

## Inter Pipeline Announces Second Quarter 2017 Financial and Operating Results

CALGARY, ALBERTA, August 10, 2017: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced today financial and operating results for the three and six month periods ended June 30, 2017.

### Second Quarter Highlights

- Funds from operations (FFO) totalled \$207 million, a 5 percent increase over second quarter 2016
- Generated net income for the quarter of \$102 million
- Declared cash dividends of \$151 million, or approximately \$0.41 per share
- Quarterly payout ratio\* of 72.9 percent
- Total pipeline throughput volumes, averaged 1,326,600 barrels per day (b/d)
- Successfully commissioned 175,000 barrels of new chemical storage capacity at Seal Sands terminal in the U.K.

### Subsequent to the Quarter

- A connection to provide bitumen blend transportation service to the North West Redwater Sturgeon Refinery was placed into commercial service
- A diluent supply connection on the Polaris pipeline system from Pembina Pipeline's Canadian Diluent Hub was placed into commercial service

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

### Financial Performance

Inter Pipeline generated positive financial results in the second quarter 2017, with funds from operations of \$207 million, or \$0.56 per share, which was an increase of \$10.3 million over the second quarter 2016. Strong results in the oil sands transportation and the conventional oil pipeline segments softened the impact of lower sales volumes in the NGL processing business segment as a result of scheduled maintenance turnarounds.

For the second quarter 2017, Inter Pipeline's four business segments generated funds from operations as follows:

<i>Funds from operations (millions)</i>	<i>Three Months Ended June 30, 2017</i>
Oil sands transportation	\$149.5
NGL processing	\$28.4
Conventional oil pipelines	\$52.7
Bulk liquid storage	\$25.3

Corporate costs for the second quarter were \$48.9 million which includes interest, income tax and general and administrative charges.

**Cash Dividends**

In the second quarter of 2017, dividend payments to shareholders were \$150.9 million or \$0.405 per share, an increase of \$19.5 million compared to the same period in 2016. Inter Pipeline's current monthly dividend rate is \$0.135 per share or \$1.62 per share on an annualized basis.

Inter Pipeline's payout ratio for the quarter was 72.9 percent, compared to 70.3 percent in the second quarter of 2016.

**Oil Sands Transportation**

The oil sands transportation segment demonstrated strong results in the second quarter of 2017. Funds from operations totalled \$149.5 million, up six percent or \$8.1 million compared to second quarter 2016.

Average throughput volumes across all pipeline systems were 1,121,100 b/d, an increase of 108,500 b/d, or approximately 11 percent, over the second quarter of 2016. Volumes on the Cold Lake pipeline system increased by 31,300 b/d, compared to the second quarter of 2016, on continued strong production from the Foster Creek and Wolf Lake oil sands projects. Corridor pipeline system throughput increased by 56,300 b/d to 384,200 b/d on higher volumes from the Muskeg River mine and the Polaris pipeline system realized an increase of 20,900 b/d, or 13 percent, from higher diluent deliveries to the Foster Creek, Sunrise and Kearl oil sands projects.

<i>Volumes (000 b/d)</i>	<i>Three Months Ended June 30, 2017</i>
Cold Lake	554.0
Corridor	384.2
Polaris	182.9

Subsequent to the second quarter of 2017, two previously announced construction projects were completed and entered into commercial service in July 2017. The first was a bitumen blend delivery connection from the Cold Lake pipeline system to North West Redwater Partnership's Sturgeon Refinery. The second was a connection to Pembina Pipeline's Canadian Diluent Hub which provides shippers on the Polaris pipeline system with an additional large-scale diluent supply option.

Inter Pipeline invested approximately \$23 million to complete these capital efficient, accretive projects which are supported by long-term service agreements.

**NGL Processing**

Funds from operations generated by the NGL processing business segment in the second quarter were \$28.4 million compared to \$30.5 million the second quarter of 2016. The results were impacted by lower sales volumes resulting from a 29-day maintenance turnaround at the Cochrane straddle facility and a 20-day maintenance shutdown at the Redwater olefinic fractionator which occurred in the quarter.

Second quarter propane-plus realized frac-spread pricing, for volumes sold at the Cochrane straddle plant, was \$0.50 USD per US gallon or \$0.05 USD per US gallon higher than in the second quarter of 2016. Olefinic and parafinic realized frac-spreads, from offgas processing operations were \$1.03 USD per US gallon and \$0.17 USD per US gallon, respectively.

An average of 2.3 billion cubic feet per day of natural gas was processed and 75,500 b/d of ethane and propane-plus was extracted from natural gas flows to both the Cochrane and Empress V straddle plants in the second quarter 2017. Average sales volumes from the Redwater olefinic fractionator were 20,600 b/d for the quarter.

In the second quarter of 2017, \$56 million of growth capital was invested to advance the development of an approximately \$3.1 billion integrated propane dehydrogenation (PDH) and polypropylene (PP) complex. Civil work at the project site is underway and the engineering and design work required for the facilities is proceeding.

Inter Pipeline is continuing to steadily advance the PDH and PP opportunities, and negotiations with potential counterparties for long-term contracts, with strong “take or pay” features are proceeding constructively. A final investment decision is expected in the second half of 2017, with operations beginning in the second half of 2021.

### **Conventional Oil Pipelines**

Inter Pipeline’s conventional oil pipelines business segment generated strong funds from operations of \$52.7 million for the quarter, up 12 percent or \$5.6 million, compared to the same period in 2016. This was a result of slightly higher volumes on the Mid-Saskatchewan and Bow River pipeline systems and strong midstream marketing results.

Inter Pipeline’s three conventional gathering systems had total average throughput volumes of 205,500 b/d in the second quarter 2017, representing an approximate two percent increase from the same period a year ago. Volumes on the Mid-Saskatchewan pipeline system were 86,800 b/d, an increase of 5,300 b/d compared to the same period in 2016, which was driven by continued producer activity from the Viking light oil play. Volumes on the Bow River pipeline system also increased by two percent to 92,000 b/d in response to higher volumes at third-party truck terminals.

### **Bulk Liquid Storage**

Inter Pipeline’s bulk liquid storage segment generated funds from operations of \$25.3 million in the second quarter of 2017, a decrease from \$29.6 million in the second quarter of 2016.

While utilization rates were 98 percent this quarter compared to 97 percent in the same period last year, decreased throughput activity and unfavourable foreign exchange rates contributed to lower funds from operations.

In early June, Inter Pipeline commissioned 175,000 barrels of new chemical storage capacity at the Seal Sands terminal in the U.K. Supported by long-term contracts, the total project cost for these five storage tanks was approximately \$25 million.

### **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, 2017, Inter Pipeline had \$830 million of capacity on its \$1.5 billion revolving credit facility.

At June 30, 2017, Inter Pipeline’s consolidated net debt to total capitalization ratio\* was 55.5 percent, compared to 54.2 percent at June 30, 2016.

In April 2017, Inter Pipeline issued \$500 million of 7-year senior unsecured medium-term notes in the Canadian public debt market. The net proceeds were used to repay debt outstanding under its revolving credit facility and for other general corporate purposes.

Inter Pipeline has strong investment grade credit ratings. Standard & Poor’s and DBRS Limited have assigned Inter Pipeline credit ratings of BBB+ and BBB (high), respectively, each with a stable trend.

**Conference Call & Webcast** Inter Pipeline will hold its second quarter 2017 financial and operating results conference call and webcast on August 11 at 9:00 a.m. MT (11:00 a.m. ET) for interested shareholders, analysts and media representatives.

To participate in the conference call, please dial 1-844-413-0863 or 216-562-0455. The conference ID is 51683268. A replay of the conference call will be available until August 19, 2017 by calling 1-855-859-2056. The code for the replay is 51683268.

## Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)				
	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2017	2016	2017	2016
<b>Operating</b>				
Pipeline volumes (000 b/d)				
Oil sands transportation <sup>1</sup>	1,121.1	1,012.6	1,185.9	1,058.4
Conventional oil pipelines	<u>205.5</u>	<u>201.3</u>	<u>207.7</u>	<u>204.9</u>
Total pipeline	1,326.6	1,213.9	1,393.6	1,263.3
NGL processing volumes <sup>1</sup> (000 b/d)				
Ethane	44.1	51.9	52.5	56.4
Propane-plus	31.4	42.2	37.1	43.6
Redwater Olefinic Fractionator sales volume	<u>20.6</u>	<u>—</u>	<u>26.1</u>	<u>—</u>
Total NGL processing	96.1	94.1	115.7	100.0
Bulk liquid storage capacity utilization	98%	97%	98%	97%
<b>Financial<sup>3</sup></b>				
Revenue	\$516.0	\$413.0	\$1,094.7	\$829.4
Funds from operations <sup>2</sup>				
Oil sands transportation <sup>2</sup>	\$149.5	\$141.4	\$297.7	\$280.8
NGL processing	\$28.4	\$30.5	\$110.3	\$54.1
Conventional oil pipelines	\$52.7	\$47.1	\$106.1	\$97.1
Bulk liquid storage	\$25.3	\$29.6	\$51.5	\$60.9
Corporate costs	<u>(\$48.9)</u>	<u>(\$51.9)</u>	<u>(\$111.7)</u>	<u>(\$110.2)</u>
Total funds from operations	\$207.0	\$196.7	\$453.9	\$382.7
Per share <sup>3</sup>	\$0.56	\$0.58	\$1.22	\$1.14
Net Income	\$102.3	\$122.9	\$242.3	\$227.5
<b>Supplemental Financial Information</b>				
Net income attributable to shareholders				
Per share - basic & diluted	\$0.27	\$0.34	\$0.65	\$0.62
Cash dividends declared	\$150.9	\$131.4	\$300.6	\$262.7
Per share	\$0.4050	\$0.3900	\$0.8100	\$0.7800
Payout ratio <sup>3</sup>	72.9%	70.3%	66.2%	72.4%
Capital expenditures <sup>4</sup>				
Growth <sup>4</sup>	\$94.5	\$27.7	\$147.2	\$59.9
Sustaining <sup>4</sup>	<u>\$17.3</u>	<u>\$10.0</u>	<u>\$27.6</u>	<u>\$28.0</u>
Total capital expenditures	\$111.8	\$37.7	\$174.8	\$87.9

1. Cold Lake volumes and Empress V NGL production reported on a 100% basis. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.
2. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system. For the three and six months ended June 30, 2016, funds from operations included non-controlling interest amounts of \$9.7 million and \$19.8 million, respectively, related to the Cold Lake pipeline system.
3. Please refer to the NON-GAAP FINANCIAL MEASURES section.
4. Amounts reported on a 100% basis that includes non-controlling interest. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

## 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, 2017 as compared to the three and six month periods ended June 30, 2016. 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 processing 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.

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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: (i) statements regarding timing, costs and completion of Inter Pipeline's current and future projects, including the integrated propane dehydrogenation and polypropylene complex, and (ii) Inter Pipeline's belief that it is well positioned to maintain its balance sheet, credit ratings and current level of dividends to its shareholders. 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. 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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 pipeline systems and other facilities; assumptions concerning operational reliability; Inter Pipeline's ability to maintain its investment grade credit ratings; the availability and price of labour, equipment 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 oil and gas transportation, 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 or threatened 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 or land access rights and maintenance of support of such approvals and rights; the realization of the anticipated benefits of acquisitions; 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). Readers are cautioned that the foregoing list of assumptions, risks, uncertainties and factors is not exhaustive. 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 and all subsequent forward-looking statements, whether written or oral, attributable to Inter Pipeline or persons acting on Inter Pipeline's behalf are expressly qualified in their entirety by these cautionary statements.

**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.