inter pipeline

News Release

Inter Pipeline Announces Record Third Quarter 2013 Financial and Operating Results

CALGARY, ALBERTA, NOVEMBER 7, 2013: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced today strong financial and operating results for the three and nine month periods ended September 30, 2013.

Highlights

- Completed a highly successful conversion from a limited partnership structure to a dividend paying corporation
- Funds from operations* totaled $123 million, a new quarterly record
- Low quarterly payout ratio* of 70.5%
- Announced a $0.15 per share annualized dividend increase, representing Inter Pipeline's largest ever increase and second in 2013
- Oil sands and conventional oil pipeline volumes averaged 1,028,900 barrels per day (b/d), with both business segments generating record quarterly cash flow
- Announced a long-term agreement to transport diluent and bitumen blend for Canadian Natural Resources' Kirby South oil sands project, involving a capital investment of $95 million
- Announced a $50 million pipeline connection to a new rail loading facility owned by Canexus Corporation
- Announced a $45 million expansion of the Polaris pipeline system to accommodate additional diluent deliveries to Imperial Oil's Kearl oil sands project
- Successfully commissioned a $63 million liquid sweetening project at the Cochrane NGL extraction plant
- Incurred record growth capital expenditures* of $566 million during the quarter
- Issued $500 million of senior medium-term notes at an attractive interest rate of 3.448%

Subsequent Events

- Raised $345 million in new equity through the highly successful issuance of Inter Pipeline Ltd. common shares
- Announced a long-term agreement to provide diluent transportation service to the Hangingstone oil sands project under development by Athabasca Oil Corporation

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

Corporate Conversion Event

At a special meeting held on August 22, 2013, Inter Pipeline's unitholders approved a proposed conversion of its structure from a publicly-traded limited partnership to a dividend paying corporation. Unitholders voted 99% in favour of the proposed corporate conversion.

As a Canadian corporation, Inter Pipeline expects to benefit from improved liquidity and broader access to both domestic and international capital markets. Under its former limited partnership structure, Inter Pipeline was prevented from accessing US and other international sources of equity capital.

Inter Pipeline is also in the process of implementing certain enhancements to its corporate governance model. These changes include plans to appoint a new independent chairman of the board and the commencement of Annual General Meetings in 2014.

Financial Performance

Inter Pipeline generated strong financial results in the third quarter of 2013. Funds from operations totaled $123.3 million or $0.44 per share, compared to $109.3 million in the third quarter of 2012. The oil sands transportation and conventional oil gathering business segments both generated record quarterly financial results, reflecting volume growth and contributions from new pipeline projects that entered commercial service during the quarter.

By segment, Inter Pipeline's oil sands transportation, conventional oil pipelines, NGL extraction and bulk liquid storage businesses contributed funds from operations of $55.7 million, $47.0 million, $43.2 million and $17.2 million, respectively. Corporate costs, including interest, income tax and general and administrative charges amounted to $39.8 million for the quarter.

Cash Dividends

Cash dividend payments to shareholders increased by 19% in the third quarter compared to the comparable period last year. Declared dividends totaled $85 million or $0.2975 per share, compared to $71 million or $0.2625 per share in the third quarter of 2012.

In early September, Inter Pipeline announced a 13.2% increase in its monthly dividend rate. This increase, the largest in Inter Pipeline's history, results in annualized dividend payments increasing by $0.15 per share to $1.29 per share. Inter Pipeline's latest dividend increase supplements the $0.03 per year dividend increase announced in early June when its former general partner was purchased and fees payable to an external manager were cancelled.

During the third quarter, Inter Pipeline's dividend payout ratio was 70.5%.

Oil Sands Transportation

In the third quarter of 2013, throughput volumes in the oil sands transportation segment totaled 832,900 b/d, similar to levels transported during the same period last year. The Cold Lake, Corridor and Polaris pipeline systems averaged 458,500 b/d, 354,300 b/d, and 20,100 b/d, respectively.

During the quarter, Inter Pipeline announced a new long-term agreement to transport approximately 80,000 b/d of bitumen blend and diluent for the Kirby South oil sands project operated by Canadian Natural Resources. Inter Pipeline has completed construction of approximately 40 kilometres of pipeline and related facilities on the Cold Lake system at a capital cost of approximately $95 million. Project costs had previously been backstopped by Canadian Natural Resources during the construction period. Upon commissioning of the new facilities in August, Inter Pipeline began generating incremental EBITDA of approximately $35 million annually.

In another long-term agreement, Canexus Corporation signed a ten-year commitment for 100,000 b/d of firm bitumen blend capacity on a new pipeline segment from the Cold Lake pipeline system to its new unit train loading operations near Bruderheim, Alberta. Inter Pipeline will construct a new 13 kilometre pipeline lateral and metering facilities at a capital cost of approximately $50 million. Inter Pipeline expects to generate incremental EBITDA of approximately $10 million annually over the life of the contract with Canexus.

Also during the quarter, Inter Pipeline announced that it will increase diluent delivery capacity on the Polaris pipeline system in support of the phased development of Imperial Oil's Kearl oil sands project. Imperial has elected to increase its firm capacity commitment from 60,000 b/d to 120,000 b/d. In response, Inter Pipeline will install additional pumping capacity on the Polaris system at a capital cost of approximately $45 million. Inter Pipeline expects to generate approximately $19 million per year in incremental EBITDA from this project.

Subsequent to quarter end, Inter Pipeline entered into an agreement with Athabasca Oil Corporation to transport an initial 4,500 b/d of diluent under a 25-year ship-or-pay agreement for its Hangingstone oil sands project. Inter Pipeline will construct a new pipeline lateral on the Polaris system and related facilities at a capital cost of approximately $25 million. Inter Pipeline holds exclusive rights to deliver additional diluent volumes to the Hangingstone project which could rise to 30,000 b/d pending the phased development of this project.

In total, Inter Pipeline is currently advancing approximately $2.7 billion in organic investments within its oil sands transportation business segment. These investments are commercially secured under signed transportation agreements which will provide stable, long-term cash flow.

Conventional Oil Pipelines

In the third quarter, the conventional oil pipeline segment transported 196,000 b/d, a gain of 21,500 b/d compared to the third quarter of 2013. Higher throughput volumes were the result of strong drilling activity in areas serviced by Inter Pipeline's conventional oil pipeline systems. Inter Pipeline's conventional oil gathering systems also benefitted from volumes diverted from competing regional pipelines due to system outages.

The Bow River, Central Alberta and Mid-Saskatchewan pipeline systems generated record funds from operations in the third quarter, totaling $47 million compared to $39 million in the third quarter of last year. In addition to the volume gains, increased midstream marketing activities contributed to record results.

Combined, Inter Pipeline's conventional oil gathering systems generated revenues of $2.91 per barrel, similar to that realized in the comparable period of last year.

NGL Extraction

Inter Pipeline's NGL extraction facilities at Cochrane and Empress processed a total of 2.9 billion cubic feet per day (bcf/d) during the quarter, 0.3 bcf/d higher than in the third quarter of 2012. Combined ethane and propane-plus production averaged 113,500 b/d, an increase of 7,000 b/d over third quarter 2012 production. Throughput volume increases at Empress more than offset reductions at the Cochrane extraction plant. During the third quarter, Cochrane plant volumes were adversely affected by flow restrictions imposed on the TransCanada pipeline system due to flooding events in Alberta.

Inter Pipeline realized frac-spread pricing of US$0.97 per US gallon on propane-plus sales at the Cochrane plant during the quarter, up from the US$0.92 realized in the third quarter of 2012.

In August, Inter Pipeline commissioned a new $63 million project to reduce the sulphur content of propane-plus streams produced at the Cochrane NGL extraction plant. The successful completion of this project will allow Inter Pipeline continuing access to premium-priced markets for low sulphur NGL products.

Bulk Liquid Storage

Tank utilization rates in Inter Pipeline's European bulk liquid storage operations averaged 82% in the third quarter, compared to 88% in the same period in 2012. Lower utilization rates were primarily the result of backwardated pricing in the forward markets for petroleum products stored at various terminals in Europe.

During the quarter, Inter Pipeline divested land holdings associated with a former truck terminal operation for proceeds of approximately $800,000.

Financing Activity

Inter Pipeline continues to benefit from strong access to capital markets and is well positioned to finance its ongoing organic growth program. During the quarter, Inter Pipeline successfully issued $500 million in senior, unsecured medium-term notes. These notes mature on July 20, 2020 and bear interest at an attractive annual rate of 3.448%.

Additionally, subsequent to quarter end Inter Pipeline raised $345 million through the issuance of common equity at a price of $25.15 per share. Net proceeds were used to reduce debt outstanding under Inter Pipeline's $1.25 billion revolving credit facility.

As at September 30, 2013, Inter Pipeline's recourse debt to capitalization ratio was 58.5% compared to 57.8% at June 30, 2013. After including the impact of the $345 million equity offering, this ratio would have been reduced to 49.9%.

Conference Call & Webcast

Inter Pipeline will hold a conference call and webcast today at 2:30 p.m. (Mountain Time) / 4:30 p.m. (Eastern Time) to discuss its third quarter 2013 financial and operating results.

To participate in the conference call, please dial 866-223-7781 or 416-340-8530. A pass code is not required. A recording of the call will be available for replay until November 14, 2013, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 3286889.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipeline.com by selecting "Investor Relations" then "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 September 30,		Nine Months Ended September 30,	
Throughput and Production	2013	2012	2013	2012
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	832.9	836.6	830.4	804.0
Conventional oil pipelines	196.0	174.5	184.1	175.1
Total pipeline volumes	1,028.9	1,011.1	1,014.5	979.1
Extraction production[1] (000 b/d)				
Ethane	75.3	71.0	73.4	72.5
Propane plus	38.2	35.5	35.0	35.7
Total extraction production	113.5	106.5	108.4	108.2
Financial Results[3]				
Revenue	$340.5	$300.7	$988.5	$882.3
Funds from operations[2]				
Oil sands transportation	$55.7	$47.0	$155.5	$135.1
NGL extraction	$43.2	$50.4	$117.3	$155.9
Conventional oil pipelines	$47.0	$38.9	$130.9	$114.7
Bulk liquid storage	$17.2	$17.6	$57.1	$60.2
Corporate costs	$(39.8)	$(44.6)	$(122.7)	$(135.7)
Total funds from operations[2]	$123.3	$109.3	$338.1	$330.2
Per share[2]	$0.44	$0.40	$1.21	$1.23
Net (loss) Income	$77.8	$68.4	$(131.6)	$257.3
Supplemental Financial Information				
Net income attributable to shareholders	$74.8	$65.9	$(139.4)	$249.9
Per share - basic	$0.27	$0.24	$(0.50)	$0.93
- diluted	$0.26	$0.24	$(0.50)	$0.93
Cash dividends declared	$84.6	$71.3	$239.6	$211.8
Per share	$0.2975	$0.2625	$0.8550	$0.7875
Payout ratio[2]	70.5%	67.0%	72.8%	65.8%
Capital expenditures[2,3]				
Growth	$566.1	$108.6	$1,369.5	$217.4
Sustaining	$7.4	$11.4	$19.1	$24.8
Total capital expenditures	$573.5	$120.0	$1,388.6	$242.2

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis; Polaris volumes represent initial shipments that were prorated for the 9 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 and nine month periods ended September 30, 2013 as compared to the three and nine month periods ended September 30, 2012. 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 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. 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.