

Inter Pipeline Announces Record Second Quarter 2015 Financial Results

CALGARY, ALBERTA, AUGUST 6, 2015: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) announced today record financial results for the three and six month periods ended June 30, 2015.

Second Quarter Highlights

- Generated record funds from operations* of \$181 million, or \$0.54 per share, a 38 percent increase over the second quarter of 2014
- Declared record cash dividends of \$123 million or \$0.3675 per share
- Attractive quarterly payout ratio* of 72 percent
- Total pipeline throughput volumes remained strong averaging 1,062,400 barrels per day (b/d)
- Completed a \$45 million capacity expansion project on the Polaris pipeline system in support of the second phase of the Kearl oil sands project operated by Imperial Oil Resources Ventures Limited
- Initiated diluent transportation service for Athabasca Oil Corporation’s Hangingstone project on the Polaris pipeline system
- Acquired four petroleum and petrochemical storage terminals in Sweden for \$131 million, increasing European storage capacity by approximately 40 percent
- Substantially completed a major expansion of the Mid-Saskatchewan pipeline system, adding approximately 95,000 b/d of new capacity

Director Appointment

- Ms. Margaret A. McKenzie joined Inter Pipeline’s Board of Directors on August 6, 2015

** Please refer to the “Non-GAAP and additional GAAP Financial Measures” section of the MD&A.*

Financial Performance

Inter Pipeline generated record financial results in the second quarter of 2015. Funds from operations totalled \$181 million or \$0.54 per share, a gain of \$49.4 million compared to the second quarter of 2014. This increase is primarily due to record financial results from the oil sands transportation business segment. Additional cash flow resulted from major components of the Cold Lake and Polaris pipeline system expansions entering commercial service in January 2015.

In the second quarter 2015, Inter Pipeline’s four business segments generated funds from operations as follows:

- Oil sands transportation, \$135.0 million;
- Conventional oil pipelines, \$46.5 million;
- NGL extraction, \$23.3 million; and
- Bulk liquid storage, \$20.6 million.

Corporate costs for the quarter, including interest, income tax and general and administrative charges, totalled \$44.4 million.

Cash Dividends

Declared dividend payments to shareholders totalled a new record of \$123.1 million or \$0.3675 per share, representing an 18 percent increase over the same period in 2014. This large increase is attributable to a 14 percent dividend increase announced in November of 2014 and a greater number of shares outstanding.

Inter Pipeline's current monthly dividend rate is \$0.1225 per share or \$1.47 per share on an annualized basis. Payout ratio for the quarter remained attractive at 71.9 percent compared to 81.5 percent in the second quarter of 2014.

Inter Terminals Sweden Acquisition

In June, Inter Pipeline completed the acquisition of four petroleum and petrochemical storage terminals in Sweden from a subsidiary of Koninklijke Vopak N.V. This \$131 million transaction increased Inter Pipeline's total storage capacity in Europe by 40 percent to approximately 27 million barrels. Inter Pipeline acquired the business at an attractive purchase price multiple of approximately 6.7 times average historical EBITDA. The transaction is expected to be immediately accretive to Inter Pipeline's annual funds from operations by approximately \$0.04 per share.

This acquisition is highly complementary to Inter Pipeline's existing storage operations in Denmark, the United Kingdom, Germany and Ireland. With the closing of the transaction, Inter Pipeline is now the largest independent bulk liquid storage provider in Scandinavia. The Swedish terminals have been rebranded under the name Inter Terminals Sweden.

Oil Sands Transportation

The oil sands transportation segment generated record financial results in the second quarter of 2015. Funds from operations increased 114 percent to a record \$135 million, representing a gain of \$72 million over second quarter 2014 levels. The marked increase in funds from operations was a result of major expansions on the Cold Lake and Polaris pipeline systems which entered commercial service earlier in the year.

Funds from operations in the oil sands transportation business are not generally impacted by pipeline throughput volumes. Major transportation agreements with third party shippers are typically structured as cost-of-service contracts, which generate stable and predictable cash flow to Inter Pipeline.

Throughput volumes within this business segment were 853,900 b/d, consistent with shipments in the similar period in 2014. Volumes transported by pipeline system in the current quarter were as follows:

- Cold Lake, 519,000 b/d;
- Corridor, 215,100 b/d; and
- Polaris, 119,800 b/d.

Cold Lake volumes increased 21,700 b/d or 4 percent compared to the same period in 2014, despite severe wildfires in Alberta which affected certain oil production facilities. Throughput volumes on the Polaris pipeline system increased by 89,100 b/d or 290 percent relative to results in the same period last year. Diluent deliveries on the Polaris system have increased significantly following completion of a major capacity expansion project in early 2015. Average volumes on the Corridor pipeline system decreased by 114,900 b/d or 35 percent compared to the same period in 2014. Corridor volumes were impacted by maintenance activities at the Athabasca Oil Sands Project Scotford upgrader.

In April 2015, a new 12-inch diameter, 4-kilometre Polaris pipeline connection to Athabasca Oil Corporation's Hangingstone oil sands project was placed into service. This \$29 million project is expected to generate approximately \$5 million of annual EBITDA, under a long-term cost-of-service agreement.

In June 2015, Inter Pipeline completed capacity expansion work on the Polaris Pipeline system for the second phase of the Kearl oil sands project operated by Imperial Oil Resources Ventures Limited. This \$45 million project is expected to generate an incremental \$19 million in annual EBITDA under a 25-year cost-of-service transportation agreement.

Conventional Oil Pipelines

Funds from operations in the quarter totalled \$46.5 million within the conventional oil pipelines segment as compared to \$49.6 million in the same quarter last year. Slightly lower results were primarily due to lower contributions from midstream marketing activities, offset partially by higher crude oil volumes transported.

Horizontal drilling and multi-stage fracturing activity, predominantly in the Viking formation in Saskatchewan, continues to underpin higher conventional throughput volumes. Aggregate throughput on Inter Pipeline's three conventional gathering systems totalled 208,500 b/d, a quarter-over-quarter increase of approximately 4 percent. Volume growth continues to be strongest on the Mid-Saskatchewan pipeline system where throughput levels have risen to 76,000 b/d, representing a 21 percent increase over second quarter 2014 volumes.

In July, Inter Pipeline completed a \$112 million expansion of its Mid-Saskatchewan pipeline system. Total capacity for light crude oil increased 95,000 b/d through the construction of 50 km of new mainline pipe segments and 40 km of new pipeline laterals to connect 5 new oil batteries. The expanded system also provides significant transportation capacity for third party connections. The expansion, now fully in service, is supported by a number of contracts that are expected to generate approximately \$25 million to \$30 million in incremental annual EBITDA.

NGL Extraction

NGL extraction financial results continued to be impacted by lower frac-spread pricing on propane-plus sales at the Cochrane NGL extraction facility, partially offset by higher production volumes. Funds from operations totalled \$23.3 million in the second quarter of 2015, compared to \$34.7 million in the second quarter of 2014. In the quarter, realized frac-spread prices averaged US \$0.35 per US gallon, down approximately 55 percent over the same period last year.

Natural gas flows to Inter Pipeline's extraction facilities at Cochrane and Empress were strong in the quarter. In total, 2.4 billion cubic feet per day of natural gas was processed, extracting 90,400 b/d of natural gas liquids.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage segment generated funds from operations of \$20.6 million in the second quarter of 2015, compared to \$18.2 million in the second quarter of 2014. The increase is largely due to higher utilization rates in Denmark and the inclusion of Inter Terminals Sweden in this quarter's results.

Overall utilization rates in the second quarter of 2015 were substantially higher,

averaging 93 percent compared to 75 percent in the second quarter of 2014. European storage operations benefited from stronger contango pricing relationships in the futures markets for several petroleum products. This was particularly evident at Inter Terminals Denmark where utilization averaged 95 percent, up 30 percent from the same period in 2014.

**Financial
Position**

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed revolving credit facility. As at June 30, 2015, Inter Pipeline had over \$570 million of credit capacity on its \$1,250 million credit facility. At quarter end, Inter Pipeline's recourse debt to capitalization ratio was 54.7 percent, compared to 54.2 percent as at December 31, 2014.

Inter Pipeline also maintains strong investment grade credit ratings. Standard & Poor's and DBRS Limited have assigned Inter Pipeline credit ratings of BBB+ and BBB (high), respectively.

**Board of
Directors
Appointment**

Inter Pipeline is pleased to announce that Ms. Margaret McKenzie has agreed to join Inter Pipeline's Board of Directors effective August 6, 2015. Ms. McKenzie brings over 25 years of financial experience in the energy sector to Inter Pipeline, most recently as Chief Financial Officer of Range Royalty Management Ltd.

Ms. McKenzie holds a Bachelor of Commerce (Distinction) degree from the University of Saskatchewan and has been a member of the Institute of Chartered Accountants of Alberta since 1985. She obtained her ICD.D designation from the Institute of Corporate Directors in 2013. Margaret currently sits on the Board of Directors of Bonavista Energy Corporation, Encana Corporation and PrairieSky Royalty Ltd.

**Conference
Call & Webcast**

Inter Pipeline will hold a conference call and webcast on August 6 at 2:30 p.m. (Mountain Time) /4:30 p.m. (Eastern Time) to discuss its second quarter 2015 financial and operating results.

To participate in the conference call, please dial 416-340-2216 or 800-355-4959. A pass code is not required. A recording of the call will be available for replay until August 13, 2015 by dialing 905-694-9451 or 800-408-3053. The pass code for the replay is 1075494.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipeline.com by selecting "Investor Relations" then "Events & Webcasts/Conference Calls". An archived version of the webcast will be available for approximately 90 days.

Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)				
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Throughput and Production				
Pipeline volumes (000 b/d)				
Oil sands transportation ¹	853.9	858.0	975.1	841.5
Conventional oil pipelines	<u>208.5</u>	<u>200.9</u>	<u>211.4</u>	<u>202.4</u>
Total pipeline volumes	1,062.4	1,058.9	1,186.5	1,043.9
Extraction production ¹ (000 b/d)				
Ethane	56.3	64.1	63.6	68.4
Propane plus	<u>34.1</u>	<u>32.7</u>	<u>38.0</u>	<u>34.6</u>
Total extraction production	90.4	96.8	101.6	103.0
Financial Results³				
Revenue	\$390.6	\$375.9	\$796.4	\$786.6
Funds from operations ²				
Oil sands transportation	\$135.0	\$63.0	\$265.2	\$126.4
Conventional oil pipelines	\$46.5	\$49.6	\$93.3	\$95.6
NGL extraction	\$23.3	\$34.7	\$52.0	\$83.2
Bulk liquid storage	\$20.6	\$18.2	\$41.1	\$39.8
Corporate costs	<u>\$(44.4)</u>	<u>\$(33.9)</u>	<u>\$(94.1)</u>	<u>\$(81.7)</u>
Total funds from operations ²	\$181.0	\$131.6	\$357.5	\$263.3
Per share ²	\$0.54	\$0.41	\$1.07	\$0.84
Net Income (loss)	\$73.8	\$85.3	\$196.6	\$174.9
Supplemental Financial Information				
Net income (loss) attributable to shareholders	\$65.3	\$81.7	\$179.0	\$167.8
Per share - basic	\$0.19	\$0.25	\$0.54	\$0.53
- diluted	\$0.19	\$0.25	\$0.54	\$0.52
Cash dividends declared	\$123.1	\$103.9	\$244.9	\$203.5
Per share	\$0.3675	\$0.3225	\$0.7350	\$0.6450
Payout ratio ²	71.9%	81.5%	72.6%	79.7%
Capital expenditures ^{2,3}				
Growth	\$67.3	\$243.8	\$199.6	\$788.5
Sustaining	<u>\$10.5</u>	<u>\$10.2</u>	<u>\$20.2</u>	<u>\$16.4</u>
Total capital expenditures	\$77.8	\$254.0	\$219.8	\$804.9

1. Empress V NGL production and Cold Lake volumes reported on a 100% basis.
2. Please refer to the "Non-GAAP Financial Measures" section of the MD&A.
3. Amounts reported on a 100% basis that includes non-controlling interest.

MD&A, Financial Statements & Notes

The Management's Discussion and Analysis ("MD&A") and consolidated financial statements provide a detailed explanation of Inter Pipeline's operating results for the three and six month periods ended June 30, 2015 as compared to the three and six month periods ended June 30, 2014. These documents are available at www.interpipeline.com and at www.sedar.com.

Inter Pipeline Ltd.

Inter Pipeline is a major petroleum transportation, bulk liquid storage and natural gas liquids extraction business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and northern Europe. Additional information about Inter Pipeline can be found at www.interpipeline.com.

Inter Pipeline is a member of the S&P/TSX 60 Index and its shares trade on the Toronto Stock Exchange under the symbol IPL.

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Disclaimer

Certain information contained herein may constitute forward-looking statements that involve known and unknown risks, assumptions, uncertainties and other factors. Forward-looking statements in this news release include, but are not limited to, statements regarding timing and completion of, and EBITDA Inter Pipeline expects to generate from, the Polaris, Cold Lake and Mid-Saskatchewan pipeline and other projects and possible future Cold Lake and Polaris pipeline expansions. Readers are cautioned not to place undue reliance on forward-looking statements, as such statements are not guarantees of future performance. Inter Pipeline in no manner represents that actual results, levels of activity and achievements will be the same in whole or in part as those set out in the forward-looking statements herein. Such information, although considered reasonable by Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Such assumptions, risks, uncertainties and other factors include, but are not limited to, risks and assumptions associated with operations, such as Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits, including the further development of its oil sands pipeline systems; assumptions concerning operational reliability; the availability and price of labour 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, pricing pressures and supply and demand in the natural gas and oil transportation, ethane transportation and natural gas liquids extraction and storage industries; assumptions based upon Inter Pipeline's current guidance; fluctuations in currency and interest rates; inflation; the ability to access sufficient capital from internal and external sources; risks and uncertainties associated with Inter Pipeline's ability to maintain its current level of cash dividends to its shareholders; risks inherent in Inter Pipeline's Canadian and foreign operations; risks of war, hostilities, civil insurrection, instability and political and economic conditions in or affecting countries in which Inter Pipeline and its affiliates operate; severe weather conditions; terrorist threats; risks associated with technology; Inter Pipeline's ability to generate sufficient cash flow from operations to meet its current and future obligations; Inter Pipeline's ability to access external sources of debt and equity capital; general economic and business conditions; the potential delays of and costs of overruns on construction projects, including, but not limited to Inter Pipeline's current oil sands projects and future expansions of Inter Pipeline's oil sands pipeline systems; risks associated with the failure to finalize formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Inter Pipeline; Inter Pipeline's ability to make capital investments and the amounts of capital investments; 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 future lawsuits and regulatory actions against Inter Pipeline and its affiliates; increases in maintenance, operating or financing costs; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals and maintenance of support of such approvals; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty, as these are interdependent and Inter Pipeline's future course of action depends on management's assessment of all information available at the relevant time. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at www.sedar.com. The forward-looking statements contained in this news release are made as of the date of this document, and, except to the extent required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

All dollar values are expressed in Canadian dollars unless otherwise noted.

**Non-GAAP
Financial
Measures**

Certain financial measures referred to in this news release 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 these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.