News Release

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Inter Pipeline Announces $1.35 Billion Acquisition of Canadian NGL Midstream Business

CALGARY, ALBERTA, August 8, 2016: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) is pleased to announce that it has entered into an agreement to acquire the shares of The Williams Companies Inc.'s and Williams Partners L.P.'s Canadian natural gas liquids ("NGL") midstream businesses ("Williams Canada") for cash consideration of $1.35 billion, subject to closing adjustments. The transaction is expected to close in the third quarter of 2016 and is subject to approval under the Competition Act and other customary closing conditions.

Williams Canada pioneered the process of extracting NGL and olefins from offgas, a byproduct of bitumen upgrading operations. Williams Canada's assets include two liquids extraction plants located near Fort McMurray, Alberta, a fractionator near Redwater, Alberta and a pipeline system that connects these facilities. The two extraction plants have the capacity to recover approximately 40,000 barrels per day ("b/d") of NGL and olefins from the upgrader offgas. The liquids mix is then separated into marketable products at the Redwater fractionator and sold across North America.

As a result of this acquisition, Inter Pipeline also assumes responsibility for the potential construction of a $1.85 billion Propane Dehydrogenation ("PDH") facility located near the Redwater fractionator. This facility would convert low-cost, locally sourced propane into high value polymer grade propylene, an important petrochemical product largely used in plastics manufacturing.

"This accretive acquisition is a highly complementary addition to our existing NGL extraction business," said Christian Bayle, Inter Pipeline's President and Chief Executive Officer. "Consistent with our disciplined acquisition strategy, we are purchasing this unique and attractive business at a low period in the commodity cycle, and well below original cost. This positions Inter Pipeline to significantly benefit as energy prices strengthen."

Transaction Highlights

- Inter Pipeline is acquiring the only processor of oil sands offgas and the only fractionator capable of handling this type of offgas liquid
- Williams Canada invested approximately $2.5 billion in the development of this large-scale NGL midstream business during its 16-year history
- Acquisition provides a platform for material future NGL and olefin related growth opportunities including capacity expansion investments, securing additional offgas supply sources and development of integrated petrochemical manufacturing facilities
- Transaction is expected to be immediately accretive to funds from operations per share

Business Overview

The Williams Canada business is anchored by the two liquids extraction plants located near Fort McMurray, Alberta. These facilities process a gas stream known in the energy industry as "offgas". Offgas is created when oil sands bitumen is heated to high temperatures though an upgrading process. This offgas byproduct is rich in high value NGL, and olefins, which are synthetic petrochemicals that do not naturally exist in large quantities. After the liquids are removed from the gas stream by the extraction plants, the residual offgas is returned to the upgraders where it is consumed as fuel.

The first extraction plant, which began operations in 2002, processes offgas from the Suncor Energy Inc. ("Suncor") oil sands upgraders. The second extraction facility, completed in early 2016, is integrated with the Canadian Natural Resources Limited ("CNRL") Horizon upgrader. Suncor and CNRL are contractually obligated to deliver offgas feedstock to the extraction plants under multi-decade supply arrangements. On a combined basis, these facilities are capable of extracting approximately 17,000 b/d of ethane-ethylene mix and 23,000 b/d of other NGL and olefinic liquids.

A 12-inch diameter, 420 kilometre pipeline, known as the Boreal pipeline, links the liquid extraction plants to the Redwater Olefinic Fractionator located in the industrial heartland of central Alberta. The Boreal pipeline has a current throughput capacity of 43,000 b/d and can be expanded up to approximately 125,000 b/d with the addition of low cost pumping stations.

The Redwater Olefinic Fractionator separates the NGL and olefin mixture into higher value products including propane, polymer grade propylene, normal butane, alky feed, olefinic condensate and an ethane-ethylene mixture. Caverns capable of storing over one million barrels of NGL support the fractionator operations.

The ethane-ethylene mix is sold to NOVA Chemicals Corporation ("Nova") under a long-term fee based contract which commenced in late 2013. The remaining NGL and olefinic products are distributed by third-party pipeline, truck and rail and sold to various North American counterparties.

PDH Opportunity

Since 2013, Williams Canada has been developing an attractive opportunity to construct Canada's first Propane Dehydrogenation facility. Using propane as its feedstock, this proposed $1.85 billion petrochemical facility is designed to produce polymer grade propylene, a valuable intermediate product largely used to create a variety of plastics, fibers and chemicals.

"Alberta is a particularly attractive location for a world-scale PDH facility given the ample supply of low-cost propane feedstock," commented Mr. Bayle. "Construction of this PDH plant is an innovative way to provide an important new market for Alberta propane, help diversify our energy based economy, and deliver significant long term economic benefits to Inter Pipeline's shareholders and the Province."

Approximately $250 million has been invested to-date in the PDH facility by Williams Canada. Substantial design work and equipment procurement has been initiated. Site preparation and early civil construction has also commenced on lands neighbouring the Redwater Olefinic Fractionator. The PDH facility is intended to be integrated with the fractionator and use a combination of proprietary propane as well as other locally sourced product as its feedstock. In total, the PDH facility is designed to consume 22,000 b/d of propane and produce 525,000 tonnes per year of polymer grade propylene.

Inter Pipeline expects to make a final investment decision on this project by the end of

2016. Subject to full sanctioning, the project is expected to be operational in 2020.

As part of the development plans for the PDH facility, Williams Canada has made an application under the Alberta Government's Petrochemical Diversification Program which offers up to $500 million in royalty credits to projects that increase the consumption of petrochemical feedstocks like propane. The credits, once awarded, can be traded to oil and gas producers to offset royalty payments made when they extract hydrocarbons. The Alberta Government has stated its intention to finalize the list of recipients within the next several months. Inter Pipeline believes this project is well positioned to be awarded credits under this program.

Financial Performance

Cash flow from the Williams Canada business is provided by a long-term fee based contract for ethane-ethylene sales to Nova, and shorter-term NGL and olefin product sales to a variety of counterparties. Inherently, cash flow from NGL and olefins sales varies with commodity cycles, whereas cash flow from ethane-ethylene sales is significantly more stable.

EBITDA from this business averaged approximately $135 million per year between 2011 and 2014. With the collapse of world energy prices, annual EBITDA dropped to approximately $40 million in 2015. With the commencement of operations at the Horizon extraction plant in February 2016, total NGL and olefinic liquids production capacity has grown approximately 60 percent, or 15,000 b/d. As such, the business is positioned to generate increasing cash flow as underlying commodity prices strengthen and move towards historical norms.

Furthermore, Inter Pipeline expects to reduce its annual cash taxes by approximately $70 million in 2017 through 2019 through the realization of tax synergies between Inter Pipeline's and Williams Canada's businesses.

Acquisition Financing

Inter Pipeline is committed to maintaining a strong balance sheet and financial flexibility while prudently financing this acquisition. As such, funding for this acquisition will be provided by proceeds from the issuance of subscription receipts, new term debt expected to be issued prior to closing and available capacity on its committed revolving credit facility. Inter Pipeline anticipates increasing its $1,250 million revolving facility to $1,500 million in connection with the acquisition.

Concurrent with the acquisition, Inter Pipeline has entered into an agreement with a syndicate of underwriters whereby they will purchase from Inter Pipeline, on a bought deal basis, 22.43 million subscription receipts at a price of $26.75 per subscription receipt for total gross proceeds of $600 million (the "Offering"). The subscription receipts will be issued under Inter Pipeline's short form base shelf prospectus dated December 11, 2015, and a prospectus supplement to such short form base shelf prospectus to be filed on or before August 10, 2016. The Offering is being led by TD Securities Inc. as the sole bookrunner, and co-led by CIBC Capital Markets and RBC Capital Markets.

Each subscription receipt represents the right of the holder to receive, upon closing of the acquisition and without payment of additional consideration or further action, one common share of Inter Pipeline plus an amount equal to the dividends Inter Pipeline declares on the common shares, if any, for the record dates which occur during the period from the closing date of the Offering to the date immediately preceding the date that common shares are issued on the exchange of the subscription receipts.

The gross proceeds from the Offering will be held in escrow pending the closing of the acquisition. Assuming the acquisition closes on or before January 31, 2017, the escrowed proceeds from the Offering will be released to Inter Pipeline and used to partially fund the acquisition. If the acquisition fails to close by January 31, 2017, or the acquisition is terminated at an earlier time, the gross proceeds and pro rata entitlement to interest earned on the escrowed proceeds thereon will be paid to holders of the subscription receipts.

The offering of subscription receipts is expected to close on or about August 17, 2016.

Inter Pipeline also anticipates reinstating the premium dividend component of its Premium Dividend™ and Dividend Reinvestment Plan ("DRIP") upon the close of the acquisition. Historically, this program has raised approximately $25 million in additional equity capital per month. Inter Pipeline does not anticipate the need to issue additional equity beyond the proceeds from the subscription receipts and DRIP to partially fund this acquisition.

This news release is not an offer of the Subscription Receipts or underlying common shares for sale in the United States. The Subscription Receipts to be offered and the underlying Common Shares have not been and will not be registered under the United States Securities Act of 1933 or any state securities laws and accordingly are not being offered for sale and may not be offered, sold or delivered, directly or indirectly within the United States, its possessions and other areas subject to its jurisdiction or to, or for the account or for the benefit of a U.S. person, except pursuant to an exemption from the registration requirements of that Act.

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Investor Presentation

For further information on the Williams Canada acquisition, please refer to a slide presentation available on Inter Pipeline's website at www.interpipeline.com or at 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

Contact Information

Investor Relations:
Jeremy Roberge
Vice President, Capital Markets
Email: investorrelations@interpipeline.com
Tel: 403-290-6015 or 1-866-716-7473

Media Relations:
Breanne Feigel
Manager Corporate Communications
Email: mediarelations@interpipeline.com
Tel: 587-475-1118

Disclaimer

Certain information contained herein may constitute forward-looking statements that involve risks and uncertainties. Readers are cautioned not to place undue reliance on forward-looking statements, including, but not limited to, statements regarding the anticipated benefits of the Williams Canada acquisition and growth opportunities associated with the Williams Canada acquisition, the completion, size, funding and timing of the Williams Canada acquisition and the completion, size and timing of the offering of subscription receipts. Such statements reflect the current views of Inter Pipeline with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause the results of Inter Pipeline to differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to vary from forward-looking information or may affect the operations, performance, development and results of Inter Pipeline's businesses include, among other things: risks relating to closing of the Williams Canada acquisition; the potential for undisclosed liabilities associated with the Williams Canada acquisition and realizing the expected benefits from the Williams Canada acquisition; risks and assumptions associated with operations, such as Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits. With respect to the anticipated benefits from the Williams Canada acquisition and statements with regards to this transaction being accretive to funds flow from operations, such factors also include, but are not limited to: synergies may not be realized in the time frame anticipated, the ability to promptly and effectively integrate the businesses, reputational risks, and diversion of management time on acquisition-related matters. 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 risks and uncertainties include, but are not limited to, risks associated with operations, such as loss of markets, regulatory matters, environmental risks, industry competition, potential delays and cost overruns of construction projects, and the ability to access sufficient debt or equity 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.

Certain financial measures referred to in this news release including EBITDA and funds from operations are not measures recognized by Canadian generally accepted accounting principles (GAAP), as outlined in the Chartered Professional Accountant (CPA) Handbook Part I, and used by management to evaluate the performance of Inter Pipeline and its business segments. Since certain non-GAAP financial measures may not have a standardized meaning, securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled with their nearest GAAP measure. See the "Non-GAAP Financial Measures" section in Inter Pipeline's most recently filed management's discussion and analysis available at www.sedar.com for further information on the definition, calculation and reconciliation of non-GAAP financial measures.

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