inter pipeline

News Release

Inter Pipeline Announces Strong First Quarter 2016 Financial and Operating Results

CALGARY, ALBERTA, MAY 9, 2016: Inter Pipeline Ltd. ("Inter Pipeline") (TSX: IPL) announced today strong financial and operating results for the three month period ended March 31, 2016.

First Quarter Highlights

- Generated funds from operations (FFO)* of $186 million, a five percent increase over first quarter 2015
- FFO for the bulk liquid storage business segment set a new record of $31 million, an increase of 53 percent compared to the first quarter 2015
- Net income for the quarter was $105 million, or $0.31 per share
- Declared cash dividends of $131 million, or $0.39 per share
- Attractive quarterly payout ratio* of 75 percent
- Total pipeline throughput volumes remained strong, averaging 1,312,700 barrels per day (b/d)
- Completed construction of a $25 million diluent connection to the JACOS-Nexen Hangingstone project
- Secured a long-term diluent supply connection agreement with Pembina Pipeline on the Polaris pipeline system
- Entered into a long-term agreement to provide bitumen blend transportation service to the North West Redwater Sturgeon Refinery
- Bulk liquid storage capacity utilization averaged 98 percent for the quarter, up from 90 percent in the first quarter of 2015

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

Financial Performance

Inter Pipeline generated strong financial results in the first quarter 2016, with funds from operations of $186.0 million, or $0.55 per share, a gain of $9.5 million over the first quarter 2015. FFO in the oil sands transportation, bulk liquid storage and conventional oil pipelines business segments increased in the first quarter 2016 compared to the same period last year. The NGL extraction segment had lower results due to reduced commodity prices and ethane production.

For the first quarter 2016, Inter Pipeline's four business segments generated funds from operations as follows:

Funds from operations (millions)	*Three Months Ended March 31, 2016*
Oil sands transportation	$139.4
Conventional oil pipelines	$50.0
Bulk liquid storage	$31.3
NGL extraction	$23.6

Corporate costs increased $8.6 million in the first quarter of 2016 to $58.3 million compared to the first quarter 2015. This is largely due to a one-time onerous contract adjustment relating to non-cancellable office leases, in addition to higher interest, employee and income tax costs.

Cash Dividends

Dividend payments to shareholders increased $9.5 million to $131.3 million or $0.39 per share in the first quarter 2016 compared to the same period in 2015. Inter Pipeline's current monthly dividend rate is $0.13 per share or $1.56 per share on an annualized basis.

Inter Pipeline's payout ratio for the quarter remained attractive at 74.6 percent.

Oil Sands Transportation

The oil sands transportation segment, underpinned by long term cost of service contracts with credit worthy counterparties, generated stable financial and operating results in the first quarter of 2016. Funds from operations were $139.4 million up seven percent or $9.2 million compared to first quarter 2015.

Throughput volumes increased slightly over the similar period of 2015, to 1,104,200 b/d. Volumes on the Cold Lake and Corridor pipeline system decreased slightly while volumes on the Polaris system reached a new record, up 28 percent compared to the first quarter 2015.

Volumes (000 b/d)	*Three Months Ended March 31, 2016*
Cold Lake	564.0
Corridor	369.5
Polaris	170.7

During the quarter, construction of a new diluent connection between the Polaris pipeline system and the JACOS-Nexen Hangingstone project was completed and is expected to enter commercial service in the third quarter of 2016. The total capital cost of this project, which included a new pipeline lateral and associated facilities, was approximately $25 million.

To further enhance the delivery and receipt options on its oil sands pipeline systems, Inter Pipeline completed two new long-term connection agreements during the first quarter of 2016. The first is a receipt connection agreement with Pembina Pipeline's Canadian Diluent Hub which will provide shippers on the Polaris pipeline system with an additional large-scale diluent supply option. The second agreement facilitates a bitumen blend delivery connection from the Cold Lake pipeline system to North West Redwater Partnerships' Sturgeon Refinery. Inter Pipeline will invest approximately $23 million to complete these capital efficient and accretive projects, with incremental revenue expected to start in mid-2017.

Conventional Oil Pipelines

Funds from operations in the quarter totalled $50.0 million, up seven percent or $3.2 million compared to the same period in 2015. Transportation revenue decreased as a result of slightly lower pipeline system volumes, but was offset by a higher contribution from midstream marketing activities.

Average throughput volumes on Inter Pipeline's three conventional gathering systems totalled 208,500 b/d for the quarter, representing a three percent decrease from the same period a year ago. Despite a very weak crude oil pricing environment, volumes on the Mid-Saskatchewan pipeline system increased 11,400 b/d to 87,600 b/d due to increased production from the Viking light oil play, and the completion of a major system expansion in mid-2015. This increase was offset by somewhat lower throughput volumes on Central Alberta and Bow River Pipeline systems.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage segment generated record funds from operations of $31.3 million in the first quarter of 2015, a 53 percent increase over the first quarter of 2015. The acquisition of Inter Terminals Sweden, as well as higher utilization rates across the business, drove this significant increase.

Inter Terminals continued to operate near capacity in the first quarter of 2016, with utilization rates averaging 98 percent compared to 90 percent in 2015. Notably, the Danish operations reached 100 percent utilization for the quarter as demand for contango storage continued to drive positive results.

In the quarter, work was also substantially completed on the construction of six new storage tanks in Germany for a total cost of approximately $9 million. These new tanks provide 57,000 barrels of high value chemical storage, with the majority of the new capacity now contracted to BASF under multi year agreements.

NGL Extraction

The NGL extraction segment generated $23.6 million in funds from operations in the first quarter of 2016, compared to $28.7 million in Q1 of 2015. Financial results were negatively impacted by lower frac-spread pricing on propane-plus sales and reduced ethane volumes due to downstream demand issues. In the quarter, realized frac-spread prices averaged $0.31 USD per US gallon, down from $0.37 USD per US gallon over the same period last year.

Natural gas flows to Inter Pipeline's straddle facilities at Cochrane and Empress were strong in the quarter. In total, 3.0 billion cubic feet per day of natural gas was processed, extracting 105,800 b/d of natural gas liquids.

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, 2016, Inter Pipeline had $558 million of capacity on its $1,250 million credit facility.

At March 31, 2016, Inter Pipeline's consolidated net debt to total capitalization ratio* was 53.8 percent, compared to 51.4 percent at March 31, 2015.

Inter Pipeline continues to maintain 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 & Webcast

Inter Pipeline Ltd. will hold its first quarter 2016 financial and operating results conference call and webcast on May 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 416-340-2216 or 1-800-355-4959. A pass code is not required. A recording of the call will be available for replay until May 17, 2016 by dialing 1-905-694-9451 or 1-800-408-3053. The pass code for the replay is 3961740.

Annual General Meeting Inter Pipeline will hold its Annual General Meeting of Shareholders on Monday, May 9, 2016 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 "2016 Annual General Meeting"

Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)	Three Months Ended March 31,	
Operating	2016	2015
Pipeline volumes (000 b/d)		
Oil sands transportation[1]	1,104.2	1,097.7
Conventional oil pipelines	208.5	214.2
Total pipeline	1,312.7	1,311.9
Extraction production[1] (000 b/d)		
Ethane	60.9	71.0
Propane-plus	44.9	42.0
Total extraction	105.8	113.0
Capacity Utilization		
Bulk liquid storage	98%	90%
Financial[3]		
Revenue	$416.4	$405.8
Funds from operations[2]		
Oil sands transportation	$139.4	$130.2
Conventional oil pipelines	$50.0	$46.8
Bulk liquid storage	$31.3	$20.5
NGL extraction	$23.6	$28.7
Corporate costs	$(58.3)	$(49.7)
Total funds from operations[2]	$186.0	$176.5
Per share[2]	$0.55	$0.53
Net Income	$104.6	$122.8
Supplemental Financial Information		
Net income attributable to shareholders	$95.8	$113.7
Per share - basic	$0.28	$0.34
- diluted	$0.28	$0.34
Cash dividends declared	$131.3	$121.8
Per share	$0.3900	$0.3675
Payout ratio[2]	74.6%	73.3%
Capital expenditures[2,3]		
Growth	$32.2	$132.5
Sustaining	$18.0	$9.5
Total capital expenditures	$50.2	$142.0

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis.*
2. *Please refer to the "Non-GAAP Financial Measures" section of the MD&A.*
3. *Amounts reported on a 100% basis that includes non-controlling interest.*

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, 2016 as compared to the three month period ended March 31, 2015. These documents are available at www.interpipeline.com and at www.sedar.com.

Inter Pipeline Ltd.

Inter Pipeline is a major petroleum transportation, bulk liquid storage and natural gas liquids extraction 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.

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, statements regarding timing and completion of, and EBITDA Inter Pipeline expects to generate from current projects, including the Mid-Saskatchewan expansion project, as well as future projects. 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 oil sands pipeline systems; assumptions concerning operational reliability; the availability and price of labour 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 natural gas and oil transportation, ethane transportation and 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 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 and maintenance of support of such approvals; 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. 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 are expressly qualified by this cautionary note.

All dollar values are expressed in Canadian dollars unless otherwise noted.

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.