inter pipeline

News Release

Inter Pipeline Announces Strong Second Quarter 2014 Financial and Operating Results

CALGARY, ALBERTA, AUGUST 7, 2014: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced today financial and operating results for the three and six month periods ended June 30, 2014.

Second Quarter Highlights

- Generated funds from operations* (FFO) of $132 million, a 25 percent increase over second quarter 2013
- Declared cash dividends of $104 million or $0.3225 per share
- Attractive quarterly payout ratio* of 82 percent
- Generated net income of $85 million, a gain of $18 million over second quarter 2013 normalized results
- Incurred growth capital expenditures* of $235 million, primarily related to Inter Pipeline's $2.9 billion expansion program on the Cold Lake and Polaris systems
- Total pipeline throughput volumes averaged 1,058,900 barrels per day (b/d)
- Conventional oil pipeline throughput volumes increased 30,000 b/d or 18% over second quarter 2013 levels to 200,900 b/d
- Announced a long-term agreement to provide diluent transportation service to the JACOS-Nexen Hangingstone project on the Polaris pipeline system
- Issued $900 million of 30-year fixed and 3-year floating rate notes at attractive interest rates

Subsequent Events

- Announced $100 million expansion of Mid-Saskatchewan pipeline system to accommodate strong producer demand
- The first $1.1 billion phase of the Polaris pipeline expansion was successfully completed as a new 290 kilometre mainline and associated pipeline laterals were placed into commercial service
- Construction of the Canexus unit train rail loading connection to the Cold Lake pipeline system was completed on schedule and placed into commercial service

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

Financial Performance

Inter Pipeline's financial results were very strong in the second quarter. Funds from operations increased to $131.6 million or $0.41 per share, a gain of $26.2 million over second quarter 2013 results. Pipeline operations performed well in the quarter, with new oil sands transportation contracts and increased throughput levels on the conventional oil gathering systems contributing to the strong cash flow growth. The

NGL extraction business segment recorded financial gains on higher propane-plus extraction levels at the Cochrane NGL extraction facility, while the European bulk liquid storage segment performed steadily despite challenging market conditions.

By business segment, Inter Pipeline's oil sands transportation, conventional oil pipelines, NGL extraction and bulk liquid storage businesses contributed $63.0 million, $49.6 million, $34.7 million and $18.2 million, respectively, to funds from operations. Corporate costs, including interest, income tax and general and administrative charges totaled $33.9 million in the second quarter.

Cash Dividends

Dividends to shareholders in the second quarter increased 33% to $103.9 million compared to the second quarter of 2013. The large increase is primarily attributable to two dividend increases in 2013 and a greater number of shares outstanding. Inter Pipeline's payout ratio for the second quarter remained conservative at 81.5%.

Over the past 5 years, Inter Pipeline has increased payments to shareholders six consecutive times resulting in a compound annual growth rate of approximately 9%. This represents one of the highest dividend growth rates in our Canadian peer group.

Oil Sands Transportation

The oil sands transportation segment transported 858,000 b/d during the quarter, a gain of 11 percent over second quarter 2013 levels as producers successfully increased production levels. The Polaris pipeline system increased throughput by 28,100 b/d over the second quarter of 2013 as new oil sands production sites came on-stream over the past year. The Cold Lake, Corridor and Polaris pipeline systems transported 497,300 b/d, 330,000 b/d, and 30,700 b/d, respectively.

Second quarter 2014 funds from operations totaled $63.0 million, an increase of 29% over the comparable quarter of 2013. Higher results were primarily due to new transportation contracts commencing on the Cold Lake and Polaris pipeline systems over the past 12 months. Cash flow in this segment is not materially impacted by pipeline volume fluctuations due to the cost-of-service structure of transportation agreements with third party shippers.

The Cold Lake and Polaris pipeline systems are being expanded under a $2.9[**] billion development program 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. The first phase of the development program, a 290 kilometre mainline on the Polaris pipeline system, entered commercial service in July 2014 and began generating EBITDA of approximately $90 million per year. The remaining phases of the expansion program are on schedule and should enter commercial service in stages between late 2014 and mid 2017. In aggregate, this development program is expected to generate up to $330 million in long-term annual EBITDA once fully in service.

Subsequent to quarter end, a new connection between the Cold Lake pipeline system and Canexus Corporation's unit train rail loading facility at Bruderheim, Alberta entered commercial service. The $60 million project included construction of a 13 kilometre 24-inch diameter pipeline lateral with a throughput capacity of 320,000 b/d, of which Canexus has contracted for 100,000 b/d. Under the terms of the 10-year ship-or pay contract, Inter Pipeline expects to generate approximately $12 million in annual EBITDA.

In total, Inter Pipeline's $3 billion oil sands transportation investment program will generate approximately $400 million in incremental, long-term annual EBITDA once all phases of the program enter commercial service. These investments are supported by long term, ship-or-pay contracts signed with FCCL, Imperial Oil, Canexus, Athabasca Oil Sands, JACOS and Nexen.

As part of the current expansion program, Inter Pipeline has constructed significant incremental mainline capacity in excess of existing shipper requirements. This excess capacity can be marketed to third party shippers and is expected to be a major growth platform for Inter Pipeline for the next several years.

Conventional Oil Pipelines

The conventional oil gathering business segment generated record quarterly cash flow in the second quarter, continuing to benefit from very strong drilling activity in the Viking and other light oil plays. Second quarter funds from operations totaled $49.6 million, a gain of 14 percent over second quarter 2013 results. The increase resulted from higher throughput levels and increased tolls as well as strong margins from Inter Pipeline's midstream marketing activities. Average revenue per barrel increased slightly in the second quarter to $2.95 from $2.91 in the second quarter of 2013.

Throughput volumes grew significantly in the quarter compared to the prior year period. Producers continue to aggressively develop their reserves within the region served by the Mid-Saskatchewan pipeline system, and increased drilling activity has also benefitted the Central Alberta system. Together, the Bow River, Central Alberta, and Mid-Saskatchewan systems transported 200,900 b/d in the second quarter, a gain of 30,000 b/d over second quarter 2013 levels.

Subsequent to quarter end, Inter Pipeline announced a major $100 million expansion of the Mid-Saskatchewan pipeline system to accommodate the strong volume growth. The expansion is supported by contracts with five oil producers that will generate in aggregate an incremental $25-$30 million in annual EBITDA once the expansion is fully in service. The expansion includes construction of 50 kilometres of new mainline pipe and 40 kilometres of laterals and associated facilities. In total, 95,000 b/d of new capacity will be added to the system and will provide capacity for future third party connections. The expansion will be completed in phases beginning in late 2014 with full completion expected by mid 2015. This investment program is the largest in the history of Inter Pipeline's conventional oil transportation business segment.

NGL Extraction

The NGL extraction business segment generated funds from operations of $34.7 million in the second quarter, a gain of 12 percent over the second quarter of 2013. Higher results were primarily a function of increases in propane-plus liquids volumes extracted at the Cochrane NGL extraction facility. Propane-plus production was negatively impacted in the second quarter of 2013 due to an 18-day scheduled plant turnaround at Cochrane. Overall, throughput levels at the Cochrane and Empress facilities were 2.2 billion cubic feet per day (bcf/d) in the second quarter, which yielded 96,800 b/d of ethane and propane-plus production.

Second quarter realized frac-spread pricing on propane-plus sales at the Cochrane facility averaged US$0.78 per US gallon, down from second quarter 2013 pricing that averaged US$0.89 per US gallon.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage business generated funds from operations of $18.2 million in the second quarter, down marginally from second quarter 2013 results. Revenue increases due to foreign currency translation adjustments were offset by the impacts of lower utilization rates at the Gulfhavn terminal in Denmark, which continues to be impacted by the lack of contango in futures markets for certain petroleum products. The overall utilization rate for Inter Terminals' Danish facilities dropped to 65% compared to 77% in the second quarter of 2013 while Simon Storage's terminals maintained utilization rates fairly consistent with the prior year period at 90%.

During the quarter, construction began on 6 new stainless steel storage tanks with 57,000 barrels of total capacity at Inter Pipeline's terminal located near Mannheim, Germany. This $9 million expansion is in response to strong demand for specialty chemical storage service from the adjacent BASF Ludwigshafen plant, one of the largest chemical production complexes in the world.

Total growth capital expenditures in the bulk liquid storage segment for the quarter were $3.8 million.

Financing Activity

In the second quarter, Inter Pipeline continued its program of prudent balance sheet management by successfully accessing public capital markets. In May, Inter Pipeline successfully issued $900 million in medium-term notes at attractive interest rates. Of the total, $500 million were 30-year notes issued at a fixed interest rate of 4.637 percent, and $400 million were 3-year notes priced at floating rates. Net proceeds were used to reduce outstanding indebtedness on Inter Pipeline's revolving credit facility and for general corporate purposes.

Through the first half of 2014, Inter Pipeline has raised over $1.3 billion in capital through debt and equity offerings, and remains on track to successfully finance the current capital investment program.

At June 30, Inter Pipeline's recourse debt to capitalization ratio was 51.7 percent compared to 52.8 percent at December 31, 2013.

Conference Call & Webcast

Inter Pipeline will hold a conference call and webcast on August 7th at 2:30 p.m. (Mountain Time) / 4:30 p.m. (Eastern Time) to discuss its second quarter 2014 financial and operating results.

To participate in the conference call, please dial 866-225-0198 or 416-340-2218. A pass code is not required. A recording of the call will be available for replay until August 14, 2014, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 2223184.

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.

** *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 June 30,		Six Months Ended June 30,	
Throughput and Production	2014	2013	2014	2013
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	858.0	771.8	841.5	830.6
Conventional oil pipelines	200.9	170.9	202.4	178.1
Total pipeline volumes	1,058.9	942.7	1,043.9	1,008.7
Extraction production[1] (000 b/d)				
Ethane	64.1	67.6	68.4	73.0
Propane plus	32.7	30.0	34.6	33.3
Total extraction production	96.8	97.6	103.0	106.3
Financial Results[3]				
Revenue	$375.9	$320.3	$786.6	$648.0
Funds from operations[2]				
Oil sands transportation	$63.0	$49.0	$126.4	$99.8
Conventional oil pipelines	$49.6	$43.5	$95.6	$83.9
NGL extraction	$34.7	$31.1	$83.2	$74.1
Bulk liquid storage	$18.2	$19.5	$39.8	$39.9
Corporate costs	$(33.9)	$(37.7)	$(81.7)	$(82.9)
Total funds from operations[2]	$131.6	$105.4	$263.3	$214.8
Per share[2]	$0.41	$0.37	$0.84	$0.77
Net Income (loss)	$85.3	$(281.6)	$174.9	$(209.4)
Supplemental Financial Information				
Net income (loss) attributable to shareholders	$81.7	$(283.9)	$167.8	$(214.2)
Per share - basic	$0.25	$(1.02)	$0.53	$(0.77)
- diluted	$0.25	$(1.02)	$0.52	$(0.77)
Cash dividends declared	$103.9	$78.2	$203.5	$155.0
Per share	$0.3225	$0.2800	$0.6450	$0.5575
Payout ratio[2]	81.5%	76.1%	79.7%	74.1%
Capital expenditures[2,3]				
Growth	$243.8	$395.8	$788.5	$803.4
Sustaining	$10.2	$5.8	$16.4	$11.7
Total capital expenditures	$254.0	$401.6	$804.9	$815.1

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 6 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 six month periods ended June 30, 2014 as compared to the three and six month periods ended June 30, 2013. 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, 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, 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, Cold Lake and Mid-Saskatchewan 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.