



Management's Discussion and Analysis

For the three months ended March 31, 2021

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 month period ended March 31, 2021, 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 this 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 transition office-based employees back to the workplace; 3) Inter Pipeline being able to maintain its financial flexibility and liquidity to fund its ongoing business activities; 4) Inter Pipeline's access to additional financial resources; 5) financial forecasts or anticipated financial performance; 6) timing, estimates, cost and anticipated benefits of capital projects (including the Heartland Petrochemical Complex); 7) the value of the proceeds from the Milk River transaction, the expected timing for the closing of the Milk River transaction, and the expected benefits of the transaction; 8) capital expenditure forecasts and financing plans for such expenditures; 9) the benefits to be derived from the enhanced business integration described under the ENHANCED BUSINESS INTEGRATION section; and 10) the plans and forecasts described under the OUTLOOK section, including: Inter Pipeline's oils sands business being structured to provide consistent and reliable returns in spite of the macroeconomic environment; Inter Pipeline proactively engaging with key shippers to identify additional opportunities to leverage demand and generate further growth as economic recovery continues to advance from the impacts of the global pandemic; facilities infrastructure forecast of a strong year in 2021 and the expected continuance of high NGL flows at the border from the Cochrane Extraction Plant, ongoing demand forecasted to the Pacific North West corridor, and the benefit from the marketing segment assuming all its previous commodity exposure, positioning the operation to focus directly on contracted throughput and volumes; and the process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex being expected to conclude in the first half of 2021. 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 certain 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 transactions; the possibility that Inter Pipeline is unable to identify or consummate any acceptable strategic alternatives; 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, legal proceedings 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, 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 in this MD&A under the section "Risk Factors" and 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 this MD&A under the section "Risk Factors" and in Inter Pipeline's other 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 MD&A 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 MD&A 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 months ended March 31, 2021

The MD&A provides a detailed explanation of Inter Pipeline's operating and financial results for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The MD&A should be read in conjunction with the March 31, 2021 unaudited condensed interim financial statements (interim financial statements), the audited consolidated financial statements and MD&A for the year ended December 31, 2020, 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.

Historical 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). Forward-looking information included in this MD&A should be read in conjunction with disclosures under the **FORWARD-LOOKING INFORMATION** section.

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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ENHANCED BUSINESS INTEGRATION

Effective January 1, 2021, Inter Pipeline restructured its reportable segments to better reflect its underlying operations. The revised structure will enable Inter Pipeline to better execute its business strategies and achieve the following benefits:

- Integrates similar assets and contract structures to maximize operational efficiencies and provide increased transparency for business performance;
- Creates a centralized and integrated marketing segment to optimize commodity-based adjusted EBITDA*, enhance risk management activities and capture additional synergies across the organization; and
- Provides a platform for the integration of large-scale new business ventures.

The internal organizational structure of Inter Pipeline has been aligned with the revised reportable segments for the purposes of decision making and resource allocation, as well as assessing performance based on gross profit and adjusted EBITDA*. Funds from operations (FFO) will continue to be reported on a consolidated basis.

The following table summarizes the revisions to the reportable segments which were made on a retrospective basis:

Prior Segment Summary			
Oil Sands Transportation	Conventional Oil Pipelines	NGL Processing	Bulk Liquid Storage
Cold Lake pipeline	Bow River pipeline	Cochrane	Denmark terminals
Polaris pipeline	Central Alberta pipeline	Ethane	Sweden terminals
Corridor pipeline	Mid-Saskatchewan pipeline	Propane-plus	UK terminals ⁽¹⁾
	Midstream marketing	Empress II and V	Ireland terminals ⁽¹⁾
		Offgas	Germany terminals ⁽¹⁾
		Ethane-ethylene	Netherlands terminals ⁽¹⁾
		Paraffinic NGL	
		Olefinic NGL	

New Segment Summary			
Transportation	Facilities Infrastructure	Marketing	New Ventures
Oil sands transportation	Cochrane	Cochrane	Heartland Petrochemical Complex ⁽²⁾
Conventional oil pipelines	Ethane	Propane-plus	
Bulk liquid storage	Offgas	Offgas	
	Ethane-ethylene	Paraffinic NGL	
	Empress II and V	Olefinic NGL	
		Midstream marketing	

(1) Divested in the fourth quarter of 2020.

(2) Operational results were previously included in the corporate segment and capital expenditures were included in the NGL processing segment.

These revisions had no impact to Inter Pipeline's consolidated net income for the restated three month period ended March 31, 2020.

Transportation

Inter Pipeline's transportation segment is comprised of oil sands and conventional oil pipelines, as well as bulk liquid storage terminals. In total, Inter Pipeline operates six pipeline systems with ultimate capacity to transport over five million barrels per day of petroleum products from producing sites in Alberta and Saskatchewan for delivery to market hubs primarily at Hardisty and Edmonton, Alberta. Oil sands pipelines include the Cold Lake, Corridor and Polaris systems, with transportation services

*Please refer to the NON-GAAP FINANCIAL MEASURES section

provided to shippers pursuant to long-term cost-of-service contracts that have a defined annual capital fee and recovery of substantially all operating costs. Conventional oil pipelines include the Bow River, Central Alberta and Mid-Saskatchewan systems. Transportation services are generally provided under cost-of-service and fee-based contracts, with more than 100 producers and shippers within our broad service capture areas. Midstream marketing activities are completed by the marketing segment for fixed service fees.

In addition, Inter Pipeline operates bulk liquid storage terminals in Denmark and Sweden branded as Inter Terminals Nordics, which includes approximately 19 million barrels of storage capacity across eight terminals. This business provides storage and custom blending services for oil, chemical and biofuel products through a combination of cost-of-service and fee-based arrangements.

Facilities Infrastructure

Inter Pipeline's facilities infrastructure segment owns assets that provide customers with NGL, offgas and petrochemical products and services. NGL and offgas fractionation is provided through interests in three straddle plants at Cochrane and Empress, as well as an integrated Offgas business that includes the Redwater Olefinic Fractionator, Pioneer I and Pioneer II processing facilities located near Fort McMurray, Alberta, and the Boreal pipeline system that connects these facilities.

The facilities infrastructure segment generates adjusted EBITDA* that is supported by fee-based and cost-of-service arrangements and sells commodity-based products to the marketing segment for fixed service fees plus recovery of shrinkage gas costs.

Marketing

Inter Pipeline's marketing segment manages the logistics and sale of products not produced under fee-based or cost-of-service agreements, as well as engages in pipeline and facility optimization opportunities. The objective is to maximize the value of Inter Pipeline's petroleum, petrochemical, olefinic and paraffinic products, while reducing the volatility associated with market-based product sales. The marketing segment enters into contracts with Inter Pipeline's transportation and facilities infrastructure businesses to undertake value-added commodity marketing activities, including buying and selling products, as well as storage optimization, transportation and blending. The marketing segment does not currently contract material third-party customer volume.

The marketing segment is also responsible for Inter Pipeline's commodity risk management activities, including hedging. Adjusted EBITDA* and operational results are subject to fluctuating commodity prices, volume, product and location-basis differentials, and foreign exchange rates.

New Ventures

Inter Pipeline's new ventures segment focuses on the development of large-scale innovative projects to create new cash flow streams, while better serving its customers through enhanced services or market access. These investments must meet Inter Pipeline's criteria of being complementary to the existing portfolio of infrastructure assets or provide a new growth platform, with sizable organic growth opportunities. Once projects are in service and operating as intended, the assets and operations will be transferred to the facilities infrastructure and marketing segments.

Inter Pipeline's new ventures business currently includes the Heartland Petrochemical Complex (HPC), a world-scale integrated complex comprised of a propane dehydrogenation (PDH) plant and polypropylene (PP) plant that are currently being constructed in Strathcona County, Alberta, near the Redwater Olefinic Fractionator. HPC is designed to convert locally sourced, low-cost propane into 525,000 tonnes per year of polypropylene, an easily transported and recyclable plastic used in the manufacturing of a wide range of essential finished products and consumer goods.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

FIRST QUARTER HIGHLIGHTS

- Reorganized business segments and financial reporting structure effective January 1, 2021
- Adjusted EBITDA* of \$278 million, a five percent increase over the same period in 2020
- Marketing business generated adjusted EBITDA* of \$74 million due to stable volume and improved commodity price environment
- Funds from operations totalled \$239 million, a 15 percent increase over the same period a year ago
- Net income for the quarter was \$128 million, a 43 percent increase over the first quarter of 2020
- Declared cash dividends of \$52 million or \$0.12 per share
- Quarterly payout ratio* of 22 percent
- Initiated comprehensive strategic review process to maximize shareholder value
- Margaret McKenzie succeeded Richard Shaw as Chair of the Board of Directors
- The Heartland Petrochemical Complex began the transition from construction to a world scale operating facility, with commissioning and start-up activities underway

SUBSEQUENT TO THE QUARTER

- HPC was awarded a \$408 million cash grant under the Alberta Petrochemicals Incentive Program
- Announced approximately 60 percent of HPC's production capacity is held under high-quality, long-term take-or-pay contracts with arm's length third parties
- Entered a new agreement with NOVA Chemicals Corporation (NOVA) for the sale of ethane from the Cochrane extraction plant
- Standard & Poor's (S&P) upgraded Inter Pipeline's outlook to stable and affirmed its BBB- credit rating

*Please refer to the NON-GAAP FINANCIAL MEASURES section

RESULTS OVERVIEW

	Three Months Ended March 31	
<i>(millions, except volume, per share and % amounts)</i>	2021	2020
Transportation volume (000s b/d) ⁽¹⁾	2,197.5	2,232.6
Facilities infrastructure volume (000s b/d) ⁽¹⁾⁽²⁾	141.8	154.4
Marketing volume (000s b/d) ⁽¹⁾	58.4	56.4
Bulk liquid storage utilization ⁽¹⁾	94%	95%
Revenue	\$ 697.2	\$ 603.8
Gross profit	\$ 326.1	\$ 287.6
Adjusted EBITDA ⁽³⁾		
Transportation	\$ 211.0	\$ 232.5
Facilities infrastructure	33.1	43.8
Marketing	74.3	2.9
New ventures	(10.0)	(7.7)
Corporate ⁽⁴⁾	(30.9)	(7.6)
Total adjusted EBITDA ⁽³⁾	\$ 277.5	\$ 263.9
Funds from operations	\$ 239.3	\$ 207.5
Per share ⁽³⁾	\$ 0.56	\$ 0.49
Net income	\$ 127.8	\$ 89.1
Per share – basic and diluted	\$ 0.30	\$ 0.21
Dividends to shareholders	\$ 51.5	\$ 181.1
Per share ⁽⁵⁾	\$ 0.1200	\$ 0.4275
Shares outstanding (basic) - weighted average	429.2	422.9
Capital expenditures		
Growth ⁽³⁾	\$ 282.7	\$ 311.6
Sustaining ⁽³⁾	9.9	4.9
Total capital expenditures	\$ 292.6	\$ 316.5
Payout ratio ⁽³⁾	21.5%	87.3%

	As at March 31	As at December 31
<i>(millions, except % amounts)</i>	2021	2020
Total assets	\$ 13,232.3	\$ 13,066.4
Total debt ⁽⁶⁾	\$ 6,910.6	\$ 6,828.5
Total equity	\$ 4,257.3	\$ 4,215.8
Enterprise value ⁽³⁾	\$ 14,623.3	\$ 11,923.1
Shares outstanding (basic) - end of period	429.2	429.2
Consolidated net debt to total capitalization	42.6 %	42.2%

(1) Please refer to the DEFINITIONS AND ABBREVIATIONS section.

(2) Empress V NGL sales reported on a 100% basis.

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

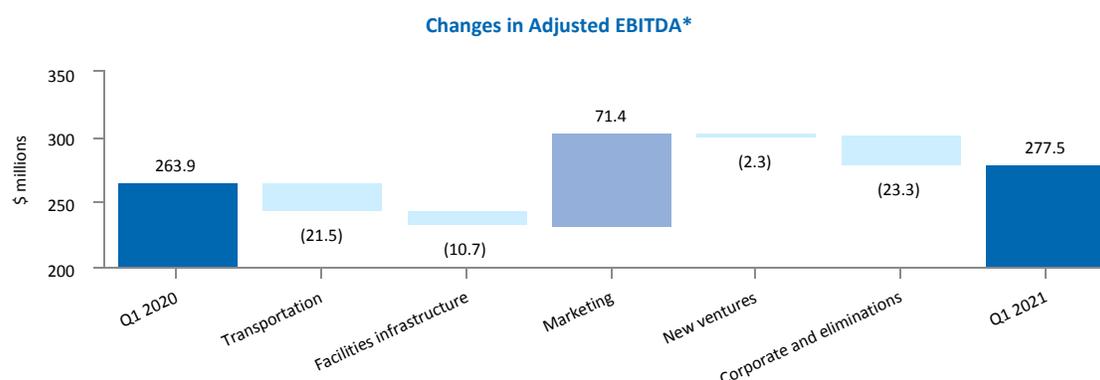
(4) Includes intersegment eliminations. Please refer to note 3 of the March 31, 2021 interim consolidated financial statements.

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

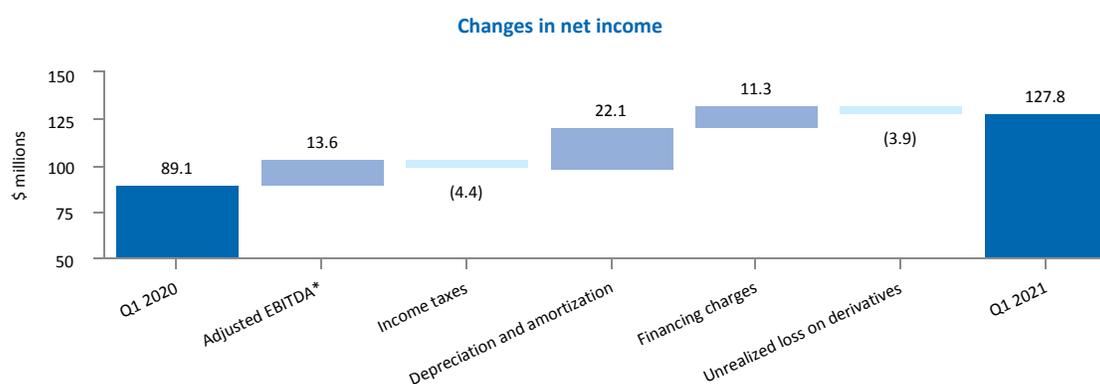
(6) Financial debt reported in the March 31, 2021 interim consolidated financial statements of \$6,877.1 million, includes long-term debt and short-term debt of \$6,910.6 million less discounts and debt transaction costs of \$33.5 million.

Financial performance review

Three Months Ended March 31, 2021



- Inter Pipeline generated adjusted EBITDA* of \$277.5 million in the current quarter, a 5% increase from the first quarter of 2020.
- The transportation business adjusted EBITDA* decreased quarter over quarter largely due to the sale of 15 storage terminals located in the United Kingdom, Ireland, Netherlands, and Germany (collectively the "European divestiture group") in November 2020.
- Facilities infrastructure adjusted EBITDA* decreased primarily due to higher natural gas and power prices, partially offset by higher ethane sales prices.
- Adjusted EBITDA* generated by the marketing business increased significantly as product margins were favorably impacted by higher commodity prices and stable volume.
- Change in the new ventures adjusted EBITDA* reflects higher employee and operational readiness costs in the current quarter.
- Corporate costs increased largely due to higher long-term incentive plan costs driven by a higher share price in the current quarter.



- Inter Pipeline's first quarter net income increased by 43% or \$38.7 million to \$127.8 million in 2021.
- Net income was favourably impacted by the increase in adjusted EBITDA*, as discussed above, lower depreciation and amortization from the sale of the European divestiture group, higher capitalized interest on HPC, and lower interest rates on commercial paper. These favorable items were slightly offset by higher income tax expense and an unrealized loss on commodity derivative contracts.

* Please refer to the NON-GAAP FINANCIAL MEASURES section

OUTLOOK

Inter Pipeline owns and operates world-scale energy infrastructure assets in Western Canada and Europe. Our long-term strategy is to protect, develop and expand high-quality assets to generate stable and predictable adjusted EBITDA*. We remain optimistic about 2021, with a constructive commodity price environment and a proven ability to successfully navigate the challenges presented by the novel coronavirus pandemic (COVID-19). Inter Pipeline continues to align its health protocols with protective measures recommended by both government and public health agencies. Our operations have been identified as an essential service, with many of our employees continuing to work at our various asset locations and major project sites. When conditions permit, we intend to relaunch our phased plan to safely return our office-based employees back to Inter Pipeline's workplaces.

Transportation Business

The transportation business infrastructure assets generate adjusted EBITDA* that is underpinned by stable cost-of-service and fee-based contracts. Our oil sands business is structured to provide consistent and reliable returns in spite of the macroeconomic environment and will continue to do so as the majority of shippers in this segment are large, investment grade entities that support 20+ year cost-of-service contracts, which are not materially impacted by throughput volume or commodity price fluctuations.

The majority of adjusted EBITDA* 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. In 2021, Inter Pipeline is proactively engaging with key shippers in these capture areas to identify additional opportunities to leverage demand and generate further growth, as economic recovery continues to advance from the impacts of the global pandemic.

During the first quarter of 2021, transportation volume, which represents physical volume under fee-based arrangements plus volume recognized from take-or-pay commitments, was 2,197,500 b/d. Oil sands volume remained strong and conventional volume continue to be impacted by market uncertainty that is expected to improve as we progress through the year. Bulk liquid storage had an average utilization rate of 94% during the first quarter of 2021, as storage demand continued to be high. Transportation's Q1 2021 adjusted EBITDA* was \$211 million, a nine percent decrease from \$233 million for the same quarter of 2020.

Inter Pipeline is actively progressing work to close the Milk River asset swap with Plains Midstream Canada ULC ("Plains") in exchange for the 100% ownership interest in the Empress II and 50% ownership interest in the Empress V straddle plants. Inter Pipeline will also receive \$35 million as part of this transaction that is expected to conclude in the first half of 2021, following completion of customary closing conditions and regulatory approvals.

Facilities Infrastructure Business

The facilities infrastructure business generates adjusted EBITDA* through cost-of-service and fee-based arrangements, while commodity based products are sold to the marketing segment for fixed service fees plus recovery of shrinkage gas costs.

Adjusted EBITDA* in the facilities infrastructure segment in the first quarter was \$33 million compared with \$44 million in the same quarter of 2020. Results were impacted by higher operating costs, including increased power consumption at some of our facilities due to cold weather in the early part of the year. Partially offsetting the decrease were higher ethane and ethane-ethylene revenue.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Subsequent to the quarter, Inter Pipeline entered into a new fee-based agreement with NOVA for ethane sales at the Cochrane extraction plant. Effective January 1, 2025, NOVA will purchase the majority of Cochrane's annual ethane production under this agreement.

Marketing Business

In the marketing segment, first quarter 2021 adjusted EBITDA* was \$74 million compared to \$3 million in the same quarter of 2020. The increase is primarily due to higher realized pricing, partially offset by higher shrinkage and butane costs, as well as a \$16.5 million realized loss on risk management activities primarily related to polymer grade propylene, propane, and propane-plus products.

Beginning late last year, Inter Pipeline began actively hedging its exposure to stabilize adjusted EBITDA* and capture the recent strengthening of commodity prices. Additional hedges have been entered into for crude oil, NGL, and natural gas, with approximately 30% percent of its second quarter volume exposure hedged and approximately 25% hedged for the balance of the year. Generally, adjusted EBITDA* and operational results are impacted by commodity prices, volume, risk management activities, product differentials and foreign exchange rates.

New Ventures Business

Inter Pipeline's new ventures business currently includes HPC, a world-scale integrated complex that is expected to have among the lowest greenhouse gas emissions profiles of any comparable facility in the world. HPC is a transformational project and remains positioned to generate approximately \$450 million to \$500 million in long-term average annual EBITDA once in-service.

Inter Pipeline spent approximately \$225 million on HPC in the first quarter of 2021, bringing the total capital investment since inception to approximately \$3.4 billion. The estimated cost of HPC is approximately \$4.2 billion, a slight increase over the previous estimate as it includes additional expenses associated with keeping our workers safe through the COVID-19 pandemic. The transition from project construction to commissioning and start-up activities has commenced across the site. Currently, overall site construction, including the PDH facility, PP plant, and central utility block is approximately 90 percent complete. The HPC in-service date remains early 2022, supported by disciplined business and operations readiness programs that have incorporated a strong environmental, social and governance (ESG) framework to help drive long-term value for all Inter Pipeline stakeholders.

Subsequent to the quarter, Inter Pipeline provided a HPC project update highlighting that contracting efforts have been successful, with approximately 60 percent of HPC's production capacity held under executed take-or-pay agreements. Seven counterparties, including Canadian and multinational energy producers and North American polypropylene consumers, have executed agreements with a weighted-average contract duration of approximately nine years. Also announced subsequent to the quarter, Inter Pipeline has been awarded a \$408 million cash grant under the Alberta Petrochemicals Incentive Program. This program is intended to reward companies for creating jobs and investing in new or expanded market-driven petrochemical facilities within the province of Alberta.

The process to secure a partner to purchase a material interest in the Heartland Petrochemical Complex is ongoing and is expected to conclude in the first half of 2021. While there can be no certainty that a definitive agreement will be reached, the process remains active. In the interim, we continue to execute the completion of HPC on a stand-alone basis.

Financial

The ability to maintain financial flexibility and increased liquidity to fund our ongoing business is imperative, and resulted in Inter Pipeline taking several key measures in 2020 to enhance both our financial strength and flexibility. These included changes

*Please refer to the NON-GAAP FINANCIAL MEASURES section

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.

As at March 31, 2021, Inter Pipeline had approximately \$2.0 billion of available capacity on its revolving credit facilities and a consolidated net debt to total capitalization ratio of 42.6 percent, significantly below the maximum covenant level of 65 percent.

Inter Pipeline maintains investment grade credit ratings. DBRS Limited (DBRS) has assigned Inter Pipeline a credit rating of BBB (stable trend). Subsequent to the quarter, S&P upgraded Inter Pipeline's outlook to stable and affirmed its credit rating at BBB-. Inter Pipeline (Corridor) Inc. has investment grade credit ratings of A (low) (stable trend) from DBRS and BBB- (stable outlook) from S&P.

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

BROOKFIELD TAKEOVER BID

On February 10, 2021, Brookfield Infrastructure Partners L.P., together with its institutional partners (collectively, "Brookfield"), announced its intention to offer to acquire all of the outstanding common shares of Inter Pipeline not already owned by Brookfield (the "Hostile Bid"). In response, the Inter Pipeline Board of Directors initiated a comprehensive review of strategic alternatives to maximize shareholder value. A special committee, chaired by Margaret McKenzie and comprised of independent directors, has been formed to oversee the process.

Consistent with its fiduciary duties, acting in the best interest of Inter Pipeline and its shareholders, the special committee is evaluating a broad range of options that includes exploring a possible corporate transaction and continuing to seek a partner for a material interest in HPC.

Inter Pipeline anticipates providing an update on the strategic review in advance of the hostile bid expiry on June 7, 2021. There can be no assurance that this process will result in any transaction or, if a transaction is undertaken, as to the terms or timing of such a transaction.

As stated in the Directors Circular dated March 8, 2021, the Board of Directors unanimously determined that the Hostile Bid is not in the best interests of Inter Pipeline or its shareholders, and unanimously recommended that shareholders do not tender their common shares.

SEGMENT RESULTS OF OPERATIONS

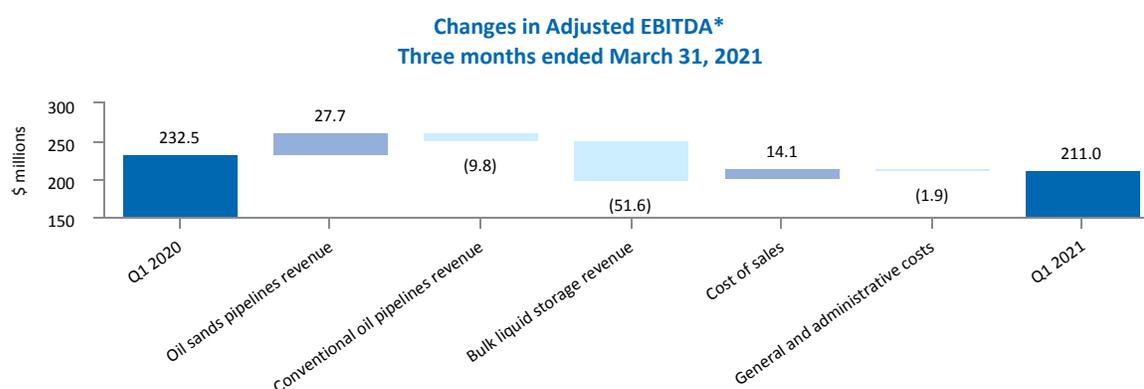
Transportation Business Segment

Please refer to the **ENHANCED BUSINESS INTEGRATION** section for further information about the transportation business.

	Three Months Ended March 31			
<i>(millions, except as noted)</i>	2021	2020	\$ Change	% Change
Oil sands pipelines revenue	\$ 232.3	\$ 204.6	27.7	14
Conventional oil pipelines revenue ⁽¹⁾	44.9	54.7	(9.8)	(18)
Bulk liquid storage revenue	29.4	81.0	(51.6)	(64)
Revenue ⁽¹⁾	\$ 306.6	\$ 340.3	(33.7)	(10)
Cost of sales	79.7	93.8	(14.1)	(15)
Gross profit ⁽¹⁾	\$ 226.9	\$ 246.5	(19.6)	(8)
General and administrative costs	15.9	14.0	1.9	14
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 211.0	\$ 232.5	(21.5)	(9)

(1) Includes intersegment transactions. Please refer to note 3 of the March 31, 2021 interim consolidated financial statements.

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



Changes - Three Months Ended March 31

<i>(millions)</i>	Change	Analysis
Revenue:		
Oil sands pipelines	\$ 27.7	Increased due to higher recoveries for costs incurred for repair and remediation work primarily associated with the response to a pipeline incident that occurred in the third quarter of 2020 near Fort McMurray.
Conventional oil pipelines	(9.8)	Decreased due to lower volume transported as production continues to recover from reduced producer activity in 2020.
Bulk liquid storage	(51.6)	Decreased due to the sale of the European divestiture group.
Cost of sales	(14.1)	Lower due to the sale of the European divestiture group, offset partially by higher repair and remediation work on oil sands pipelines.
General and administrative costs	1.9	Increased due to higher long-term incentive plan costs, offset in part by the sale of the European divestiture group.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Operations Summary

		Three Months Ended March 31			
<i>(millions, except as noted)</i>		2021		2020	
	Volume	Adjusted EBITDA ⁽¹⁾	Volume	Adjusted EBITDA ⁽¹⁾	
Oil sands pipelines ⁽²⁾	2,038.1	\$ 166.9	2,049.1	\$ 161.9	
Conventional oil pipelines ⁽²⁾	159.4	28.5	183.5	35.1	
Pipelines	2,197.5	\$ 195.4	2,232.6	\$ 197.0	
Bulk liquid storage ⁽³⁾	94 %	\$ 15.6	95 %	\$ 35.5	
Total adjusted EBITDA ⁽¹⁾		\$ 211.0		\$ 232.5	

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

(2) Revenue volume in 000's b/d. Please refer to the DEFINITIONS AND ABBREVIATIONS section.

(3) Bulk liquid storage utilization (%) for 2020 includes the European divestiture group. Please refer to the DEFINITIONS AND ABBREVIATIONS section.

Changes in volume – Three months ended March 31

- Oil sands pipelines average volume decreased by 11,000 b/d as volume in excess of take-or-pay commitments was lower in the current quarter.
- Conventional oil pipelines average volume decreased by 24,100 b/d largely due to lower producer activity in the current economic conditions compared to pre-COVID-19 levels.
- Bulk liquid storage utilization remained relatively consistent due to the remaining assets' utilization being comparable to that of the European divestiture group.

Facilities Infrastructure Business Segment

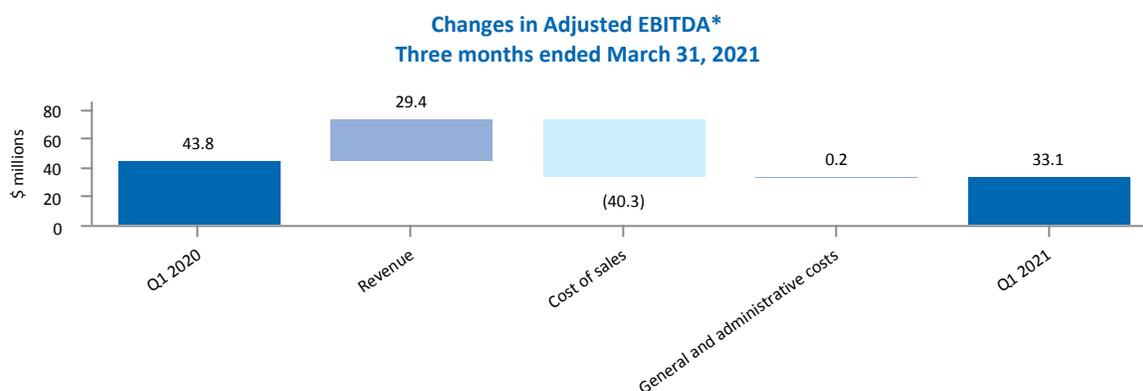
Please refer to the **ENHANCED BUSINESS INTEGRATION** section for further information about the facilities infrastructure business.

		Three Months Ended March 31			
<i>(millions, except as noted)</i>		2021	2020	\$ Change	% Change
Revenue ⁽¹⁾⁽²⁾	\$	193.4	\$ 164.0	29.4	18
Cost of sales ⁽²⁾		158.9	118.6	40.3	34
Gross profit ⁽¹⁾⁽²⁾	\$	34.5	\$ 45.4	(10.9)	(24)
General and administrative costs ⁽²⁾		1.4	1.6	(0.2)	(13)
Adjusted EBITDA ⁽¹⁾⁽²⁾⁽³⁾	\$	33.1	\$ 43.8	(10.7)	(24)

(1) Includes intersegment transactions. Please refer to note 3 of the March 31, 2021 interim consolidated financial statements.

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

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



Changes - Three Months Ended March 31

(millions)	Change	Analysis
Revenue	\$ 29.4	Increased primarily due to higher shrinkage gas fees driven by higher AECO ⁽¹⁾ prices, and higher ethane sales prices, offset in part by lower ethane volume from the straddle plants.
Cost of sales	40.3	Increased largely due to higher AECO ⁽¹⁾ natural gas prices and power ⁽²⁾ costs.
General and administrative costs	(0.2)	Remained consistent with the comparative period.

(1) Weighted average monthly AECO natural gas price for the three months ended March 31, 2021 was \$2.77/GJ, compared to \$2.03/GJ for the same period in 2020.

(2) Average Alberta power pool prices increased to \$95.44/MWh in the current quarter of 2021 from \$67.05/MWh in the comparable period of 2020.

Operations Summary

(000s b/d)	Three Months Ended March 31	
	2021	2020
Straddle plant volume ⁽¹⁾	101.4	116.6
Redwater fractionation volume	40.4	37.8
Volume ⁽²⁾⁽³⁾	141.8	154.4

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

(2) Revenue volume. Please refer to the DEFINITIONS AND ABBREVIATIONS section.

(3) Includes intersegment volume of 60,200 b/d and 57,600 b/d for the three months ended March 31, 2021 and 2020, respectively.

Changes in volume – Three months ended March 31

- Straddle plant volume decreased primarily due to lower ethane sales from the Empress complex.
- Redwater fractionation volume increased primarily due to higher propane-plus volume from the sale of propane cavern inventory.

Planned Maintenance

Inter Pipeline expects the majority of 2021 planned facility maintenance for the Offgas facilities in the second quarter and for the Cochrane straddle plant in the third quarter, with minimal major maintenance events scheduled for the fourth quarter of 2021.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Asset Swap

On September 28, 2020, Inter Pipeline announced it had agreed to acquire the Milk River pipeline system from Plains, in exchange for its 100 percent ownership interest in the Empress II and 50 percent ownership interest in the Empress V straddle plants. Plains will also pay Inter Pipeline cash proceeds of \$35.0 million. Closing of this transaction is expected to occur in the first half of 2021 following completion of customary closing conditions and regulatory approvals. The carrying amount of the Empress II and V straddle plants' assets and related liabilities continues to be classified as held for sale in Inter Pipeline's interim consolidated financial statements at March 31, 2021. Readers should refer to note 5 "Assets and Liabilities of the Empress Divestiture Group Held For Sale" of the March 31, 2021 interim consolidated financial statements for further details of the assets held for sale classification.

Marketing Business Segment

Please refer to the **ENHANCED BUSINESS INTEGRATION** section for further information about the marketing business.

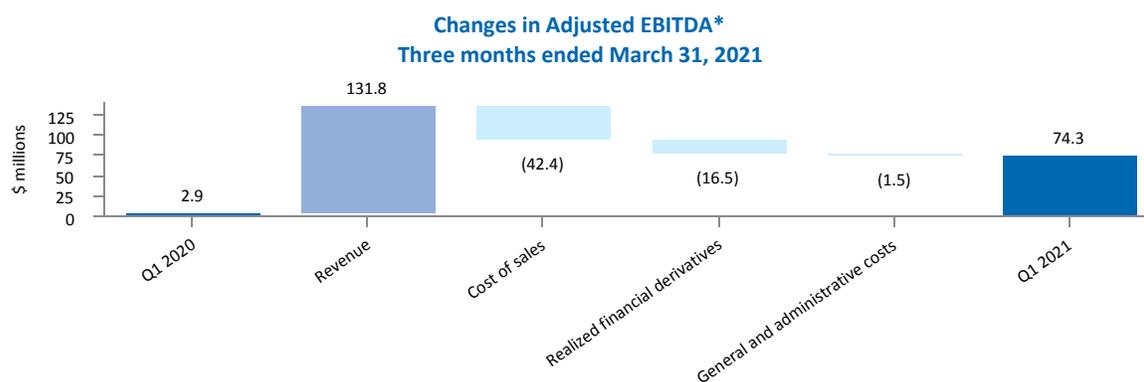
	Three Months Ended March 31			
<i>(millions, except as noted)</i>	2021	2020	\$ Change	% Change
Revenue	\$ 330.9	\$ 199.1	131.8	66
Cost of sales ⁽¹⁾	237.7	195.3	42.4	22
Realized loss on derivative financial instruments ⁽²⁾	16.5	—	16.5	—
Unrealized loss on derivative financial instruments ⁽³⁾	3.9	—	3.9	—
Gross profit ⁽¹⁾	\$ 72.8	\$ 3.8	69.0	1,816
General and administrative costs	2.4	0.9	1.5	167
Unrealized loss on derivative financial instruments ⁽³⁾	(3.9)	—	(3.9)	—
Adjusted EBITDA ⁽¹⁾⁽⁴⁾	\$ 74.3	\$ 2.9	71.4	2,462

(1) Includes intersegment transactions. Please refer to note 3 of the March 31, 2021 interim consolidated financial statements.

(2) Realized gains/losses on derivative financial instruments represent actual cash settlements or receipts under the respective contracts.

(3) Unrealized gains/losses on derivative financial instruments represent the change in fair value of fixed price physical contracts that meet the GAAP definition of a derivative financial instrument.

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



*Please refer to the NON-GAAP FINANCIAL MEASURES section

Changes - Three Months Ended March 31

<i>(millions)</i>	Change	Analysis
Revenue	\$ 131.8	Increased primarily due to higher realized prices for polymer grade propylene, propane, propane plus, and crude oil.
Cost of sales	42.4	Increased largely due to higher shrinkage gas fees driven by higher AECO ⁽¹⁾ prices and higher costs for butane.
Realized loss on derivative financial instruments	16.5	Settlements on polymer grade propylene, propane and other commodity risk management contracts resulted in a realized loss in the current quarter due to strong index pricing, compared to the absence of derivative contracts in the same period of 2020.
Unrealized loss on derivative financial instruments	3.9	Increased due to higher forward prices and the absence of derivative contracts in the comparative period.
General and administrative costs	1.5	Increased primarily due to higher employee costs and foreign exchange losses associated with various marketing activities.

(1) Weighted average monthly AECO natural gas price for the three months ended March 31, 2021 was \$2.77/GJ, compared to \$2.03/GJ for the same period in 2020.

Operations Summary

<i>(000s b/d)</i>	Three Months Ended March 31	
	2021	2020
Volume ⁽¹⁾	58.4	56.4

(1) Marketing volume. Please refer to the DEFINITIONS AND ABBREVIATIONS section.

Changes in volume – Three months ended March 31

- Marketing volume remained relatively consistent with the comparative period.

Marketing Risk Management

The marketing business is exposed to fluctuating commodity prices, volume, product, location-based differentials, and foreign exchange rates. Volatility associated with these exposures is managed through Inter Pipeline's trading and risk management policy which authorizes the use of derivative financial instruments to assist in stabilizing adjusted EBITDA*. The marketing business manages market risks through physical and financial contracts that include financial swaps, forward contracts, and other hedging instruments. Within these strategies there may be differences in timing between when contracts are settled and when products are physically purchased or sold. At March 31, 2021, Inter Pipeline has open derivative contracts for crude oil, propane, butane, polymer grade propylene, and natural gas. Readers should refer to note 9 "Financial Instruments" of the March 31, 2021 interim consolidated financial statements for further details on outstanding derivative financial instruments.

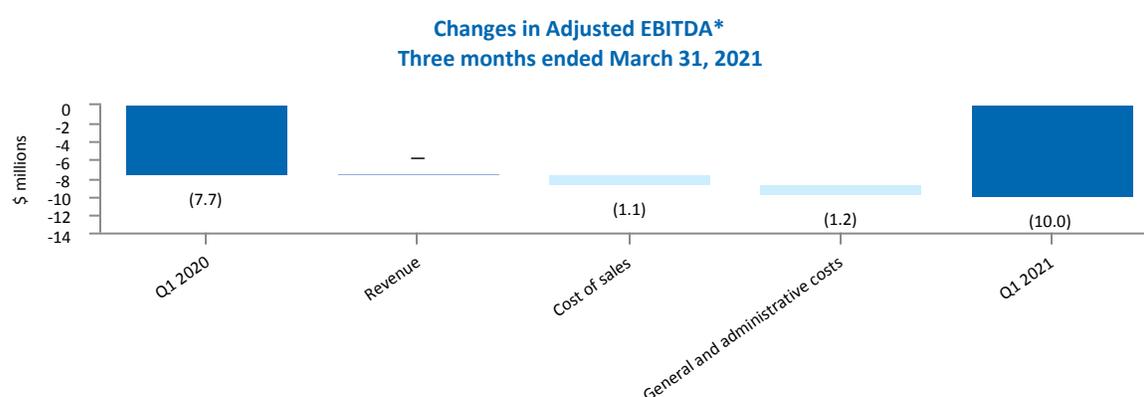
*Please refer to the NON-GAAP FINANCIAL MEASURES section

New Ventures Business Segment

Please refer to the **ENHANCED BUSINESS INTEGRATION** section for further information about the new ventures business which currently includes the Heartland Petrochemical Complex.

<i>(millions, except as noted)</i>	Three Months Ended March 31			
	2021	2020	\$ Change	% Change
Revenue	\$ —	\$ —	—	—
Cost of sales	4.9	3.8	1.1	29
Gross profit (loss)	\$ (4.9)	\$ (3.8)	(1.1)	29
General and administrative costs	5.1	3.9	1.2	31
Adjusted EBITDA ⁽¹⁾	\$ (10.0)	\$ (7.7)	(2.3)	30

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



Changes - Three Months Ended March 31

<i>(millions)</i>	Change	Analysis
Revenue	\$ —	Revenue generating activities have not commenced.
Cost of sales	1.1	Increased primarily due to higher operational readiness costs incurred in the current quarter.
General and administrative costs	1.2	Increased due to higher employee costs, which include higher costs for the long-term incentive plan.

Revenue in the new ventures segment is \$nil in the quarter due to HPC commissioning and start up having not yet commenced.

Project Development

In the first quarter of 2021, Inter Pipeline spent \$225.4 million on HPC, bringing the total capital investment since inception to approximately \$3.4 billion. The estimated cost of HPC is approximately \$4.2 billion, with an in-service date of early 2022. Work completed in the first quarter of 2021 primarily includes the mechanical installation of internal facility components and the commencement of commissioning and start up activities for completed systems. In addition, the rail yard was turned over to operations during the current quarter.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

Other Expenses

<i>(millions, except as noted)</i>	Three Months Ended March 31			
	2021	2020	\$ Change	% Change
Depreciation and amortization	\$ 69.9	\$ 92.0	(22.1)	(24)
Income tax expense	38.5	34.1	4.4	13
Financing charges	37.4	48.7	(11.3)	(23)
General and administrative	52.5	23.7	28.8	122

Changes - Three Months Ended March 31

<i>(millions)</i>	Change	Analysis
Depreciation and amortization	\$ (22.1)	Decreased largely due to the sale of the European divestiture group in late 2020. The current quarter also includes a \$7.0 million gain on sale recorded as part of the final closing adjustments on the European sale.
Income tax expense	4.4	Increased due to higher consolidated income before taxes partially offset by lower corporate tax rates.
Financing charges	(11.3)	Decreased primarily due to higher capitalized interest on HPC and lower average interest rates on Corridor commercial paper, offset in part by standby fees on the \$1.0 billion unsecured credit facility entered into in April of 2020, and higher interest expense on the term credit facility.
General and administrative	28.8	Increased primarily due to higher long-term incentive plan costs resulting from the higher share price in the current quarter.

CAPITAL INVESTMENT UPDATE

<i>(millions)</i>	Three Months Ended March 31			
	Growth*	Sustaining*	Total	Total
Transportation	\$ 27.3	\$ 2.2	\$ 29.5	\$ 46.3
Facilities infrastructure	25.8	7.7	33.5	9.2
New ventures	225.4	—	225.4	254.8
Corporate	4.2	—	4.2	6.2
Total capital expenditures	\$ 282.7	\$ 9.9	\$ 292.6	\$ 316.5
Less: capitalized interest on debt	\$ 33.6	\$ —	\$ 33.6	\$ 23.3
	\$ 249.1	\$ 9.9	\$ 259.0	\$ 293.2

Capital expenditures in the first quarter of 2021 primarily relate to the construction of the HPC project. See the New Ventures business unit of the **SEGMENT RESULTS OF OPERATIONS** section for further details. Growth capital* expenditures in facilities infrastructure segment during the first quarter of 2021 primarily relate to enhancements on the Boreal pipeline. The first quarter of 2020 for the transportation segment includes \$9.0 million of capital expenditures for the European divestiture group.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

SUMMARY OF QUARTERLY RESULTS

	2019			2020				2021
<i>(millions, except volume, per share and % amounts)</i>	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
Transportation volume (000s b/d) ⁽¹⁾⁽⁶⁾				2,232.6	2,135.7	2,207.5	2,202.2	2,197.5
Facilities infrastructure volume (000s b/d) ⁽¹⁾⁽²⁾⁽⁶⁾				154.4	157.7	138.8	126.7	141.8
Marketing volume (000s b/d) ⁽¹⁾⁽⁶⁾				56.4	53.7	50.6	50.7	58.4
Bulk liquid storage utilization ⁽¹⁾	83%	92%	93%	95%	98%	99%	99%	94%
Revenue	\$ 641.6	\$ 590.8	\$ 644.0	\$ 603.8	\$ 539.5	\$ 632.9	\$ 624.3	\$ 697.2
Gross profit ⁽⁶⁾				\$ 287.6	\$ 276.6	\$ 285.0	\$ 277.3	\$ 326.1
Adjusted EBITDA ⁽³⁾⁽⁶⁾				\$ 263.9	\$ 230.3	\$ 243.4	\$ 231.3	\$ 277.5
Funds from operations	\$ 240.2	\$ 204.4	\$ 216.8	\$ 207.5	\$ 184.4	\$ 196.0	\$ 204.3	\$ 239.3
Per share ⁽³⁾	\$ 0.59	\$ 0.49	\$ 0.52	\$ 0.49	\$ 0.43	\$ 0.46	\$ 0.48	\$ 0.56
Net income	\$ 260.3	\$ 79.9	\$ 100.5	\$ 89.1	\$ 62.5	\$ 38.7	\$ 168.7	\$ 127.8
Per share – basic and diluted	\$ 0.63	\$ 0.19	\$ 0.24	\$ 0.21	\$ 0.15	\$ 0.09	\$ 0.39	\$ 0.30
Dividends to shareholders	\$ 175.7	\$ 177.5	\$ 179.3	\$ 181.1	\$ 51.5	\$ 51.5	\$ 51.6	\$ 51.5
Per share ⁽⁴⁾	\$ 0.428	\$ 0.428	\$ 0.428	\$ 0.428	\$ 0.120	\$ 0.120	\$ 0.120	\$ 0.120
Shares outstanding (basic) - weighted average	410.3	414.6	418.7	422.9	428.6	429.2	429.2	429.2
Capital expenditures								
Growth ⁽³⁾	\$ 363.7	\$ 428.8	\$ 414.8	\$ 311.6	\$ 275.7	\$ 205.5	\$ 302.4	\$ 282.7
Sustaining ⁽³⁾	18.8	13.4	25.5	4.9	7.6	17.3	20.5	9.9
Total capital expenditures	\$ 382.5	\$ 442.2	\$ 440.3	\$ 316.5	\$ 283.3	\$ 222.8	\$ 322.9	\$ 292.6
Payout ratio ⁽³⁾	73.1%	86.8%	82.7%	87.3%	27.9%	26.3%	25.2%	21.5%
<i>(millions, except % amounts)</i>								
Total assets	\$12,162.8	\$12,441.1	\$12,951.4	\$13,240.0	\$13,674.1	\$13,654.8	\$13,066.4	\$13,232.3
Total debt ⁽⁵⁾	\$ 6,056.5	\$ 6,252.3	\$ 6,669.5	\$ 6,843.0	\$ 7,319.3	\$ 7,204.8	\$ 6,828.5	\$ 6,910.6
Total equity	\$ 4,080.4	\$ 4,040.1	\$ 4,089.3	\$ 4,147.4	\$ 4,162.7	\$ 4,176.1	\$ 4,215.8	\$ 4,257.3
Enterprise value ⁽³⁾	\$14,457.7	\$15,939.0	\$16,153.2	\$10,425.2	\$12,744.6	\$12,814.7	\$11,923.1	\$14,623.3
Shares outstanding (basic) - end of period	412.4	416.6	420.7	425.4	429.2	429.2	429.2	429.2
Consolidated net debt to total capitalization	45.0%	46.5%	41.3%	42.3%	42.5%	44.5%	42.2%	42.6%

(1) Please refer to the DEFINITIONS AND ABBREVIATIONS section.

(2) Empress V NGL sales reported on a 100% basis

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

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

(5) Financial debt reported in the March 31, 2021 interim consolidated financial statements of \$6,877.1 million, includes long-term debt and short-term debt of \$6,910.6 million less discounts and debt transaction costs of \$33.5 million.

(6) 2020 amounts have been restated to reflect the business segment restructuring. Certain 2019 amounts have been omitted as they have not been restated. Please refer to the ENHANCED BUSINESS INTEGRATION section for details of the business segment restructuring.

LIQUIDITY AND CAPITAL RESOURCES

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

Inter Pipeline maintains flexibility in its capital structure to fund growth capital* and acquisitions through market and industry cycles. Funding requirements are projected to ensure appropriate sources of financing are available to meet future financial obligations and capital expenditure programs. Inter Pipeline generally relies on committed credit facilities and FFO in excess of dividends to fund capital requirements. At March 31, 2021, Inter Pipeline had access to committed credit facilities totalling \$4.6

*Please refer to the NON-GAAP FINANCIAL MEASURES section

billion, of which \$2.3 billion remained unutilized, and demand facilities totalling \$126.0 million of which \$115.3 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 strong for expected growth.

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

On February 2, 2021, Inter Pipeline's \$325 million senior unsecured Series 1 medium-term notes matured and were repaid.

On February 11, 2021, Inter Pipeline amended its \$1.0 billion unsecured revolving credit facility to reduce the pricing margin and extend the maturity date to December 5, 2022.

Inter Pipeline may utilize derivative financial instruments to minimize exposure to fluctuating commodity prices, foreign exchange and interest rates. Inter Pipeline's trading and 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 petrochemicals) and changes within financial markets relating to interest rates and foreign exchange exposure. Further details of the risk management program are discussed in the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section.

Credit Facilities and Debt Outstanding

The following table summarizes Inter Pipeline's credit facilities and debt outstanding as at March 31, 2021:

<i>(millions)</i>	Rate type	Total amount	Amount drawn
Recourse debt			
Inter Pipeline syndicated credit facilities	Variable	\$ 2,500.0	\$ 466.0
Inter Pipeline term credit facility	Variable	500.0	500.0
Demand facilities ⁽¹⁾	Variable	101.0	—
Medium-term notes	Fixed	3,200.0	3,200.0
Subordinated hybrid notes			
Series 2019-A ⁽²⁾	Fixed	750.0	750.0
Series 2019-B ⁽³⁾	Fixed	700.0	700.0
Non-recourse debt⁽⁴⁾			
Corridor syndicated credit facility	Variable	1,550.0	1,294.6
Corridor demand facility	Variable	25.0	—
Total debt outstanding⁽⁵⁾⁽⁶⁾			\$ 6,910.6

(1) Demand facilities consist of: Inter Pipeline's \$75 million demand facility and Inter Terminals Pound Sterling 15 million demand facility which is converted at a Pound Sterling/CAD rate of 1.7337 at March 31, 2021.

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

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

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

(5) At March 31, 2021, outstanding Inter Pipeline letters of credit of approximately \$10.7 million and Corridor letters of credit of approximately \$0.6 million were not included in total debt outstanding.

(6) Financial debt reported in the March 31, 2021 interim consolidated financial statements of \$6,877.1 million, includes long-term debt and short-term debt of \$6,910.6 million less discounts and debt transaction costs of \$33.5 million.

Financial Covenants

The following table provides a listing of the key financial covenants as at March 31, 2021:

	Ratio	March 31, 2021
Inter Pipeline Ltd.		
Inter Pipeline syndicated credit facilities		
Consolidated net debt to total capitalization	Maximum 65%	42.6 %
Medium-term notes		
Funded debt to total capitalization	Maximum 70%	42.9 %
Inter Pipeline (Corridor) Inc.		
Corridor syndicated credit facility		
Rate base debt to rate base	Maximum 75%	73.1 %

The covenants noted above are subject to specific definitions in their respective credit agreements and cannot be directly derived from the interim financial statements. 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 adjusted EBITDA* is not impacted by 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 March 31, 2021.

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

	Twelve Months Ended
(times)	March 31, 2021
Earnings coverage ⁽¹⁾⁽²⁾	2.4

(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 March 31, 2021:

<i>(millions)</i>	Total	Less than one year	One to five years	After five years
Total debt⁽¹⁾⁽²⁾				
Corridor syndicated credit facility ⁽²⁾	\$ 1,294.6	\$ 1,294.6	\$ —	\$ —
Inter Pipeline syndicated credit facilities	466.0	—	466.0	—
Inter Pipeline term credit facility	500.0	—	500.0	—
Medium-term notes	3,200.0	—	1,550.0	1,650.0
Subordinated hybrid notes	1,450.0	—	—	1,450.0
	6,910.6	1,294.6	2,516.0	3,100.0
Other obligations				
Capital expenditure commitments ⁽³⁾	292.8	284.2	8.6	—
Lease liabilities	186.3	19.3	72.4	94.6
Purchase obligations ⁽⁴⁾	3,117.7	107.3	431.4	2,579.0
Adjusted working capital deficiency ⁽⁵⁾	77.3	77.3	—	—
Long-term portion of incentive plan	8.1	—	8.1	—
	\$ 10,592.8	\$ 1,782.7	\$ 3,036.5	\$ 5,773.6

(1) At March 31, 2021, outstanding Inter Pipeline and Corridor letters of credit of approximately \$10.7 million and \$0.6 million, respectively, were not included in total debt outstanding. Financial debt reported in the March 31, 2021 consolidated financial statements of \$6,877.1 million, includes long-term debt and short-term debt of \$6,910.6 million less discounts and debt transaction costs of \$33.5 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.

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

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

- i 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 \$41.7 million under its employee long-term incentive plan, of which \$33.6 million is included in the adjusted working capital deficiency*.
- iii Present value of estimated expenditures expected to be incurred in the longer term on decommissioning of active pipeline systems, facilities and leased bulk liquid storage sites and remediation of known environmental liabilities is \$330.6 million at March 31, 2021. Due to the uncertainty of timing for payment of these obligations, they were excluded from the table above.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

DIVIDENDS TO SHAREHOLDERS

	Three Months Ended March 31	
<i>(millions, except per share and % amounts)</i>	2021	2020
Cash provided by operating activities	\$ 268.6	\$ 191.0
Net change in non-cash operating working capital	(29.3)	16.5
Funds from operations	\$ 239.3	\$ 207.5
Dividends to shareholders	\$ 51.5	\$ 181.1
Dividends per share ⁽¹⁾	\$ 0.1200	\$ 0.4275
Payout ratio ⁽²⁾	21.5%	87.3%

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

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

Dividends are determined at the discretion of Inter Pipeline's Board of Directors, subject to certain legal and debt agreement requirements, and are payable when declared.

FFO is a financial measure that Inter Pipeline uses in managing its business and in assessing future cash requirements that impact the determination of future dividends to shareholders. Inter Pipeline expresses FFO as cash provided by operating activities less net changes in non-cash working capital. The impact of net change in non-cash working capital is excluded in the calculation of FFO primarily to compensate for the seasonality of working capital throughout the year. Certain Inter Pipeline revenue contracts dictate an exchange of cash that differs, on a monthly basis, from the recognition of revenue. Within a 12-month calendar year, there is minimal variation between revenue recognized and cash exchanged. Inter Pipeline therefore excludes the net change in non-cash working capital in its calculation of FFO to mitigate its quarterly impact. The intent is to not skew the results of Inter Pipeline in any quarter for exchanges of cash, but to focus the results on cash that is generated in any reporting period.

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

	Three Months Ended March 31	
<i>(millions)</i>	2021	2020
Cash provided by operating activities	\$ 268.6	\$ 191.0
Dividends to shareholders	(51.5)	(181.1)
Excess	\$ 217.1	\$ 9.9

	Three Months Ended March 31	
<i>(millions)</i>	2021	2020
Net income	\$ 127.8	\$ 89.1
Dividends to shareholders	(51.5)	(181.1)
Excess (shortfall)	\$ 76.3	\$ (92.0)

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 March 31, 2021 are as follows:

<i>(millions)</i>	Total
Common shares outstanding	429.2

At May 4, 2021, 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 adjusted EBITDA*. 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 trading and risk management policy.

Readers should refer to note 9 "*Financial Instruments*" and note 10 "*Risk Management*" of the March 31, 2021 interim financial statements for further details on derivative financial instruments outstanding as at March 31, 2021.

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 3 "*Summary of Significant Accounting Policies*" of the December 31, 2020 audited consolidated financial statements for a list of Inter Pipeline's significant accounting policies.

Although economies are beginning to re-open, the full extent of the impact of COVID-19 on Inter Pipeline's operations and future financial performance is currently unknown as the duration, severity, and spread of COVID-19 and its variants are uncertain and unpredictable. These uncertainties, which may persist beyond when it is determined how to contain the virus and reduce its impact, may increase the complexity of estimates and assumptions used to prepare the 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.

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, 2020 available on SEDAR at www.sedar.com or on Inter Pipeline's website at www.interpipeline.com.

*Please refer to the NON-GAAP FINANCIAL MEASURES section

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, 2020 available on SEDAR at www.sedar.com or on Inter Pipeline's website at www.interpipeline.com.

NON-GAAP FINANCIAL MEASURES

Certain non-GAAP financial measures referred to in this MD&A, namely "EBITDA", "adjusted EBITDA", "adjusted EBITDA by contract type", "enterprise value", "funds from operations per share", "growth capital expenditures", "sustaining capital expenditures", "earnings coverage", "payout ratio", and "adjusted working capital surplus (deficiency)" 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.

EBITDA is defined as net income before financing charges, income taxes, and depreciation and amortization. Both **EBITDA** and **adjusted EBITDA** are reconciled from gross profit which is the most directly comparable GAAP measure. In the reconciliation below, EBITDA is calculated as gross profit (a component of net income) less general and administrative costs. **Adjusted EBITDA** also includes an additional adjustment for unrealized gains/losses on derivative financial instruments, that is made to exclude items of an unusual nature which are not reflective of ongoing operations. Adjustments are also made to better reflect the historical measurement of EBITDA used in the investment community as an approximate measure of an entity's operating cash flow based on data from its income statement.

Three Months Ended March 31												
(millions)	Transportation		Facilities Infrastructure		Marketing		New Ventures		Corporate ⁽¹⁾		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Gross profit	\$226.9	\$246.5	\$ 34.5	\$ 45.4	\$ 72.8	\$ 3.8	\$ (4.9)	\$ (3.8)	\$ (3.2)	\$ (4.3)	\$326.1	\$287.6
General and administrative costs	15.9	14.0	1.4	1.6	2.4	0.9	5.1	3.9	27.7	3.3	52.5	23.7
EBITDA	211.0	232.5	33.1	43.8	70.4	2.9	(10.0)	(7.7)	(30.9)	(7.6)	273.6	263.9
Unrealized loss on derivative financial instruments	—	—	—	—	3.9	—	—	—	—	—	3.9	—
Adjusted EBITDA	\$211.0	\$232.5	\$ 33.1	\$ 43.8	\$ 74.3	\$ 2.9	\$ (10.0)	\$ (7.7)	\$ (30.9)	\$ (7.6)	\$277.5	\$263.9

(1) Includes intersegment eliminations.

Adjusted EBITDA by contract type is a percentage of adjusted EBITDA for the transportation, facilities infrastructure and marketing segments 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; and (iii) commodity-based contracts are generally subject to throughput volume and commodity price fluctuations. The new ventures segment,

which includes assets not yet in service, and the corporate segment are excluded as they do not have any operating assets that generate adjusted EBITDA. This measure, in combination with other measures, is used by the investment community to assess the overall stability and predictability of the business.

	Three Months Ended March 31	
	2021	2020
Adjusted EBITDA by contract type		
Cost-of-service	61%	72%
Fee-based ⁽¹⁾	16%	27%
Commodity-based	23%	1%

(1) The fee-based adjusted EBITDA of 16% for the three months ended March 31, 2021, is comprised approximately two thirds of intersegment adjusted EBITDA amounts with the remainder of third party amounts (three months ended March 31, 2020 – comprised of approximately half intersegment adjusted EBITDA amounts with the remainder of third party amounts).

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

	March 31	December 31
	2021	2020
<i>(millions, except per share amounts)</i>		
Closing share price	\$ 17.97	\$ 11.87
Total closing number of common shares	429.2	429.2
	7,712.7	5,094.6
Total debt	6,910.6	6,828.5
Enterprise value	\$ 14,623.3	\$ 11,923.1

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.

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.

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, assets and liabilities held for sale, 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.

<i>(millions)</i>	March 31 2021	December 31 2020
Current Assets		
Cash and cash equivalents	\$ 37.1	\$ 40.1
Accounts receivable	336.6	329.2
Derivatives	0.3	0.1
Prepaid expenses and other assets	58.2	50.1
Inventory	33.4	14.0
Current Liabilities		
Dividends payable	(17.1)	(17.2)
Accounts payable, accrued liabilities and provisions	(517.4)	(466.2)
Current income taxes payable	(3.4)	(3.0)
Derivatives	(5.0)	(0.8)
Adjusted working capital deficiency	\$ (77.3)	\$ (53.7)

DEFINITIONS AND ABBREVIATIONS

Measurement

b/d	Barrels per day
000's b/d	Thousands of barrels per day
m ³	Cubic meter
km	Kilometer
\$	Canadian dollars
\$000's	Thousands of Canadian dollars

Industry Terms

AECO	Benchmark price for natural gas at the AECO hub in Alberta
Bitumen	A viscous form of crude oil, often found in deposits containing significant amounts of sand, that must be heated or diluted before it will flow.
Diluent	A lower density fluid used to blend with heavy oil or bitumen in order to reduce viscosity and density. Condensate is the most commonly used diluent for pipeline transportation of heavy oil or bitumen.
Diluted bitumen	Bitumen liquified with diluent so it can be transported more easily.
GHG	Greenhouse gas
NGL	Paraffinic natural gas liquids, consisting of any one of ethane, propane, butane and condensate, and olefinic natural gas liquids, consisting of any one of ethylene, propylene, alky feed and olefinic condensate, as well as any combination thereof.
Oil sands	Mixture of sand, water and bitumen located in the regions of Athabasca, Cold Lake, and Peace River from which bitumen can be extracted.
Olefinic products	Typically higher value petrochemicals that do not naturally exist and consist of polymer grade propylene, alky feed and olefinic condensate.
Paraffinic products	Generally lower value natural gas liquids consisting of propane and normal butane.
Propane-plus	Mixture of propane and all heavier hydrocarbons.

Terms Relating to Inter Pipeline

CUB	The Central Utility Block (CUB) under construction by Inter Pipeline to supply electricity, steam and other utilities to the HPC.
DRIP	Dividend reinvestment plan
HPC	The Heartland Petrochemical Complex (HPC) is the integrated petrochemical complex comprised of the PDH plant and PP plant, under construction by Inter Pipeline in Strathcona County, Alberta.
LTIP	Long Term Incentive Plan comprised of the RSU and PSU plans
PDH	The Propane Dehydrogenation (PDH) plant under construction by Inter Pipeline as part of the Heartland Petrochemical Complex.
PP	The Polypropylene (PP) plant under construction by Inter Pipeline as part of the Heartland Petrochemical Complex.
PSU	Performance share units plan
RSU	Restricted share units plan
TSA	Transportation service agreement
Utilization	Percentage of available storage capacity used during the reporting period for the bulk liquid storage operations within the transportation segment. Utilization for the European divestiture group is only included for periods up to November 12, 2020 when it was sold.
Volume	Revenue volume for transportation and facilities infrastructure is physical volume under fee-based arrangements plus volume recognized from take-or-pay commitments where they exist for revenue determination. Volume for Marketing is marketed NGL and crude oil volume.

Other

AIF	Annual Information Form
DBRS	DBRS Morningstar credit rating agency
ESG	Environmental, social and governance
GAAP	Generally Accepted Accounting Principles
ICFR	Internal controls over financial reporting
IFRS	International Financial Reporting Standards
LIBOR	London Interbank Offered Rate
NYMEX	New York Mercantile Exchange
ROE	Return on Equity
S&P	Standard & Poor's credit rating agency
SEDAR	Canadian System for Electronic Document Analysis and Retrieval
TSX	Toronto Stock Exchange

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 May, 2021