inter pipeline

News Release

Inter Pipeline Announces Second Quarter 2019 Financial and Operating Results

CALGARY, ALBERTA, AUGUST. 8, 2019: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) today announced strong financial and operating results for the three and six month periods ended June 30, 2019.

Second Quarter Highlights

- Funds from operations (FFO) totalled $240 million
- Net income for the quarter was a record $260 million
- Declared cash dividends of $176 million or $0.43 per share
- Quarterly payout ratio* of 73 percent
- Total pipeline throughput averaged 1,343,000 barrels per day (b/d)
- Construction activities at the $3.5 billion Heartland Petrochemical Complex (HPC) site continued to track on schedule and on budget

Subsequent to the Quarter

- Successfully placed into service a diluent and bitumen blend pipeline connection to Canadian Natural's Kirby North oil sands project
- Announced $100 million capital project for a new pipeline linking the Bow River and Central Alberta pipeline systems

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

Financial Performance

Inter Pipeline generated funds from operations of $240.2 million in the second quarter of 2019, compared to $261.5 million in the second quarter of 2018. While pipeline operations generated stable results, the eight percent decrease in funds from operations was due to lower frac-spread pricing in the NGL processing business.

"We are pleased to report another quarter of strong financial and operating results with our core businesses performing well," said Christian Bayle, President and Chief Executive Officer of Inter Pipeline. "In addition to our solid results, we advanced our capital program with on-going expansion activities in Central Alberta and bringing our Kirby North oil sands project into service. Construction on the Heartland Petrochemical Complex continues to go very well and we are achieving important milestones on time and within budget."

For the second quarter of 2019, Inter Pipeline's four business segments generated funds from operations as follows:

Funds from operations (millions)	*Three Months Ended June 30, 2019*
Oil sands transportation	$149.7
NGL processing	$72.1
Conventional oil pipelines	$49.6
Bulk liquid storage	$26.9

In the second quarter of 2019, corporate costs, including employee, financing and tax expenses were $58.1 million compared to $55.4 million in the same period of 2018.

Cash Dividends

Dividend payments to shareholders were $175.7 million, or $0.43 per share in the second quarter of 2019 an increase from $162 million for the same period in 2018. Inter Pipeline's current monthly dividend rate is $0.1425 per share, or $1.71 per share on an annualized basis.

Inter Pipeline's payout ratio* for the quarter was 73.1 percent.

Oil Sands Transportation

Inter Pipeline's oil sands transportation business produced stable operating and financial results. Funds from operations in the second quarter of 2019 were $149.7 million, consistent with the second quarter of 2018.

Inter Pipeline transported an average of 1,158,100 b/d during the quarter, a decrease of 23,200 b/d compared to the same period in 2018. Average volume on the Polaris pipeline system increased on higher diluent deliveries to the Kearl and Hangingstone oil sands projects. Volume on the Cold Lake and Corridor pipeline systems decreased as a result of the Government of Alberta's oil production curtailment program and various third-party operational matters. Cash flow from this business segment is underpinned by a variety of long-term, cost-of-service contracts and is not materially impacted by throughput volume fluctuations.

In July 2019, a $110 million diluent and bitumen blend pipeline connection to Canadian Natural's Kirby North oil sands project was successfully placed into service. Contracted capacity increased by approximately 30,000 b/d and 8,000 b/d on Inter Pipeline's Cold Lake and Polaris pipeline systems, respectively. Construction was completed under budget and approximately six months ahead of schedule.

Volume (000 b/d)	*Three Months Ended June 30, 2019*
Cold Lake	566.6
Corridor	350.1
Polaris	241.4

NGL Processing

NGL processing funds from operations were $72.1 million for the second quarter of 2019. This represents a decrease of $29.2 million from the second quarter of 2018 primarily due to lower frac-spreads. Paraffinic frac spreads within the offgas processing business were particularly impacted by low North American propane pricing and Alberta butane pricing.

Natural gas processed at the Cochrane and Empress straddle plants during the quarter increased to 3.17 billion cubic feet per day, an increase of approximately 130 million cubic feet per day over the same period in 2018. Approximately 101,300 b/d of ethane and propane-plus was extracted during the quarter, an increase of 16,100 b/d compared to the second quarter of 2018. Average sales volume from the Redwater Olefinic Fractionator (ROF) increased to 32,600 b/d in the second quarter, up 17 percent from 27,800 b/d in the same period of 2018.

Frac-spread (USD/USG)	*Three Months Ended June 30, 2019*
Cochrane propane-plus	$0.53
Offgas Olefinic*	$1.02
Offgas Paraffinic* *Price after applicable benchmark adjustment	$0.04

In the third quarter of 2019, Inter Pipeline has planned turnaround activities at ROF, Pioneer I and II offgas plants which coincide with turnarounds at the Suncor and Horizon upgraders. This will affect offgas sales volume in the quarter.

Heartland Petrochemical Complex

In the second quarter of 2019, $287.1 million was invested in the Heartland Petrochemical Complex, with the total capital incurred on the project at approximately $1.6 billion.

Construction and fabrication activities at the $3.5 billion Heartland Complex continued to advance in Strathcona County, Alberta during the quarter with all heavy-lift vessels for the propane dehydrogenation facility now in place. By the end of the second quarter more than 1,200 construction personnel were on site, and HPC construction activities continue to progress according to cost and schedule targets.

In total, approximately 55 percent of the total project costs have been secured under completed time and materials work, firm purchase orders and lump sum construction contracts

Conventional Oil Pipelines

Inter Pipeline's conventional oil pipelines business segment generated funds from operations of $49.6 million, an increase of $1.4 million compared to the same period in 2018 as a result of higher midstream marketing activities and lower operating expenses.

Volume on Inter Pipeline's three conventional gathering systems averaged 184,900 b/d for the second quarter of 2019, compared to 196,400 b/d in the second quarter of 2018. Volume on the Central Alberta pipeline system increased by 10 percent to 29,200 b/d due to new sweet crude batching activities that began in the second half of 2018. Bow River volume increased by 15,200 b/d or 19 percent to 97,300 b/d primarily due to higher producer activity. Volume on the Mid-Saskatchewan pipeline system, while relatively consistent in 2019, decreased 29,400 b/d quarter over quarter due to increased competition in the region and downstream apportionment issues.

At the beginning of August 2019, Inter Pipeline announced it has begun construction on 75 kilometers of new eight-inch diameter pipeline that will connect Inter Pipeline's Throne Station on the Bow River pipeline system to the Central Alberta pipeline system in the Stettler area. The $100 million project is the second phase of a multi-phased approach to infrastructure development for Inter Pipeline's conventional pipeline business in the region. When completed, Inter Pipeline forecasts throughput volume of 10,000 to 15,000 barrels per day (b/d) on the new pipeline, with approximately one third of forecast shipments currently secured for a 10-year term.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage segment generated funds from operations of $26.9 million in the second quarter of 2019, compared to $17.4 million in the second quarter of 2018. These favourable results were aided by the recently acquired storage business in the United Kingdom and the Netherlands, which operated at a 96 percent utilization rate.

Overall, average storage utilization rates during the second quarter were 83 percent compared to 84 percent for the same period a year ago, and 78 percent in the first quarter of 2019. Customer interest continues to improve, particularly in our Danish operations, and as a result, July utilization rates across all European terminals rose to 90 percent.

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, 2019, Inter Pipeline had approximately $900 million of capacity on its $1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio* of 45 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 respectively.

Conference Call and Webcast

A Inter Pipeline will hold its second quarter 2019 financial and operating results conference call and webcast on August 9 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 August 16, 2019 by calling 1 (855) 859-2056. The code for the replay is 6363009. 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	
Operating Results	2019	2018	2019	2018
Pipeline volumes (000 b/d)				
Oil sands transportation	1,158.1	1,181.3	1,178.7	1,229.9
Conventional oil pipelines	184.9	196.4	186.0	202.9
Total pipeline	1,343.0	1,377.7	1,364.7	1,432.8
NGL processing volumes[1] (000 b/d)				
Ethane	59.5	43.9	65.8	54.0
Propane-plus	41.8	41.3	45.6	43.8
Redwater Olefinic Fractionator sales volume	32.6	27.8	34.1	30.4
Total NGL processing	133.9	113.0	145.5	128.2
Bulk liquid storage capacity utilization	83%	84%	80%	83%
Financial Results				
Revenue	$641.6	$631.0	$1,300.5	$1,277.0
Funds from operations				
Oil sands transportation	$149.7	$150.0	$297.3	$298.9
NGL processing	$72.1	$101.3	$140.1	$199.9
Conventional oil pipelines	$49.6	$48.2	$83.7	$98.9
Bulk liquid storage	$26.9	$17.4	$53.7	$36.1
Corporate costs	$(58.1)	$(55.4)	$(123.1)	$(118.1)
Total funds from operations	$240.2	$261.5	$451.7	$515.7
Per share[2]	$0.59	$0.68	$1.11	$1.35
Net Income	$260.3	$136.1	$358.6	$278.8
Per share - basic & diluted	$0.63	$0.35	$0.88	$0.73
Supplemental Financial Information				
Cash dividends declared	$175.7	$162.0	$349.6	$322.4
Per share[3]	$0.428	$0.420	$0.855	$0.840
Payout ratio[2]	73.1%	61.9%	77.4%	62.5%
Capital expenditures				
Growth[2]	$363.7	$185.5	$680.4	$331.6
Sustaining[2]	$18.8	$14.8	$30.7	$20.9
Total capital expenditures	$382.5	$200.3	$711.1	$352.5

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.*

About 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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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) planned turnaround activities at the ROF, Pioneer I and II offgas plants; (ii) timing, cost and anticipated benefits of capital projects (including the Heartland Petrochemical Complex and pipeline that will connect Inter Pipeline's Throne Station on the Bow River pipeline system to its Central Alberta pipeline; and (iii) Inter Pipeline's ability to maintain its balance sheet, credit ratings, liquidity available on its committed revolving credit facility 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. 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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.