

Inter Pipeline Announces Strong Second Quarter 2016 Financial and Operating Results

CALGARY, ALBERTA, AUGUST 4, 2016: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) announced today strong financial and operating results for the three and six month periods ended June 30, 2016.

Second Quarter Highlights

- Funds from operations (FFO)* of \$197 million, a nine percent increase over the second quarter of 2015
- NGL extraction business segment recorded FFO* of approximately \$31 million, a 31 percent increase over the same period in 2015
- Generated net income of \$123 million, a 67 percent increase from the second quarter of 2015
- Declared cash dividends of \$131 million, or \$0.39 per share
- Attractive quarterly payout ratio* of 70 percent
- Total pipeline throughput volumes averaged 1,213,900 barrels per day (b/d), a 14 percent increase over the same period in 2015
- Bulk liquid storage capacity utilization averaged 97 percent for the quarter, up from 93 percent in the second quarter of 2015

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

Financial Performance

Inter Pipeline generated solid financial results in the second quarter of 2016, with funds from operations of \$196.7 million, or \$0.58 per share, a gain of \$15.7 million over the second quarter of 2015. This increase is the result of higher FFO contributions across all four of Inter Pipeline’s business segments compared to the same period last year.

<i>Funds from operations (millions)</i>	<i>Three Months Ended June 30, 2016</i>
Oil sands transportation	\$141.4
Conventional oil pipelines	\$47.1
NGL extraction	\$30.5
Bulk liquid storage	\$29.6

Corporate costs for the quarter, including interest, income tax and general and administrative charges totalled \$51.9 million.

Cash Dividends

Dividend payments to shareholders increased seven percent to \$131.4 million or \$0.39 per share in the second quarter 2016 compared to the same period in 2015. Inter Pipeline’s current monthly dividend rate is \$0.13 per share or \$1.56 per share on an annualized basis.

Inter Pipeline’s payout ratio for the quarter remained attractive at 70.3 percent.

**Oil Sands
Transportation**

The oil sands transportation segment generated funds from operations of \$141.4 million, up five percent, or \$6.4 million compared to second quarter 2015. Underpinned by long term cost of service contracts with credit worthy counterparties, this business segment continues to generate stable financial results despite the challenging commodity price environment.

Volumes for all oil sands pipeline systems increased by approximately 19 percent over the similar period in 2015, an average throughput rate of 1,012,600 b/d.

<i>Volumes (000 b/d)</i>	<i>Three Months Ended June 30, 2016</i>
Cold Lake	522.7
Corridor	327.9
Polaris	162.0

During the quarter, volumes on the Cold Lake pipeline system rose slightly compared to Q2 2015, increasing by approximately 4,000 b/d. Corridor pipeline system volumes were up 52 percent, or 112,800 b/d, compared to the same period in 2015 when volumes were impacted by maintenance activities at the Athabasca Oil Sands Project Scotford Upgrader. Volumes increased by 42,000 b/d or 35 percent on the Polaris pipeline system, compared to the second quarter of 2015, as a result of expanded transportation capacity that came into service in the latter half of 2015.

Inter Pipeline briefly shut down portions of its Corridor and Polaris oil sands pipeline systems as a result of the Fort McMurray wildfires in May 2016. However, there was no material impact to overall throughput volumes or FFO for the quarter.

**Conventional
Oil Pipelines**

Funds from operations in the quarter totalled \$47.1 million, compared to \$46.5 million the same period in 2015. Transportation revenue was lower as a result of slightly reduced throughput volumes, but was offset by a higher contribution from Inter Pipeline's midstream marketing activities.

Average throughput volumes on Inter Pipeline's three conventional gathering systems totalled 201,300 b/d for the quarter, representing an approximately four percent decrease from the same period a year ago. Volumes on the Mid-Saskatchewan pipeline system remained resilient at 81,500 b/d, up seven percent compared to the second quarter of 2015. Producers continue to actively develop the high quality Viking light oil play serviced by this pipeline system. This increase was offset by lower throughput volumes on Central Alberta and Bow River Pipeline systems.

Capital expenditures of approximately \$14 million were incurred in the second quarter of 2016 on the previously announced 400,000 barrel crude oil storage expansion project at Inter Pipeline's Kerrobert Terminal. The new storage tanks are now largely complete and expected to enter commercial service in the third quarter of 2016.

**Bulk Liquid
Storage**

Inter Pipeline's bulk liquid storage segment generated FFO of \$29.6 million in the second quarter of 2016, up \$9 million or 44 percent over the second quarter of 2015. The marked increase in FFO relates to the inclusion of our Swedish operations, which were purchased in June of last year, and strong contango pricing that led to higher utilization rates at the Danish terminals.

Inter Terminals continued to operate near capacity in the second quarter of 2016, with utilization rates averaging 97 percent compared to 93 percent in 2015. The increase

reflects higher storage demand across Inter Terminals businesses, with utilization improvements in Sweden, Denmark, Germany and the United Kingdom.

**NGL
Extraction**

Increased frac-spread prices, higher propane-plus volumes and lower operating expenses led to improved results for the NGL extraction business segment. During the quarter, FFO increased 31 percent to \$30.5 million compared to \$23.3 million in the same period in 2015.

Natural gas flows to Inter Pipeline's Cochrane straddle facility were strong in the quarter primarily as a result of increased demand for low-cost Canadian natural gas from the United States west-coast region. In total, the Cochrane and Empress facilities processed 2.75 billion cubic feet per day of natural gas, extracting 94,100 b/d of natural gas liquids.

In the quarter, realized frac-spread prices averaged \$0.45 USD per US gallon, up 29 percent from \$0.35 USD per US gallon over the same period last year.

**Financing
Activity**

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed revolving credit facility. As at June 30, 2016, Inter Pipeline had \$557 million of capacity on its \$1,250 million credit facility.

At June 30, 2016, Inter Pipeline's consolidated net debt to total capitalization ratio* was 54.2 percent, compared to 52.8 percent at June 30, 2015.

Inter Pipeline continues to maintain strong investment grade credit ratings. Standard & Poor's and DBRS Limited have assigned Inter Pipeline credit ratings of BBB+ and BBB (high), respectively.

**Conference
Call & Webcast**

Inter Pipeline will hold its second quarter 2016 financial and operating results conference call and webcast on August 4 at 2:30 p.m. MT (4:30 p.m. ET) for interested shareholders, analysts and media representatives.

To participate in the conference call, please dial 416-340-2216 or 1-866-223-7781. A pass code is not required. A recording of the call will be available for replay until August 12, 2016 by dialing 1-905-694-9451 or 1-800-408-3053. The pass code for the replay is 2062573.

Select Financial and Operating Highlights

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

Operating	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Pipeline volumes (000 b/d)				
Oil sands transportation ¹	1,012.6	853.9	1,058.4	975.1
Conventional oil pipelines	<u>201.3</u>	<u>208.5</u>	<u>204.9</u>	<u>211.4</u>
Total pipeline	1,213.9	1,062.4	1,263.3	1,186.5
Extraction production ¹ (000 b/d)				
Ethane	51.9	56.3	56.4	63.6
Propane-plus	<u>42.2</u>	<u>34.1</u>	<u>43.6</u>	<u>38.0</u>
Total extraction	94.1	90.4	100.0	101.6
Capacity Utilization				
Bulk liquid storage	97%	93%	97%	92%
Financial³				
Revenue	\$413.0	\$390.6	\$829.4	\$796.4
Funds from operations ²				
Oil sands transportation	\$141.4	\$135.0	\$280.8	\$265.2
Conventional oil pipelines	\$47.1	\$46.5	\$97.1	\$93.3
Bulk liquid storage	\$29.6	\$20.6	\$60.9	\$41.1
NGL extraction	\$30.5	\$23.3	\$54.1	\$52.0
Corporate costs	<u>(\$51.9)</u>	<u>(\$44.4)</u>	<u>(\$110.2)</u>	<u>\$(94.1)</u>
Total funds from operations ²	\$196.7	\$181.0	\$382.7	\$375.5
Per share ²	\$0.58	\$0.54	\$1.14	\$1.07
Net Income	\$122.9	\$73.8	\$227.5	\$196.6
Supplemental Financial Information				
Net income attributable to shareholders	\$114.4	\$65.3	\$210.2	\$179.0
Per share - basic & diluted	\$0.34	\$0.19	\$0.62	\$0.54
Cash dividends declared	\$131.4	\$123.1	\$262.7	\$244.9
Per share	\$0.3900	\$0.3675	\$0.7800	\$0.7350
Payout ratio ²	70.3%	71.9%	72.4%	79.7%
Capital expenditures ^{2,3}				
Growth	\$27.7	\$67.8	\$59.9	\$200.3
Sustaining	<u>\$10.0</u>	<u>\$10.0</u>	<u>\$28.0</u>	<u>\$19.5</u>
Total capital expenditures	\$37.7	\$77.8	\$87.9	\$219.8

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 and six month periods ended June 30, 2016 as compared to the three month and six periods ended June 30, 2015. 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 is a member of the S&P/TSX 60 Index and its 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 current projects, including the Mid-Saskatchewan expansion project, as well as future projects. 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 projects and future expansions of Inter Pipeline's 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. 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.