inter pipeline

News Release

Inter Pipeline Announces Record Quarterly Financial and Operating Results

CALGARY, ALBERTA, NOVEMBER 8, 2018: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) today announced record financial and operating results for the three and nine month periods ended September 30, 2018.

Third Quarter Highlights

- Funds from operations (FFO) totalled a quarterly record of $300 million, an 11 percent increase over third quarter 2017
- NGL processing business generated quarterly record FFO of $135 million
- Net income for the quarter was a record $169 million, a 19 percent increase over third quarter 2017
- Declared cash dividends of $163 million, or $0.42 per share
- Attractive quarterly payout ratio of 55 percent
- Total pipeline throughput volumes averaged 1,441,500 barrels per day (b/d)
- Inter Pipeline divested the $600 million Heartland Petrochemical Complex Central Utility Block to Fengate, reducing its overall capital cost obligation to the Complex

Subsequent to the Quarter

- Announced a USD $270 million acquisition of NuStar Europe, which has seven strategically located storage terminals in the Netherlands and United Kingdom

Financial Performance

Inter Pipeline generated record financial results in the third quarter of 2018, with funds from operations of $299.7 million, or $0.77 per share. This $30.8 million increase over the third quarter of 2017 was primarily driven by record performance in the NGL processing business, which continued to provide exceptional results from higher production volumes and increased frac-spread pricing.

"Inter Pipeline's record results this quarter is proof of the company's resilience despite the volatility in Western Canada's commodity prices," commented Christian Bayle, Inter Pipeline's President and Chief Executive Officer.

"Our oil sands and conventional pipeline assets provide stability in challenging times, while our NGL processing franchise positions us for significant cash flow growth from elevated North American gas liquids pricing."

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

Funds from operations (millions)	*Three Months Ended September 30, 2018*
Oil sands transportation	$150.3
NGL processing	$134.8
Conventional oil pipelines	$53.8
Bulk liquid storage	$14.8

Corporate costs, including employee, financing and tax expenses, were $54.0 million in the third quarter of 2018 compared to $44.3 million in the third quarter of 2017.

Cash Dividends

Dividend payments to shareholders increased $11.2 million to $163.3 million, or $0.42 per share in the third 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 54.5 percent.

Oil Sands Transportation

The oil sands transportation business continued to produce reliable operating and financial results during the third quarter of 2018. Funds from operations were $150.3 million, a decrease of $5.1 million compared to the same period a year ago due to slightly lower capital cost recoveries.

Average throughput volumes increased by 80,100 b/d compared to the third quarter of 2017 to 1,227,200 b/d. Volumes on the Polaris pipeline system increased by 94,100 b/d or 60 percent to 251,000 b/d during the quarter. Strong volume growth continues to be driven by higher diluent deliveries to the Foster Creek, Christina Lake and Kearl oil sands projects.

Volumes on the Cold Lake pipeline system were relatively consistent increasing 1,400 b/d to 573,100 b/d in the third quarter of 2018 compared to the same period in 2017. Volumes on the Corridor pipeline system declined 15,400 b/d from the same period in 2017 largely due to maintenance activities at the Scotford upgrader.

Volumes (000 b/d)	*Three Months Ended September 30, 2018*
Cold Lake	573.1
Corridor	403.1
Polaris	251.0

NGL Processing

NGL processing generated record funds from operations of $134.8 million, a $56.7 million increase over the third quarter of 2017. This result was driven by increased frac-spread pricing and strong production volumes in both our natural gas and offgas processing operations.

Average propane-plus realized frac-spread pricing at the Cochrane straddle plant was $0.98 USD per US gallon, a 36 percent increase over the third quarter of 2017. Offgas olefinic and paraffinic frac-spreads, after benchmark adjustments, also strengthened during the quarter averaging $1.43 USD per USG and $0.43 USD per US gallon, respectively.

Natural gas flows to the Cochrane and Empress straddle plants during the quarter increased 20 percent compared to the third quarter a year ago. In aggregate, 3.1 billion cubic feet per day of natural gas was processed, extracting 97,700 b/d of ethane and propane-plus. Average sales volumes from the Redwater Olefinic Fractionator remained consistent with the same period a year ago averaging 32,300 b/d during the quarter.

Heartland Petrochemical Complex

During the third quarter, Inter Pipeline significantly lowered its capital cost obligation associated with the Heartland Petrochemical Complex by divesting the $600 million Central Utility Block (CUB) to Fengate Capital Management. Through the sale, Inter Pipeline recovered $53.5 million of development capital and is no longer responsible for funding construction costs associated with the CUB.

The Heartland Petrochemical Complex remains on schedule and on budget. Construction, equipment fabrication and procurement activities at the $3.5 billion Complex, excluding CUB capital costs, were significantly advanced during the quarter. Foundation work for the propane dehydrogenation facility as well as key components of the polypropylene plant were completed in the quarter. Fabrication of major vessels including the propane/propylene splitter and polypropylene reactor are in the final stages of completion at facilities in Edmonton, Alberta in preparation for the site installation program planned for early 2019.

In the quarter, $172 million of capital was invested on this project with approximately $830 million incurred since inception. 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. For perspective, this represents approximately a 40% increase over Inter Pipeline's 2017 annual EBITDA.

Conventional Oil Pipelines

Funds from operations for Inter Pipeline's conventional oil pipelines business segment were $53.8 million during the third quarter of 2018, consistent with same period a year ago.

Volumes on Inter Pipeline's three conventional gathering systems averaged 214,300 b/d for the third quarter, an increase of 2,300 b/d over the third quarter of 2017. Volumes on the Central Alberta pipeline system increased by 7,400 b/d largely due to the recent conversion into a batched system to capture multiple grades of crude oil. Volumes on the Mid-Saskatchewan pipeline system declined 7,700 b/d during the third quarter of 2018 driven by apportionment issues on a third-party pipeline system. Bow River pipeline system increased 2,600 b/d during the third quarter, primarily due to higher truck terminal receipts.

Construction of the $82 million Stettler Crude Oil Terminal expansion, announced earlier this year, continued in the quarter. This expansion will service growing production from the East Duvernay basin and is part of a broader strategy to position the Central Alberta pipeline system to handle new oil production for the south-central Alberta region.

This expansion is expected to enter service in phases between mid-2019 and mid-2020. Additional pipeline and facility investments may be required to support area production growth.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage business generated funds from operations of $14.8 million in the quarter, compared to $25.2 million in the third quarter of 2017. As expected, storage demand for certain petroleum products in Europe continued to be impacted by a backwardated commodity pricing environment.

Average utilization rates during the third quarter of 2018 were 74 percent compared to 95 percent for the same period a year ago. The decline in overall utilization was largely reflective of unfavourable market conditions in Denmark, where storage utilization rates averaged 50 percent during the quarter, compared to 96 percent in Q3 2017. Utilization remained at 90 percent or better in Sweden, the United Kingdom and Germany.

NuStar Europe Acquisition

On October 30, 2018, Inter Pipeline announced the acquisition of NuStar Energy, L.P.'s European bulk liquid storage business for cash consideration of USD$270 million (NuStar Europe). The acquired assets consist of seven high-quality coastal storage terminals located throughout the United Kingdom and in the Port of Amsterdam. NuStar Europe's facilities have strong utilization rates, are located in key industrial centres and have historically generated stable cash flow underpinned by a variety of cost-of-service and fee-based contracts.

Upon closing, which is scheduled for the fourth quarter of 2018, Inter Terminal's storage capacity will increase by approximately 33 percent to 37 million barrels and establish it as the largest independent storage operator in the United Kingdom.

Financing Activity

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed revolving credit facility. As at September 30, 2018, 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 51.8 percent. This ratio has decreased from 53.5 percent as at December 31, 2017.

"Inter Pipeline's impressive financial results in 2018 have enabled us to meaningfully improve our debt ratios despite investing over $600 million of new capital, largely directed to the Heartland Petrochemical Complex," stated Brent Heagy, Inter Pipeline's Chief Financial Officer.

"Furthermore, should our strong financial performance continue, we may be in a position to suspend the premium dividend reinvestment program in relation to the financing of the Heartland Complex by the end of 2019. This would be roughly two years earlier than originally planned and would materially reduce the equity required to fund this investment before service commencement in late 2021."

Subsequent to quarter end, Inter Pipeline successfully completed a $200 million common share offering to support the funding of the NuStar Europe acquisition. Remaining financing for the acquisition will be provided by available capacity on Inter Pipeline's revolving credit facility. No third-party debt will be assumed under the terms of the acquisition.

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 third quarter 2018 financial and operating results conference call and webcast on November 9, 2018 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 8096607. A replay of the conference call will be available until November 16, 2018 by calling 1 (855) 859-2056. The code for the replay is 8096607. 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 September 30		Nine Months Ended September 30	
Operating Results	2018	2017	2018	2017
Pipeline volumes (000 b/d)				
Oil sands transportation	1,227.2	1,147.1	1,229.0	1,172.8
Conventional oil pipelines	214.3	212.0	206.7	209.1
Total pipeline	1,441.5	1,359.1	1,435.7	1,381.9
NGL processing volumes[1] (000 b/d)				
Ethane	56.1	48.2	54.7	51.1
Propane-plus	41.6	35.6	43.1	36.6
Redwater Olefinic Fractionator sales volume	32.3	31.9	31.0	28.1
Total NGL processing	130.0	115.7	128.8	115.8
Bulk liquid storage capacity utilization	74%	95%	80%	97%
Financial Results[2]				
Revenue	$685.0	$547.6	$1,962.0	$1,642.3
Funds from operations				
Oil sands transportation	$150.3	$155.4	$449.2	$453.4
NGL processing	$134.8	$78.1	$334.7	$188.4
Conventional oil pipelines	$53.8	$54.5	$152.7	$160.6
Bulk liquid storage	$14.8	$25.2	$50.9	$76.7
Corporate costs	$(54.0)	($44.3)	$(172.1)	($156.3)
Total funds from operations	$299.7	$268.9	$815.4	$722.8
Per share[2]	$0.77	$0.72	$2.12	$1.94
Net Income	$169.4	$142.5	$448.2	$384.8
Per share - basic & diluted	$0.44	$0.38	$1.16	$1.03
Supplemental Financial Information				
Cash dividends declared	$163.3	$152.1	$485.7	$452.7
Per share[3]	$0.420	$0.405	$1.260	$1.215
Payout ratio[2]	54.5%	56.6%	59.6%	62.6%
Capital expenditures				
Growth[2]	$229.9	$72.6	$561.5	$219.8
Sustaining[2]	$24.7	$18.7	$45.6	$46.3
Total capital expenditures	$254.6	$91.3	$607.1	$266.1

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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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 its expected long-term average EBITDA and the expansion of the CAPL system, including the timing of construction and fabrication activities, sourcing of components, costs, and in-service dates for each project; (ii) the potential to suspend the premium dividend reinvestment program in relation to the Heartland Complex by the end of 2019 and the anticipated reduction in equity to fund this project; (iii) Inter Pipeline's potential for significant cash flow growth from elevated North American gas liquids pricing; (iv) the timing of the completion of the NuStar Europe acquisition and the anticipated benefits of this acquisition and the growth opportunities associated therewith and (iv) 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 *processing 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 pipeline, petrochemical, NGL processing and terminal storage projects and future expansions of Inter Pipeline's assets; 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 timing, financing and completion of acquisitions and other projects Inter Pipeline is developing; the realization of the anticipated benefits of acquisitions and other projects Inter Pipeline is developing; 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.