

Inter Pipeline Announces Strong First Quarter 2018 Financial and Operating Results

CALGARY, ALBERTA, MAY 7, 2018: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) announced strong financial and operating results for the three month period ended March 31, 2018.

First Quarter Highlights

- Funds from operations (FFO) totalled \$254 million, a three percent increase over first quarter 2017
- Net income for the quarter was a record \$143 million
- Declared cash dividends of \$160 million, or \$0.42 per share
- Attractive quarterly payout ratio* of 63 percent
- NGL processing business segment generated record quarterly FFO of \$99 million, up 20 percent from first quarter 2017
- Record total pipeline throughput volumes averaged 1,488,400 barrels per day (b/d)
- Continued to advance construction activities at the Heartland Petrochemical Complex site in Strathcona County, Alberta

Financial Performance

Inter Pipeline generated positive financial results in the first quarter of 2018, with funds from operations of \$254.2 million, or \$0.67 per share. This three percent gain in funds from operations compared to the first quarter 2017 was largely driven by the strong performance of the NGL processing business, which continued to benefit from rising commodity pricing.

For the first quarter of 2018, Inter Pipeline’s four business segments generated funds from operations as follows:

<i>Funds from operations (millions)</i>	<i>Three Months Ended March 31, 2018</i>
Oil sands transportation	\$148.9
NGL processing	\$98.6
Conventional oil pipelines	\$50.7
Bulk liquid storage	\$18.7

Corporate costs, including employee, financing and tax expenses, were \$62.7 million in the first quarter of 2018 compared to \$63 million the first quarter of 2017.

Cash Dividends

Dividend payments to shareholders increased \$10.7 million to \$160.4 million, or \$0.42 per share in the first quarter of 2018 when compared to the same period in 2017. Inter Pipeline's current monthly dividend rate is \$0.14 per share, or \$1.68 per share on an annualized basis.

Inter Pipeline's payout ratio for the quarter was an attractive 63.1 percent.

Oil Sands Transportation

The oil sands transportation segment continued to generate stable operating and financial results. Funds from operations in the first quarter of 2018 were \$148.9 million, consistent with \$148.4 million in the first quarter of 2017.

Average throughput volumes grew by two percent over the first quarter of 2017 to a record 1,279,000 b/d. Volumes on the Cold Lake pipeline system declined compared to the same period a year ago, averaging 595,100 b/d during the quarter primarily as a result of lower volumes transported from Canadian Natural's Wolf Lake oil sands project. This was offset by record volumes on both the Corridor and Polaris pipeline systems. Volumes on the Corridor pipeline grew by 9,700 b/d to 425,300 b/d in the first quarter of 2018 on higher production from the Jackpine and Muskeg River mines. Diluent deliveries on the Polaris pipeline system increased by 47,500 b/d, or 23 percent, to 258,600 b/d as a result of increased deliveries to Cenovus' Christina Lake and Foster Creek oil sands projects as well as Imperial's Kearl project.

<i>Volumes (000 b/d)</i>	<i>Three Months Ended March 31, 2018</i>
Cold Lake	595.1
Corridor	425.3
Polaris	258.6

NGL Processing

The NGL processing business generated record funds from operations of \$98.6 million in the first quarter of 2018, up 20 percent or \$16.7 million, compared to the first quarter of 2017. These results were driven by a higher financial contribution from the offgas processing business and increased frac-spread pricing.

Average propane-plus realized frac-spread pricing at the Cochrane straddle plant was \$0.74 USD per US gallon, a 23 percent increase over the first quarter of 2017. Olefinic and paraffinic realized frac-spreads from offgas processing operations also increased significantly, with quarterly averages of \$1.53 USD per US gallon and \$0.45 USD per US gallon respectively.

Natural gas flows to the Cochrane and Empress straddle plants were strong during the quarter. In aggregate, 3.5 billion cubic feet per day of gas was processed, extracting 110,500 b/d of ethane and propane-plus. Average sales volumes from the Redwater Olefinic Fractionator increased approximately four percent to average 33,000 b/d during the quarter.

Heartland Petrochemical Complex

Civil construction and fabrication activities are ongoing at the Heartland Petrochemical Complex, Inter Pipeline's integrated propane dehydrogenation and polypropylene complex. In the first quarter of 2018, significant construction activities commenced including the installation of support structures and foundation work. The fabrication of numerous vessels including the 800-tonne propane/propylene splitter are also well underway at off-site locations around Edmonton, Alberta, and large number of key components have been procured including major compression equipment, turbines, valving and a polypropylene extruder and pelletizer package.

These facilities are estimated to cost \$3.5 billion and will be located in Strathcona County, Alberta near Inter Pipeline's Redwater Olefinic Fractionator. The Heartland Complex will convert low-cost, locally sourced propane into 525,000 tonnes of high value polypropylene per year.

In the quarter, approximately \$125 million of capital was invested on this project with a total 2018 capital plan of approximately \$700 million. Once the Heartland Complex is operational in late 2021, Inter Pipeline expects to earn approximately \$450 million to \$500 million per year in long-term average annual EBITDA.

Conventional Oil Pipelines

Funds from operations for Inter Pipeline's conventional oil pipelines business segment was \$50.7 million during the first quarter of 2018, a decrease of \$2.7 million compared to the same period in 2017. Transportation revenue remained consistent period over period, while midstream marketing activities decreased slightly.

Volumes on Inter Pipeline's three conventional gathering systems averaged 209,400 b/d for the first quarter of 2018, consistent year over year. Volumes on the Mid-Saskatchewan pipeline system increased by 4,300 b/d, or five percent, to a new quarterly record of 97,200 b/d on strong regional production from the Viking light oil play. This increase was partially offset by lower throughput volumes on both the Central Alberta and Bow River pipeline systems.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage segment generated funds from operations of \$18.7 million in the quarter, compared to \$26.2 million in Q1 2017. Storage demand for certain petroleum products in Europe is slowing due to a backwardated commodity pricing environment.

As such, average storage utilization rates during the first quarter were 82 percent compared to 99 percent for the same period a year ago. Subsequent to the quarter, several new storage contracts commenced and utilization rates improved to 87 percent in April.

Financing Activity

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed revolving credit facility. As at March 31, 2018, Inter Pipeline had approximately \$1.1 billion of capacity on its \$1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio* of 52.5 percent.

Inter Pipeline also maintains 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 and Webcast

Inter Pipeline will hold its first quarter 2018 financial and operating results conference call and webcast on May 8 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 (888) 231-8191. A replay of the conference call will be available until May 18, 2018 by calling 1 (855) 859-2056. The code for the replay is 3494907. A link to the webcast is accessible on Inter Pipeline's website.

Annual Meeting of Shareholders

Inter Pipeline will hold its Annual Meeting of Shareholders today, May 7, 2018, at 2:00 p.m. MT (4:00 p.m. ET) at the Metropolitan Conference Centre, 333, 4th Avenue S.W. in Calgary, Alberta. The meeting will be webcast live with a link accessible on Inter Pipeline's website under "Investor Information" then "2018 Annual Meeting."

Select Financial and Operating Highlights

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

Three Months Ended
March 31,
2018 2017

Operating Results

Pipeline volumes (000 b/d)		
Oil sands transportation	1,279.0	1,251.4
Conventional oil pipelines	<u>209.4</u>	<u>209.9</u>
Total pipeline	1,488.4	1,461.3
NGL processing volumes ¹ (000 b/d)		
Ethane	64.2	61.1
Propane-plus	46.3	42.9
Redwater Olefinic Fractionator sales volume	<u>33.0</u>	<u>31.6</u>
Total processing volumes	143.5	135.6
Bulk liquid storage capacity utilization	82%	99%

Financial Results

Revenue	\$646.0	\$578.7
Funds from operations ²		
Oil sands transportation ²	\$148.9	\$148.2
NGL processing	\$98.6	\$81.9
Conventional oil pipelines	\$50.7	\$53.4
Bulk liquid storage	\$18.7	\$26.2
Corporate costs	<u>\$(62.7)</u>	<u>\$(62.8)</u>
Total funds from operations	\$254.2	\$246.9
Per share ²	\$0.67	\$0.67
Net income	\$142.7	\$140.0

Supplemental Financial Information

Net income attributable to shareholders	\$142.7	\$140.0
Per share - basic & diluted	\$0.37	\$0.38
Cash dividends declared	\$160.4	\$149.7
Per share ³	\$0.4200	\$0.4050
Payout ratio ²	63.1%	60.6%
Capital expenditures ²		
Growth ²	\$146.1	\$52.7
Sustaining ²	<u>\$6.1</u>	<u>\$10.3</u>
Total capital expenditures	\$152.2	\$63.0

1. Empress V NGL production reported on a 100% basis.

2. Please refer to the NON-GAAP FINANCIAL MEASURES section.

3. Dividends to shareholders per share are calculated based on the number of common shares outstanding at each record date.

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, 2018 as compared to the three month period ended March 31, 2017. These documents are available at www.interpipeline.com and at www.sedar.com.

Inter Pipeline Ltd.

Inter Pipeline is a major petroleum transportation, natural gas liquids processing, and bulk liquid storage business based in Calgary, Alberta, Canada. Inter Pipeline owns and operates energy infrastructure assets in western Canada and Europe. Inter Pipeline is a member of the S&P/TSX 60 Index and its common shares trade on the Toronto Stock Exchange under the symbol IPL. www.interpipeline.com

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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 the Heartland Petrochemical Complex including the timing of construction and fabrication activities, sourcing of components, costs, in-service dates, availability of low-cost propane and long-term earnings for the project; 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. 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 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. 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- GAPP 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.