**News Release**

# Inter Pipeline Announces Record Third Quarter 2014 Financial and Operating Results

**CALGARY, ALBERTA, NOVEMBER 6, 2014:** Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced today financial and operating results for the three and nine month periods ended September 30, 2014.

**Third Quarter Highlights**

- Generated record funds from operations* (FFO) of $141 million, a 14 percent increase over the third quarter of 2013
- Declared cash dividends of $105 million or $0.3225 per share
- Quarterly payout ratio* of 77 percent
- Generated net income of $95 million, a gain of $17 million over third quarter 2013 results
- Incurred growth capital expenditures* of $242 million, primarily related to Inter Pipeline's $2.9 billion expansion program on the Cold Lake and Polaris pipeline systems
- Total pipeline throughput volumes for the quarter averaged a record 1,144,900 barrels per day (b/d)
- Oil sands transportation volumes totaled 942,300 b/d, a quarterly record
- Conventional oil pipeline throughput volumes increased 6,600 b/d over third quarter 2013 levels to 202,600 b/d including record volumes on the Mid-Saskatchewan pipeline system
- Announced $100 million expansion of Mid-Saskatchewan pipeline system to accommodate volume growth
- The first phase of the Polaris pipeline expansion was successfully completed on schedule at a cost of $1.1 billion with a new 290 kilometre mainline and associated pipeline laterals placed into commercial service
- Construction of the Canexus unit train rail loading connection to the Cold Lake pipeline system was completed on schedule and began generating revenue

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

**Financial Performance**

Inter Pipeline generated strong third quarter financial results. Funds from operations increased to a record $141.0 million or $0.43 per share, a gain of $17.7 million over third quarter 2013 results. Pipeline operations performed well in the quarter, with a major component of the ongoing Polaris pipeline expansion entering commercial service and contributing to results. Total throughput volumes reached record levels, driven by significant volume increases on our oil sands pipeline systems and the Mid-Saskatchewan conventional oil system. The NGL extraction business segment had lower results due to a variety of factors including reduced ethane production, lower natural gas throughput and frac-spread pricing. Inter Pipeline's European bulk liquid storage segment generated stable results quarter over quarter.

By business segment, Inter Pipeline's oil sands transportation, conventional oil pipelines, NGL extraction and bulk liquid storage businesses contributed $82.5 million, $48.7 million, $34.4 million and $19.8 million, respectively, to third quarter 2014 funds from operations. Third quarter corporate costs, including interest, income tax and general and administrative charges totaled $44.4 million.

**Cash Dividends**

Dividends to shareholders in the third quarter increased 24 percent to $104.7 million compared to the third quarter of 2013. The large increase is attributable to a 13 percent dividend increase in September of 2013 and a greater number of shares outstanding.

Inter Pipeline's payout ratio for the third quarter averaged 76.6 percent up from 70.5 percent in the third quarter of 2013.

**Oil Sands Transportation**

The oil sands transportation segment transported a record 942,300 b/d in the third quarter, a gain of 13 percent over third quarter 2013 levels. All three oil sands pipeline systems experienced growth in throughput volumes, with the Cold Lake and Polaris systems benefitting from new oil sands production facility connections. Throughput volumes on the Polaris pipeline system increased 205 percent, or 41,100 b/d, over the third quarter of 2013 as new transportation agreements came into effect and the $1.1 billion first phase of the Polaris pipeline expansion was placed in service. The Cold Lake, Corridor and Polaris pipeline systems transported 498,500 b/d, 382,600 b/d, and 61,200 b/d, respectively.

Third quarter 2014 funds from operations increased 48% to a record $82.5 million compared to the $55.7 million generated in the comparable quarter of 2013. Higher results were primarily due to the first phase of the Polaris expansion entering commercial service in July 2014.

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. Inter Pipeline has contracted to provide a total of 850,000 b/d of bitumen blend and diluent capacity combined for the Foster Creek, Christina Lake and Narrows Lake projects. Approximately 840 kilometres of new pipeline is being constructed to accommodate these volumes, with pipeline construction largely complete and facilities work proceeding according to plan. The first phase of the development program, a 290 kilometre mainline segment on the Polaris pipeline system, entered commercial service in July and began generating EBITDA of approximately $90 million per year.

The remaining phases of the Cold Lake and Polaris expansions 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.

During the quarter, a new 13 kilometre connection between the Cold Lake pipeline system and Canexus Corporation's unit train rail loading facility at Bruderheim, Alberta entered commercial service and began generating revenue for Inter Pipeline. The $60 million project included construction of a 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 firm ship-or-pay contract, Inter Pipeline is collecting approximately $12 million in annual EBITDA from Canexus.

In total, Inter Pipeline's $3.1 billion oil sands transportation investment program is expected to boost annual corporate EBITDA by approximately 60 percent over 2013 levels once all phases of the program enter commercial service. This incremental cash flow is supported by the FCCL and Canexus contracts, as well as previously announced transportation arrangements with Imperial Oil, Athabasca Oil Sands, JACOS and Nexen. This expansion program also provides a strong platform for future growth. Inter Pipeline has constructed significant mainline capacity beyond what is required to meet existing shipper commitments, providing opportunities for additional third party transportation arrangements over the next several years.

**Conventional Oil Pipelines**

The conventional oil gathering business segment generated strong cash flow in the third quarter on increased volumes and revenues. Third quarter funds from operations totaled $48.7 million, a gain of 4 percent over third quarter 2013 results. Higher overall throughput levels and strong margins from midstream marketing activities contributed to the increase. Average revenue per barrel increased to $2.97 in the quarter from $2.91 in the third quarter of 2013.

Total quarterly throughput on Inter Pipeline's conventional systems increased year over year due to very active producer drilling programs. Volume growth remains particularly strong in the Kindersley-Kerrobert area of the Viking light oil play, which is serviced by the Mid-Saskatchewan pipeline system. In aggregate, the Bow River, Central Alberta, and Mid-Saskatchewan systems transported a total of 202,600 b/d in the quarter, a gain of 6,600 b/d over third quarter 2013 levels. The Mid-Saskatchewan pipeline system set a quarterly throughput record of 65,900 b/d.

During the quarter, Inter Pipeline announced a major $100 million expansion of the Mid-Saskatchewan pipeline system to accommodate strong production volume growth. The expansion is supported by multiple contracts that will in aggregate generate an incremental $25-$30 million in annual EBITDA once the expansion is fully in service. The expansion includes 50 kilometres of new mainline pipe and 40 kilometres of laterals, plus associated facilities. In total, 95,000 b/d of new capacity will be added to the system, providing significant available capacity for additional third party connections. The expansion is currently underway and will be completed in phases beginning later this year with full completion expected by mid 2015. This investment program is the largest in the history of Inter Pipeline's conventional oil pipelines business segment.

**NGL Extraction**

The NGL extraction business segment generated lower financial results in the third quarter due to several factors including reduced ethane production and product margins, lower natural gas throughput levels and weaker frac-spread pricing. Funds from operations totaled $34.4 million in the quarter compared to $43.2 million generated in the third quarter of 2013. Ethane production was reduced at the Cochrane NGL and Empress V extraction facilities in response to unexpected operational issues at a key petrochemical customer's facility. Ethane production was further impacted in the quarter by maintenance activities on a downstream third party ethane pipeline system.

Natural gas throughput was also lower at Empress where a 16 day maintenance unplanned outage impacted volumes at the Empress V facility. In total, Inter Pipeline's Cochrane and Empress facilities processed 2.1 billion cubic feet per day (bcf/d) of natural gas in the third quarter, which yielded 81,200 b/d of ethane and propane-plus production. In the third quarter of 2013, combined throughput levels were 2.9 bcf/d and total liquids extracted were 113,500 b/d.

Third quarter 2014 realized frac-spread pricing on propane-plus sales at the Cochrane facility averaged US$0.80 per US gallon, down from US$0.97 per US gallon the previous year.

**Bulk Liquid Storage**

Inter Pipeline's bulk liquid storage business generated funds from operations of $19.8 million in the third quarter, an increase of $2.6 million over third quarter 2013 levels. Foreign currency translations and certain one-time revenue adjustments offset the impact of lower utilization rates at the Gulfhavn terminal in Denmark, which remains affected by the lack of contango in futures markets for certain petroleum products. However, Inter Pipeline's Danish storage business is showing improvement with recent contract renewals and new storage contracts for approximately 2,350,000 barrels of previously idle capacity. The quarter also marked the commencement of a wastewater storage contract at Gulfhavn, supporting a strategy to stabilize revenue through diversification of storage arrangements.

Overall utilization rates for Inter Terminals' Danish facilities were 71%, a notable improvement from the 65% rate recorded in the second quarter of 2014, but down from 75% in the third quarter of 2013. Simon Storage's utilization rates for the period were 88%, down slightly from the 91% rate in the third quarter of 2013.

Construction continued on 6 new stainless steel storage tanks at Inter Pipeline's terminal located near Mannheim, Germany. The $9 million expansion will add 57,000 barrels of storage 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.

**Financing Activity**

Inter Pipeline's balance sheet remains solid with sufficient committed capacity available to fund its current capital expenditure program. With a reduced need for equity capital, Inter Pipeline suspended the premium component of its dividend reinvestment plan in the third quarter.

At September 30, Inter Pipeline's recourse debt to capitalization ratio was 52 percent compared to 53 percent at December 31, 2013.

Subsequent to quarter end, Inter Pipeline utilized a portion of its available credit capacity to repay $290 million of private placement notes that were originally issued in October 2004.

**Conference Call & Webcast**

Inter Pipeline will hold a conference call and webcast on November 6th at 2:30 p.m. (Mountain Time) / 4:30 p.m. (Eastern Time) to discuss its third 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

November 13, 2014, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 9005757.

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Throughput and Production** | 2014 | 2013 | 2014 | 2013 |
| Pipeline volumes (000 b/d) | | | | |
| Oil sands transportation[1] | 942.3 | 832.9 | 875.5 | 830.4 |
| Conventional oil pipelines | 202.6 | 196.0 | 202.4 | 184.1 |
| Total pipeline volumes | 1,144.9 | 1,028.9 | 1,077.9 | 1,014.5 |
| Extraction production[1] (000 b/d) | | | | |
| Ethane | 48.2 | 75.3 | 61.6 | 73.4 |
| Propane plus | 33.0 | 38.2 | 34.1 | 35.0 |
| Total extraction production | 81.2 | 113.5 | 95.7 | 108.4 |
| **Financial Results[3]** | | | | |
| Revenue | $379.6 | $340.5 | $1,166.2 | $988.5 |
| Funds from operations[2] | | | | |
| Oil sands transportation | $82.5 | $55.7 | $208.9 | $155.5 |
| Conventional oil pipelines | $48.7 | $47.0 | $144.3 | $130.9 |
| NGL extraction | $34.4 | $43.2 | $117.6 | $117.3 |
| Bulk liquid storage | $19.8 | $17.2 | $59.6 | $57.1 |
| Corporate costs | $(44.4) | $(39.8) | $(126.1) | $(122.7) |
| Total funds from operations[2] | $141.0 | $123.3 | $404.3 | $338.1 |
| Per share[2] | $0.43 | $0.44 | $1.27 | $1.21 |
| Net Income (loss) | $95.0 | $77.8 | $269.9 | $(131.6) |
| **Supplemental Financial Information** | | | | |
| Net income (loss) attributable to shareholders | $91.4 | $74.8 | $259.2 | $(139.4) |
| Per share - basic | $0.28 | $0.27 | $0.81 | $(0.50) |
| - diluted | $0.28 | $0.26 | $0.80 | $(0.50) |
| Cash dividends declared | $104.7 | $84.6 | $308.2 | $239.6 |
| Per share | $0.3225 | $0.2975 | $0.9675 | $0.8550 |
| Payout ratio[2] | 76.6% | 70.5% | 78.6% | 72.8% |
| Capital expenditures[2,3] | | | | |
| Growth | $256.3 | $566.1 | $1,044.8 | $1,369.5 |
| Sustaining | $12.0 | $7.4 | $28.4 | $19.1 |
| Total capital expenditures | $268.3 | $573.5 | $1,073.2 | $1,388.6 |

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 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, 2014 as compared to the three and nine month periods ended September 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.