

## **Inter Pipeline Announces Strong First Quarter 2014 Financial and Operating Results**

**CALGARY, ALBERTA, MAY 12, 2014:** Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) announced today financial and operating results for the three month period ended March 31, 2014.

### **First Quarter Highlights**

- Generated funds from operations\* (FFO) of \$132 million, a 20 percent increase over first quarter 2013
- Declared cash dividends of \$100 million or \$0.3225 per share
- Attractive quarterly payout ratio\* of 78 percent
- Generated net income of \$90 million, a gain of \$17 million over first quarter 2013 results
- Incurred growth capital expenditures\* of \$519 million, primarily related to Inter Pipeline’s \$2.9 billion expansion program on the Cold Lake and Polaris systems
- Total pipeline throughput volumes averaged 1,028,800 barrels per day (b/d)
- Volumes transported on Inter Pipeline’s conventional oil gathering pipelines reached the highest quarterly average in the past six years
- Issued \$301 million of new capital in a highly successful public equity offering
- Implemented several changes to the composition of Inter Pipeline’s board of directors and senior management team, consistent with previously announced intentions and internal succession plans

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

### **Financial Performance**

Inter Pipeline generated strong financial results in the first quarter. Funds from operations totaled \$131.7 million or \$0.43 per share, compared to \$109.4 million in the first quarter of 2013. All four of Inter Pipeline’s business segments recorded higher results. In Canadian pipeline operations, financial results improved due to higher diluent shipments and strong throughput levels on Inter Pipeline’s Polaris pipeline system and conventional oil gathering systems. Inter Pipeline’s NGL extraction business also recorded strong financial results, driven mainly by strong margins on product sales.

By business segment, Inter Pipeline’s oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed funds from operations of \$63.4 million, \$48.5 million, \$46.0 million and \$21.6 million, respectively. Corporate costs, including interest, income tax and general and administrative charges totaled \$47.8 million in the first quarter.

**Cash Dividends**

Total dividends to shareholders increased 29.7% to \$99.6 million in the first quarter of 2014 compared to the same period in 2013. This substantial increase is largely attributable to two monthly dividend increases in 2013 and a greater number of shares outstanding. Inter Pipeline announced an annualized dividend increase of \$0.03 per share last June and a further increase of \$0.15 per share in September of 2013.

Inter Pipeline's payout ratio for the quarter remained conservative at 78%.

**Oil Sands Transportation**

The oil sands transportation segment shipped 824,900 b/d during the quarter. Throughput volumes were 7 percent lower than in the comparable quarter of 2013 due to the inclement weather and the impact of maintenance activities and steam injection cycles at certain producer-operated facilities. The Cold Lake, Corridor and Polaris pipeline systems transported 473,700 b/d, 319,000 b/d, and 32,200 b/d, respectively.

Cash flow in the oil sands transportation segment is not materially impacted by pipeline volume fluctuations due to the cost-of-service structure of Inter Pipeline's major transportation agreements with third party shippers. Funds from operations for the quarter totaled \$63.4 million, an increase of \$12.6 million, or 25 percent, over the prior year. Higher results were primarily due to a full quarter of operations for the Polaris pipeline system, which entered service in March 2013.

The Cold Lake and Polaris pipeline systems are currently being expanded under a \$2.9\*\* billion development program that is anchored by long-term contracts with the FCCL Partnership, a business venture between Cenovus Energy and ConocoPhillips. Under these contracts, Inter Pipeline will provide 850,000 b/d of bitumen blend and diluent capacity for the Foster Creek, Christina Lake and Narrows Lake projects through the installation of approximately 840 kilometres of new pipeline and associated facilities. New capacity is expected to enter commercial service in phases beginning in mid-2014, and generate up to \$330 million in long-term annual EBITDA once fully in service. In the first quarter, construction activities continued according to plan, with approximately 90 percent of new pipeline now installed and facility work advancing on schedule.

In aggregate, Inter Pipeline is advancing a roughly \$3 billion capital program under contracts signed with the FCCL Partnership, Canadian Natural Resources, Imperial Oil, Canexus and Athabasca Oil Corporation. These investments are secured by ship-or-pay agreements that will generate a total of approximately \$400 million in incremental, stable, long-term annual EBITDA.

**Conventional Oil Pipelines**

The conventional oil gathering segment continues to benefit from the successful application of horizontal drilling and completion technologies in the Viking and other light oil plays. Funds from operations totaled \$46 million for the three month period, an increase of 14 percent over first quarter 2013 results. Gains were driven by increased throughput levels, higher tolls, and strong results from Inter Pipeline's midstream marketing business. Average revenue per barrel was similar to the first quarter of 2013 at \$2.91.

Throughput volumes across Inter Pipeline's conventional oil gathering systems increased by 10 percent over first quarter 2013 levels, driven by increased drilling activity in certain service areas. The Bow River, Central Alberta, and Mid-Saskatchewan systems transported 203,900 b/d in the first quarter compared to a first

quarter 2013 average of 185,300 b/d. This represents the highest quarterly throughput level experienced on our conventional oil gathering systems in the past six years. Inter Pipeline is also advancing a \$70 million capital program to accommodate growing demand for conventional oil transportation services. Our current investment program is the largest in the history of Inter Pipeline's conventional oil transportation business segment.

## **NGL Extraction**

Inter Pipeline's NGL extraction business generated strong results in the first quarter, with funds from operations totaling \$48.5 million. This represents a gain of 13 percent over the \$43 million generated in the first quarter of 2013. Increased results were primarily tied to higher propane-plus and ethane product pricing at the Cochrane NGL extraction facility. Natural gas throughput levels and NGL production volumes in the current quarter were similar to first quarter 2013 amounts. Extraction facilities at Cochrane and Empress processed a combined 2.8 billion cubic feet per day (bcf/d) in the quarter, with ethane and propane-plus production averaging 109,200 b/d.

In the first quarter of 2014, frac-spread pricing on propane-plus sales at the Cochrane facility averaged US\$0.94 per US gallon, up from the US\$0.88 per US gallon realized in the first quarter of last year.

## **Bulk Liquid Storage**

Financial results in the bulk liquid storage business increased compared to the first quarter of 2013. Favorable foreign exchange rates and various one-time revenues from our UK subsidiary, Simon Storage, more than offset the impact of lower tank utilization rates at certain terminals. For the quarter, funds from operations totaled \$21.6 million, a gain of \$1.2 million over first quarter 2013 results.

Demand for bulk liquid storage at the Gulfhavn terminal in our Danish subsidiary continues to be adversely impacted by the absence of contango price relationships in the futures markets for certain petroleum products. Overall, the utilization rate for our Danish storage business dropped to 69% compared to 85% in the first quarter of 2013. Simon Storage's performance remained solid, with utilization rates flat at 91%.

## **Financing Activity**

Inter Pipeline maintained a strong balance sheet in the first quarter. In March, Inter Pipeline successfully issued \$301 million in equity capital at a strong share price of \$28.90. Net proceeds were used to reduce outstanding indebtedness on Inter Pipeline's revolving credit facility. Dividend reinvestment plans also raised another \$80 million in new equity capital in the three month period. Inter Pipeline remains on track to successfully finance its current capital investment program.

At March 31, Inter Pipeline's recourse debt to capitalization ratio was 50.7 percent compared to 52.8 percent at December 31, 2013.

## **Board and Management Changes**

Effective January 1, 2014, several changes were made to the composition of Inter Pipeline's board of directors and senior management team. Richard Shaw, an independent director, was appointed Chairman of the Board, following the retirement of our previous Chairman, John Driscoll. David Fesyk was appointed Executive Vice Chairman, with Christian Bayle succeeding Mr. Fesyk as President and Chief Executive Officer. Alison Taylor Love also joined the Board and is the new Chair of Inter Pipeline's Governance Committee. Finally, on March 1, 2014, Brent Heagy was appointed Chief Financial Officer after the retirement of Bill van Yzerloo.

These changes were made to enhance Inter Pipeline's corporate governance structure and were consistent with its internal succession plans.

**Conference Call & Webcast** Inter Pipeline will hold a conference call and webcast on May 13<sup>th</sup> at 9:00 a.m. (Mountain Time) / 11:00 a.m. (Eastern Time) to discuss its first quarter 2014 financial and operating results.

To participate in the conference call, please dial 866-223-7781 or 416-340-2216. A pass code is not required. A recording of the call will be available for replay until May 20, 2014, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 1256697.

A webcast of the conference call can be accessed on Inter Pipeline's website at [www.interpipeline.com](http://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.

**Annual and Special Meeting** Inter Pipeline will hold its Annual and Special Meeting of Shareholders on May 12<sup>th</sup>, 2014 at 2:00 p.m. (Mountain Time) / 4:00 p.m. (Eastern Time) at the Metropolitan Conference Centre, 333 4<sup>th</sup> Avenue S.W. in Calgary, Alberta. The meeting will be webcast live, with a link to the webcast accessible on Inter Pipeline's website at [www.interpipeline.com](http://www.interpipeline.com) by selecting "Investor Relations" then "Events & Webcasts/Conference Calls".

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*Represents Inter Pipeline's share of capital expenditures.*

## Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)

	Three Months Ended March 31,	
	2014	2013
<b>Throughput and Production</b>		
Pipeline volumes (000 b/d)		
Oil sands transportation <sup>1</sup>	824.9	890.0
Conventional oil pipelines	<u>203.9</u>	<u>185.3</u>
Total pipeline volumes	1,028.8	1,075.3
Extraction production <sup>1</sup> (000 b/d)		
Ethane	72.8	78.4
Propane plus	<u>36.4</u>	<u>36.6</u>
Total extraction production	109.2	115.0
<b>Financial Results<sup>3</sup></b>		
Revenue	\$410.7	\$327.7
Funds from operations <sup>2</sup>		
Oil sands transportation	\$63.4	\$50.8
Conventional oil pipelines	\$46.0	\$40.4
NGL extraction	\$48.5	\$43.0
Bulk liquid storage	\$21.6	\$20.4
Corporate costs	<u>\$(47.8)</u>	<u>\$(45.2)</u>
Total funds from operations <sup>2</sup>	\$131.7	\$109.4
Per share <sup>2</sup>	\$0.43	\$0.40
Net Income	\$89.6	\$72.2
<b>Supplemental Financial Information</b>		
Net income attributable to shareholders	\$86.1	\$69.7
Per share - basic	\$0.28	\$0.25
- diluted	\$0.27	\$0.25
Cash dividends declared	\$99.6	\$76.8
Per share	\$0.3225	\$0.2775
Payout ratio <sup>2</sup>	78.0%	72.2%
Capital expenditures <sup>2,3</sup>		
Growth	\$544.7	\$407.6
Sustaining	<u>\$6.2</u>	<u>\$5.9</u>
Total capital expenditures	\$550.9	\$413.5

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis; 2013 Polaris volumes represent initial shipments that were prorated for the 3 month period.*
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 month period ended March 31, 2014 as compared to the three month period ended March 31, 2013. These documents are available at [www.interpipeline.com](http://www.interpipeline.com) and at [www.sedar.com](http://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](http://www.interpipeline.com).

Inter Pipeline 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 and Cold Lake 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, assumptions, risks and uncertainties associated with: operations, such as loss of markets, regulatory matters, environmental matters, industry competition, potential delays and cost overruns of construction projects, including the Polaris and Cold Lake pipeline system projects, the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its subsidiaries, and the ability to access sufficient capital from internal and external sources. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at [www.sedar.com](http://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.

Effective September 1, 2013, Inter Pipeline completed a plan of arrangement that resulted in the reorganization of Inter Pipeline Fund, a limited partnership, into Inter Pipeline, a dividend paying corporation. Pursuant to the arrangement, among other things, each outstanding Class A unit of Inter Pipeline Fund was exchanged for one common share of Inter Pipeline. Accordingly, any references to Inter Pipeline for any period prior to September 1, 2013 refer to Inter Pipeline Fund and its consolidated subsidiaries, as applicable, and any references to Inter Pipeline subsequent to September 1, 2013 refer to Inter Pipeline Ltd. and its consolidated subsidiaries, as applicable. Similarly, any references to common shares, shareholders or dividends for any period prior to September 1, 2013, refer to Class A units, unitholders and distributions of the former Inter Pipeline Fund, and any references to common shares, shareholders or dividends for any period on or after September 1, 2013 refer to common shares, shareholders and dividends of Inter Pipeline Ltd.

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.