

Inter Pipeline Announces Strong Second Quarter 2018 Financial and Operating Results

CALGARY, ALBERTA, AUG. 9, 2018: Inter Pipeline Ltd. (“Inter Pipeline”) (TSX: IPL) today announced strong financial and operating results for the three and six month periods ended June 30, 2018.

Second Quarter Highlights

- Funds from operations (FFO) totalled \$262 million, a 26 percent increase over second quarter 2017
- Net income for the quarter was \$136 million
- Declared cash dividends of \$162 million, or \$0.42 per share
- Attractive quarterly payout ratio of 62 percent
- NGL processing business segment generated record quarterly FFO of \$101 million
- Total pipeline throughput volumes averaged 1,377,700 barrels per day (b/d)
- Construction activities at the \$3.5 billion Heartland Petrochemical Complex site continued to track on schedule and on budget

Subsequent to the Quarter

- Approved \$82 million expansion of the Central Alberta Pipeline system crude terminal near Stettler, Alberta.

Financial Performance

Inter Pipeline generated positive financial results in the second quarter of 2018, with funds from operations of \$261.5 million, or \$0.68 per share. This \$54.5 million increase compared to the second quarter of 2017 was largely driven by record performance in the NGL processing business, which continued to perform well with strong production volumes and higher frac-spread pricing.

For the second 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 June 30, 2018</i>
Oil sands transportation	\$150.0
NGL processing	\$101.3
Conventional oil pipelines	\$48.2
Bulk liquid storage	\$17.4

Corporate costs, including employee, financing and tax expenses, were \$55.4 million in the second quarter of 2018 compared to \$49.0 million in the second quarter of 2017.

Cash Dividends

Dividend payments to shareholders increased \$11.1 million to \$162 million, or \$0.42 per share in the second 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 61.9 percent.

Oil Sands Transportation

The oil sands transportation segment continued to produce reliable operating and financial results. Funds from operations in the second quarter of 2018 were \$150 million, in line with \$149.6 million during the second quarter of 2017.

Average throughput volumes increased by 60,200 b/d compared to the second quarter of 2017, increasing to 1,181,300 b/d. Volumes on the Polaris pipeline system increased by 48,600 b/d or 27 percent to average 231,500 b/d during the quarter. Strong volume growth is the result of higher diluent deliveries to the Foster Creek, Christina Lake and Kearl oil sands projects.

The Cold Lake pipeline system's volumes increased from 554,000 b/d in the second quarter of 2017 to 574,500 b/d in the second quarter of 2018 as a result of increased volumes from Cenovus' Foster Creek oil sands project. Volumes on the Corridor pipeline system declined 8,900 b/d from the same period in 2017 largely due to a turnaround at the Scotford upgrader.

<i>Volumes (000 b/d)</i>	<i>Three Months Ended June 30, 2018</i>
Cold Lake	574.5
Corridor	375.3
Polaris	231.5

NGL Processing

NGL processing generated record funds from operations of \$101.3 million, up \$72.9 million from the second quarter of 2017. This strong performance was driven by favourable frac-spread pricing and a full quarter of normal operations. In the second quarter of 2017, planned maintenance activities at the Cochrane and Redwater facilities impacted operating and financial results.

Average propane-plus realized frac-spread pricing at the Cochrane straddle plant during the quarter was \$0.86 USD per US gallon, a 72 percent increase over the second quarter of 2017. Olefinic and paraffinic realized frac-spreads from offgas processing operations also increased significantly, with quarterly averages of \$1.61 USD per US gallon and \$0.40 USD per US gallon, respectively.

Natural gas flows to the Cochrane and Empress straddle plants during the quarter increased 35 percent over the same period a year ago. In aggregate, 3.0 billion cubic feet per day of natural gas was processed, extracting 85,200 b/d of ethane and propane-plus. Average sales volumes from the Redwater Olefinic Fractionator increased approximately 35 percent from the same period in 2017 to average 27,800 b/d during the quarter.

Heartland Petrochemical Complex

Civil construction and fabrication activities at the \$3.5 billion Heartland Petrochemical Complex advanced considerably during the quarter. Piling activities were completed for the propane dehydrogenation facility, with more than 3,000 in place, and concrete work well underway. Fabrication in Alberta and globally is progressing on schedule and on budget including the approximately 90-metre propane/propylene splitter and an 800-tonne reactor, which are expected to move to the Heartland Complex site near Fort Saskatchewan, Alberta in early 2019.

In the quarter, \$153.5 million of capital was invested on this project with \$279.3 million spent year to date. Inter Pipeline expects to invest approximately \$700 million in total during 2018. Once the Heartland Complex begins producing polypropylene in late 2021, Inter Pipeline expects to earn approximately \$450 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 \$48.2 million during the second quarter of 2018, a decrease of \$4.5 million compared to the same period in 2017.

Volumes on Inter Pipeline's three conventional gathering systems averaged 196,400 b/d for the second quarter, compared to 205,500 b/d in the second quarter of 2017. Volumes were down 9,900 b/d on the Bow River pipeline system primarily as a result of a third party refinery turnaround that impacted Hardisty southbound transmission volumes. Volumes on the Mid-Saskatchewan pipeline system increased by 1,000 b/d during the quarter compared to the second quarter of 2017 as a result of higher light oil volume production from the Viking formation.

Subsequent to the quarter, Inter Pipeline's board of directors approved an \$82 million expansion of the Stettler Crude Oil Terminal to service growing light oil production from the East Duvernay basin. The project, located on the Central Alberta Pipeline (CAPL) system, includes construction of two 130,000 barrel crude oil storage tanks and a major truck unloading expansion. When fully in service, the investment is expected to generate approximately \$20 million in incremental annual EBITDA.

This project advances Inter Pipeline's broader strategy to position the CAPL system to handle new oil production emerging from the south-central Alberta region. Earlier this year, CAPL was converted into a batched system in order to expand service offerings through the ability to handle multiple grades of oil.

This latest expansion is expected to enter service in phases beginning in mid-2019, with full operations expected in the second quarter of 2020. Once complete, storage capacity on CAPL will total more than 350,000 barrels and truck offload capacity will increase to approximately 30,000 b/d. Inter Pipeline intends to remain engaged with area producers regarding their development plans and future transportation requirements. Additional pipeline and facility expansions may be required over the next several years to support regional production growth.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage segment generated funds from operations of \$17.4 million in the quarter, compared to \$25.3 million in the second quarter of 2017. Storage demand for certain petroleum products in Europe continued to be impacted by a backwardated commodity pricing environment.

Average storage utilization rates during the second quarter were 84 percent compared to 98 percent for the same period a year ago. The decline in overall utilization was largely reflective of unfavourable market conditions in Denmark. Utilization remained strong in Sweden and Germany, where facilities are operating near capacity.

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, 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.

Subsequent to quarter end, on July 30, 2018, \$200 million of medium-term notes matured and were repaid with funds available under Inter Pipeline's revolving credit facility.

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 respectively.

Conference Call and Webcast

Inter Pipeline will hold its second quarter 2018 financial and operating results conference call and webcast on August 10 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. The conference ID is 4379979. A replay of the conference call will be available until August 17, 2018 by calling 1 (855) 859-2056. The code for the replay is 4379979. A link to the webcast is accessible on Inter Pipeline's website.

Select Financial and Operating Highlights

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Operating Results				
Pipeline volumes (000 b/d)				
Oil sands transportation	1,181.3	1,121.1	1,229.9	1,185.9
Conventional oil pipelines	<u>196.4</u>	<u>205.5</u>	<u>202.9</u>	<u>207.7</u>
Total pipeline	1,377.7	1,326.6	1,432.8	1,393.6
NGL processing volumes ¹ (000 b/d)				
Ethane	43.9	44.1	54.0	52.5
Propane-plus	41.3	31.4	43.8	37.1
Redwater Olefinic Fractionator sales volume	<u>27.8</u>	<u>20.6</u>	<u>30.4</u>	<u>26.1</u>
Total NGL processing	113.0	96.1	128.2	115.7
Bulk liquid storage capacity utilization	84%	98%	83%	98%

Financial Results²

Revenue	\$631.0	\$516.0	\$1,277.0	\$1,094.7
Funds from operations				
Oil sands transportation	\$150.0	\$149.6	\$298.9	\$298.0
NGL processing	\$101.3	\$28.4	\$199.9	\$110.3
Conventional oil pipelines	\$48.2	\$52.7	\$98.9	\$106.1
Bulk liquid storage	\$17.4	\$25.3	\$36.1	\$51.5
Corporate costs	<u>\$(55.4)</u>	<u>\$(49.0)</u>	<u>\$(118.1)</u>	<u>\$(112.0)</u>
Total funds from operations	\$261.5	\$207.0	\$515.7	\$453.9
Per share ²	\$0.68	\$0.56	\$1.35	\$1.22
Net Income	\$136.1	\$102.3	\$278.8	\$242.3
Per share - basic & diluted	\$0.35	\$0.27	\$0.73	\$0.65

Supplemental Financial Information

Cash dividends declared	\$162.0	\$150.9	\$322.4	\$300.6
Per share ³	\$0.420	\$0.405	\$0.840	\$0.810
Payout ratio ²	61.9%	72.9%	62.5%	66.2%
Capital expenditures				
Growth ²	\$185.5	\$94.5	\$331.6	\$147.2
Sustaining ²	<u>\$14.8</u>	<u>\$17.3</u>	<u>\$20.9</u>	<u>\$27.6</u>
Total capital expenditures	\$200.3	\$111.8	\$352.5	\$174.8

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 and six month periods ended June 30, 2018 as compared to the three and six month periods ended June 30, 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 and the expansion of the CAPL system, including the timing of construction and fabrication activities, sourcing of components, costs, and in-service dates, 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- 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.