

## Inter Pipeline Reports Record Financial Results for 2015

**CALGARY, ALBERTA, FEBRUARY 18, 2016:** Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) announced today financial and operating results for the three and twelve month periods ended December 31, 2015.

- 2015 Highlights**
- Generated record funds from operations\* of \$774 million, a 37 percent increase over 2014 results
  - Net income increased 33 percent to a record \$463 million for the year
  - Declared cash dividends of \$497 million, or \$1.49 per share
  - Attractive annual payout ratio\* of 68 percent
  - Announced a six percent increase to monthly cash dividends, the 13th consecutive increase for Inter Pipeline shareholders
  - Annual throughput volumes on Inter Pipeline’s oil sands and conventional oil pipeline systems averaged a record 1,257,800 barrels per day (b/d)
  - Commissioned \$1.6 billion of new pipeline and facilities on the Cold Lake and Polaris pipeline systems
  - Completed a \$112 million expansion of the Mid-Saskatchewan conventional oil pipeline system
  - Acquired four petroleum and petrochemical storage terminals in Sweden for \$131 million, increasing European storage capacity by approximately 40 percent
  - Bulk liquid storage capacity utilization averaged 94 percent for the year, up from an average of 79 percent in 2014
- Fourth Quarter Highlights**
- Record quarterly funds from operations of \$211 million, a 32 percent increase over fourth quarter 2014
  - Net income increased to a new quarterly record of \$138 million
  - Average throughput volumes on Inter Pipeline’s oil sands and conventional oil pipeline systems were 1,326,600 b/d in the quarter

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

### **Financial Performance**

Inter Pipeline achieved record results in 2015, with funds from operations increasing to \$774.1 million, or \$2.31 per share, a 37 percent increase over 2014. The oil sands transportation business segment is largely responsible for generating these record results as a number of significant new oil sands transportation projects entered commercial service in 2015.

Fourth quarter results were also a record with funds from operations of \$211.4 million, a 32 percent increase over fourth quarter 2014. Corporate costs including interest, income tax and general and administrative charges were \$51.3 million for the fourth quarter and \$188.7 million for the full year 2015.

For the fourth quarter and full year 2015, Inter Pipeline's four business segments generated funds from operations as follows:

| <i>Funds from operations (millions)</i> | <i>Three Months Ended<br/>December 31, 2015</i> | <i>Twelve Months Ended<br/>December 31, 2015</i> |
|---|---|--|
| Oil sands transportation                | \$157.8   | \$569.1  |
| Conventional oil pipelines              | \$51.5  | \$194.6  |
| Bulk liquid storage                     | \$28.2  | \$98.3   |
| NGL extraction                          | \$25.2  | \$100.8  |

**Cash  
Dividends**

Declared dividend payments to shareholders totaled a record \$497.1 million or \$1.485 per share in 2015. This represents an 18 percent, or \$74 million, increase over the previous year. Payments rose as a result of Inter Pipeline's 13th consecutive dividend increase announced in November 2015. Inter Pipeline's annualized dividend rate is now \$1.56 per share, up \$0.09 from a year ago, with an attractive annual payout ratio of 67.8 percent.

In the fourth quarter, Inter Pipeline declared dividends of \$128.7 million or \$0.3825 per share, resulting in a payout ratio of 63.8 percent.

**Oil Sands  
Transportation**

Inter Pipeline's oil sands transportation segment had a remarkable year in 2015. Funds from operations reached a new record high of \$569.1 million, compared to \$306.1 million in 2014. These results were primarily driven by the addition of \$1.6 billion of new oil sands pipelines and facilities on the Cold Lake and Polaris pipeline systems. This included new connections to the Foster Creek and Christina Lake oil sands projects, as well as the Athabasca Oil Corporation Hangingstone oil sands project. Inter Pipeline also expanded the capacity of the Polaris pipeline system in support of the second phase of the Kearl oil sands project operated by an affiliate of Imperial Oil.

Oil sands throughput volumes for the year averaged a record 1,046,100 b/d, representing a 15 percent increase when compared to the previous year. Diluent transported on the Polaris pipeline system reached record levels in 2015, up 129 percent over 2014. Strong diluent demand from the Kearl oil sands project as well as increased deliveries to the Foster Creek and Christina Lake facilities were contributing factors. Throughput volumes on the Cold Lake pipeline system increased by 11 percent for the full year 2015, while Corridor pipeline system volumes were consistent with 2014 levels.

In the fourth quarter, funds from operations totaled \$157.8 million, a gain of 62 percent over fourth quarter 2014. Throughput volumes for the quarter remained strong averaging 1,111,800 b/d. Quarter-over-quarter volume increases on the Polaris Pipeline system were particularly notable at 43 percent, due to continued strong demand by diluent shippers.

Volumes transported by pipeline systems in the fourth quarter and full year 2015 were as follows:

| <i>Volumes (000 b/d)</i> | <i>Three Months Ended<br/>December 31, 2015</i> | <i>Twelve Months Ended<br/>December 31, 2015</i> |
|--------------------------|---|--|
| Cold Lake                | 565.4   | 561.4  |
| Corridor                 | 378.8   | 346.0  |
| Polaris                  | 167.6   | 138.7  |

### **Conventional Oil Pipelines**

Funds from operations in the conventional oil pipelines segment were a record \$194.6 million in 2015. Strong financial performance from the Mid-Saskatchewan pipeline system drove the positive results.

Annual throughput volumes on Inter Pipeline's three conventional gathering systems totaled 211,700 b/d, representing an increase of approximately three percent compared to 2014. Continued volume growth from the Viking light oil play serviced by the Mid-Saskatchewan pipeline system more than offset modest declines on the Bow River and Central Alberta pipeline systems. In mid-2015, a \$112 million expansion on Inter Pipeline's Mid-Saskatchewan pipeline system entered commercial service. This expansion provided additional delivery capacity in response to strong regional production growth from the Viking play.

Funds from operations for the quarter were a record \$51.5 million. Fourth quarter throughput volumes on the three conventional pipeline systems totaled 214,800 b/d, slightly higher than the same period in 2014.

### **Bulk Liquid Storage**

Inter Pipeline's bulk liquid storage segment generated record funds from operations of \$98.3 million in 2015. This represents a 30 percent increase compared to 2014 results and is due to the acquisition of Inter Terminals Sweden in June 2015 and strong demand for storage services across the business segment.

Overall utilization rates for the full year 2015 averaged 94 percent, compared to 79 percent in 2014. Higher utilization rates were experienced across all terminals, led by our Danish facilities where stronger contango pricing relationships for certain petroleum products continued to drive favourable results.

Fourth quarter funds from operations totaled \$28.2 million, a 79 percent increase compared to the fourth quarter of 2014. Utilization rates were a very strong 97 percent compared to 84 percent in the comparable quarter of 2014.

### **NGL Extraction**

Funds from operations in the NGL extraction business were \$100.8 million in 2015 compared to \$142.3 million in the prior year. Financial results were primarily impacted by reduced frac-spread pricing on propane-plus sales at the Cochrane NGL extraction facility. The realized full year frac-spread price of \$0.33 USD per US gallon was approximately 57 percent less than the \$0.76 USD per US gallon realized in 2014.

Strong natural gas throughput volumes partially offset the impact of reduced frac-spread pricing. Natural gas flows to Inter Pipeline's three NGL facilities averaged 2.7 billion cubic feet per day (bcf/d), a nine percent increase compared to 2014. Approximately 102,000 b/d of natural gas liquids were extracted which is an increase of four percent over 2014.

Funds from operations totaled \$25.2 million the fourth quarter of 2015, generally consistent with the fourth quarter of 2014. Natural gas inlet volumes remained flat at 2.7 bcf/d and liquids production totaled 100,400 b/d. The impact of reduced realized frac-spread pricing from \$0.54 USD per US gallon in fourth quarter 2014 to \$0.32 USD per US gallon in 2015 was offset by reduced fuel, power and shrinkage gas costs in the quarter.

## **Financial Position**

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed revolving credit facility. As at December 31, 2015, Inter Pipeline had over \$585 million of capacity on its \$1,250 million credit facility.

Inter Pipeline's consolidated net debt to total capitalization ratio\* as at December 31, 2015, which excludes \$1,536.2 million of non-recourse debt related to Inter Pipeline (Corridor) Inc., was 52.8 percent, compared to 52.2 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.

## **Retirement of Executive Vice Chairman**

Inter Pipeline has received notice from David Fesyk, our current Executive Vice Chairman, of his intention to retire on June 30, 2016. Mr. Fesyk served as President and Chief Executive Officer of Inter Pipeline for over 16 years following its initial public offering in 1997.

Richard Shaw, Inter Pipeline's Chairman of the Board, commented, "We thank David for his many contributions in establishing Inter Pipeline as a strong, competitively positioned business with an outstanding track record of profitable growth. Under his leadership, we have grown from a small regional oil gathering business into a well-diversified energy infrastructure company which ranks among the top 60 issuers on the Toronto Stock Exchange. We also thank David for over 25 years of dedicated service to our organization."

Mr. Fesyk commented, "It has been extremely rewarding to see the growth and evolution of our business in Canada and internationally over the years. The organization is in great hands and I want to thank our board members, both past and present, and Inter Pipeline's strong base of employees for their support throughout my tenure with the company."

Mr. Fesyk will continue to serve as director of Inter Pipeline Ltd. and its wholly-owned subsidiary Inter Pipeline Europe Ltd.

## **Conference Call & Webcast**

Inter Pipeline will hold a conference call and webcast on February 19, 2016 at 9:00 a.m. (Mountain Time) / 11:00 a.m. (Eastern Time) to discuss its year end 2015 financial and operating results.

To participate in the conference call, please dial 416-340-2216 or 800-355-4959. A passcode is not required. A recording of the call will be available for replay until February 26, 2016 by dialing 905-694-9451 or 800-408-3053. The passcode for the replay is 6634315.

A webcast of the conference call can be accessed on Inter Pipeline's website at [www.interpipeline.com/investor/calls-and-events.cfm](http://www.interpipeline.com/investor/calls-and-events.cfm). 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 |              | Twelve Months Ended |              |
|---|--------------------|--------------|---------------------|--------------|
|   | December 31,       |              | December 31,        |              |
|   | 2015               | 2014         | 2015                | 2014         |
| <b>Operating Results</b>                      |                    |              |                     |              |
| Pipeline volumes (000 b/d)                    |                    |              |                     |              |
| Oil sands transportation <sup>1</sup>         | 1,111.8            | 1,023.9      | 1046.1              | 912.9        |
| Conventional oil pipelines                    | <u>214.8</u>       | <u>213.2</u> | <u>211.7</u>        | <u>205.2</u> |
| Total pipeline                                | 1,326.6            | 1,237.1      | 1,257.8             | 1,118.1      |
| NGL Extraction volumes <sup>1</sup> (000 b/d) |                    |              |                     |              |
| Ethane  | 59.1               | 66.6         | 62.1                | 62.9         |
| Propane-plus                                  | <u>41.3</u>        | <u>36.8</u>  | <u>39.6</u>         | <u>34.7</u>  |
| Total extraction                              | 100.4              | 103.4        | 101.7               | 97.6         |
| Bulk Liquid Storage capacity utilization      | 97%                | 84%          | 94%                 | 79%          |

### Financial Results<sup>3</sup>

|  |                 |                 |                  |                  |
|--|-----------------|-----------------|------------------|------------------|
| Revenue                                  | \$455.7         | \$390.1         | \$1,676.3        | \$1,556.3        |
| Funds from operations <sup>2</sup>       |                 |                 |                  |                  |
| Oil sands transportation                 | \$157.8         | \$97.2          | \$569.1          | \$306.1          |
| Conventional oil pipelines               | \$51.5          | \$46.8          | \$194.6          | \$191.1          |
| Bulk liquid storage                      | \$28.2          | \$15.8          | \$98.3           | \$75.4           |
| NGL Extraction                           | \$25.2          | \$24.7          | \$100.8          | \$142.3          |
| Corporate costs                          | <u>\$(51.3)</u> | <u>\$(24.8)</u> | <u>\$(188.7)</u> | <u>\$(150.9)</u> |
| Total funds from operations <sup>2</sup> | \$211.4         | \$159.7         | \$774.1          | \$564.0          |
| Per share <sup>2</sup>                   | \$0.63          | \$0.49          | \$2.31           | \$1.76           |
| Net Income                               | \$138.0         | \$79.6          | \$463.0          | \$349.5          |

### Supplemental Financial Information

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Net income attributable to shareholders | \$129.7       | \$75.6        | \$427.4       | \$334.8       |
| Per share - basic                       | \$0.39        | \$0.24        | \$1.28        | \$1.05        |
| - diluted                               | \$0.39        | \$0.23        | \$1.28        | \$1.02        |
| Cash dividends declared                 | \$128.7       | \$114.9       | \$497.1       | \$423.1       |
| Per share                               | \$0.3825      | \$0.3525      | \$1.4850      | \$1.32        |
| Payout ratio <sup>2</sup>               | 63.8%         | 74.0%         | 67.8%         | 77.3%         |
| Capital expenditures <sup>2,3</sup>     |               |               |               |               |
| Growth                                  | \$52.6        | \$150.3       | \$296.3       | \$1,195.7     |
| Sustaining                              | <u>\$27.8</u> | <u>\$12.7</u> | <u>\$59.6</u> | <u>\$40.5</u> |
| Total capital expenditures              | \$80.4        | \$163.0       | \$355.9       | \$1,236.2     |

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 12 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 twelve month periods ended December 31, 2015 as compared to the three and twelve month periods ended December 31, 2014. 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, natural gas liquids extraction, and bulk liquid storage business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and Europe. Inter Pipeline is a member of the S&P/TSX 60 Index and its common shares trade on the Toronto Stock Exchange under the symbol IPL. [www.interpipeline.com](http://www.interpipeline.com).

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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 current projects, including the Mid-Saskatchewan expansion project, as well as future projects. 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 projects and future expansions of Inter Pipeline's 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](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.

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.