

Interim Consolidated Balance Sheets

	As at	
	March 31	December 31
(unaudited)(millions of Canadian dollars)	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 37.1	\$ 40.1
Accounts receivable	336.6	329.2
Derivatives (note 9)	0.3	0.1
Prepaid expenses and other assets	58.2	50.1
Inventory	33.4	14.0
Assets of the Empress divestiture group held for sale (note 5)	173.5	175.3
Total Current Assets	639.1	608.8
Non-Current Assets		
Right-of-use assets	107.7	110.5
Property, plant and equipment (note 4)	12,062.9	11,915.2
Goodwill and intangible assets	422.6	431.9
Total Assets	\$ 13,232.3	\$ 13,066.4
LIABILITIES AND EQUITY		
Current Liabilities		
Dividends payable (note 7)	\$ 17.1	\$ 17.2
Accounts payable and other liabilities	517.4	466.2
Derivatives (note 9)	5.0	0.8
Lease liabilities	14.9	14.6
Current income taxes payable	3.4	3.0
Short-term debt and current portion of long-term debt (note 6)	1,291.7	1,629.7
Liabilities of the Empress divestiture group held for sale (note 5)	46.7	44.3
Total Current Liabilities	1,896.2	2,175.8
Non-Current Liabilities		
Long-term debt (note 6)	5,585.4	5,165.0
Long-term lease liabilities	122.3	125.1
Provisions	330.6	375.3
Long-term deferred revenue and other liabilities	33.7	35.0
Deferred income taxes	1,006.8	974.4
Total Liabilities	8,975.0	8,850.6
Commitments (notes 4 and 11)		
Equity		
Shareholders' equity (note 7)	4,289.3	4,213.0
Total reserves	(32.0)	2.8
Total Equity	4,257.3	4,215.8
Total Liabilities and Equity	\$ 13,232.3	\$ 13,066.4

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Net Income

	Three Months Ended March 31	
(unaudited)(millions of Canadian dollars)	2021	2020
Revenue	\$ 697.2	\$ 603.8
Cost of sales	350.7	316.2
Loss on derivatives (note 9)	20.4	—
GROSS PROFIT	326.1	287.6
Depreciation and amortization	69.9	92.0
Financing charges	37.4	48.7
General and administrative	52.5	23.7
INCOME BEFORE INCOME TAXES	166.3	123.2
Income tax expense	38.5	34.1
NET INCOME	\$ 127.8	\$ 89.1
Net income per share (note 7)		
Basic and diluted	\$ 0.30	\$ 0.21

Interim Consolidated Statements of Comprehensive Income

	Three Months Ended March 31	
(unaudited)(millions of Canadian dollars)	2021	2020
NET INCOME	\$ 127.8	\$ 89.1
OTHER COMPREHENSIVE (LOSS) INCOME		
Item that may be reclassified subsequently to net income		
Unrealized (loss) gain on translating financial statements of foreign operations	(34.8)	57.7
Other Comprehensive (Loss) Income	(34.8)	57.7
COMPREHENSIVE INCOME	\$ 93.0	\$ 146.8

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

Three Months Ended March 31

(unaudited)(millions of Canadian dollars)	2021	2020
OPERATING ACTIVITIES		
Net income	\$ 127.8	\$ 89.1
Items not involving cash:		
Depreciation and amortization	69.9	92.0
Non-cash expense (recovery)	3.3	(6.3)
Deferred income tax expense	34.4	32.7
Unrealized loss on derivatives (note 9)	3.9	—
Funds from operations	239.3	207.5
Net change in non-cash operating working capital	29.3	(16.5)
Cash provided by operating activities	268.6	191.0
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	(292.6)	(316.5)
Receipt of government grants	—	2.1
Net change in non-cash investing working capital	(5.1)	42.7
Cash used in investing activities	(297.7)	(271.7)
FINANCING ACTIVITIES		
Cash dividends paid on common shares (note 7)	(51.5)	(88.7)
Principal payments on lease liabilities	(3.3)	(5.9)
Increase in debt including transaction costs	80.5	173.3
Net change in non-cash financing working capital	(0.1)	1.5
Cash provided by financing activities	25.6	80.2
Effect of foreign currency translation on cash	0.5	(0.1)
Decrease in cash and cash equivalents	(3.0)	(0.6)
Cash and cash equivalents, beginning of period	40.1	32.6
Cash and cash equivalents, end of period	\$ 37.1	\$ 32.0
Cash taxes paid	\$ 3.0	\$ 2.9
Cash interest paid	\$ 56.0	\$ 68.3

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)(millions of Canadian dollars)

	Share Capital	Earnings / (Deficit)	Reserves	Total Equity
Balance, January 1, 2021	\$ —	\$ 4,213.0	\$ 2.8	\$ 4,215.8
Net income for the period	—	127.8	—	127.8
Other comprehensive loss	—	—	(34.8)	(34.8)
Dividends declared (note 7)	—	(51.5)	—	(51.5)
Balance, March 31, 2021	\$ —	\$ 4,289.3	\$ (32.0)	\$ 4,257.3
Balance, January 1, 2020	\$ 4,900.3	\$ (836.3)	\$ 25.3	\$ 4,089.3
Net income for the period	—	89.1	—	89.1
Other comprehensive income	—	—	57.7	57.7
Dividends declared (note 7)	—	(181.1)	—	(181.1)
Shares issued under Premium Dividend™ and Dividend Reinvestment Plan (note 7)	92.4	—	—	92.4
Balance, March 31, 2020	\$ 4,992.7	\$ (928.3)	\$ 83.0	\$ 4,147.4

See accompanying condensed notes to the interim consolidated financial statements.

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Condensed Notes to Interim Consolidated Financial Statements

March 31, 2021

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

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Ltd.'s (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2020.

Inter Pipeline has consistently applied the same accounting policies for all periods presented in these interim financial statements as those used in Inter Pipeline's audited consolidated financial statements for the year ended December 31, 2020. Certain prior period balances have been reclassified to match the current year presentation.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Inter Pipeline on May 6, 2021.

2. REVISION OF REPORTABLE SEGMENTS

Effective January 1, 2021, Inter Pipeline restructured its reportable segments to better reflect its underlying operations. The application of existing segment reporting and revenue recognition accounting policies to Inter Pipeline's new reportable segments is outlined below.

Refer to note 3 for the restated segment reporting for the three months ended March 31, 2020.

Segment Reporting

Inter Pipeline determines its reportable segments based on the nature of its operations. This is consistent with how the business is managed and results are reported to the Chief Executive Officer and Chief Financial Officer, who are Inter Pipeline's chief operating decision makers. Operating segments that have similar economic characteristics are aggregated into reportable segments. Inter Pipeline evaluates the financial performance of its reportable segments primarily based on adjusted EBITDA. Adjusted EBITDA is defined as net income before financing charges, income taxes, depreciation and amortization, and unrealized gains / losses on derivatives.

Segment results include items that are directly attributable to a segment as well as items that can be allocated on a reasonable basis and can be controlled by segment managers. Intersegment transactions are recorded at estimated market rates and are eliminated on consolidation.

Industry Segments

The transportation segment is comprised of oil sands and conventional oil pipelines that transport petroleum products, as well as bulk liquid storage terminals that provide storage and blending services for oil, chemical and biofuel products. The facilities infrastructure segment owns assets that provide customers with NGL, offgas and petrochemical products and services. The marketing segment manages the logistics and sale of products not produced under fee-based or cost-of-service agreements, engages in facility and pipeline optimization opportunities, and is responsible for Inter Pipeline's commodity risk management activities, including hedging. The new ventures segment focuses on the development of large-scale innovative projects to create

new cash flow streams, and currently includes the Heartland Petrochemical Complex (HPC). Once projects are in service and operating as intended, the assets and operations will be transferred to the facilities infrastructure and marketing segments.

Revenue Recognition

Revenue is recognized when control of the underlying goods or services for a particular performance obligation is transferred to a customer by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when, or as, the entity satisfies a performance obligation.

Goods or services that are promised to a customer are referred to as “performance obligations”. Inter Pipeline’s performance obligations have been determined as follows:

Segment	Nature of Performance Obligations	Recognition
Transportation	<ul style="list-style-type: none"> • Transportation of petroleum products • Storage of petroleum and petrochemical products • Blending and ancillary services 	<ul style="list-style-type: none"> • over time • over time • at a point in time
Facilities Infrastructure	<ul style="list-style-type: none"> • Processing of NGLs • Sale of NGL products 	<ul style="list-style-type: none"> • over time • at a point in time
Marketing	<ul style="list-style-type: none"> • Sale of petroleum and NGL products • Blending and ancillary services 	<ul style="list-style-type: none"> • at a point in time • at a point in time
New Ventures ⁽¹⁾	<ul style="list-style-type: none"> • Processing of NGLs and ancillary services • Sale of plastic products 	<ul style="list-style-type: none"> • over time • at a point in time

(1) Material revenue is not anticipated from the New Ventures segment until HPC is in-service in early 2022.

Revenue is disaggregated into categories that depict how the nature, timing, and uncertainty of revenues and cash flows are affected by economic factors. Inter Pipeline has categorized its revenue into the following contract types: (i) cost-of-service; (ii) fee-based; and (iii) commodity-based.

Cost-of-Service Contracts

Inter Pipeline provides transportation, NGL processing and storage services under cost-of-service contracts that 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.

Inter Pipeline satisfies its performance obligations and recognizes revenue under cost-of-service contracts over time, as the associated transportation, gas processing, or storage services are provided, or ratably over the term of any take-or-pay arrangements. Contracts may contain make-up rights which are earned by the shippers when minimum volume commitments are not utilized during the period and under certain circumstances can be used to offset excess volume in future periods, subject to expiry periods. Inter Pipeline recognizes revenues associated with make-up rights at the earlier of when the make-up volume is shipped, the make-up right expires, or when it is determined that the likelihood that the shipper will utilize the make-up rights is remote.

Revenue is deferred when payments are received in advance of future services, or in the case of certain declining rate base cost-of-service contracts, when the term of invoicing is less than the period over which performance obligations are satisfied. Deferred amounts are recognized over the period the performance obligation is expected to be satisfied.

Fee-Based Contracts

Fee-based contracts are generally subject to fluctuations in throughput volume but not commodity prices. Revenue is based on a contracted fee and consideration is variable with respect to volume. Inter Pipeline satisfies its performance obligations and recognizes revenue under fee-based contracts over time as the associated transportation, gas processing, or storage services are provided. Inter Pipeline has fee-based contracts with both external and internal customers.

Commodity-Based Contracts

Petroleum and NGLs are sold under commodity-based contracts that are generally subject to throughput volume and commodity price fluctuations. Inter Pipeline satisfies its performance obligations and recognizes revenue once the products have been delivered, which is the same point that control is transferred.

3. SEGMENT REPORTING

Three Months Ended March 31, 2021

	Transportation	Facilities Infrastructure	Marketing	New Ventures	Corporate ⁽¹⁾	Total
Cost-of-service	\$ 273.6	\$ 13.9	\$ —	\$ —	\$ —	\$ 287.5
Fee-based	26.5	52.3	—	—	—	78.8
Commodity-based	—	—	330.9	—	—	330.9
Revenue from external customers ⁽²⁾	300.1	66.2	330.9	—	—	697.2
Intersegment fee-based revenue	6.5	127.2	—	—	(133.7)	—
TOTAL REVENUE	306.6	193.4	330.9	—	(133.7)	697.2
Cost of sales	79.7	158.9	237.7	4.9	(130.5)	350.7
Loss on derivatives	—	—	20.4	—	—	20.4
GROSS PROFIT	226.9	34.5	72.8	(4.9)	(3.2)	326.1
General and administrative	15.9	1.4	2.4	5.1	27.7	52.5
Add back:						
Unrealized loss on derivatives	—	—	3.9	—	—	3.9
ADJUSTED EBITDA	\$ 211.0	\$ 33.1	\$ 74.3	\$ (10.0)	\$ (30.9)	\$ 277.5
Depreciation and amortization						69.9
Unrealized loss on derivatives						3.9
Financing charges						37.4
Income tax expense						38.5
NET INCOME						\$ 127.8
EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT	\$ 29.5	\$ 33.5	\$ —	\$ 225.4	\$ 4.2	\$ 292.6

(1) Corporate includes intersegment eliminations.

(2) Transportation revenue includes \$29.4 million of sales to external customers located in Europe. Marketing revenue includes \$75.7 million of sales to external customers located in the United States.

Three Months Ended March 31, 2020

	Transportation	Facilities Infrastructure	Marketing	New Ventures	Corporate ⁽¹⁾	Total
Cost-of-service	\$ 277.4	\$ 11.9	\$ —	\$ —	\$ —	\$ 289.3
Fee-based	56.1	59.3	—	—	—	115.4
Commodity-based	—	—	199.1	—	—	199.1
Revenue from external customers ⁽²⁾	333.5	71.2	199.1	—	—	603.8
Intersegment fee-based revenue	6.8	92.8	—	—	(99.6)	—
TOTAL REVENUE	340.3	164.0	199.1	—	(99.6)	603.8
Cost of sales	93.8	118.6	195.3	3.8	(95.3)	316.2
GROSS PROFIT	246.5	45.4	3.8	(3.8)	(4.3)	287.6
General and administrative	14.0	1.6	0.9	3.9	3.3	23.7
ADJUSTED EBITDA	\$ 232.5	\$ 43.8	\$ 2.9	\$ (7.7)	\$ (7.6)	\$ 263.9
Depreciation and amortization						92.0
Financing charges						48.7
Income tax expense						34.1
NET INCOME						\$ 89.1
EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT	\$ 46.3	\$ 9.2	\$ —	\$ 254.8	\$ 6.2	\$ 316.5

(1) Corporate includes intersegment eliminations.

(2) Transportation revenue includes \$81.0 million of sales to external customers located in Europe. Marketing revenue includes \$38.3 million of sales to external customers located in the United States.

4. PROPERTY, PLANT AND EQUIPMENT

		Pipelines, Facilities and Equipment ⁽¹⁾		Construction Work in Progress		Total
COST						
Balance, January 1, 2020	\$	11,423.4	\$	2,488.6	\$	13,912.0
Additions and transfers from construction ⁽²⁾		513.9		1,266.2		1,780.1
Disposals and completed construction ⁽²⁾		(46.2)		(512.1)		(558.3)
Sale of the European divestiture group		(1,037.8)		(32.3)		(1,070.1)
Reclassified to assets of the Empress divestiture group held for sale		(255.7)		—		(255.7)
Foreign currency translation adjustments		86.1		3.0		89.1
Balance, December 31, 2020		10,683.7		3,213.4		13,897.1
Additions and transfers from construction ⁽²⁾		35.7		255.0		290.7
Disposals and completed construction ⁽²⁾		(15.6)		(34.5)		(50.1)
Foreign currency translation adjustments		(43.1)		(1.9)		(45.0)
Balance, March 31, 2021	\$	10,660.7	\$	3,432.0	\$	14,092.7
ACCUMULATED DEPRECIATION						
Balance, January 1, 2020	\$	2,154.2	\$	—	\$	2,154.2
Depreciation		284.7		—		284.7
Disposals		(21.0)		—		(21.0)
Sale of the European divestiture group		(334.2)		—		(334.2)
Reclassified to assets of the Empress divestiture group held for sale		(124.0)		—		(124.0)
Foreign currency translation adjustments		22.2		—		22.2
Balance, December 31, 2020		1,981.9		—		1,981.9
Depreciation		71.1		—		71.1
Disposals		(10.8)		—		(10.8)
Foreign currency translation adjustments		(12.4)		—		(12.4)
Balance, March 31, 2021	\$	2,029.8	\$	—	\$	2,029.8
NET BOOK VALUE						
As at December 31, 2020	\$	8,701.8	\$	3,213.4	\$	11,915.2
As at March 31, 2021	\$	8,630.9	\$	3,432.0	\$	12,062.9

(1) At March 31, 2021, \$502.4 million of pipelines, facilities and equipment was leased to others (December 31, 2020 - \$544.4 million).

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

At March 31, 2021, Inter Pipeline had \$292.8 million of contractual commitments for property, plant and equipment.

5. ASSETS AND LIABILITIES OF THE EMPRESS DIVESTITURE GROUP HELD FOR SALE

On September 28, 2020, Inter Pipeline announced that it has entered into an agreement to acquire the Milk River pipeline system and \$35 million of cash proceeds from Plains Midstream Canada ULC in exchange for Inter Pipeline's 100% ownership interest in the Empress II and 50% ownership interest in the Empress V Straddle plants (collectively the "Empress divestiture group"). The transaction is expected to be completed in the first half of 2021 and is subject to customary closing conditions.

At March 31, 2021, the assets and liabilities of the Empress divestiture group are recorded within the Facilities Infrastructure segment and have been reclassified as follows:

Current Assets		
Accounts receivable	\$	7.8
Prepaid expenses and other assets		2.5
Non-Current Assets		
Property, plant and equipment		129.8
Goodwill and intangible assets		33.4
Assets of the Empress divestiture group held for sale	\$	173.5
Current Liabilities		
Accounts payable and other liabilities	\$	7.1
Non-Current Liabilities		
Provisions		5.3
Deferred income taxes		34.3
Liabilities of the Empress divestiture group held for sale	\$	46.7

6. FINANCIAL DEBT

The following table summarizes Inter Pipeline's financial debt as at March 31, 2021 and December 31, 2020:

	March 31 2021	December 31 2020
Corridor syndicated credit facility ⁽¹⁾	\$ 1,294.6	\$ 1,309.5
Inter Pipeline syndicated credit facilities	466.0	44.0
Inter Pipeline term credit facility	500.0	500.0
Medium-term notes	3,200.0	3,525.0
Subordinated hybrid notes	1,450.0	1,450.0
Long-term debt and short-term debt (excluding transaction costs and discounts)	6,910.6	6,828.5
Transaction costs and discounts, net of accumulated amortization	(33.5)	(33.8)
Financial debt	6,877.1	6,794.7
<i>Comprised of:</i>		
Short-term debt and current portion of long-term debt	1,291.7	1,629.7
Long-term debt	5,585.4	5,165.0
Financial debt	6,877.1	6,794.7

(1) At March 31, 2021, a letter of credit totalling \$0.6 million (December 31, 2020 - \$nil) has been issued under Corridor's syndicated credit facility; however, this is not included in the amount outstanding.

On January 27, 2021, Inter Pipeline amended the \$500 million term credit facility agreement to reduce the pricing margin.

On February 2, 2021, the \$325 million 4.967% Series 1 medium-term notes matured and were repaid.

On February 11, 2021, Inter Pipeline amended the \$1.0 billion unsecured revolving credit facility agreement to reduce the pricing margin and extend the maturity date to December 5, 2022. At March 31, 2021, no amounts were drawn against this facility (December 31, 2020 - \$nil).

At March 31, 2021, letters of credit totalling \$10.7 million (December 31, 2020 - \$10.7 million) have been issued under Inter Pipeline's demand facility; however, no amounts have been borrowed against the facility at March 31, 2021 (December 31, 2020 - \$nil).

7. SHAREHOLDERS' EQUITY

a) Share Capital

Inter Pipeline had 429.2 million common shares outstanding with a book value of one Canadian dollar at March 31, 2021 and December 31, 2020.

b) Calculation of Net Income per Common Share

<i>(millions, except per share amounts)</i>	Three Months Ended March 31	
	2021	2020
Net income – basic and diluted	\$ 127.8	\$ 89.1
Weighted average shares outstanding – basic	429.2	422.9
Effect of Premium Dividend™ and Dividend Reinvestment Plan	—	1.4
Weighted average shares outstanding – diluted	429.2	424.3
Net income per common share – basic and diluted	\$ 0.30	\$ 0.21

c) Dividends to Shareholders

<i>(millions, except per share amounts)</i>	Three Months Ended March 31	
	2021	2020
Dividends declared on common shares	\$ 51.5	\$ 181.1
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	—	(92.4)
Cash dividends paid on common shares	\$ 51.5	\$ 88.7
Dividends declared per share	\$ 0.1200	\$ 0.4275

As at March 31, 2021, dividends of \$17.1 million were payable on 429.2 million outstanding common shares at \$0.04 per share (December 31, 2020 - \$17.2 million payable on 429.2 million outstanding common shares at \$0.04 per share).

On April 9, 2021, Inter Pipeline declared dividends of \$0.04 per share. The dividends will be paid on or about May 14, 2021, to shareholders of record on April 22, 2021. The total declared dividends are approximately \$17.2 million.

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8. CAPITAL DISCLOSURES

Capital under management includes financial debt and shareholders' equity.

At March 31, 2021, Inter Pipeline had access to committed credit facilities totalling \$4,550.0 million, of which \$2,288.8 million remained unutilized. Inter Pipeline also had access to demand facilities of \$126.0 million, of which \$115.3 million remained unutilized. Certain facilities are available to specific subsidiaries of Inter Pipeline.

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

9. FINANCIAL INSTRUMENTS

a) Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at March 31, 2021, are classified as follows:

	Amortized Cost	Fair Value Through Profit or Loss	Non-Financial Asset or Liability ⁽¹⁾	Carrying Value of Asset or Liability
Assets⁽²⁾				
Cash and cash equivalents	\$ 37.1	\$ —	\$ —	\$ 37.1
Accounts receivable	325.9	—	10.7	336.6
Derivatives ⁽³⁾	—	0.3	—	0.3
Prepaid expenses and other assets	0.1	—	58.1	58.2
Assets of the Empress divestiture group held for sale	7.8	—	165.7	173.5
Liabilities				
Dividends payable	\$ 17.1	\$ —	\$ —	\$ 17.1
Accounts payable and other liabilities	447.0	—	70.4	517.4
Derivatives ⁽³⁾	—	5.0	—	5.0
Long-term deferred revenue and other liabilities	13.9	—	19.8	33.7
Long-term debt and short-term debt (note 6) ⁽⁴⁾	6,910.6	—	—	6,910.6
Liabilities of the Empress divestiture group held for sale	7.1	—	39.6	46.7

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

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

(3) Inter Pipeline measures its derivatives at fair value through profit or loss and does not apply hedge accounting.

(4) Carrying values exclude transaction costs, discounts and accumulated amortization.

b) Fair Value of Fixed Rate Debt

At March 31, 2021, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value ⁽¹⁾	Fair Value
Medium-term notes	\$ 3,200.0	\$ 3,352.4
Subordinated hybrid notes	\$ 1,450.0	\$ 1,521.6

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

c) Fair Value of Derivatives

Derivative financial assets and liabilities are offset if Inter Pipeline has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table summarizes the fair value of derivatives as at March 31, 2021:

	Derivative Asset	Derivative Liability
Crude oil	1.1	—
NGL ⁽¹⁾	0.4	6.6
Natural gas	0.7	0.3
Gross amount	2.2	6.9
Amount offset	(1.9)	(1.9)
Net amount	0.3	5.0

(1) NGL includes propane, isobutane, normal butane and polymer grade propylene.

Realized losses represent actual settlements under derivative contracts during the period. The realized losses on derivatives recognized in net income were:

	Three Months Ended March 31	
	2021	2020
Crude oil	\$ 0.4	\$ —
NGL ⁽¹⁾	16.1	—
Net realized loss on derivatives	\$ 16.5	\$ —

(1) NGL includes propane, isobutane, normal butane and polymer grade propylene.

The unrealized change in fair value related to derivatives recognized in net income was:

	Three Months Ended March 31	
	2021	2020
Crude oil	\$ (1.1)	\$ —
NGL ⁽¹⁾	5.4	—
Natural gas	(0.4)	—
Net unrealized loss on derivatives	\$ 3.9	\$ —

(1) NGL includes propane, isobutane, normal butane and polymer grade propylene.

At March 31, 2021, Inter Pipeline had the following derivative contracts outstanding:

	Notional Volume ⁽¹⁾	Remaining Term ⁽²⁾	Weighted Average Price ⁽³⁾
Crude oil	337,000	December 2021	\$ 76.76
Propane	1,894,000	December 2021	\$ 39.87
Isobutane	136,000	December 2021	\$ 43.31
Normal butane	37,000	April 2021	\$ 38.55
Polymer grade propylene	360,000	December 2021	\$ 110.35
Natural gas ⁽⁴⁾	8,696,000	December 2021	\$ 2.47

(1) Notional volume for all commodities are in barrels except for natural gas which is in gigajoules.

(2) Contracts mature between April and December 2021.

(3) Derivatives denominated in foreign currency have been translated to Canadian Dollars at the March 31, 2021 closing rate.

(4) Inter Pipeline is the seller for all commodities except for natural gas where it is the purchaser.

10. RISK MANAGEMENT

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

a) Market Risk

Based on the variable rate debt obligations outstanding at March 31, 2021, a 1% change in interest rates at this date would have changed interest expense for the three months ended March 31, 2021, by approximately \$5.6 million assuming all other variables remain constant. Of this amount, \$3.2 million for the three months ended March 31, 2021, relates to the Corridor syndicated credit facility (note 6) and is recoverable through the terms of the Corridor Firm Service Agreement; therefore, the after-tax income impact for the three months ended March 31, 2021, would be \$1.8 million. When deemed appropriate, Inter Pipeline may enter into interest rate or cross-currency swap agreements to manage its interest rate price risk exposure. As at March 31, 2021, there were no interest rate or cross-currency swap agreements outstanding.

Inter Pipeline is exposed to commodity price risk arising from purchases and sales of crude oil, natural gas, NGL, power, carbon credits, and petrochemicals. Inter Pipeline manages its commodity risk exposures by utilizing commodity swaps. The following table illustrates how a 10% change in commodity prices in isolation could individually impact the valuation of Inter Pipeline's derivatives, and consequently income before income taxes, assuming all other variables remain constant:

	Fair value of derivatives	Increase (decrease) in income before income taxes based on	
		10% increase in price	10% decrease in price
Crude oil	\$ 1.1	\$ (1.3)	\$ 1.3
NGL	(6.2)	(14.1)	14.1
Natural gas	0.4	2.2	(2.2)
Commodity risk management	\$ (4.7)		

As at March 31, 2021, there were no foreign exchange derivatives outstanding.

b) Credit Risk

Credit risk exposure relates primarily to the non-performance of Inter Pipeline's customer and financial counterparties. Inter Pipeline believes that the credit risk arising from cash and cash equivalents and derivatives is minimal as these financial assets are predominantly held with major financial institutions. At March 31, 2021, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval, ongoing monitoring procedures and historical experience.

Inter Pipeline assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward looking information to determine the appropriate expected credit losses. At March 31, 2021, lifetime expected credit losses for accounts receivable outstanding were insignificant.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at March 31, 2021, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	\$ 17.1	\$ 17.1	\$ —	\$ —
Accounts payable and other liabilities	517.4	517.4	—	—
Derivatives	5.0	5.0	—	—
Lease liabilities	186.3	19.3	72.4	94.6
Long-term deferred revenue and other liabilities	33.7	—	24.7	9.0
Long-term debt and short-term debt	6,910.6	1,294.6	2,516.0	3,100.0
Liabilities of the Empress divestiture group held for sale	46.7	46.7	—	—
Total	\$ 7,716.8	\$ 1,900.1	\$ 2,613.1	\$ 3,203.6

11. COMMITMENTS AND CONTINGENCIES

a) Purchase Obligations

Inter Pipeline had operating purchase commitments totalling approximately \$3,117.7 million at March 31, 2021. Refer to note 4 for committed property, plant and equipment expenditures.

b) Alberta Petrochemicals Incentive Program

On April 5, 2021, Inter Pipeline announced it will receive \$408 million from the Government of Alberta under the Alberta Petrochemicals Incentive Program (APIP). The grant was awarded in support of Inter Pipeline's HPC, which will be operational in early 2022. The APIP cash grant will be paid to Inter Pipeline in three equal instalments over three years once HPC is operational. Inter Pipeline was previously approved to receive \$200 million of royalty credits for the propane dehydrogenation plant under the Petrochemicals Diversification Program, but will resign these credits in favour of the more significant APIP grant.

The APIP grant will be accounted for as a government grant related to income, and will not be recognized on the balance sheet until Inter Pipeline has reasonable assurance that the conditions attached to the grant will be fulfilled.