

## Inter Pipeline Announces Record First Quarter 2015 Financial and Operating Results

CALGARY, ALBERTA, MAY 11, 2015: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced today record financial and operating results for the three month period ended March 31, 2015.

### First Quarter Highlights

- Generated record funds from operations\* of \$177 million, or \$0.53 per share, a 34 percent increase over the first quarter of 2014
- Declared record cash dividends of \$122 million or \$0.3675 per share
- Conservative quarterly payout ratio\* of 73 percent
- Generated record net income of \$123 million, a gain of \$33 million over first quarter 2014
- Pipeline transportation volumes averaged a record 1,311,900 barrels per day (b/d), a 28 percent increase from the same period in 2014
- Completed construction and commissioned \$1.6 billion of new pipeline and facilities on Cold Lake and Polaris pipeline systems
- Initiated a 400,000 barrel crude oil storage expansion project at the Kerrobert Terminal on the Mid-Saskatchewan pipeline system
- Average utilization rate in the bulk liquid storage business improved to 90 percent from 78 percent a year ago, as contango pricing relationships returned to the petroleum markets
- Issued \$300 million of senior medium-term notes at an attractive interest rate of 3.173 percent

### Subsequent Event

- Completed construction of new diluent connection to Athabasca Oil Corporation's Hangingstone project and placed into service April 1, 2015

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

### Financial Performance

Inter Pipeline generated record financial results in the first quarter of 2015. Funds from operations totalled \$176.5 million or \$0.53 per share, a gain of \$44.8 million compared to the first quarter of 2014. This increase is primarily due to record financial results from the oil sands transportation business segment. In January, major elements of the integrated expansion of the Cold Lake and Polaris pipeline systems were completed and entered commercial service.

In the first quarter, Inter Pipeline's four business segments generated funds from operations as follows: oil sands transportation, \$130.2 million; conventional oil pipelines, \$46.8 million; NGL extraction, \$28.7 million; and bulk liquid storage, \$20.5 million. Corporate costs for the quarter, including interest, income tax and general and administrative charges, totalled \$49.7 million.

**Cash Dividends**

Declared dividend payments to shareholders totalled a new quarterly record of \$121.8 million or \$0.3675 per share. This represents a 22 percent, or \$22 million, increase over the same period in 2014. This higher payment is due to the annualized dividend increase of \$0.18 per share announced in November 2014 as well as a greater number of shares outstanding. Inter Pipeline's current monthly dividend rate is \$0.1225 per share or \$1.47 per share on an annualized basis.

Inter Pipeline's payout ratio for the quarter remained conservative at 73 percent.

**Oil Sands Transportation**

The oil sands transportation segment generated record financial and operating results in the first quarter of 2015. Throughput volumes increased by 33 percent over the similar period of 2014, to a quarterly record of 1,097,700 b/d. The Cold Lake, Corridor and Polaris pipeline systems experienced volume increases, with throughput volumes on the Polaris system up by the largest margin at 316 percent. Volumes transported on the Cold Lake, Corridor and Polaris pipeline systems were 583,500 b/d, 380,300 b/d and 133,900 b/d, respectively.

Cash flow in the oil sands transportation segment is not generally impacted by pipeline throughput volumes. Major transportation agreements with third party shippers are typically structured as cost-of-service contracts, which generate stable and predictable cash flow to Inter Pipeline. Funds from operations increased 105 percent to a record \$130.2 million, representing a gain of \$66.8 million over first quarter 2014 levels.

In January 2015, Inter Pipeline completed construction activity on two major expansion projects on the Cold Lake and Polaris pipeline systems. These projects provide transportation service to the Foster Creek and Christina Lake oil sands projects owned by the FCCL Partnership, a business venture between Cenovus Energy and ConocoPhillips. As a result, Inter Pipeline began generating incremental EBITDA of approximately \$165 million per year.

Inter Pipeline also completed construction and commissioning activities on a new 12-inch diameter, 4-kilometre connection to Athabasca Oil Corporation's Hangingstone oil sands project in the first quarter. This \$29 million project was completed on schedule and will generate approximately \$5 million of annual EBITDA, under a long-term cost-of-service agreement.

**Conventional Oil Pipelines**

The long term outlook for the conventional oil pipelines segment remains positive despite the current weak crude oil price environment. Funds from operations in the quarter totalled \$46.8 million, consistent with Q1 2014 performance. Lower midstream marketing profits in the quarter were offset by higher throughput levels and tolls.

Strong horizontal drilling and multi-stage fracturing activity, predominantly in the Viking formation in Saskatchewan, continues to support conventional throughput volumes. Aggregate throughput levels on Inter Pipeline's three conventional gathering systems totalled 214,200 b/d for the quarter, the highest quarterly level in eight years. The largest gain occurred on the Mid-Saskatchewan pipeline system with throughput levels rising nearly 12 percent year over year to a record 76,200 b/d.

In the first quarter Inter Pipeline initiated a crude oil storage tank expansion at its Kerrobert terminal on the Mid-Saskatchewan pipeline system. Rapidly growing pipeline volumes have created demand for new operational and merchant storage infrastructure at the Kerrobert oil hub. The project has received strong customer

support and includes construction of three new tanks, totalling approximately 400,000 barrels of storage capacity. The expansion is estimated to cost approximately \$65 million and is expected to be ready for service in the latter half of 2016.

## **NGL Extraction**

The NGL extraction segment generated \$28.7 million in funds from operations in the first quarter of 2015, compared to \$48.5 million in Q1 of 2014. Financial results were impacted by significantly lower frac-spread pricing on propane-plus sales at the Cochrane NGL extraction facility. In the first quarter, realized frac-spread prices averaged US \$0.37 per US gallon, down approximately 60 percent over the same period last year.

Natural gas flows to Inter Pipeline's extraction facilities at Cochrane and Empress were strong in the quarter. In total, 2.8 billion cubic feet per day of natural gas was processed, extracting 113,000 b/d of natural gas liquids.

## **Bulk Liquid Storage**

Inter Pipeline's bulk liquid storage segment generated funds from operations of \$20.5 million in the first quarter of 2015, compared to \$21.6 million in the first quarter of 2014.

First quarter 2014 results benefited from various one-time revenues that were not repeated in 2015. However, utilization rates in the first quarter of 2015 were substantially higher, averaging 90 percent compared to 78 percent in Q1 of 2014. Utilization was favourably impacted by stronger contango pricing relationships in certain petroleum futures markets. The stronger market conditions particularly benefit our Danish operations where utilization rates averaged 92 percent in the first quarter of 2015 compared to 69 percent in the same period of 2014.

Inter Pipeline also completed a restructuring of its European bulk liquid storage operations in the quarter. The entire business has been rebranded Inter Terminals and operates under a single, harmonized leadership team. These changes are expected to provide a more efficient and cost effective organizational structure and enhance our marketing efforts.

## **Financing Activity**

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed credit facility. In March, Inter Pipeline issued \$300 million of 10-year, senior medium-term notes in the Canadian public debt market at an attractive interest rate of 3.173 percent. Inter Pipeline used the net proceeds from the offering to repay bank indebtedness incurred through funding its capital expenditure program and for other general corporate purposes.

At March 31, Inter Pipeline's recourse debt to capitalization ratio was 53.2 percent, compared to 54.2 percent at December 31, 2014.

**Conference Call & Webcast** Inter Pipeline will hold a conference call and webcast on May 12<sup>th</sup> at 9:00 a.m. (Mountain Time) /11:00 a.m. (Eastern Time) to discuss its first quarter 2015 financial and operating results.

To participate in the conference call, please dial 416-340-2216 or 800-355-4959. A pass code is not required. A recording of the call will be available for replay until May 19<sup>th</sup>, 2015 by dialing 905-694-9451 or 800-408-3053. The pass code for the replay is 1075494.

A webcast of the conference call can be accessed on Inter Pipeline's website at [www.interpipeline.com](http://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.

**Annual General Meeting**

Inter Pipeline will hold its Annual General Meeting of Shareholders on Monday, May 11<sup>th</sup>, 2015 at 2:00 p.m. MT (4:00 p.m. ET) at the Metropolitan Conference Centre, 333 4<sup>th</sup> Avenue S.W. in Calgary, Alberta. The meeting will be webcast live with a link accessible on Inter Pipeline's website under "Investor Relations" then "2015 Annual General Meeting".

## Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)

	Three Months Ended	
	March 31,	
	2015	2014
<b>Throughput and Production</b>		
Pipeline volumes (000 b/d)		
Oil sands transportation <sup>1</sup>	1,097.7	824.9
Conventional oil pipelines	<u>214.2</u>	<u>203.9</u>
Total pipeline volumes	1,311.9	1,028.8
Extraction production <sup>1</sup> (000 b/d)		
Ethane	71.0	72.8
Propane-plus	<u>42.0</u>	<u>36.4</u>
Total extraction production	113.0	109.2
<b>Financial Results<sup>3</sup></b>		
Revenue	\$405.8	\$410.7
Funds from operations <sup>2</sup>		
Oil sands transportation	\$130.2	\$63.4
Conventional oil pipelines	\$46.8	\$46.0
NGL extraction	\$28.7	\$48.5
Bulk liquid storage	\$20.5	\$21.6
Corporate costs	<u>\$(49.7)</u>	<u>\$(47.8)</u>
Total funds from operations <sup>2</sup>	\$176.5	\$131.7
Per share <sup>2</sup>	\$0.53	\$0.43
Net Income	\$122.8	\$89.6
<b>Supplemental Financial Information</b>		
Net income attributable to shareholders	\$113.7	\$86.1
Per share - basic	\$0.34	\$0.28
- diluted	\$0.34	\$0.27
Cash dividends declared	\$121.8	\$99.6
Per share	\$0.3675	\$0.3225
Payout ratio <sup>2</sup>	73.3%	78.0%
Capital expenditures <sup>2,3</sup>		
Growth	\$132.3	\$544.7
Sustaining	<u>\$9.7</u>	<u>\$6.2</u>
Total capital expenditures	\$142.0	\$550.9

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis.*
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 month period ended March 31, 2015 as compared to the three month period ended March 31, 2014. These documents are available at [www.interpipeline.com](http://www.interpipeline.com) and at [www.sedar.com](http://www.sedar.com).

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## 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](http://www.interpipeline.com).

Inter Pipeline is a member of the S&P/TSX 60 Index and its shares trade on the Toronto Stock Exchange under the symbol IPL.

## Contact Information

### Investor & Media Relations:

Jeremy Roberge  
Vice President, Capital Markets  
Email: [investorrelations@interpipeline.com](mailto:investorrelations@interpipeline.com)  
Tel: 403-290-6015 or 1-866-716-7473

## 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, 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 oil sands projects and future expansions of Inter Pipeline's oil sands 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.