inter pipeline

News Release

Inter Pipeline Announces Record 2013 Financial and Operating Results

CALGARY, ALBERTA, FEBRUARY 20, 2014: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) announced today record financial and operating results for the three and twelve month periods ended December 31, 2013.

2013 Highlights

- Acquired Pipeline Assets Corp., the former owner of Inter Pipeline’s general partner, and subsequently completed conversion from a limited partnership structure to a dividend paying corporation
- Generated funds from operations* of $473 million, a new annual record
- Low annual payout ratio* of 74 percent
- Increased dividend payments to shareholders by $0.18 per share, the largest annualized increase in Inter Pipeline’s history
- Normalized net income of $302 million after excluding one-time non-cash internalization costs of $349 million
- Incurred record growth capital expenditures* of $1.7 billion during the year
- Oil sands and conventional oil pipeline volumes averaged 1,015,000 barrels per day (b/d), also a new annual record
- Executed long-term transportation agreements supporting a $2.9 billion integrated development program of the Cold Lake and Polaris pipeline systems
- Announced a $45 million expansion of the Polaris pipeline system to accommodate additional diluent deliveries to Imperial Oil’s Kearl oil sands project
- Announced long-term transportation agreements with Canadian Natural Resources and Canexus Corporation on the Cold Lake pipeline system
- Entered into a new long-term ethane sales agreement with NOVA Chemicals
- Issued $500 million of senior medium-term notes at an attractive interest rate of 3.448 percent

Fourth Quarter Highlights

- Generated funds from operations* of $135 million, a new quarterly record
- 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
- Completed an $80 million pump station expansion on the Cold Lake system

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

Corporate Restructuring

In 2013, Inter Pipeline completed several transactions to reorganise its limited partnership structure and convert to a dividend paying corporation. In June, Inter Pipeline purchased all outstanding shares of Pipeline Assets Corp., the former owner of our General Partner. This highly accretive transaction eliminated all future management, acquisition, divestiture and incentive fees payable to an external manager and set the stage for conversion to a corporate form.

In August, Inter Pipeline's unitholders overwhelmingly approved Inter Pipeline's proposal to convert from a publicly-traded limited partnership to a dividend paying corporation. The conversion was completed on September 1, 2013.

Inter Pipeline expects the conversion to provide a number of advantages. As a Canadian corporation, Inter Pipeline will benefit from improved liquidity and broader access to domestic and international capital markets. Under its former limited partnership structure, Inter Pipeline was prevented from accessing foreign sources of equity capital. Inter Pipeline is also taking steps to enhance its corporate governance practices. These enhancements include the appointment of a new independent chairman of the board, effective January 1, 2014 and the commencement of Annual General Meetings in 2014.

Financial Performance

Inter Pipeline generated record financial results in 2013. Funds from operations totaled $472.6 million or $1.65 per share, compared to $433.9 million in 2012. The oil sands transportation and conventional oil pipelines segments both generated record financial results. This strong performance was driven by a full year of Polaris pipeline operations combined with volume growth from new oil sands projects and active conventional oil drilling within our service areas. Over its history, Inter Pipeline has consistently delivered increases in funds from operations, with 2013 being the 12th consecutive year of cash flow growth.

By segment, Inter Pipeline's oil sands transportation, conventional oil pipelines, NGL extraction and bulk liquid storage businesses contributed funds from operations of $219.7 million, $174.9 million, $170.7 million and $73.2 million, respectively. Corporate costs, including interest, income tax and general and administrative charges totaled $165.9 million in 2013.

Inter Pipeline achieved record financial results in the fourth quarter, with funds from operations totaling $134.5 million. By business segment, fourth quarter funds from operations were $64.2 million for oil sands transportation, $53.4 million for NGL extraction, $44.0 million for conventional oil pipelines, and $16.1 million for bulk liquid storage. Fourth quarter corporate costs were $43.2 million.

Cash Dividends

Dividend payments to shareholders grew by $53 million in 2013, an increase of 19 percent. Declared dividends totaled $338.2 million or $1.1775 per share in 2013, compared to $285.2 million or $1.055 per share in the previous year. Payments rose as a result of Inter Pipeline's two dividend increases in 2013 and a greater number of shares outstanding. Inter Pipeline's annualized dividend rate is now $1.29 per share, up $0.18 from a year ago. Our annual payout ratio remained conservative at 73.6% for the year, in spite of the substantial increase in dividend payments.

In the fourth quarter, Inter Pipeline declared dividends of $98.6 million or $0.3225 per share, resulting in a payout ratio of 75.5%.

Oil Sands Transportation

In 2013, the oil sands transportation segment achieved new heights in throughput and financial results, and was the focal point of Inter Pipeline's largest ever organic growth investment program. Volume throughput levels in the oil sands transportation segment were a record 828,400 b/d for the year. The Cold Lake, Corridor and Polaris pipeline systems transported an average of 478,200 b/d, 334,800 b/d, and 15,400 b/d, respectively. Funds from operations for the year totaled a record $219.7 million, representing a 19 percent increase over the prior year.

In the fourth quarter, volumes in the segment averaged 822,600 b/d. Cold Lake system volumes averaged 456,800 b/d, Corridor system volumes averaged 328,500 b/d, and Polaris volumes averaged 37,300 b/d. Cold Lake volumes were lower in the fourth quarter of 2013 compared to the year earlier, driven by producer maintenance outages and volume fluctuations due to the timing of steam injections at the Imperial Oil, Cenovus, and Canadian Natural Resources oil sands facilities. On the Polaris system, volumes grew in the fourth quarter due to increased shipping activity by Imperial Oil and Suncor Energy. Funds from operations for the fourth quarter totaled $64.2 million.

In 2013, Inter Pipeline's capital program centred on expanding and integrating the Cold Lake and Polaris pipeline systems under a $2.9[†] billion development program. The expansions are anchored by long-term contracts with the FCCL Partnership, a business venture between Cenovus Energy and ConocoPhillips, under which Inter Pipeline will provide 850,000 b/d of bitumen blend and diluent capacity for the Foster Creek, Christina Lake and Narrows Lake projects. New capacity to meet FCCL requirements is expected to enter commercial service in phases beginning in mid-2014, and generate up to $330 million in annual EBITDA once fully in service.

During the year, Inter Pipeline was successful in finalizing new long-term transportation arrangements with Canadian Natural Resources, Canexus, Athabasca Oil Corporation, and Imperial Oil. Collectively these arrangements represent approximately 245,000 b/d of new long-term bitumen blend and diluent shipping commitments, illustrating the growth potential of Inter Pipeline's extensive oil sands pipeline franchise. Inter Pipeline expects to invest approximately $215[†] million to handle the additional throughput volumes and earn incremental EBITDA of $70 million annually.

In October 2013, Inter Pipeline also completed an $80[†] million pump station expansion on the Cold Lake system. System capacity has increased from 535,000 b/d to approximately 650,000 b/d to accommodate oil production growth from existing Cold Lake shippers.

In total, Inter Pipeline is currently advancing roughly $3.2[†] billion of organic oil sands transportation projects that are commercially secured under ship-or-pay agreements which will provide stable, long-term cash flow.

Conventional Oil Pipelines

Inter Pipeline's conventional oil pipelines segment had a very strong year, generating record cash flow. Funds from operations totaled $174.9 million for the year, a gain of almost $22 million or 14 percent over 2012 levels. Strong results reflect higher throughput levels, increased tolls, and positive contributions from the midstream marketing business. Average revenue per barrel increased year over year, from $2.85 in 2012 to $2.92 in 2013.

Average throughput levels on the conventional oil pipeline systems increased by 6 percent in 2013 over the prior year. The Bow River, Central Alberta, and Mid-Saskatchewan systems transported 186,600 b/d in 2013 compared to 175,500 in 2012. Volume gains primarily resulted from strong drilling activity in Inter Pipeline's service areas, as producers continue to successfully employ new drilling and completion techniques.

In the fourth quarter, throughput volumes in the conventional oil segment averaged 194,100 b/d, a gain of 17,400 b/d compared to the fourth quarter of 2012. Well licensing activity in the region surrounding Inter Pipeline's conventional systems increased in the fourth quarter by 15 percent over the prior year period. As a result, Inter Pipeline is confident that volume growth from new drilling will continue to offset natural production declines over the medium term. In the fourth quarter, funds from operations in the segment totaled $44.0 million, up 14 percent over fourth quarter 2012 levels.

NGL Extraction

Inter Pipeline's NGL extraction business generated strong results in 2013, with funds from operations totaling $170.7 million for the year. Results were approximately 12 percent below 2012 levels primarily due to a scheduled 18-day maintenance turnaround at the Cochrane NGL extraction facility and modestly lower product pricing on Cochrane propane-plus sales. Extraction facilities at Cochrane and Empress processed a total of 2.7 billion cubic feet per day (bcf/d) in 2013, similar to throughput levels of 2012. Combined ethane and propane-plus production averaged 110,200 b/d compared to 107,600 b/d produced in 2012.

For 2013, Inter Pipeline realized frac-spread pricing of US$0.96 per US gallon on propane-plus sales at the Cochrane plant, down marginally from the US$1.00 per US gallon realized in 2012.

Fourth quarter throughput volumes were strong, with Inter Pipeline's three extraction facilities processing 2.9 bcf/d of natural gas compared to 2.6 bcf/d in 2012. Higher throughput levels and product recovery efficiencies resulted in NGL production of 115,700 b/d in the fourth quarter compared to 105,900 b/d in the same period of 2012. Frac-spread prices also climbed in the fourth quarter to over US$0.99 per US gallon, leading to strong quarterly funds from operations of $53.4 million, an increase of $14.7 million over the $38.7 million generated in the fourth quarter of 2012.

Bulk Liquid Storage

The bulk liquid storage business segment performed as expected in 2013. Tank utilization at our UK subsidiary, Simon Storage, improved modestly throughout the year; however utilization rates at our Danish subsidiary remained under pressure due to continued backwardation in forward market pricing for petroleum products stored at the Gulfhavn terminal. Overall, tank utilization rates across the business segment averaged 84 percent for the year, compared to 90 percent in 2012. Fourth quarter 2013 rates exhibited a similar trend, declining to 84 percent from 88 percent over the same period of 2012.

For the year, funds from operations totaled $73.2 million, a decrease of $7 million from 2012 levels. In the fourth quarter, funds from operations totaled $16.1 million compared to $20 million in 2012, a year over year decline of $3.9 million.

Inter Pipeline's storage business also faced significant weather events in 2013. Abnormal conditions during the year triggered flooding at certain terminals in the UK and Germany. Operations have largely returned to normal. Emergency response activities successfully prevented any product releases while minimizing damage to terminal infrastructure.

Growth capital expenditures in the bulk liquid storage business were $21.9 million in 2013, including $9.5 million for the acquisition of 400,000 barrels of tank capacity at the Ensted terminal in Denmark. Remaining growth capital expenditures relate to a number of tank life extension and tank modification projects.

Financing Activity

Inter Pipeline undertook a number of financings that strengthened its balance sheet and ensured sufficient funding for our record capital expenditure program currently in progress. During the year, Inter Pipeline successfully issued $500 million in senior, unsecured medium-term notes at a low interest rate of 3.448 percent, and increased the size of its revolving credit facility from $750 million to $1.25 billion. In equity markets, Inter Pipeline raised $345 million through the issuance of common shares in the fourth quarter, and also issued $247 million through dividend reinvestment programs throughout the year.

At December 31, 2013, Inter Pipeline's recourse debt to capitalization ratio was 52.8 percent compared to 58.5 percent at September 30, 2013.

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 fourth quarter and year end 2013 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 February 27, 2014, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 1069881.

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.

ƚ *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 December 31,		Twelve Months Ended December 31,	
Throughput and Production	2013	2012	2013	2012
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	822.6	838.2	828.4	812.6
Conventional oil pipelines	194.1	176.7	186.6	175.5
Total pipeline volumes	1,016.7	1,014.9	1,015.0	988.1
Extraction production[1] (000 b/d)				
Ethane	78.6	72.9	74.7	72.6
Propane plus	37.1	33.0	35.5	35.0
Total extraction production	115.7	105.9	110.2	107.6
Financial Results[3]				
Revenue	$374.2	$323.7	$1,362.7	$1,206.0
Funds from operations[2]				
Oil sands transportation	$64.2	$49.0	$219.7	$184.1
Conventional oil pipelines	$44.0	$38.7	$174.9	$153.4
NGL extraction	$53.4	$38.7	$170.7	$194.6
Bulk liquid storage	$16.1	$20.0	$73.2	$80.2
Corporate costs	$(43.2)	$(42.7)	$(165.9)	$(178.4)
Total funds from operations[2]	$134.5	$103.7	$472.6	$433.9
Per share[2]	$0.44	$0.38	$1.65	$1.61
Net Income (loss)	$84.6	$59.7	$(47.0)	$317.0
Supplemental Financial Information				
Net income (loss) attributable to shareholders	$81.3	$57.3	$(58.1)	$307.2
Per share - basic	$0.27	$0.21	$(0.20)	$1.14
- diluted	$0.26	$0.21	$(0.20)	$1.14
Cash dividends declared	$98.6	$73.4	$338.2	$285.2
Per share	$0.3225	$0.2675	$1.1775	$1.0550
Payout ratio[2]	75.5%	72.8%	73.6%	67.5%
Capital expenditures[2,3]				
Growth	$549.4	$128.3	$1,918.9	$345.7
Sustaining	$11.0	$15.6	$30.1	$40.4
Total capital expenditures	$560.4	$143.9	$1,949.0	$386.1

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis; 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, 2013 as compared to the three and twelve month periods ended December 31, 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.