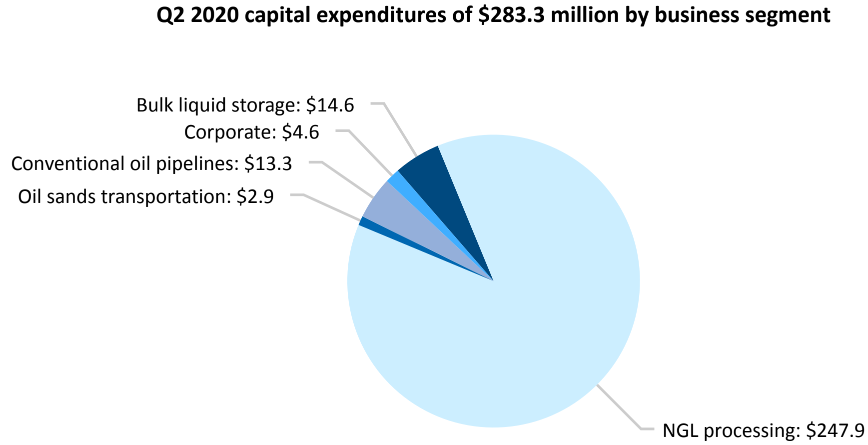


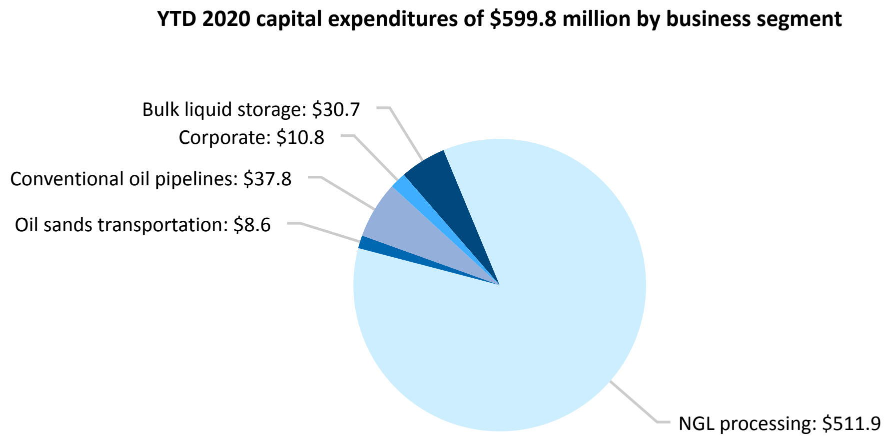
- Inter Pipeline generated FFO of $391.9 million year to date 2020, a 13% decrease, compared to the same period in 2019.
- The oil sands business FFO increased year over year due to higher capital fee revenue on Cold Lake.
- The decrease in the NGL processing business FFO was primarily due to lower olefinic and propane-plus frac-spread pricing, partially offset by higher paraffinic frac-spread pricing.
- The conventional oil pipelines business FFO was significantly impacted by the collapse in global energy prices which resulted in production curtailments and a reduction in blending activity.
- Bulk liquid storage FFO increased due to higher demand that resulted in increased utilization and higher contracted rates, particularly in Denmark.
- Corporate costs increased due to higher financing costs on the hybrid debt notes, partially offset by lower general and administrative costs.



- Inter Pipeline’s net income year to date, decreased to $151.6 million in 2020, compared to $358.6 million in 2019.
- Net income was unfavourably impacted by the year over year decrease in FFO and deferred income taxes, as discussed above, as well as higher depreciation and, the loss on disposal of assets in the NGL processing, conventional and bulk liquid storage businesses.
- Total dividends to shareholders decreased $117.0 million due to the reduced monthly cash dividend from $0.1425 per share to $0.04 per share.
- Inter Pipeline's total debt outstanding of $7,319.3 million increased $649.8 million as at June 30, 2020 from $6,669.5 million as at December 31, 2019 largely as a result of funding capital projects, including the Heartland Petrochemical Complex.

Capital expenditures review





- For both the three and six months ended June 30, 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. While our long-term strategy is to protect, develop and expand high-quality assets that generate stable and predictable cash flow, the continued health and safety of our workforce has always been a top priority. The ongoing novel coronavirus pandemic (COVID-19) and resulting significant decrease in global energy prices continue to create unprecedented challenges for our industry, customers and employees. 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.

Our business continuity plans continue to be enacted as required and our current operating model allows all business activity to function. In keeping with many other organizations, office-based employees in several of our locations are continuing to work from home. However, planning has begun to safely transition staff back to Inter Pipeline offices in a phased, methodical fashion, as conditions allow.

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 approximately 2,600 workers on site each day, protected by rigorous sanitation and social distancing controls.

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 second quarter of 2020, Inter Pipeline spent approximately $240 million, bringing the total project spend since inception to approximately $2.7 billion.

A detailed analysis of the remaining capital costs for the PP plant, refreshed contingency costs for the PDH facility and an examination of how the COVID-19 pandemic was anticipated to affect our near-term construction execution plans, was completed in the second quarter of 2020. As a result, the estimated cost of HPC is now approximately $4 billion, with the majority of incremental costs expected to be incurred in 2021 and 2022. The project's in-service date may shift to early 2022, however, mitigation plans to address this are in development.

Inter Pipeline recently announced that it began a process in late 2019 to secure a partner to purchase a material interest in the HPC project. 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.

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. Most 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. As our largest business segment, the oil sands transportation business is comprised of 100 percent ownership of the Corridor, Cold Lake and Polaris pipeline systems. Average throughput volume for these transportation systems for the second quarter of 2020 was 1,232,900 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.

As expected, in the second quarter of 2020, average throughput volume decreased to approximately 140,000 b/d, due to weaker crude oil prices and production curtailments. At this time, early results for the third quarter of 2020 indicate that volume is beginning to recover, with average throughput of 157,000 b/d in July.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

In the first half of 2020, we completed the first two phases of the multi-phase expansion of Inter Pipeline's Central Alberta pipeline system. In April, the 75-kilometer Viking Connector pipeline, which provides new access to the Edmonton market hub and additional flexibility for the producers, was placed into service. At the end of June, we completed the construction of two, 130,000 barrel storage tanks at the Stettler Terminal. These additional assets are well-positioned to service growing production from the East Duvernay light oil basin and other emerging oil plays in Alberta's south-central region. Additional phases are expected to be developed as market conditions improve.

NGL Processing

The cash flow from our NGL processing business is generated through a combination of cost-of-service, fee-based and commodity-based contracts. 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.

Our results demonstrate that the low pricing environment continues to be a significant factor, despite relatively strong throughput. In the near term, FFO from this business would remain under pressure should lower commodity prices persist. Our three major straddle facilities processed approximately 3.10 billion cubic feet of natural gas per day and produced 120,200 b/d of liquids in the second quarter of 2020. The Pioneer I and Pioneer II offgas plants processed an average of 179 million cubic feet of natural gas per day and 34,700 b/d NGL sales volume from the Redwater Olefinic Fractionator (ROF). There are no major planned turnarounds for this business in 2020.

Bulk Liquid Storage

Inter Pipeline’s bulk liquid storage business is currently exceeding expectations as demand for storage infrastructure remains strong in Europe. The severe decline of energy related commodity prices and return of strong contango pricing resulted in utilization rates of 98 percent across this business in the second quarter of 2020. With operations in the United Kingdom, 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.

There have been no material disruptions at any of the 23 terminals, which have all remained fully operational during the COVID-19 pandemic.

Financial

In the current challenging market environment, it is critical we continue to maintain financial flexibility and increased liquidity to fund our ongoing business. This has resulted in Inter Pipeline undertaking several key measures in the first half of the year to enhance financial strength and flexibility. These included changes to our dividend program, our implementation of targeted expense reductions, the scaling back of the 2020 capital program, securing of new credit lines and the completion of additional debt financing activities.

In the second quarter of 2020, Inter Pipeline entered into a new $1.0 billion unsecured revolving credit facility with a syndicate of key lenders and extended the maturity date of our $500 million term loan facility by two years to August 2022. In June of 2020, we successfully issued $700 million of 7-year senior unsecured medium-term notes to reduce indebtedness under Inter Pipeline's $1.5 billion revolving credit facility and to repay $500 million of medium-term notes that matured in July 2020.

As at June 30, 2020, Inter Pipeline had $2.5 billion of available capacity on its revolving credit facilities and a consolidated net debt to total capitalization ratio of 42.5 percent, significantly below the maximum covenant level of 65 percent.

As previously announced, Inter Pipeline has eliminated certain discretionary expenditures within the 2020 capital program to further protect the balance sheet. This is an ongoing process, but as at June 30, 2020, we expect remaining 2020 growth capital expenditures* to be approximately $435 million for HPC and $65 million in other areas across the business. A further $40 million remains to be invested for certain sustaining capital expenditure* projects. Approximately $283 million of total capital was spent in the second quarter of 2020.

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

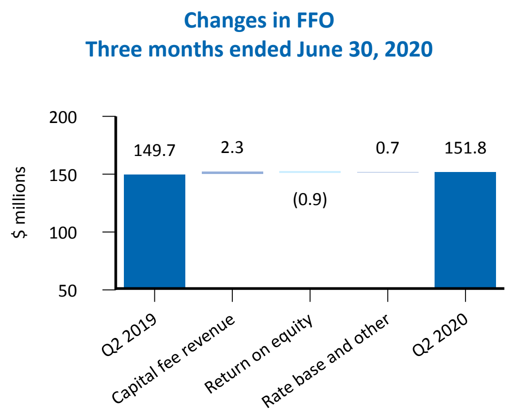
Oil Sands Transportation Business Segment

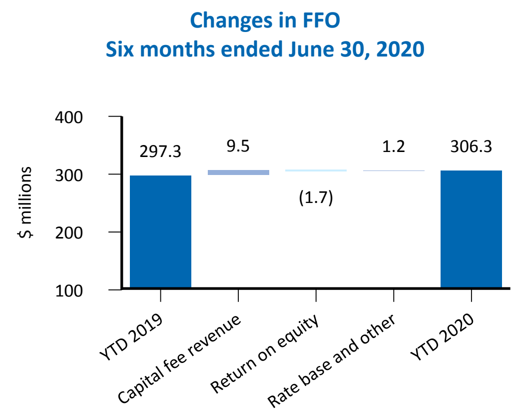
	Three Months Ended June 30			Six Months Ended June 30		
Volume (000s b/d)	**2020**	2019	*% Change*	**2020**	2019	*% Change*
Cold Lake	**583.9**	566.6	*3.1*	**619.0**	562.7	*10.0*
Corridor	**433.0**	350.1	*23.7*	**418.8**	376.3	*11.3*
Polaris	**216.0**	241.4	*(10.5)*	**251.6**	239.7	*5.0*
	1,232.9	1,158.1	*6.5*	**1,289.4**	1,178.7	*9.4*

(millions)						
Revenue	**$ 200.4**	$ 200.4	—	**$ 405.0**	$ 401.1	*1.0*
Operating expenses	**$ 32.5**	$ 35.5	*(8.5)*	**$ 69.7**	$ 72.6	*(4.0)*
Funds from operations	**$ 151.8**	$ 149.7	*1.4*	**$ 306.3**	$ 297.3	*3.0*
Capital expenditures						
Growth[(1)]	**$ 2.3**	$ 21.3		**$ 7.6**	$ 62.7	
Sustaining[(1)]	**0.6**	0.8		**1.0**	2.2	
	$ 2.9	$ 22.1		**$ 8.6**	$ 64.9	

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

*Please refer to the NON-GAAP FINANCIAL MEASURES section





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 and six months ended June 30, 2020, average volume transported in the oil sands transportation business increased by 74,800 b/d and 110,700 b/d, respectively, compared to the same periods in 2019. For both periods, the increase was primarily related to the absence of third-party maintenance that occurred during the second quarter of 2019, and incremental volume for Canadian Natural's Kirby North and FCCL Partnership's Christina Lake oil sands projects. However, the current quarter average volume was partially offset by lower diluent volume to Husky's Sunrise 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 remained consistent in the current quarter and increased by $3.9 million in the six months ended June 30, 2020, compared to the same periods in 2019. The year to date 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 period.

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 in the three and six months ended June 30, 2020, decreased by $3.0 million and $2.9 million, respectively, compared to the same periods in 2019. During the current quarter, the decrease was related to lower power costs. Year to date, the decrease was primarily related to lower maintenance and integrity costs.

Capital Expenditures

The oil sands transportation business incurred growth capital expenditures* of $2.3 million in the second quarter of 2020, primarily related to system enhancement projects on the Corridor and Polaris pipeline systems. Sustaining capital expenditures* of $0.6 million in the second quarter of 2020 primarily related to maintenance projects on the Cold Lake pipeline system.

NGL Processing Business Segment

Natural gas processing

Three Months Ended June 30								
	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	**2,069**	**45.5**	**34.6**	**80.1**	2,169	37.3	29.3	66.6
Empress V (100% basis)	**964**	**24.6**	**13.1**	**37.7**	999	22.2	12.5	34.7
Empress II	**67**	**1.5**	**0.9**	**2.4**	—	—	—	—
	3,100	**71.6**	**48.6**	**120.2**	3,168	59.5	41.8	101.3

Six Months Ended June 30								
	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	**2,268**	**46.4**	**34.8**	**81.2**	2,283	37.6	30.6	68.2
Empress V (100% basis)	**898**	**23.9**	**11.6**	**35.5**	1,027	23.7	12.6	36.3
Empress II	**78**	**0.7**	**1.0**	**1.7**	200	4.5	2.4	6.9
	3,244	**71.0**	**47.4**	**118.4**	3,510	65.8	45.6	111.4

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Offgas processing

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
(mmcf/d)				
Offgas plants throughput volume	**179**	150	**181**	160
(000s b/d)				
Offgas plants production volume	**36.9**	29.8	**37.1**	32.7
Redwater Olefinic Fractionator sales volume	**34.7**	32.6	**35.7**	34.1
Redwater Olefinic Fractionator volume composition[1]				
Ethane-ethylene	**42%**	38%	**42%**	39%
Paraffinic NGL				
Propane	**30%**	29%	**30%**	29%
Normal butane	**7%**	7%	**7%**	7%
Olefinic NGL				
Polymer grade propylene	**11%**	16%	**11%**	15%
Alky feed	**7%**	7%	**7%**	7%
Olefinic condensate	**3%**	3%	**3%**	3%

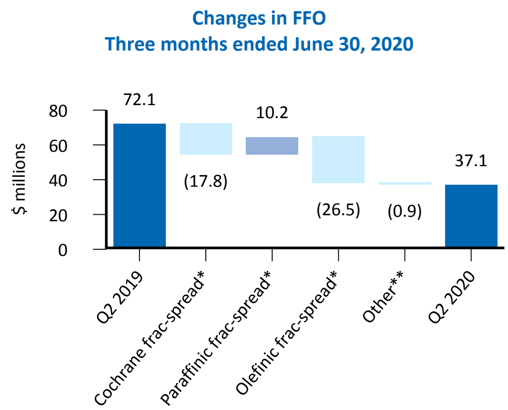
(1) Composition is based on production volume, which may differ from sales volume and is a factor in the indicative frac-spread calculation.

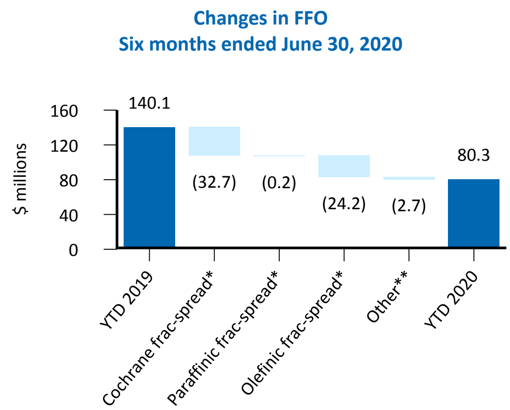
NGL processing financial results

	Three Months Ended June 30			Six Months Ended June 30		
(millions)	**2020**	2019	*% Change*	**2020**	2019	*% Change*
Revenue[1]	**$ 155.7**	$ 171.0	*(8.9)*	**$ 327.2**	$ 379.8	*(13.8)*
Cost of sales[1]	**$ 76.0**	$ 53.9	*41.0*	**$ 157.7**	$ 141.4	*11.5*
Operating expenses[1]	**$ 42.5**	$ 45.0	*(5.6)*	**$ 88.7**	$ 98.0	*(9.5)*
Funds from operations[1]	**$ 37.1**	$ 72.1	*(48.5)*	**$ 80.3**	$ 140.1	*(42.7)*
Capital expenditures[1]						
Growth[2]	**$ 244.7**	$ 308.3		**$ 507.1**	$ 561.3	
Sustaining[2]	**3.2**	5.3		**4.8**	10.2	
	$ 247.9	$ 313.6		**$ 511.9**	$ 571.5	

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

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





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

Volume

Inter Pipeline's straddle plants processed average natural gas volume of 3,100 million cubic feet per day (mmcf/d) in the current quarter and 3,244 mmcf/d year to date in 2020, a decrease of 68 mmcf/d and 266 mmcf/d, respectively, over the comparable periods in 2019.

In the three and six months ended June 30, 2020, average natural gas throughput volume at the Cochrane straddle plant decreased by 100 mmcf/d and 15 mmcf/d, respectively, compared to the same periods in 2019 due to decreased 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 35 mmcf/d and 129 mmcf/d in the three and six months ended June 30, 2020, respectively, compared to the same periods in 2019. For both periods, the decrease was due to reduced natural gas exported from Alberta's eastern border; however, year to date throughput volume was also impacted by 15 days of unplanned outages during the first quarter of 2020. Average throughput volume at the Empress II straddle plant increased in the three months ended June 30, 2020 by 67 mmcf/d and decreased by 122 mmcf/d year to date in 2020, compared to the same periods in 2019. The fluctuations in throughput volume at the Empress II straddle plant do 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 in the three and six months ended June 30, 2020 increased by 18,900 b/d and 7,000 b/d, respectively, compared to the same periods in 2019. For both periods, the increase was largely due to higher inlet compositions, resulting in higher ethane and propane-plus 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 179 mmcf/d and 181 mmcf/d during the three and six months ended June 30, 2020, respectively, compared to 150 mmcf/d and 160 mmcf/d during the same periods in 2019. Average ethane-plus volume produced from the offgas plants increased by 7,100 b/d in the current quarter to 36,900 b/d and by 4,400 b/d year to date to 37,100 b/d. For both periods, the increase in production was due to the absence of third-party upgrader maintenance activity and unplanned plant shutdowns that occurred during the first half 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, and various downstream issues.

Average NGL sales volume from the Redwater Olefinic Fractionator in the three and six months ended June 30, 2020, increased by 2,100 b/d and 1,600 b/d, respectively, compared to the same periods in 2019. For both periods, higher sales for ethane-ethylene due to higher composition and frac rates were partially offset by lower paraffinic sales volume as a result of decreased propane inventory sales. Year to date sales volume were also favourably impacted from higher polymer grade propylene sales volume, as the first quarter of 2020 included a full quarter of 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.

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 $15.3 million and $52.6 million in the three and six months ended June 30, 2020, respectively, compared to the same periods in 2019. For both periods, lower olefinic and propane-plus frac-spread pricing was partially offset by higher sales volume, and higher paraffinic frac-spread pricing. In addition, the second quarter of 2019 also benefited from higher ethane revenue.

Natural gas processing frac-spread

	Three Months Ended June 30			
(dollars)	**2020**		2019	
	USD/USG[(1)]	*CAD/USG*[(1)]	*USD/USG*[(1)]	*CAD/USG*[(1)]
Cochrane propane-plus market frac-spread	**$ 0.29**	**$ 0.40**	$ 0.53	$ 0.70
Cochrane propane-plus realized frac-spread	**$ 0.29**	**$ 0.40**	$ 0.53	$ 0.71

	Six Months Ended June 30			
(dollars)	**2020**		2019	
	USD/USG[(1)]	*CAD/USG*[(1)]	*USD/USG*[(1)]	*CAD/USG*[(1)]
Cochrane propane-plus market frac-spread	**$ 0.30**	**$ 0.40**	$ 0.56	$ 0.74
Cochrane propane-plus realized frac-spread	**$ 0.30**	**$ 0.40**	$ 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 $0.53 USD/USG in 2019 to $0.29 USD/USG in 2020 and decreased year to date from $0.54 USD/USG in 2019 to $0.30 USD/USG in 2020.

Offgas processing frac-spread

				Three Months Ended June 30
(dollars)		**2020**		2019
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Offgas olefinic indicative frac-spread	**0.79**	**1.09**	1.48	1.97
Offgas paraffinic indicative frac-spread	**0.32**	**0.44**	0.59	0.79
Offgas olefinic benchmark adjustment	**0.47**	**0.65**	0.46	0.61
Offgas paraffinic benchmark adjustment	**0.11**	**0.15**	0.55	0.74

				Six Months Ended June 30
(dollars)		**2020**		2019
	USD/USG(1)	*CAD/USG*(1)	*USD/USG*(1)	*CAD/USG*(1)
Offgas olefinic indicative frac-spread	**0.94**	**1.28**	1.40	1.86
Offgas paraffinic indicative frac-spread	**0.33**	**0.45**	0.56	0.75
Offgas olefinic benchmark adjustment	**0.48**	**0.66**	0.53	0.70
Offgas paraffinic benchmark adjustment	**0.17**	**0.23**	0.41	0.54

(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

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

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.

In the three and six months ended June 30, 2020, olefinic and paraffinic indicative frac-spreads decreased compared to the same periods in 2019, due to weaker product pricing. For both periods, the olefinic benchmark adjustment remained relatively consistent, as favourable PGP contractual arrangements were offset by the impact of COVID-19 on Alky demand. For both periods, the paraffinic benchmark adjustment decreased due to favourable product differentials for propane, and sales composition relating to normal butane favourably contributed to year to date 2020.

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 and six months ended June 30, 2020, cost of sales increased by $22.1 million and $16.3 million, respectively, compared to the same periods in 2019 due to higher daily AECO natural gas prices. Weighted average AECO monthly prices* increased for the three and six months ended June 30, 2020 to $1.81/GJ and $1.92/GJ, respectively, compared to $1.11/GJ and $1.47/GJ in 2019.

Operating Expenses

Operating expenses in the NGL processing business decreased in the three and six months ended June 30, 2020 by $2.5 million and $9.3 million, respectively, compared to the same periods in 2019. Inter Pipeline's straddle plants' operating expenses decreased by $0.7 million in the current quarter and $4.3 million year to date, compared to the same periods in 2019. Offgas processing operating expenses decreased by $1.8 million in the current quarter and $5.0 million year to date, compared to the same periods in 2019. For both periods, the decrease in operating expense for the straddle plants and offgas processing was mainly due to lower power costs. Operating costs for the three months ended June 30, 2020 for offgas processing also decreased due to lower property taxes and other general operating costs. Average Alberta power pool prices decreased in the current quarter from $56.57/MWh in 2019 to $29.90/MWh in 2020 and year to date from $62.98/MWh in 2019 to $48.47/MWh in 2020.

Capital Expenditures

In the second quarter of 2020, the NGL processing business incurred total growth capital expenditures*of $244.7 million. Net of the Government of Canada's Strategic Innovation grant received in 2020, $229.8 million was incurred on HPC for construction services and procurement of materials. The remaining growth capital expenditures* of $6.8 million related to various equipment and facility upgrades at the Redwater Olefinic Fractionator. Total sustaining capital expenditures* of $3.2 million in the second quarter of 2020 primarily related to maintenance projects at the Cochrane straddle plant and the Redwater Olefinic Fractionator.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

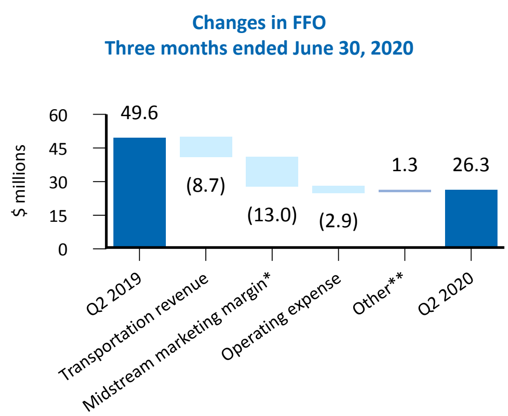
Conventional Oil Pipelines Business Segment

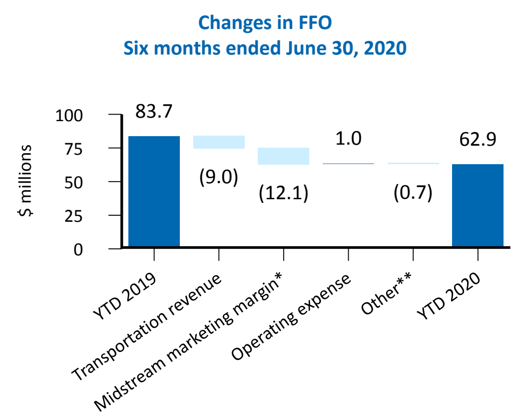
	Three Months Ended June 30			Six Months Ended June 30		
Volume (000s b/d)	**2020**	2019	*% change*	**2020**	2019	*% change*
Bow River	**75.5**	97.3	*(22.4)*	**85.0**	97.7	*(13.0)*
Central Alberta	**21.2**	29.2	*(27.4)*	**28.2**	29.5	*(4.4)*
Mid-Saskatchewan	**43.0**	58.4	*(26.4)*	**47.6**	58.8	*(19.0)*
	139.7	184.9	*(24.4)*	**160.8**	186.0	*(13.5)*

(millions, except per barrel amount)						
Revenue	**$ 102.6**	$ 199.8	*(48.6)*	**$ 249.3**	$ 376.1	*(33.7)*
Cost of sales	**$ 57.2**	$ 133.1	*(57.0)*	**$ 150.2**	$ 254.6	*(41.0)*
Operating expenses	**$ 18.7**	$ 15.8	*18.4*	**$ 35.2**	$ 36.2	*(2.8)*
Funds from operations	**$ 26.3**	$ 49.6	*(47.0)*	**$ 62.9**	$ 83.7	*(24.9)*
Revenue per barrel[(1)]	**$ 3.18**	$ 2.98	*6.7*	**$ 3.10**	$ 2.97	*4.4*
Capital expenditures						
Growth[(2)]	**$ 12.8**	$ 25.0		**$ 36.9**	$ 41.2	
Sustaining[(2)]	**0.5**	1.9		**0.9**	5.4	
	$ 13.3	$ 26.9		**$ 37.8**	$ 46.6	

(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.





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

Volume

In the three and six months ended June 30, 2020, average volume transported on the conventional oil pipeline systems decreased by 45,200 b/d and 25,200 b/d, respectively, compared to the same periods in 2019. The decrease for all systems was primarily related to a reduction in producer activity levels and production curtailments due to lower crude benchmark prices.

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 and six months ended June 30, 2020, by $97.2 million and $126.8 million, respectively, compared to the same periods in 2019. Midstream marketing revenue decreased by $88.5 million and $117.8 million, respectively, in the three and six months ended June 30, 2020 compared to the same periods in 2019. For both periods, the decrease was due to lower crude oil benchmark pricing and lower volume which reduced midstream marketing revenue, As discussed above, lower volume on all systems contributed to a decrease in transportation revenue, which decreased $8.7 million and $9.0 million in the current quarter and year to date 2020, respectively, compared to the same periods in 2019.

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 decreased for the three and six months ended June 30, 2020 by $75.9 million and $104.4 million, respectively, compared to the same periods in 2019. For both periods, the decrease is largely due to lower crude oil benchmark pricing, as well as lower product purchases for product marketing services and blending activities.

Operating Expenses

Conventional oil pipelines operating expenses, including risk mitigating activities, in the current quarter increased by $2.9 million and decreased by $1.0 million year to date 2020, compared to the same periods in 2019. For both periods, operating expenses remained relatively consistent as higher general operating costs were partially offset by lower fuel and power costs. The year to date expenses also benefited from lower integrity costs in 2020, compared to an accelerated integrity program in the first quarter of 2019.

Capital Expenditures

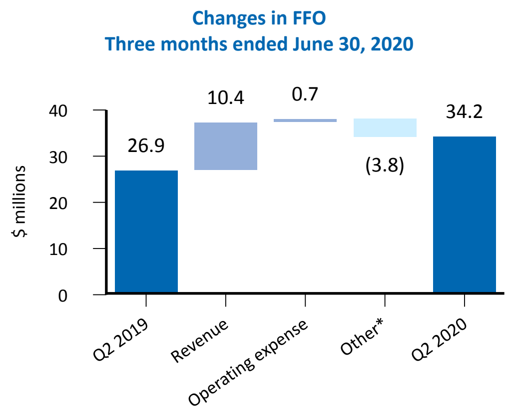
In the second quarter of 2020, the conventional oil pipelines business incurred growth capital expenditures* of $12.8 million, primarily related to pipeline and facility upgrades and expansions on the Central Alberta and Bow River pipeline systems, including the Stettler Crude Oil Terminal expansion and Viking Connector. Sustaining capital expenditures* of $0.5 million in the current quarter primarily related to various improvement projects on the Bow River pipeline system.

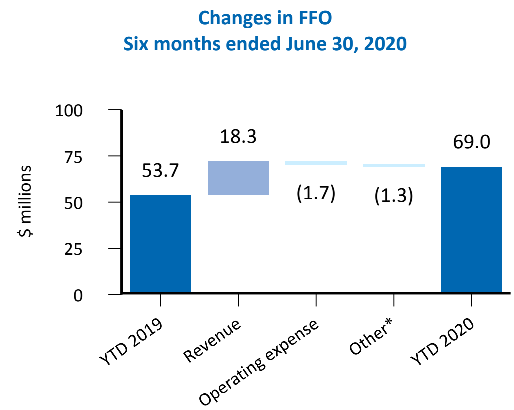
Bulk Liquid Storage Business Segment

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	*% Change*	**2020**	2019	*% Change*
Utilization	**98%**	83%	*18.1*	**97%**	80%	*21.3*
(millions)						
Revenue	**$ 80.8**	$ 70.4	*14.8*	**$ 161.8**	$ 143.5	*12.8*
Operating expenses	**$ 34.8**	$ 35.5	*(2.0)*	**$ 72.6**	$ 70.9	*2.4*
Funds from operations	**$ 34.2**	$ 26.9	*27.1*	**$ 69.0**	$ 53.7	*28.5*
Capital expenditures						
Growth[(1)]	**$ 11.3**	$ 9.1		**$ 24.9**	$ 15.2	
Sustaining[(1)]	**3.3**	4.2		**5.8**	6.2	
	$ 14.6	$ 13.3		**$ 30.7**	$ 21.4	

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

*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 83% in 2019 to 98% in 2020, and year to date from 80% in 2019 to 97% in 2020. The increase for both periods 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.

In the three and six months ended June 30, 2020, revenue from the bulk liquid storage business increased by $10.4 million and $18.3 million, respectively, compared to the same periods in 2019. For both periods, the increase was due to higher demand, which led to higher utilization and activity, particularly in Denmark. Foreign currency translation adjustments favourably impacted revenue by $0.7 million in the current quarter and unfavourably impacted revenue year to date 2020 by $0.6 million, compared to the same periods in 2019.

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

Foreign Exchange Rates

	Three Months Ended June 30			Six Months Ended June 30		
(dollars)	**2020**	2019	*% Change*	**2020**	2019	*% Change*
Euro/CAD	**1.5256**	1.5032	*1.5*	**1.5041**	1.5065	*(0.2)*
Pound Sterling/CAD	**1.7200**	1.7197	—	**1.7192**	1.7256	*(0.4)*

Operating Expenses

Bulk liquid storage operating expenses remained relatively consistent in the current quarter and increased by $1.7 million year to date in 2020, compared to the same periods in 2019. The year to date increase was primarily attributable to higher activity levels in Denmark. Additionally, foreign exchange unfavourably impacted operating expenses by $0.2 million in the current quarter and favourably impacted year to date 2020 operating expenses by $0.4 million, compared to the same periods in 2019.

Capital Expenditures

In the second quarter of 2020, the bulk liquid storage business incurred total growth capital expenditures* of $11.3 million, primarily related to tank life extension and enhancements. Total sustaining capital expenditures* in the current quarter of $3.3 million, primarily related to infrastructure renovations, safety improvement projects, and financial system upgrade projects.

Other Expenses

	Three Months Ended June 30		Six Months Ended June 30	
(millions)	**2020**	2019	**2020**	2019
Depreciation and amortization	**$ 88.2**	$ 77.6	**$ 173.7**	$ 157.3
Income tax expense (recovery)	**$ 23.0**	$ (103.5)	**$ 57.1**	$ (65.8)
Financing charges	**$ 49.4**	$ 48.0	**$ 98.1**	$ 90.4
General and administrative	**$ 47.5**	$ 38.5	**$ 75.0**	$ 84.0
Loss on disposal of assets	**$ 7.2**	$ 1.9	**$ 13.7**	$ 2.3

Depreciation and Amortization

Depreciation and amortization of tangible and intangible assets for the three and six months ended June 30, 2020, increased $10.6 million and $16.4 million, respectively, compared to the same periods in 2019. For both periods, the 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 year to date 2020.

Income Tax Expense

In the three and six months ended June 30, 2020, consolidated income tax expense increased by $126.5 million and $122.9 million, respectively, compared to the same periods in 2019. Consolidated income tax is the sum of current income tax and deferred income tax.

Current income tax in the current quarter and year to date 2020 has remained relatively consistent, compared to the same periods in 2019.

In the three months and six months ended June 30, 2020, deferred income tax increased by $124.1 million and $120.5 million, respectively, compared to the same periods in 2019. For both periods, the increase is primarily due to the Government of Alberta substantively enacted legislation on June 28, 2019, which reduced the provincial corporate income tax rate, that resulted in a one-time deferred tax recovery of $143.6 million during the second quarter of 2019. The increase for both periods was partially offset by lower consolidated income before taxes and the impact of a lower corporate tax rates, compared to the same periods in 2019.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Financing Charges

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

In the three and six months ended June 30, 2020, total financing charges increased $1.4 million and $7.7 million, compared to the same periods in 2019.

Interest on credit facilities remained relatively consistent in the current quarter and decreased by $2.8 million year to date 2020, compared to the same periods in 2019. The year to date decrease was largely due to lower weighted average syndicated credit facility debt outstanding, partially offset by interest on the $500 million term credit facility entered into on August 13, 2019.

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

Interest charges on the medium-term notes increased for both periods due to the issuances of $700 million senior unsecured medium-term notes on June 1, 2020, compared to the same periods in 2019.

Interest on the subordinated hybrid notes increased for both periods due to the hybrid note issuance of $750 million on March 26, 2019 and $700 million on November 19, 2019, compared to the same periods in 2019.

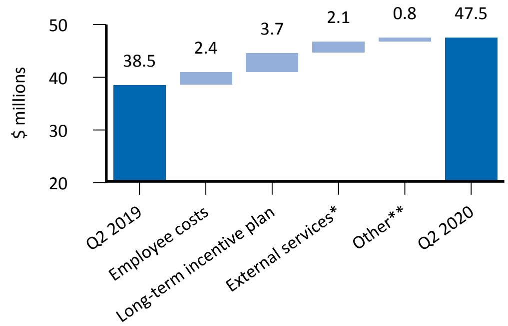
Capitalized interest increased by $11.6 million in the current quarter and $24.8 million year to date 2020, compared to the same periods in 2019, largely as a result of increased spending on HPC.

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

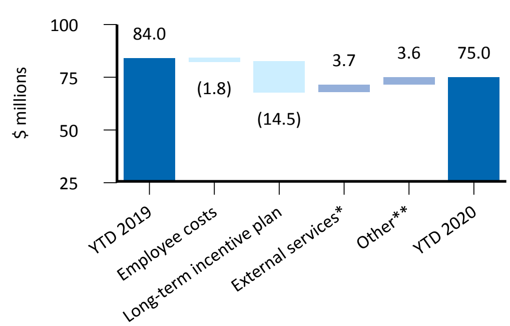
General and Administrative

	Three Months Ended June 30		Six Months Ended June 30	
(millions)	**2020**	2019	**2020**	2019
Canada	**$ 38.2**	$ 30.2	**$ 58.0**	$ 67.3
Europe	**9.3**	8.3	**17.0**	16.7
	$ 47.5	$ 38.5	**$ 75.0**	$ 84.0

Changes in general and administrative expense
Three months ended June 30, 2020



Changes in general and administrative expense
Six months ended June 30, 2020



* 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 and six months ended June 30, 2020, Canadian general and administrative expenses increased by $8.0 million and decreased by $9.3 million, respectively, compared to the same periods in 2019. The current quarter increase was largely due to higher long-term incentive plan and employee costs. Year to date, the decrease was primarily due to lower long-term incentive plan costs partially offset by higher professional and consulting costs. For the three and six months ended June 30, 2020, approximately $5.0 million and $12.0 million, respectively, of HPC readiness costs, associated with systems and processes that will be required to support the HPC business, were included within general and administrative expenses.

European general and administrative costs in the three and six months ended June 30, 2020 increased by $1.0 million and $0.3 million, respectively, compared to the same periods in 2019, largely due to higher employee costs.

Loss on Disposal of Assets

Inter Pipeline incurred a loss on disposal of assets of $7.2 million in the current quarter of 2020 and $13.7 million year to date of 2020. For both periods, a loss on disposal was largely due to de-recognition of certain non-core assets in the NGL processing and conventional businesses, the disposal of line fill on Inter Pipeline's Central Alberta pipeline system and of non-core assets in Denmark.

SUMMARY OF QUARTERLY RESULTS

	2018		2019				**2020**	
(millions, except volume, per share and % amounts)	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**First Quarter**	**Second Quarter**
Pipeline volume (000s b/d)								
Oil sands transportation	1,227.2	1,216.4	1,199.5	1,158.1	1,183.5	1,324.9	**1,345.9**	**1,232.9**
Conventional oil pipelines	214.3	184.2	187.1	184.9	183.9	189.3	**181.9**	**139.7**
Total pipeline volume	1,441.5	1,400.6	1,386.6	1,343.0	1,367.4	1,514.2	**1,527.8**	**1,372.6**
NGL processing volume (000s b/d)[1]								
Natural gas processing - Ethane	56.1	65.4	72.2	59.5	62.2	59.8	**70.5**	**71.6**
Natural gas processing - Propane-plus	41.6	49.7	49.5	41.8	43.7	41.7	**46.1**	**48.6**
Redwater Olefinic Fractionator sales volume	32.3	37.0	35.5	32.6	25.9	33.7	**36.6**	**34.7**
Total NGL processing volume	130.0	152.1	157.2	133.9	131.8	135.2	**153.2**	**154.9**
Utilization								
Bulk liquid storage	74%	68%	78%	83%	92%	93%	**95%**	**98%**
Revenue								
Oil sands transportation	$ 199.4	$ 205.3	$ 200.7	$ 200.4	$ 202.7	$ 209.6	**$ 204.6**	**$ 200.4**
NGL processing	235.0	243.8	208.8	171.0	138.2	192.9	**171.5**	**155.7**
Conventional oil pipelines	205.2	126.5	176.3	199.8	175.4	165.3	**146.7**	**102.6**
Bulk liquid storage	45.4	55.3	73.1	70.4	74.5	76.2	**81.0**	**80.8**
Total revenue	$ 685.0	$ 630.9	$ 658.9	$ 641.6	$ 590.8	$ 644.0	**$ 603.8**	**$ 539.5**
Funds from operations								
Oil sands transportation	$ 150.3	$ 150.8	$ 147.6	$ 149.7	$ 152.5	$ 153.8	**$ 154.5**	**$ 151.8**
NGL processing	134.8	120.1	68.0	72.1	46.2	50.3	**43.2**	**37.1**
Conventional oil pipelines	53.8	24.9	34.1	49.6	39.7	44.6	**36.6**	**26.3**
Bulk liquid storage	14.8	15.0	26.8	26.9	30.5	30.8	**34.8**	**34.2**
Corporate costs	(54.0)	(37.5)	(65.0)	(58.1)	(64.5)	(62.7)	**(61.6)**	**(65.0)**
Total funds from operations	$ 299.7	$ 273.3	$ 211.5	$ 240.2	$ 204.4	$ 216.8	**$ 207.5**	**$ 184.4**
Per share[2]	$ 0.77	$ 0.68	$ 0.52	$ 0.59	$ 0.49	$ 0.52	**$ 0.49**	**$ 0.43**
Net income	$ 169.4	$ 144.3	$ 98.3	$ 260.3	$ 79.9	$ 100.5	**$ 89.1**	**$ 62.5**
Per share – basic and diluted	$ 0.44	$ 0.36	$ 0.24	$ 0.63	$ 0.19	$ 0.24	**$ 0.21**	**$ 0.15**
Dividends to shareholders	$ 163.3	$ 169.7	$ 173.9	$ 175.7	$ 177.5	$ 179.3	**$ 181.1**	**$ 51.5**
Per share[3]	$ 0.420	$ 0.425	$ 0.428	$ 0.428	$ 0.428	$ 0.428	**$ 0.428**	**$ 0.120**
Adjusted EBITDA[2]	$ 340.1	$ 307.4	$ 253.1	$ 285.1	$ 249.6	$ 263.4	**$ 255.2**	**$ 232.5**
Shares outstanding (basic)								
Weighted average	388.4	397.8	406.0	410.3	414.6	418.7	**422.9**	**428.6**
End of period	390.2	403.8	408.2	412.4	416.6	420.7	**425.4**	**429.2**
Capital expenditures								
Growth[2]	$ 229.9	$ 314.3	$ 316.7	$ 363.7	$ 428.8	$ 414.8	**$ 311.6**	**$ 275.7**
Sustaining[2]	24.7	28.9	11.9	18.8	13.4	25.5	**4.9**	**7.6**
Total capital expenditures	$ 254.6	$ 343.2	$ 328.6	$ 382.5	$ 442.2	$ 440.3	**$ 316.5**	**$ 283.3**
Payout ratio[2]	54.5%	62.1%	82.2%	73.1%	86.8%	82.7%	**87.3%**	**27.9%**
Total assets	$10,699.7	$11,461.5	$11,882.6	$12,162.8	$12,441.1	$12,951.4	**$13,240.0**	**$13,674.1**
Total debt[4]	$ 5,339.8	$ 5,680.1	$ 5,858.2	$ 6,056.5	$ 6,252.3	$ 6,669.5	**$ 6,843.0**	**$ 7,319.3**
Total equity	$ 3,660.4	$ 3,965.3	$ 3,940.5	$ 4,080.4	$ 4,040.1	$ 4,089.3	**$ 4,147.4**	**$ 4,162.7**
Enterprise value[2]	$14,079.6	$13,489.8	$14,883.2	$14,457.7	$15,939.0	$16,153.2	**$10,425.2**	**$12,744.6**
Consolidated net debt to total capitalization	51.8%	51.8%	44.2%	45.0%	46.5%	41.3%	**42.3%**	**42.5%**

(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) 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 June 30, 2020, Inter Pipeline had access to committed credit facilities totalling $4.6 billion, of which $2.7 billion remained unutilized, and demand facilities totaling $167.3 million of which $138.1 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 and six months ended June 30, 2020, $33.3 million and $125.7 million, respectively, of equity was issued through the dividend reinvestment plan.

On February 3, 2020, Corridor's $150 million debentures matured and were repaid, and on July 20, 2020, Inter Pipeline's $500 million senior unsecured Series 4 medium-term notes matured and were repaid.

In the current challenging market environment, driven by an unprecedented decline in global energy prices in the first quarter of 2020 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.
- On June 1, 2020, Inter Pipeline issued $700 million of senior unsecured medium-term notes in the Canadian public debt market. The $700 million, due June 1, 2027, bears a fixed interest rate of 4.232% per annum, payable semi-annually in equal instalments in arrears. Net proceeds were used to reduce indebtedness under Inter Pipeline's $1.5 billion syndicated credit facility and to repay $500 million of senior unsecured medium-term notes that matured July 20, 2020.

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*Please refer to the NON-GAAP FINANCIAL MEASURES section

™ Denotes trademark of Canaccord Genuity Corp.

S&P downgraded Inter Pipeline's issuer credit rating in March 2020 to BBB- (negative outlook) from BBB+ (negative outlook) primarily 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).

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 June 30, 2020:

(millions)	Rate type	Total amount	Amount drawn
Recourse debt			
Inter Pipeline syndicated credit facilities	Variable	$ 2,500.0	**$ —**
Inter Pipeline term credit facility	Variable	500.0	**500.0**
Demand facilities[(1)]	Variable	142.3	**18.1**
Medium-term notes[(2)]	Fixed	4,025.0	**4,025.0**
Subordinated hybrid notes			
Series 2019-A[(3)]	Fixed	750.0	**750.0**
Series 2019-B[(4)]	Fixed	700.0	**700.0**
Non-recourse debt[(5)]			
Corridor syndicated credit facility	Variable	1,550.0	**1,326.2**
Corridor demand facility	Variable	25.0	**—**
Total debt outstanding[(6)(7)]			**$ 7,319.3**

(1) Inter Terminals Pound Sterling 40 million demand facility which is converted at a Pound Sterling/CAD rate of 1.6832 at June 30, 2020.

(2) On July 20, 2020, Inter Pipeline’s $500 million senior unsecured medium-term notes Series 4 matured and were repaid.

(3) 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.

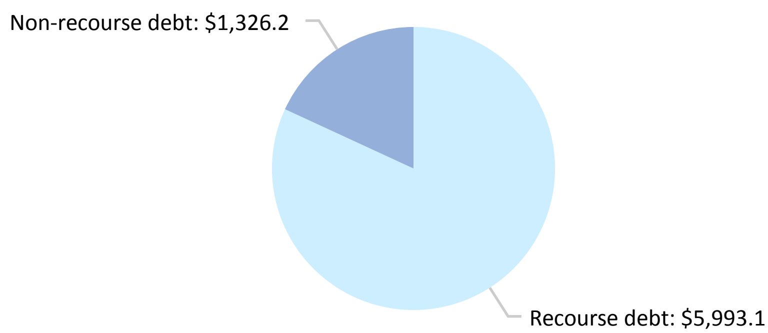
(4) For the initial 10 years, the subordinated hybrid notes carry a fixed interest rate of 6.625%. Subsequently, the interest rate will be set to equal the three-month banker’s acceptance rate plus a margin of 4.90% from years 10 to 30, and margin of 5.65% from years 30 to 60.

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

(6) At June 30, 2020, outstanding Inter Pipeline letters of credit of approximately $11.1 million were not included in total debt outstanding.

(7) Financial debt reported in the June 30, 2020 interim financial statements of $7,281.2 million, includes long-term debt, short-term debt and commercial paper outstanding of $7,319.3 million less discounts and debt transaction costs of $38.1 million.

Total debt of $7,319.3 million - June 30, 2020



Financial Covenants

The following table provides a listing of the key financial covenants as at June 30, 2020:

	Ratio	June 30, 2020
Inter Pipeline Ltd.		
Inter Pipeline syndicated credit facilities		
Consolidated net debt to total capitalization	Maximum 65%	42.5%
EBITDA to senior interest coverage	Minimum 2.5:1.0	6.8
Medium-term notes		
Funded debt to total capitalization	Maximum 70%	40.4%
Inter Pipeline (Corridor) Inc.		
Corridor syndicated credit facility		
Rate base debt to rate base	Maximum 75%	73.0%

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 compliant with all financial covenants under its credit facilities and note indentures as at June 30, 2020.

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

	Twelve Months Ended
(times)	June 30, 2020
Earnings coverage(1)(2)	**2.3**

(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 undiscounted contractual obligations, commitments and guarantees as at June 30, 2020:

(millions)	Total	Less than one year	One to five years	After five years
Total debt[(1)(2)]				
Corridor syndicated credit facility[(2)]	$ 1,326.2	$ 1,326.2	$ —	$ —
Inter Pipeline term credit facility	500.0	—	500.0	—
Medium-term notes	4,025.0	825.0	1,550.0	1,650.0
Subordinated hybrid notes	1,450.0	—	—	1,450.0
Inter Terminals demand facility	18.1	18.1	—	—
	7,319.3	2,169.3	2,050.0	3,100.0
Other obligations				
Capital expenditure commitments[(3)]	362.6	302.4	60.2	—
Lease liabilities	306.7	26.8	95.9	184.0
Purchase obligations[(4)]	2,971.6	66.4	389.7	2,515.5
Long-term portion of incentive plan	4.8	—	4.8	—
	$ 10,965.0	$ 2,564.9	$ 2,600.6	$ 5,799.5

(1) At June 30, 2020, outstanding Inter Pipeline letters of credit of approximately $11.1 million were not included in total debt outstanding. Financial debt reported in the June 30, 2020 interim financial statements of $7,281.2 million, includes long-term debt, short-term debt and commercial paper outstanding of $7,319.3 million less discounts and debt transaction costs of $38.1 million.

(2) Principal obligations are related to commercial paper and bankers' acceptances. 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) Capital expenditure commitments represent future minimum contractual purchase obligations.

(4) 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 agreements 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 midstream marketing activities.

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

ii Inter Pipeline has obligations of $25.0 million under its employee long-term incentive plan, of which $20.2 million is included in the adjusted working capital surplus*.

iii 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 $348.6 million at June 30, 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 June 30		Six Months Ended June 30	
(millions, except per share and % amounts)	**2020**	2019	**2020**	2019
Cash provided by operating activities	**$ 220.6**	$ 224.9	**$ 411.6**	$ 406.0
Net change in non-cash operating working capital	**(36.2)**	15.3	**(19.7)**	45.7
Funds from operations	**$ 184.4**	$ 240.2	**$ 391.9**	$ 451.7
Dividends to shareholders	**$ 51.5**	$ 175.7	**$ 232.6**	$ 349.6
Dividends per share(1)	**$ 0.1200**	$ 0.4275	**$ 0.5475**	$ 0.8550
Payout ratio(2)	**27.9%**	73.1%	**59.4%**	77.4%

(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 June 30		Six Months Ended June 30	
(millions)	**2020**	2019	**2020**	2019
Cash provided by operating activities	**$ 220.6**	$ 224.9	**$ 411.6**	$ 406.0
Dividends to shareholders	**(51.5)**	(175.7)	**(232.6)**	(349.6)
Excess	**$ 169.1**	$ 49.2	**$ 179.0**	$ 56.4

	Three Months Ended June 30		Six Months Ended June 30	
(millions)	**2020**	2019	**2020**	2019
Net income	**$ 62.5**	$ 260.3	**$ 151.6**	$ 358.6
Dividends to shareholders	**(51.5)**	(175.7)	**(232.6)**	(349.6)
Excess (shortfall)	**$ 11.0**	$ 84.6	**$ (81.0)**	$ 9.0

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. The fluctuation in dividends is related to the reduction in Inter Pipeline's monthly dividend by 72% to $0.04 per share, which was effective for the April 22, 2020 record date.

OUTSTANDING SHARE DATA

Inter Pipeline's outstanding common shares at June 30, 2020 are as follows:

(millions)	Total
Common shares outstanding	429.2

At August 4, 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.

As at June 30, 2020, there were no derivative financial instruments outstanding.

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 June 30, 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. Due to the depressed commodity prices, Inter Pipeline's share price and market capitalization have significantly declined since December 31, 2019.

The full extent of the impact of Covid-19 on Inter Pipeline's operations and future financial performance is currently unknown. In the short-to-medium term, Inter Pipeline believes that COVID-19 represents a set of macro risks which are challenging to quantify, 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 determination of triggering events for impairment for non-financial assets, provisions, and fair value measurements, including those related to financial instruments.

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, extend or reinstate regulations and restrictions regarding travel bans or the flow of labour or products. As a result, 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, temperature screenings, isolation guidelines, social gathering restrictions, rigorous sanitation, social distancing requirements, contact tracing and the use of personal protective equipment (including masks where social distancing requirements cannot be maintained) 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 volume 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 surplus (deficiency)”, “EBITDA”, “adjusted EBITDA”, “adjusted EBITDA by contract type”, “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 surplus (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)	June 30 2020	December 31 2019
Current Assets		
Cash and cash equivalents	**$ 288.5**	$ 32.6
Accounts receivable	**292.0**	323.2
Prepaid expenses and other assets	**51.1**	47.9
Inventory	**14.0**	14.7
Current Liabilities		
Dividends payable	**(17.1)**	(60.0)
Accounts payable, accrued liabilities and provisions	**(579.0)**	(638.0)
Current income taxes payable	**(2.0)**	(2.2)
Deferred revenue	**(11.3)**	(8.5)
Adjusted working capital surplus (deficiency)	**$ 36.2**	$ (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 June 30		Six Months Ended June 30	
(millions)	**2020**	2019	**2020**	2019
Net income	**$ 62.5**	$ 260.3	**$ 151.6**	$ 358.6
Financing charges	**49.4**	48.0	**98.1**	90.4
Current income tax expense (recovery)	**1.9**	(0.5)	**3.3**	0.9
Deferred income tax expense (recovery)	**21.1**	(103.0)	**53.8**	(66.7)
Depreciation and amortization	**88.2**	77.6	**173.7**	157.3
EBITDA	**$ 223.1**	$ 282.4	**$ 480.5**	$ 540.5
Loss on disposal of assets	**7.2**	1.9	**13.7**	2.3
Non-cash financing charges	**(3.2)**	(2.6)	**(5.6)**	(4.8)
Non-cash expense (recovery)	**5.4**	3.4	**(0.9)**	0.2
Adjusted EBITDA	**$ 232.5**	$ 285.1	**$ 487.7**	$ 538.2

	Three Months Ended June 30		Six Months Ended June 30	
(millions)	**2020**	2019	**2020**	2019
Funds from operations	**$ 184.4**	$ 240.2	**$ 391.9**	$ 451.7
Total interest less capitalized interest	**46.2**	45.4	**92.5**	85.6
Current income tax expense (recovery)	**1.9**	(0.5)	**3.3**	0.9
Adjusted EBITDA	**$ 232.5**	$ 285.1	**$ 487.7**	$ 538.2

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 June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Adjusted EBITDA by contract type				
Cost-of-service	**79%**	63%	**76%**	64%
Fee-based	**14%**	17%	**16%**	18%
Commodity-based	**6%**	15%	**7%**	15%
Product margin	**1%**	5%	**1%**	3%

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:

	June 30	December 31
(millions, except per share amounts)	**2020**	2019
Closing share price	**$ 12.64**	$ 22.54
Total closing number of common shares	**429.2**	420.7
	5,425.3	9,483.7
Total debt	**7,319.3**	6,669.5
Enterprise value	**$ 12,744.6**	$ 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 June 30	
			2020	2019
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 2.3**	**$ 0.6**	**$ 2.9**	$ 22.1
NGL processing	**244.7**	**3.2**	**247.9**	313.6
Conventional oil pipelines	**12.8**	**0.5**	**13.3**	26.9
Bulk liquid storage	**11.3**	**3.3**	**14.6**	13.3
Corporate[1]	**4.6**	**—**	**4.6**	6.6
Capital expenditures	**$ 275.7**	**$ 7.6**	**$ 283.3**	$ 382.5

			Six Months Ended June 30	
			2020	2019
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 7.6**	**$ 1.0**	**$ 8.6**	$ 64.9
NGL processing	**507.1**	**4.8**	**511.9**	571.5
Conventional oil pipelines	**36.9**	**0.9**	**37.8**	46.6
Bulk liquid storage	**24.9**	**5.8**	**30.7**	21.4
Corporate[1]	**10.8**	**—**	**10.8**	6.7
Capital expenditures	**$ 587.3**	**$ 12.5**	**$ 599.8**	$ 711.1

(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 6th day of August, 2020