



## Veresen Announces First Quarter Operational and Financial Results

**CALGARY, Alberta, May 4, 2016** – Veresen Inc. (“Veresen”) (TSX: VSN) today announced its first quarter operating and financial results.

“We had a solid first quarter from both an operational and financial perspective,” said Don Althoff, President and CEO of Veresen. “Alliance operated well under its new service model, with higher than expected uptake of seasonal firm and interruptible transportation, while Veresen Midstream continued to add to its significant project inventory with the sanctioning of the Saturn Phase II processing facility. With strong performance from our operations, our focus on competitive markets and nearly all of our revenues secured by take-or-pay structures, we are well positioned to deliver on our full year targets.”

### First Quarter Financial and Operational Highlights

- Distributable cash for the quarter of \$81 million or \$0.27 per Common Share benefitted from a higher contribution from Veresen’s pipeline business and lower cash taxes, partially offset by continued weakness in NGL pricing impacting Aux Sable
- Throughput volumes on Alliance were particularly strong in the pipeline’s first full quarter under the new service model, with the increase partly driven by shipper’s uptake of seasonal firm and interruptible transportation as a result of stronger relative pricing in U.S. Mid-West markets
- Volumes at Veresen Midstream were ahead of expectations with nearly 100% plant reliability. The Saturn Phase I compressor station, which was placed into service in June 2015, continues to perform well with year to date volumes above prior estimates

### Update on Key Strategic Initiatives

- Cutbank Ridge Partnership (“CRP”) sanctioned the \$930 million Saturn Phase II processing facility in March 2016, the third major facility now under construction as part of the Veresen Midstream infrastructure development with CRP. The facility is expected to be in service in late 2018
- Construction at each of Sunrise, Tower and Saturn remains on schedule and on budget with approximately one fifth of Veresen Midstream’s \$2.5 billion capital program (\$1.2 billion net to Veresen) incurred to date
- Veresen Midstream is also proceeding with a 50 MMcf/d refrigeration expansion of its Hythe gas processing facility, which is on track to be in service in the fall of 2016 at a capital cost of \$25 million (\$12 million net to Veresen)
- The \$140 million Burstall ethane storage facility is in the initial stages of development and is expected in service in 2018, with \$5 million spent during the quarter and an additional \$55 to \$65 million projected for the balance of the year
- Finalized key commercial terms with customers for at least 50% of the Jordan Cove LNG project’s initial design capacity and Pacific Connector Gas Pipeline (“Pacific Connector”) executed natural gas transportation service precedent agreements representing in excess of 75% of the rated capacity of the pipeline. Negotiations for the remaining terminal capacity remain ongoing with several parties
- Subsequent to the end of the quarter, Jordan Cove LNG and Pacific Connector filed with the Federal Energy Regulatory Commission (“FERC”) a request for rehearing of the FERC’s March 11, 2016 order denying the applications of Jordan Cove LNG and Pacific Connector

## Financial Overview

	Three Months Ended	
	March 31	
(\$ Millions, except per Common Share amounts)	2016	2015
<b>Adjusted net income attributable to Common Shares</b>	<b>18</b>	27
Per Common Share (\$)	<b>0.06</b>	0.09
<b>Net income attributable to Common Shares</b>	<b>7</b>	50
Per Common Share (\$)	<b>0.02</b>	0.17
<b>Distributable Cash<sup>(1)</sup></b>		
Pipeline	<b>75</b>	70
Midstream	<b>16</b>	29
Power	<b>12</b>	12
Veresen – Corporate	<b>(16)</b>	(19)
Taxes	-	(7)
Preferred Share dividends	<b>(6)</b>	(4)
<b>Total Distributable Cash</b>	<b>81</b>	81
Per Common Share (\$)	<b>0.27</b>	0.28

(1) See the reconciliation of distributable cash to cash from operating activities in tables attached to this news release.

During the first quarter, Veresen generated adjusted net income attributable to Common Shares of \$18 million or \$0.06 per Common Share, reflecting the strength of the pipeline business, offset by higher project development spend to continue the advancement of the Jordan Cove LNG project.

Distributable cash for the first quarter was \$81 million or \$0.27 per Common Share, compared to \$81 million or \$0.28 per Common Share for the same period last year. Increases from the pipeline business, reduced Corporate costs and lower cash taxes were offset by reduced cash flows from Aux Sable and higher preferred dividends.

## Proportionate Consolidation<sup>(1)</sup>

	Pipelines			Midstream		Power	Corporate	Total
	Alliance <sup>(2)</sup>	Ruby <sup>(3)</sup>	AEGS	Veresen Midstream	Aux Sable			
<b>EBITDA<sup>(4)</sup></b>	<b>82</b>	<b>52</b>	<b>6</b>	<b>18</b>	<b>3</b>	<b>25</b>	<b>(9)</b>	<b>177</b>
Interest	(13)	(16)	(1)	(5)	-	(5)	(7)	(47)
Principal Repayment	(22)	(12)	(1)	(1)	-	(4)	-	(40)
Maintenance Capex	(2)	-	-	-	(1)	(2)	-	(5)
Other <sup>(5)</sup>	(5)	7	-	3	(1)	(2)	(6)	(4)
<b>Distributable Cash</b>	<b>40</b>	<b>31</b>	<b>4</b>	<b>15</b>	<b>1</b>	<b>12</b>	<b>(22)</b>	<b>81</b>
Long-term Debt	768	729	81	547	-	389	975	3,489
Growth Capital <sup>(4)</sup>	-	-	-	69	15	-	6	90

(1) This table contains non-GAAP measures. Balances for Veresen's jointly controlled businesses represent Veresen's proportional share based on Veresen's ownership interest, and includes consolidation adjustments. See the reconciliation of distributable cash to cash from operating activities tables attached to this news release.

(2) Approximately 53% of Alliance EBITDA was earned in C\$.

(3) Ruby EBITDA presented as a 50% proportionate share with benefit of preferred distribution structure reflected in "other".

(4) Corporate EBITDA and growth capital do not include \$40 million of Jordan Cove project development spend expensed during the quarter.

(5) Corporate "other" relates to preferred share dividends.

## Business Segment Overview

Volumes by Segment	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>Pipeline</b>					
Alliance (bcf/d)					
Firm	1.391	1.325	1.325	1.325	1.325
Authorized Overrun Service (AOS) <sup>(1)</sup>	n/a	0.156	0.011	0.175	0.311
Seasonal Firm	0.094	n/a	n/a	n/a	n/a
Priority Interruptible Transportation Service (PITS) and Interruptible Transportation (IT)	0.139	n/a	n/a	n/a	n/a
Total Canadian Volumes	1.624	1.481	1.336	1.500	1.636
U.S. Bakken Volumes	0.131	0.161	0.153	0.162	0.155
Total Deliveries into Channahon	1.755	1.642	1.489	1.662	1.791
Ruby (bcf/d)	0.705	1.013	0.930	0.680	0.596
AEGS (mmbbls/d)	286	280	286	280	293
<b>Midstream</b>					
Veresen Midstream (mmcf/d)					
Hythe / Steeprock	386	392	392	394	394
Dawson	767	709	608	585	n/a
Total Veresen Midstream	1,153	1,101	1,000	979	394
Aux Sable (mmbbls/d)	69	73	57	71	66
<b>Power</b>					
Power (GWh, net)	208	155	133	155	160

(1) Under the prior cost of service model, Authorized Overrun Service (AOS) allowed all firm shippers certain additional capacity without an incremental toll. Under the new service model, capacity in excess of long term firm may be sold as seasonal firm, Priority Interruptible Transportation Service (PITS) or Interruptible Transportation (IT).

## Pipeline

### *Alliance*

Throughput volumes on Alliance were particularly strong in the pipeline's first full quarter under the new service model. Average daily throughput of 1.624 bcf/d in Canadian volumes was largely in line with the 1.636 bcf/d in the first quarter of 2015 and ahead of the 1.481 bcf/d in the fourth quarter of 2015. The strong volumes were driven by solid demand by shippers for seasonal firm and interruptible transportation to send volumes to U.S. Mid-West markets. Alliance continues to optimize the operations of the pipeline under the new service model to maximize the amount of interruptible transportation offered to shippers.

Distributable cash from Alliance was \$40 million in the first quarter. Although firm transportation rates under the new service model are lower than they were under the cost of service model, this was offset by the ability to generate revenues from seasonal and interruptible services and by certain cost reductions. Distributable cash also benefitted from a lower rate of debt amortization as a result of significant deleveraging during Alliance's first 15 years of operations. Veresen expects volumes on Alliance to remain strong in the near term as a result of persisting egress issues in producing regions that have seen continued producer activity.

Approximately 60% of firm receipt capacity on Alliance is held by shippers with investment grade credit ratings and Alliance continues to monitor potential credit exposures. Although there are no specific concerns with regard to material shippers at this time, as a normal course of business, Alliance generally requires security from counterparties that are below investment grade. The weighted average contract length on Alliance of approximately five years provides insulation from near term weakness in natural gas prices.

### *Ruby*

Volumes on Ruby during the first quarter were impacted by mild weather and weak western Canadian natural gas pricing, improving AECO's competitiveness into Malin Hub relative to sourcing from Opal Hub. Veresen's preferred distribution from Ruby provides the company with US\$91 million per year, with variance in Veresen's distributable cash only as a result of fluctuating foreign exchange rates. Investment grade shippers on Ruby represent sufficient volumes to meet Veresen's preferred distribution, with debt amortization over time continuing to reduce volumes required for coverage. Weighted average contract length on Ruby is approximately seven years.

### *AEGS*

Both volumes and distributable cash from AEGS remain very stable. During the quarter, the company continued construction of a 1 million barrel ethane storage facility located near Burstall, Saskatchewan, underpinned by a 20-year contract with NOVA Chemicals. Total cost of construction is expected to be approximately \$140 million, with \$5 million spent during the quarter and an additional \$55 to \$65 million projected for the balance of the year.

## **Midstream**

### *Veresen Midstream*

Veresen Midstream had very strong operational results in the first quarter. Volumes at Hythe / Steeprock were ahead of expectations and exceeded take-or-pay commitments, with nearly 100% plant reliability. Volumes in April were slightly impacted by curtailments in third party downstream pipelines, however, year to date volumes remain above estimate. Gathering and compression at Dawson also benefited from strong volumes in the first quarter. Saturn Phase I, which was placed into service in June 2015, continues to perform well with year to date volumes approximately 15% above estimates.

Veresen Midstream currently provides Veresen with approximately \$15 million in distributable cash each quarter. EBITDA for the quarter of \$18 million was evenly split between Hythe / Steeprock and Dawson, and was in line with the fourth quarter of 2015. Costs were also effectively in line with the prior quarter. EBITDA from Dawson is expected to continue to grow as additional gathering lines, compression and gas plants are brought into service.

In March 2016, CRP sanctioned the \$930 million Saturn Phase II processing facility, the third major facility now under construction as part of the Veresen Midstream infrastructure development with CRP. Saturn Phase II is an expansion to the previously constructed Saturn compressor station and will add 200 MMcf/d of additional compression, 400 MMcf/d of processing, and significant inlet liquids and NGL handling facilities.

Veresen Midstream is also proceeding with a 50 MMcf/d refrigeration expansion of its Hythe gas processing facility. Veresen Midstream has received all regulatory approvals for the expansion, which is expected to be in service in the fall of 2016 at a capital cost of \$25 million (\$12 million net to Veresen). The additional

capacity is in support of increased liquids-rich production by CRP. The Hythe facility expansion is governed by the existing take-or-pay Midstream Services Agreement.

Veresen Midstream currently has over \$2.5 billion (approximately \$1.2 billion net to Veresen) of projects under construction. During the quarter, a total of \$145 million (\$69 million net to Veresen) of capital was incurred. Construction remains on schedule and on budget, with approximately one fifth of expenditures incurred to date. The company continues to expect the Sunrise and Tower gas plants in service by the end of 2017 and the Saturn Phase II gas plant to be in service by mid-2018.

When all three of these facilities are operational, Veresen Midstream will have 1.5 bcf/d of processing capacity in operation and will be a dominant player in the core of the Montney, one of North America's most prolific and competitive resource plays. Once commissioned, these facilities are expected to generate incremental run-rate EBITDA of between \$250 million to \$300 million (approximately \$120 million to \$145 million net to Veresen), based on target volumes. Veresen Midstream will fund approximately 55% to 60% of the construction costs of the Sunrise, Tower and Saturn gas plants with its existing \$1.275 billion credit facility and additional non-recourse debt at the partnership level, with the balance to be contributed by Veresen and KKR over time.

Capital fees from the gas plants under construction will be generated from fee-for-service agreements where unit capital fees are set to achieve a target rate of return based on invested capital and expected throughput, and will be adjusted after 12 months of commercial operations based on updated throughput expectations. The facilities under construction, when placed into service, will address growing production volumes and current infrastructure constraints in the region and allow Veresen Midstream to take advantage of opportunities to bring in additional volumes from regional producers. As fallback protection, if Veresen Midstream has not recovered its invested capital after the eighth year of a facility's service period, the Dawson MSA provides for CRP to make a lump sum payment to Veresen Midstream for capital invested.

#### *Aux Sable*

In line with expectations, continued weakness in NGL margins resulted a minimal contribution of \$1 million of distributable cash from Aux Sable during the quarter, with the NGL Sales Agreement with BP continuing to provide certain downside protection. While liquids prices remain at cyclical lows, Veresen anticipates the U.S. Mid-West market will come into balance over the next several years as the significant build out of petrochemical capacity in the U.S. Gulf Coast comes into service and waterborne exports of ethane and propane continue to increase.

The on-going debottlenecking at the Channahon Facility will add 27,500 bbl/d additional liquids handling capacity, which will allow for increased liquids to flow on the Alliance pipeline. The project, which remains on schedule and on budget, is expected to be completed by mid-2016 with US\$11 million net to Veresen incurred during the first quarter. Approximately US\$37 million of the total US\$56 million of expenditures net to Veresen were incurred at the end of the quarter.

#### **Power**

The power segment's operations were in line with expectations, although a mild winter resulted in limited opportunities to take advantage of high energy demands typically seen during more seasonably cold winters.

#### **Jordan Cove LNG Project and Pacific Connector**

On March 11, 2016, the FERC denied the applications of Jordan Cove LNG and Pacific Connector seeking

authorization for the construction and operation of the LNG export terminal and related natural gas pipeline. Specifically, the FERC stated that in the context of a lack of demonstrated commercial support for the projects, the public benefits of Pacific Connector do not outweigh the potential for adverse impacts on landowners and communities.

In the 30 days following the FERC decision, Jordan Cove LNG finalized the key commercial terms for the purchase of at least 3 million tonnes per annum of natural gas liquefaction capacity, representing at least 50% of the project's initial design capacity. In addition, Pacific Connector executed natural gas transportation service precedent agreements representing in excess of 75% of the rated capacity of the pipeline.

Subsequent to the end of the quarter, Jordan Cove LNG and Pacific Connector submitted a request for rehearing to the FERC. The submission urges the FERC to consider the agreements with customers of the LNG terminal and shippers on Pacific Connector as evidence of market support for the projects, and that the public benefits of the projects outweigh the potential adverse impacts on landowners.

Approximately \$40 million of project development spend was incurred in the first quarter. Project development spend for the full year will be contingent on the project continuing to meet regulatory and commercial milestones.

### **Balance Sheet and Funding Strategy**

Veresen is using proceeds from its Premium Dividend™ and Dividend Reinvestment Plan as the primary source of funding for the equity component of the \$1.4 billion of projects currently under construction. At the end of the first quarter, approximately \$315 million of the aggregate cost of these projects had been incurred, with a remaining equity component requirement of approximately \$450 to \$550 million to be funded over the next three years. Veresen does not expect a need for additional external equity financing for these projects.

For the balance of the capital requirements within Veresen Midstream, the partnership expects to use its existing credit facilities, which had \$885 million (approximately \$425 million net to Veresen) of available capacity at March 31, 2016, and intends to secure additional debt at the partnership level to maintain its target capital structure. Debt at the partnership level is non-recourse to Veresen.

The debt component of the \$140 million Burstall Ethane Storage project and the remaining approximately US\$20 million in funding required to complete construction of the Aux Sable fractionation expansion will initially be funded from Veresen's existing credit facilities. Veresen intends to replace these borrowings with permanent debt financing at an appropriate time in the future.

At March 31, 2016, Veresen had approximately \$471 million of available, undrawn capacity on its \$750 million revolving credit facility. Veresen is committed to maintaining strong investment grade credit ratings. Standard & Poor's and DBRS Limited both reaffirmed Veresen's BBB (stable) credit rating during the fourth quarter of 2015.

### **2016 Guidance Reaffirmed**

Veresen has reaffirmed its 2016 distributable cash to be in the range of \$0.94 per Common Share to \$1.08 per Common Share as expected performance of the respective businesses has not changed. Further details concerning 2016 guidance can be found on the home page of Veresen's web site at [www.vereseninc.com](http://www.vereseninc.com).

### **Webcast of AGM Presentation**

Veresen is holding its annual meeting of shareholders today, Wednesday, May 4, 2016 at 2:00 p.m. Mountain Time at Livingston Place (South Tower) in the Livingston Club Conference Centre, Plus 15, 222

– 3rd Avenue S.W., Calgary, Alberta.

At approximately 2:20pm Mountain Time, and following the conclusion of the formal proceedings of Veresen's annual shareholder meeting, Mr. Don Althoff, President and CEO, will address shareholders and provide an update of Veresen's 2015 accomplishments, remarks on the current state of the business and discuss highlights of the company's key initiatives.

To view a live broadcast of the presentation on the Internet, please access the following URL:

<http://www.gowebcasting.com/7467>

A digital recording will be available on the company's website for replay two hours after the completion of the presentation.

### **Conference Call and Webcast**

A conference call and webcast presentation will be held to discuss first quarter 2016 financial and operating results at 7:00am Mountain Time (9:00am Eastern Time) on Thursday, May 5, 2016.

To listen to the conference call, please dial 647-788-4919 or 1-877-291-4570 (toll-free). This call will also be broadcast live on the Internet and may be accessed directly at the following URL:

<http://www.gowebcasting.com/7513>

A presentation will accompany the conference call and will be available via the webcast. Alternatively, the presentation will be made available immediately prior to the conference call start time of 7:00am Mountain Time on Veresen's website at: <http://www.vereseninc.com/invest/events-presentations>.

A digital recording will be available for replay two hours after the call's completion, and will remain available until May 19, 2016 21:59 Mountain Time (23:59 Eastern Time). To listen to the replay, please dial 416-621-4642 or 1-800-585-8367 (toll-free) and enter Conference ID 95413052. A digital recording will also be available for replay on the company's website.

### **About Veresen Inc.**

Veresen is a publicly-traded dividend paying corporation based in Calgary, Alberta that owns and operates energy infrastructure assets across North America. Veresen is engaged in three principal businesses: a pipeline transportation business comprised of interests in the Alliance Pipeline, the Ruby Pipeline and the Alberta Ethane Gathering System; a midstream business which includes a partnership interest in Veresen Midstream Limited Partnership which assets owns in western Canada, and an ownership interest in Aux Sable, which owns a world-class natural gas liquids (NGL) extraction facility near Chicago, and other natural gas and NGL processing energy infrastructure; and a power business comprised of a portfolio of assets in Canada. Veresen is also developing Jordan Cove LNG, a six million tonne per annum natural gas liquefaction facility proposed to be constructed in Coos Bay, Oregon, and the associated Pacific Connector Gas Pipeline. In the normal course of business, Veresen regularly evaluates and pursues acquisition and development opportunities.

Veresen's Common Shares, Cumulative Redeemable Preferred Shares, Series A, Cumulative Redeemable Preferred Shares, Series C, and Cumulative Redeemable Preferred Shares, Series E trade on the Toronto Stock Exchange under the symbols "VSN", "VSN.PR.A", "VSN.PR.C" and "VSN.PR.E", respectively. For further information, please visit [www.vereseninc.com](http://www.vereseninc.com).

### **Forward-looking Information**

Certain information contained herein relating to, but not limited to, Veresen and its businesses and the offering of the notes, constitutes forward-looking information under applicable securities laws. All statements, other than statements of historical fact, which address activities, events or developments that Veresen expects or anticipates may or will occur in the future, are forward-looking information. Forward-looking information typically contains statements with words such as "may", "estimate", "anticipate",

"believe", "expect", "plan", "intend", "target", "project", "forecast" or similar words suggesting future outcomes or outlook. Forward-looking statements in this news release include, but are not limited to, the in service dates of the Sunrise and Tower gas plants, the Saturn Phase II processing facility, the refrigeration expansion of the Hythe gas processing facility and the Burstall ethane storage facility; volumes of natural gas expected to be transported on the Alliance pipeline; cost of construction of the Burstall ethane storage facility and the refrigeration expansion of the Hythe gas processing facility; EBITDA to be realized by the Veresen Midstream facilities; the outlook for the U.S. Mid-West NGL market; the sources of equity and debt financing required to fund the capital of Veresen and Veresen Midstream. Readers are also cautioned that such additional information is not exhaustive. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are independent and management's future course of action would depend on its assessment of all information at that time. Although Veresen believes that the expectations conveyed by the forward-looking information are reasonable based on information available on the date of preparation, no assurances can be given as to future results, levels of activity and achievements. Undue reliance should not be placed on the information contained herein, as actual results achieved will vary from the information provided herein and the variations may be material. Veresen makes no representation that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained herein are made as of the date hereof, and Veresen does not undertake any obligation to update publicly or to revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Any forward-looking information contained herein is expressly qualified by this cautionary statement.

Certain financial information contained in this news release may not be standard measures under Generally Accepted Accounting Principles ("GAAP") in the United States and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community and should be used to supplement other performance measures prepared in accordance with GAAP in the United States. US GAAP requires us to equity account for our investments in jointly-controlled businesses. However, we have chosen to provide some information on our jointly-controlled businesses on a proportionate basis to assist the reader. For further information on other non-GAAP financial measures used by Veresen see Management's Discussion and Analysis, in particular, the section entitled "Non-GAAP Financial Measures" contained in the annual Management Discussion and Analysis, filed by Veresen with Canadian securities regulators.

For further information, please contact:

Mark Chyc-Cies  
Investor Relations Director  
Phone: (403) 213-3633  
Email: [investor-relations@vereseninc.com](mailto:investor-relations@vereseninc.com)

™ denotes trademark of Canaccord Genuity Corp.

**Veresen Inc.****Consolidated Statement of Financial Position**

(Canadian \$ Millions; number of shares in Millions)	March 31, 2016	December 31, 2015
<b>Assets</b>		
Current assets		
Cash and short-term investments	54	58
Restricted cash	7	7
Distributions receivable	42	52
Accounts receivable and other	46	36
	149	153
Investments in jointly-controlled businesses	1,396	1,312
Investments held at cost	1,857	1,981
Pipeline, plant and other capital assets	909	919
Intangible assets	147	151
Due from jointly-controlled businesses	42	42
Other assets	5	2
	4,505	4,560
<b>Liabilities</b>		
Current liabilities		
Payables	66	65
Deferred revenue	2	2
Dividends payable	25	25
Current portion of long-term senior debt	12	13
	105	105
Long-term senior debt	1,210	1,076
Deferred tax liabilities	255	256
Other long-term liabilities	36	36
	1,606	1,473
<b>Shareholders' Equity</b>		
Share capital		
Preferred shares	536	536
Common shares (305 and 299 outstanding at March 31, 2016 and December 31, 2015, respectively)	3,399	3,354
Additional paid-in capital	4	4
Cumulative other comprehensive income	195	359
Accumulated deficit	(1,235)	(1,166)
	2,899	3,087
	4,505	4,560

**Veresen Inc.****Consolidated Statement of Income**

(Canadian \$ Millions, except per Common Share amounts)	Three months ended March 31	
	2016	2015
Equity income	47	30
Dividend income	31	28
Operating revenues	37	72
Operations and maintenance	(15)	(28)
General and administrative	(13)	(12)
Project development	(40)	(18)
Depreciation and amortization	(13)	(20)
Interest and other finance	(12)	(16)
Foreign exchange and other	-	2
Gain on sale of assets	-	37
Net income before tax	22	75
Current tax	(2)	(20)
Deferred tax	(7)	(1)
Net income	13	54
Preferred Share dividends	(6)	(4)
Net income attributable to Common Shares	7	50
Net income per Common Share, Basic and diluted	0.02	0.17

**Consolidated Statement of Comprehensive Income (Loss)**

(Canadian \$ Millions; unaudited)	Three months ended March 31	
	2016	2015
Net income	13	54
Other comprehensive income		
Unrealized foreign exchange gain (loss) on translation	(164)	202
Other comprehensive income (loss)	(164)	202
Comprehensive income (loss)	(151)	256
Preferred Share dividends	(6)	(4)
Comprehensive income (loss) attributable to Common Shares	(157)	252

**Veresen Inc.****Consolidated Statement of Cash Flows**

(Canadian \$ Millions; unaudited)	Three months ended March 31	
	2016	2015
Operating		
Net income	13	54
Equity income	(47)	(30)
Distributions from jointly-controlled businesses	68	52
Depreciation and amortization	13	20
Foreign exchange and other non-cash items	2	3
Deferred tax	7	1
Gain on sale of assets	-	(37)
Changes in non-cash working capital	(8)	(30)
	48	33
Investing		
Proceeds from sale of assets	-	420
Proceeds from sale of discontinued operations	-	34
Investments in jointly-controlled businesses	(136)	(14)
Return of capital from jointly-controlled businesses	1	25
Pipeline, plant and other capital assets	(8)	(26)
Other	-	(2)
	(143)	437
Financing		
Long-term debt repaid	(2)	(422)
Net change in credit facilities	132	2
Common shares dividends paid	(30)	(24)
Preferred Shares dividends paid	(6)	(4)
	94	(448)
Increase (decrease) in cash and short-term investments	(1)	22
Effect of foreign exchange rate changes on cash and short-term investments	(3)	5
Cash and short-term investments at the beginning of the period	58	51
Cash and short-term investments at the end of the period	54	78

**Veresen Inc.****Distributable Cash**

(Canadian \$ Millions, except per Common Share amounts; unaudited)	Three months ended March 31	
	2016	2015
Pipeline	75	70
Midstream	16	29
Power	12	12
Veresen - Corporate	(16)	(19)
Current tax	-	(7)
Preferred Share dividends	(6)	(4)
Distributable cash <sup>(1)</sup>	81	81
Distributable cash per Common Share (\$) <sup>(2)</sup>	0.27	0.28
Dividends paid/payable <sup>(3)</sup>	76	72
Dividends paid/payable per Common Share (\$)	0.25	0.25

(1) Distributable cash is not a standard measure under generally accepted accounting principles in the United States and may not be comparable to similar measures presented by other entities. Distributable cash represents the cash available to Veresen for distribution to common shareholders after providing for debt service obligations, Preferred Share dividends, and any maintenance and sustaining capital expenditures. Distributable cash does not include distribution reserves, if any, available in jointly-controlled businesses, project development costs, or transaction costs incurred in conjunction with acquisitions. Project development costs are discretionary, non-recoverable costs incurred to assess the commercial viability of greenfield business initiatives unrelated to the Company's operating businesses. The Company considers transaction costs to be part of the consideration paid for an acquired business and, as such, are unrelated to the Company's operating businesses. Distributable cash is an important measure used by the investment community to assess the source and sustainability of Veresen's cash distributions and should be used to supplement other performance measures prepared in accordance with generally accepted accounting principles in the United States. See the following table for the reconciliation of distributable cash to cash from operating activities.

(2) The number of Common Shares used to calculate distributable cash per Common Share is based on the average number of Common Shares outstanding at each record date. For the three months ended March 31, 2016, the average number of Common Shares outstanding for this calculation was 301,513,067 (2015 – 286,311,751) on a basic and diluted basis, respectively.

(3) Includes \$47 million of dividends for the three months ended March 31, 2016, respectively (2015 - \$47 million) satisfied through the issuance of Common Shares under the Company's Premium Dividend™ (trademark of Canaccord Genuity Corp.) and Dividend Reinvestment Plan.

**Veresen Inc.****Reconciliation of Distributable Cash to Cash from Operating Activities**

(Canadian \$ Millions; unaudited)	Three months ended March 31	
	2016	2015
Cash from operating activities	48	33
Add (deduct):		
Project development costs <sup>(4)</sup>	40	18
Change in non-cash working capital and other	10	39
Principal repayments on senior notes	(3)	(3)
Maintenance capital expenditures	(1)	(1)
Distributions earned less than distributions received <sup>(5)</sup>	(7)	(1)
Preferred Share dividends	(6)	(4)
Distributable cash	81	81

(4) Represents costs incurred by us in relation to projects where the recoverability of such costs has not yet been established. Amounts incurred for the three months ended March 31, 2016 relate primarily to the Jordan Cove LNG terminal project, the Pacific Connector Gas Pipeline project, and various other development projects.

(5) Represents the difference between distributions declared by jointly-controlled businesses and distributions received.

Veresen Inc.

Reconciliation of Net Income to Adjusted Net Income Attributable to Common Shares

(Canadian \$ Millions; unaudited)	Three months ended March 31	
	2016	2015
Adjusted net income attributable to Common Shares	18	27
Midstream - gain on sale of assets <sup>(6)</sup>	-	37
Midstream - unrealized gain (loss) on revaluation of Veresen Midstream debt <sup>(7)</sup>	24	(5)
Midstream - unrealized gain (loss) on Veresen Midstream cross currency swap <sup>(8)</sup>	(23)	4
Power - unrealized loss on interest rate hedge <sup>(9)</sup>	(7)	(5)
Taxes <sup>(10)</sup>	2	(8)
Capital gains tax on U.S.-based organizational restructuring <sup>(11)</sup>	(7)	-
Net income attributable to Common Shares	7	50

Net income attributable to Common Shares includes the following items which are non-operating in nature and/or unusual items and which we do not expect to recur:

(6) Gain on the sale of the Hythe/Steeprock assets to Veresen Midstream on March 31, 2015.

(7) Gain (loss) on the revaluation of US dollar-denominated Term Loan B held by Veresen Midstream.

(8) Gain (loss) on the Veresen Midstream cross currency swap entered into to hedge the impact of changes in foreign exchange and interest rates on the Term Loan B held by Veresen Midstream.

(9) Loss on revaluation of interest rate hedges held by York Energy Centre and Grand Valley II.

(10) The related taxes on the adjusting items described above.

(11) Capital gains tax arising from our U.S.-based organizational restructuring effective January 1, 2016.