News Release

Inter Pipeline Reports Record 2016 Financial Results

CALGARY, ALBERTA, FEBRUARY 16, 2017: Inter Pipeline Ltd. (Inter Pipeline) (TSX: IPL) announced today financial and operating results for the three and twelve month periods ended December 31, 2016.

2016 Highlights

- Generated record funds from operations (FFO) of $849 million, a 10 percent increase over 2015 results
- Realized a net income increase of three percent, to a record $478 million for the year
- Declared annual cash dividends of $539 million, or $1.57 per share
- Attractive annual payout ratio* of 66 percent
- Announced an annualized dividend increase of $0.06 per share, the 14th consecutive increase for Inter Pipeline shareholders
- Annual throughput volumes on Inter Pipeline's pipeline systems averaged a record 1,296,600 barrels per day (b/d)
- Acquired a large scale Canadian natural gas liquids (NGL) midstream business for $1.35 billion, providing a new platform for future growth
- Bulk liquid storage capacity utilization averaged a new record of 98 percent for the year, up from 94 percent in 2015
- Successfully raised over $775 million of equity capital and $800 million of term debt at attractive rates

Fourth Quarter Highlights

- Record quarterly FFO of $255 million, an increase of 20 percent from the same period in 2015
- Conservative quarterly payout ratio* of 58 percent
- Average throughput volumes for Inter Pipeline's oil sands and conventional pipeline systems reached a new quarterly record of 1,372,800 b/d
- Purchased the remaining 15 percent interest in the Cold Lake pipeline system from Canadian Natural Resources Ltd. (Canadian Natural) for $527.5 million
- Entered into a long-term transportation agreement with Canadian Natural for its Kirby North SAGD oil sands project
- Awarded $200 million in royalty credits from the Government of Alberta's Petrochemical Diversification Program for Inter Pipeline's proposed propane dehydrogenation (PDH) facility

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

Financial Performance

Inter Pipeline generated record financial results in 2016 as FFO increased by $74.7 million, or approximately 10 percent, to $848.8 million. The NGL processing business segment generated the majority of the increase, driven by a full quarter of cash flow from the recently acquired Williams Canada NGL midstream business and higher propane-plus frac-spread pricing at the Cochrane straddle plant.

Fourth quarter results were also a record with FFO of $254.7 million, up approximately 21 percent or $43.3 million compared to the fourth quarter of 2015.

Corporate costs for the three and twelve months ended December 31, 2016 were $50.1 million and $199.2 million, respectively. Both periods saw an increase in general and administrative and financing costs, which were largely offset by lower cash taxes.

For the fourth quarter and full year 2016, Inter Pipeline's four business segments generated FFO as follows:

Funds from operations (millions)	*Three Months Ended December 31, 2016*	*Twelve Months Ended December 31, 2016*
Oil sands transportation	$158.5	$581.6
Conventional oil pipelines	$52.4	$198.6
NGL processing	$65.0	$147.8
Bulk liquid storage	$28.9	$120.0

Cash Dividends

Declared dividend payments to shareholders were a record $539.2 million or $1.57 per share in 2016, yielding an attractive annual payout ratio of 66 percent. In November 2016, Inter Pipeline announced its 14th consecutive dividend increase to $1.62 per share annually, representing an increase of $0.06 per share.

In the fourth quarter, Inter Pipeline declared dividends of $145.1 million or $0.40 per share, resulting in a conservative payout ratio of 58 percent.

Oil Sands Transportation

Inter Pipeline's oil sands transportation segment produced strong, stable results in 2016. Funds from operations reached a record $581.6 million in 2016, compared to $569.1 million in 2015. The year-over-year improvement was primarily driven by incremental revenues associated with the expansion of the Kearl oil sands project and other increases in capital fee payments. Bitumen blend and diluent volumes averaged 1,095,900 b/d for the year, a five percent increase over 2015.

In the fourth quarter, funds from operations reached a new quarterly record of $158.5 million. Total throughput volumes averaged a record of 1,172,500 b/d or 60,700 b/d higher than the same period in 2015. The increase was primarily the result of higher volumes from the Foster Creek oil sands project on the Cold Lake pipeline system and increased production from the Jackpine mine on the Corridor pipeline system.

Volumes transported by pipeline systems in the fourth quarter and full year 2016 were as follows:

Volumes (000 b/d)	*Three Months Ended December 31, 2016*	*Twelve Months Ended December 31, 2016*
Cold Lake	611.6	558.5
Corridor	393.9	378.8
Polaris	167.0	158.6

Effective November 1, 2016, Inter Pipeline acquired Canadian Natural's 15 percent interest in the Cold Lake pipeline system for $527.5 million, resulting in 100 percent ownership of this strategic asset. During the year, Inter Pipeline was also successful in securing two long-term connection arrangements with Pembina Pipeline and North West Redwater Partnership. These connections will enhance the delivery and receipt options for our shippers on our Cold Lake and Polaris pipeline systems. Incremental revenue from these connection projects is expected to commence mid-2017.

In December, Inter Pipeline also entered into a long-term, take-or-pay agreement with Canadian Natural to transport diluent and bitumen blend for its Kirby North SAGD oil sands project. The new transportation agreement increased contracted capacity commitments by approximately 30,000 b/d and 8,000 b/d on our Cold Lake and Polaris pipeline systems, respectively. Capital expenditures are estimated at $125 million, with an expected in-service date of the first quarter of 2020.

Conventional Oil Pipelines

Inter Pipeline's conventional oil pipeline's business segment generated record funds from operations of $198.6 million in 2016, up two percent from 2015. Strong financial performance from midstream marketing activities and steady volumes on the Mid-Saskatchewan pipeline system contributed to the positive results.

Annual throughput volumes on Inter Pipeline's three conventional gathering systems totaled 200,700 b/d, representing a decrease of five percent compared to 2015. Volume growth from the Viking light oil play serviced by the Mid-Saskatchewan pipeline system partially offset throughput declines on the Bow River and Central Alberta pipeline systems.

Funds from operations for the quarter were a record $52.4 million. Fourth quarter throughput volumes totaled 200,300 b/d, down seven percent compared to the same period in 2015. The lower annual and quarterly volumes are largely a result of natural production declines and reduced producer drilling activity due to persistently low oil prices.

In the second half of 2016, Inter Pipeline successfully commissioned three new light oil tanks at the Kerrobert Terminal. This $60 million project adds 400,000 barrels of storage capacity at this key terminal and began generating revenue in August 2016.

In the fourth quarter of 2016, Inter Pipeline signed a long-term agreement with CHS Inc. to transport 32,500 b/d of crude oil on the Bow River pipeline system. This 10-year agreement replaced an existing transportation arrangement effective January 1, 2017. As part of the new agreement CHS has increased its take-or-pay commitment by approximately 10 percent for the shipment of crude oil sourced from Hardisty, Alberta to the CHS refinery in Laurel, Montana.

NGL Processing

Funds from operations in the NGL processing business grew to $147.8 million in 2016 up 47 percent from $100.8 million in 2015. In late September 2016, Inter Pipeline completed the acquisition of the Williams Canada NGL midstream businesses for approximately $1.35 billion. This processing business extracts and fractionates liquids from oil sands upgrader offgas and contributed approximately $27 million to annual FFO. Inter Pipeline is one of Canada's largest NGL processing businesses with ownership in three major straddle plants, two offgas processing plants, an offgas liquids pipeline and a liquids fractionator, all located in Alberta.

Improved frac-spread pricing on propane-plus volumes at the Cochrane straddle plant also contributed to the positive full year results. The average propane-plus realized frac-spread was $0.40 USD per US gallon in 2016, up from $0.33 USD per US gallon in 2015.

Natural gas throughput volumes to the straddle plants were also strong. Gas flows averaged 2.9 billion cubic feet per day (bcf/d) for the year, up 9 percent compared to 2015 volumes. Approximately 103,600 b/d of NGL were extracted, an increase of 1,900 b/d from 2015 levels.

In the fourth quarter of 2016, fund from operations from this business segment totaled a record $65.0 million, which includes a full quarter of results from offgas processing activities. This is a $39.8 million, or 158 percent, increase over the same period in 2015.

The propane-plus price recovery also continued in the quarter, with realized frac-spread price for the Cochrane straddle plant reaching $0.47 USD per US gallon, up 47 percent from $0.32 USD per US gallon in 2015. Paraffinic and olefinic realized frac-spreads from offgas processing operations were $0.18 USD per US gallon and $0.89 USD per US gallon, respectively, for the quarter. The offgas business produces higher value olefinic liquids which are not produced at Inter Pipeline's straddle plants.

Fourth quarter natural gas inlet volumes reached 3.1 bcf/d for the straddle plants with liquids production totalling an average of 113,700 b/d. Average sales volumes from the Redwater olefinic fractionator were 29,900 b/d for the fourth quarter of 2016.

Inter Pipeline also continued to progress the development of its proposed propane dehydrogenation and polypropylene facilities in the quarter. This integrated $3.1 billion petrochemical complex converts low cost Alberta propane into higher value polypropylene. Subject to securing appropriate long-term, fee-based contracts, Inter Pipeline anticipates making a final investment decision by mid-2017. Both plants are expected to be operational by mid-2021.

In December, Inter Pipeline announced it will receive $200 million in royalty credits from the Government of Alberta's Petrochemical Diversification Program in support of the propane dehydrogenation plant. The royalty credits will be available to Inter Pipeline once the proposed facility is in operation.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage business generated funds from operations of $120.0 million in 2016, up 22 percent from 2015. The record results include the first full-year of operations from Inter Terminals Sweden and higher overall demand for storage services.

Annual capacity utilization rates were very strong across Inter Terminals' operations, resulting in an average utilization rate of 98 percent, compared to 94 percent in 2015. The high utilization rate was a result of executing a number of new storage contracts throughout the year. Also, several capacity addition projects were initiated in 2016 including the construction of 175,000 barrels of new chemical storage capacity at the Seals Sands Terminal in the United Kingdom. This $25 million project is expected to be completed by mid-2017.

Funds from operations in the fourth quarter were $28.9 million and consistent with $28.2 million generated in the same period last year. Fourth quarter utilization rates averaged 99 percent, up two percent compared to 97 percent in the fourth quarter of 2015.

Financial Position

Inter Pipeline continues to maintain a strong balance sheet with significant liquidity available on its committed revolving credit facility. Earlier in the year, Inter Pipeline successfully raised $950 million in new equity and term debt to partially fund the acquisition of the Williams Canada business. The remaining balance of acquisition financing was drawn from Inter Pipeline's revolving credit facility. The premium component of Inter Pipeline's Premium Dividend™ and Dividend Reinvestment Plan (DRIP) was also re-instated in October 2016, which raises additional equity capital on a monthly basis.

In December 2016, Inter Pipeline issued $450 million of 10-year senior unsecured notes in the Canadian public debt market. Proceeds from this offering, as well as a $177.5 million common share issuance to Canadian Natural, were used to fund the acquisition of the remaining 15 percent interest in the Cold Lake pipeline system and reduce bank indebtedness.

As at December 31, 2016, Inter Pipeline had $587.0 million of available capacity on its $1.5 billion revolving credit facility and ended the year with a consolidated net debt to total capitalization ratio of 57.2 percent.

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.

Board of Directors Appointment

Effective January 1, 2017, Christian Bayle has been appointed to Inter Pipeline's Board of Directors. Mr. Bayle has been an employee of Inter Pipeline for nearly 20 years, including serving as its President and Chief Executive Officer since January 2014.

Conference Call & Webcast

Inter Pipeline will hold a conference call and webcast on February 17 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 1-844-413-0863 or 216-562-0455 (international). The conference ID is: 52871230.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipeline.com/investor/events.cfm. An archived version of the webcast will be available for approximately 90 days.

Select Financial and Operating Highlights

(millions of dollars, except per share and percent amounts where noted)	Three Months Ended December 31,		Twelve Months Ended December 31,	
Operating Results	2016	2015	2016	2015
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	1,172.5	1,111.8	1,095.9	1,046.1
Conventional oil pipelines	200.3	214.8	200.7	211.7
Total pipeline	1,372.8	1,326.6	1,296.6	1,257.8
NGL processing volumes[1] (000 b/d)				
Ethane	69.9	59.1	60.2	62.1
Propane-plus	43.8	41.3	43.4	39.6
Redwater Olefinic Fractionator sales volume[2]	29.9	-	8.1	-
Total processing volumes	143.6	100.4	111.7	101.7
Bulk Liquid Storage capacity utilization	99%	97%	98%	94%
Financial Results[3]				
Revenue	$560.7	$455.7	$1,824.6	$1,676.3
Funds from operations				
Oil sands transportation	$158.5	$157.8	$581.6	$569.1
Conventional oil pipelines	$52.4	$51.5	$198.6	$194.6
NGL processing	$65.0	$25.2	$147.8	$100.8
Bulk liquid storage	$28.9	$28.2	$120.0	$98.3
Corporate costs	$(50.1)	$(51.3)	$(199.2)	$(188.7)
Total funds from operations	$254.7	$211.4	$848.8	$774.1
Per share[4]	$0.71	$0.63	$2.47	$2.31
Net Income	$128.8	$138.0	$477.6	$463.0
Supplemental Financial Information				
Net income attributable to shareholders	$125.8	$129.7	$449.7	$427.4
Per share - basic & diluted	$0.35	$0.39	$1.31	$1.28
Cash dividends declared	$145.1	$128.7	$539.2	$497.1
Per share	$0.4000	$0.3825	$1.570	$1.4850
Payout ratio[4]	57.8%	63.8%	66.0%	67.8%
Capital expenditures[3,4]				
Growth	$49.9	$52.6	$150.6	$296.3
Sustaining	$22.3	$27.8	$58.4	$59.6
Total capital expenditures	$72.2	$80.4	$209.0	$355.9

1. Empress V NGL production and Cold Lake volumes reported on a 100% basis. Effective November 1, 2016, Inter Pipeline acquired the remaining 15 percent ownership interest in the Cold Lake pipeline system
2. Average sales volumes for the year ended December 31, 2016 include only 100 days of operations from the closing date of the acquisition on September 23, 2016.
3. Amounts reported on a 100% basis that includes non-controlling interest. Effective November 1, 2016, Inter Pipeline acquired the remaining 15 percent ownership interest in the Cold Lake pipeline system
4. Please refer to the "Non-GAAP Financial Measures" section of the MD&A.

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 twelve month periods ended December 31, 2016 as compared to the three and twelve month periods ended December 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, 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 timing, costs and completion of Inter Pipeline's current and future projects, including the pipeline connections to Pembina Pipeline and the Kirby North SAGD oil sands project, (ii) Inter Pipeline's ability to complete the PDH facility and realize on the royalty credits awarded from the Government of Alberta's Petrochemical Diversification Program, (iii) Inter Pipeline's belief that it is well positioned to maintain its current level of dividends to its shareholders and (iv) the additional equity capital to be raised by the DRIP. 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.

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