Management's Discussion and Analysis

For the three months ended March 31, 2013

Forward-Looking Information

The following Management's Discussion and Analysis (MD&A) highlights Inter Pipeline Fund's (Inter Pipeline) significant business results and statistics for the three month period ended March 31, 2013, to provide Inter Pipeline's unitholders and potential investors with information about Inter Pipeline and its subsidiaries, including management's assessment of Inter Pipeline's and its subsidiaries' future plans and operations. This information may not be appropriate for other purposes. This MD&A contains certain forward-looking statements or information (collectively referred to as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expect", "continue", "estimate", "believe", "project", "forecast", "plan", "intend", "target" and similar words suggesting future outcomes or statements regarding an outlook. Any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to statements regarding: 1) Inter Pipeline's beliefs that it is well positioned to maintain its current level of distributions to its unitholders through 2013 and beyond; 2) the maintenance of Inter Pipeline's distribution level combined with the tax treatment of distributions to its unitholders effective in 2011 should result in a favourable after-tax treatment for Inter Pipeline's taxable unitholders; 3) Inter Pipeline being well positioned to operate and grow in the future; 4) cash flow projections; 5) timing for completion of various projects, including the Polaris diluent pipeline project for the new pipeline connection to the Sunrise oil sands project (Sunrise project), the expansion and integration of the Cold Lake and Polaris pipeline systems to provide transportation service to the Narrows Lake, Christina Lake and Foster Creek oil sands projects and Cochrane liquid sweetening project; 6) timing and cost schedules of Polaris and Cold Lake capital projects, and forward EBITDA estimates in respect of these projects; and, 7) capital forecasts.

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 Pipeline Management Inc. (General Partner), the general partner of Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the forward-looking statements. By their nature, forward-looking statements involve a variety of assumptions and are subject to various known and unknown risks, uncertainties and other factors, which are beyond Inter Pipeline's control, including, but 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 (NGL) 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 distributions to its unitholders; 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 oil sands projects and future expansions of Inter Pipeline's oil sands 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 laws and regulations; 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 is not determinable 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.

Readers are cautioned that the foregoing list of important factors is not exhaustive. See also the section entitled RISK FACTORS for further risk factors. The forward-looking statements contained in this MD&A are made as of the date of this document and, except to the extent expressly 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.

Management's Discussion and Analysis

For the three month period ended March 31, 2013

The MD&A provides a detailed explanation of Inter Pipeline's operating results for the three month period ended March 31, 2013, as compared to the three month period ended March 31, 2012. The MD&A should be read in conjunction with the March 31, 2013 unaudited condensed interim consolidated financial statements (interim financial statements), the interim financial statements and MD&A for the quarterly period ended March 31, 2012, the MD&A and audited consolidated financial statements for the year ended December 31, 2012, the **Annual Information Form** and other information filed by Inter Pipeline at www.sedar.com.

Financial information presented in this MD&A is based on information in Inter Pipeline's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

This MD&A reports certain financial measures that are not recognized by Canadian generally accepted accounting principles (GAAP), as outlined in the CICA Handbook Part 1, and used by management to evaluate the performance of Inter Pipeline and its business segments. Since certain non-GAAP and additional GAAP financial measures may not have a standardized meaning, securities regulations require that non-GAAP and additional GAAP financial measures are clearly defined, qualified and reconciled with their nearest GAAP measure. See the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section for further information on the definition, calculation and reconciliation of non-GAAP and additional GAAP financial measures. All amounts are in Canadian dollars unless specified otherwise.

Management determines whether information presented in this MD&A is material based on whether it believes a reasonable investor's decision to buy, sell or hold securities in Inter Pipeline would likely be influenced or changed if the information was omitted or misstated.

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FIRST QUARTER HIGHLIGHTS

- Funds from operations* totaled $109 million, in line with first quarter 2012 levels
- Low quarterly payout ratio* of 72%
- Declared cash distributions of $77 million or $0.2775 per unit
- Net income for the quarter totaled $72 million
- Throughput volumes on oil sands and conventional oil pipeline systems averaged a quarterly record 1,075,300 barrels per day (b/d), 117,100 b/d higher than first quarter 2012
- Inter Pipeline's oil sands transportation segment achieved record throughputs of 890,000 b/d, an increase of 111,100 b/d compared to volumes shipped in the first quarter of 2012
- Throughput volumes averaged 185,300 b/d on Inter Pipeline's conventional oil pipeline systems, an increase of 6,000 b/d over first quarter 2012 levels
- Executed long-term, cost-of-service transportation agreements for a $2.6 billion integrated development program for the Cold Lake and Polaris pipeline systems
- Polaris pipeline system delivered initial diluent volumes to Imperial's Kearl production site

SUBSEQUENT EVENTS

- Entered into a new long-term ethane sales agreement with NOVA Chemicals
- Increased capacity on Inter Pipeline's revolving credit facility from $750 million to $1.25 billion

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* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

PERFORMANCE OVERVIEW

(millions, except per unit and % amounts)	Three Months Ended March 31 2013[1]	Three Months Ended March 31 2012[1] (restated)
Revenues		
Oil sands transportation	$ 91.6	$ 75.1
NGL extraction	129.4	136.7
Conventional oil pipelines	67.3	51.2
Bulk liquid storage	39.4	38.7
	$ 327.7	$ 301.7
Funds from operations[2][3]		
Oil sands transportation[3]	$ 50.8	$ 44.1
NGL extraction	43.0	57.0
Conventional oil pipelines	40.4	40.5
Bulk liquid storage	20.4	19.3
Corporate costs	(45.2)	(50.1)
	$ 109.4	$ 110.8
Per unit[2]	$ 0.40	$ 0.42
Net income	$ 72.2	$ 82.1
Net income attributable to unitholders	$ 69.7	$ 79.6
Per unit – basic and diluted	$ 0.25	$ 0.30
Distributions to unitholders[4]	$ 76.8	$ 69.9
Per unit[4]	$ 0.2775	$ 0.2625
Units outstanding (basic)		
Weighted average	276.4	265.7
End of period	277.6	267.2
Capital expenditures		
Growth[2]	$ 407.6	$ 40.2
Sustaining[2]	5.9	6.4
	$ 413.5	$ 46.6
Payout ratio[2]	72.2%	64.7%

(millions, except % amounts)	As at March 31 2013[1]	As at December 31 2012[1] (restated)
Total assets	$ 6,006.0	$ 5,682.4
Total debt[5]	$ 3,246.6	$ 3,127.6
Total partners' equity	$ 1,686.9	$ 1,659.5
Enterprise value[2]	$ 9,862.2	$ 9,593.8
Total debt to total capitalization[2]	65.8%	65.3%
Total recourse debt to capitalization[2]	48.7%	47.0%

(1) IFRS 10 *Consolidated Financial Statements* adoption is effective as of January 1, 2013 and restated for 2012 as required for comparative purposes. Please refer to the **ACCOUNTING POLICIES ADOPTED IN 2013** section for further discussion.
(2) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
(3) Funds from operations[2] at March 31, 2013, include $3.0 million (March 31, 2012 - $2.8 million) relating to non-controlling interest.
(4) Distributions to unitholders are calculated based on the number of units outstanding at each record date.
(5) Total debt reported in the March 31, 2013 interim financial statements of $3,231.6 million, includes long-term debt and commercial paper of $3,246.6 million less discounts and debt transaction costs of $15.0 million.

THREE MONTHS ENDED MARCH 31, 2013

Inter Pipeline generated strong financial results in the first quarter of 2013. FFO* totaled $109.4 million, comparable to the $110.8 million generated in the first quarter of 2012. In 2013, the impact of lower frac-spreads in the NGL extraction business were substantially offset by increased financial results from the oil sands transportation business and the bulk liquid storage business. The oil sands transportation business generated incremental FFO* of $6.7 million or 15.2% mainly due to the Polaris pipeline system entering commercial service in the third quarter of 2012. Financial results were also higher in the bulk liquid storage business with FFO* at $20.4 million compared to $19.3 million in the first quarter of 2012. This increase was primarily due to the inclusion of a full quarter of results from a Danish petroleum storage business that Inter Pipeline acquired in January 2012. FFO* from the conventional oil pipelines business in the first quarter of 2013 was $40.4 million and comparable to $40.5 million in 2012. Corporate costs in the first quarter of 2013 were lower than in 2012 as Inter Pipeline paid a one-time acquisition fee related to the Danish storage business. Inter Pipeline's strong financial results for the quarter are reflected by a low payout ratio* of 72.2%.

In the first three months of 2013, net income of $72.2 million was $9.9 million lower than $82.1 million reported in the comparable period in 2012. In addition to the lower operating results discussed above, net income was also impacted by an unfavourable mark-to-market adjustment of its derivative financial instruments, higher depreciation and amortization, as well as a loss on disposal of assets.

Total distributions to unitholders for the three months ended March 31, 2013, were $76.8 million, an increase of 9.9% over the same period in 2012. This $6.9 million increase was largely due to increased monthly distributions of $0.005 per unit in December 2012 and an increase in the overall number of units outstanding.

Inter Pipeline's total consolidated debt increased $119.0 million from $3,127.6 million at December 31, 2012 to $3,246.6 million at March 31, 2013. During this period Inter Pipeline expended $413.5 million on capital projects. Total recourse debt to capitalization* ratio increased to 48.7% at March 31, 2013 from 47.0% at December 31, 2012. Adjusting for the inclusion of non-recourse debt of $1,644.4 million held within Inter Pipeline's Corridor corporate entity, Inter Pipeline's total debt to total capitalization ratio* at March 31, 2013 was 65.8% compared to 65.3% at December 31, 2012.

OUTLOOK

Inter Pipeline's business strategy is to acquire and develop long-life, high-quality energy infrastructure assets that generate stable and predictable cash flow. Inter Pipeline presently owns and operates a large energy infrastructure base comprised of four well established business segments, which offer a broad range of organic growth opportunities. We are currently embarking on a multi-year development plan that is expected to significantly increase future cash flows and support stable and growing returns to unitholders.

A number of Canada's largest energy companies have recently signed firm commitments to transport bitumen blend and diluent on Inter Pipeline's oil sands pipeline systems. These commitments are material, and indicative that Alberta's oil sands deposits remain a key supply source to meet the world's energy needs. The new agreements support a multi-year organic development program in Inter Pipeline's oil sands transportation business segment that will significantly expand diluent and diluted bitumen transportation capabilities between major market hubs in Edmonton and Hardisty, Alberta, and the Cold Lake and Athabasca oil sands regions.

In the first quarter of 2013, Inter Pipeline signed long term agreements to transport petroleum products that will nearly double oil sands transportation throughput levels over the next three to four years. The FCCL Partnership (FCCL), a business venture between Cenovus Energy and ConocoPhillips, signed long term agreements for committed capacity of 500,000 b/d of bitumen blend and 350,000 b/d of diluent. To accommodate these volumes, a $2.6 billion integrated oil sands development program is underway that will expand and integrate the Cold Lake and Polaris pipeline

* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

systems, and connect both systems to production sites in the Cold Lake region. Inter Pipeline will provide transportation services to existing FCCL projects at Foster Creek and Christina Lake, as well as the Narrows Lake project which is under development. Once fully in service, the new pipeline infrastructure will generate long term annual EBITDA* of between $260 million and $290 million. The agreements are for an initial term of 20 years and can be extended for a further 30 years.

The Cold Lake pipeline system development consists of multiple new projects that will total approximately $1.4 billion (Inter Pipeline's 85% share). Approximately 400 kilometres (km) of new pipeline, ranging from 20 to 42 inches in diameter, and associated facilities will be constructed to: 1) twin the south leg of the existing Cold Lake mainline from La Corey to Hardisty, Alberta; 2) twin the existing pipeline from Foster Creek to La Corey; and, 3) extend the Cold Lake pipeline system north to Narrows Lake. When completed, the Cold Lake pipeline system's mainline throughput capacity will increase by 550,000 b/d to approximately 1.2 million b/d. The Cold Lake pipeline system's throughput capacity can be further increased to approximately 1.9 million b/d through the installation of additional pumping facilities and associated infrastructure.

The expansions to the Polaris pipeline system are expected to cost approximately $1.2 billion. A total of approximately 440 km of new pipeline will be constructed including 340 km of 24 and 30 inch diameter pipeline that will connect diluent receipt points in the Edmonton area to Inter Pipeline's Lamont pump station, and then extend north to the Christina Lake project. Approximately 100 km of new pipeline ranging from 12 to 16 inches in diameter will also be installed as part of the Narrows Lake and Foster Creek connections. Upon completion, the Polaris pipeline system will have approximately 820,000 b/d of diluent delivery capacity to the Athabasca and Cold Lake oil sands regions. The Polaris pipeline system can be further expanded to an ultimate capacity of 1.2 million b/d by installing additional pumping stations and related infrastructure.

The projects related to the Foster Creek and Christina Lake facilities for diluent and diluted bitumen transportation are expected to enter commercial service in phases commencing in mid 2014. Those related to the Narrows Lake project are anticipated to be operational in mid 2017.

The Imperial Kearl, Husky Sunrise, Suncor and FCCL projects combined will provide incremental long-term EBITDA* of approximately $330 million to $360 million per year once fully in service. For reference, Inter Pipeline's 2012 EBITDA* totaled $573 million.

When current expansions are complete, over 400,000 b/d of spare transportation capacity will be available on the Polaris and Cold Lake pipeline systems. Total capacity of the Polaris and Cold Lake pipeline systems can be cost-effectively increased by over one million b/d through the addition of pumping stations and associated infrastructure, as outlined above. Inter Pipeline intends to use this significant system capacity to aggressively pursue further diluent and bitumen blend transportation opportunities. Inter Pipeline currently has up to $250 million in additional backstopping agreements in place with respect to other oil sands related projects.

Subsequent to quarter end, Inter Pipeline announced that it had entered into a long-term ethane sales agreement with NOVA Chemicals. The agreement, which extends from 2015 through 2024, will see NOVA Chemicals purchase the majority of the ethane produced from Inter Pipeline's Cochrane extraction facility. The new agreement will add approximately $20 million per year in incremental EBITDA* once in effect in 2015. The agreement also provides provisions for the interim 2013 and 2014 period, during which EBITDA* will increase by approximately $10 million annually. Inter Pipeline is pleased to extend the relationship with one of Canada's leading petrochemical manufacturers.

Inter Pipeline continues to maintain a strong balance sheet and is well positioned to finance its future capital commitments. Majority of funding will be met through a combination of credit capacity available under its revolving credit facility, undistributed cash flow from operations, the issuance of new term debt and proceeds from existing distribution reinvestment programs. Inter Pipeline may supplement its capital requirements through the periodic issuance of comparatively small amounts of underwritten equity.

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* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

Inter Pipeline's investment grade credit ratings are key to strong market access and reflect confidence in Inter Pipeline's ability to execute its business strategy. Standard & Poor's (S&P) and DBRS Limited (DBRS) have assigned Inter Pipeline credit ratings of BBB+ and BBB (high), respectively, each with a stable trend. Inter Pipeline (Corridor) Inc. (Corridor) has been assigned investment grade credit ratings of A (stable outlook) from S&P and DBRS and A2 (stable outlook) from Moody's Investors Service (Moody's).

Inter Pipeline is well positioned to maintain its long-term record of providing strong investment returns to investors. The growing stability of our cash flow streams, a healthy balance sheet and large organic growth program underway give us confidence that our business will continue to grow and be a rewarding investment for our unitholders.

RESULTS OF OPERATIONS

OIL SANDS TRANSPORTATION BUSINESS SEGMENT

	Three Months Ended March 31		
Volumes (000s b/d)	2013	2012	*% change*
Cold Lake (100% basis)	533.2	486.4	*9.6*
Corridor	355.6	292.5	*21.6*
Polaris	1.2	-	*100.0*
	890.0	778.9	*14.3*

(millions)		*(restated)*	
Revenue[1]	$ 91.6	$ 75.1	*22.0*
Operating expenses[1]	$ 27.6	$ 19.6	*40.8*
Funds from operations[1][2]	$ 50.8	$ 44.1	*15.2*
Capital expenditures[1]			
Growth[2]	$ 381.6	$ 29.3	
Sustaining[2]	0.4	0.9	
	$ 382.0	$ 30.2	

(1) For the three months ended March 31, 2013, Cold Lake pipeline system's revenue, operating expenses, FFO[2] and capital expenditures include $4.9 million (2012 - $4.5 million), $1.9 million (2012 - $1.6 million), $3.0 million (2012 - $2.8 million) and $2.1 million (2012 - $0.7 million), respectively, relating to the non-controlling interest.

(2) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.

Volumes

Average volumes transported by the oil sands transportation business increased 14.3% to 890,000 b/d in the first quarter of 2013, an increase of 111,100 b/d over first quarter 2012 volumes.

The Cold Lake pipeline system is a bitumen blend and diluent pipeline system that transports diluted bitumen from the Cold Lake oil sands area of Alberta to delivery points in Hardisty and Edmonton, Alberta. Average volumes increased 46,800 b/d on the Cold Lake pipeline system to 533,200 b/d during the first quarter of 2013, compared to the same period in 2012. Volumes on the Cold Lake pipeline system primarily fluctuate as a result of the timing of steam injection cycles associated with the production processes of certain shippers. Long-term volume growth is anticipated on the Cold Lake pipeline system, which is consistent with shippers' published forecasts.

The Corridor pipeline system transports diluted bitumen produced from the Muskeg River and Jackpine mines near Fort McMurray, Alberta to the Scotford upgrader located northeast of Edmonton, Alberta, as well as feedstock and upgraded products between the Scotford upgrader and certain pipeline terminals in Edmonton. Average volumes increased 21.6% on the Corridor pipeline system or 63,100 b/d to 355,600 b/d in the first quarter of 2013, compared to the same period in 2012. Higher

production from Athabasca Oil Sands Project's Jackpine mine was the primary driver for the increase in volumes.

The Polaris pipeline system currently provides diluent transportation services from the area northeast of Edmonton to the Kearl oil sands project and will begin diluent transportation service for the Sunrise oil sands project in the second half of 2013. In March 2013, the Polaris pipeline system began transporting diluent to the Kearl oil sands project with volumes averaging 1,200 b/d for the quarter.

Revenue

Revenue generated by the oil sands transportation business was $91.6 million in the three months ended March 31, 2013, $16.5 million higher than the same period in 2012.

For the first three months of 2013, Cold Lake pipeline system revenue was $2.5 million higher than the same period in 2012. Revenue increased as a result of higher operating cost recoveries and increased volumes transported on the Cold Lake pipeline system.

The Cold Lake Transportation Services Agreement (Cold Lake TSA) provides for a structured return on capital invested including a defined capital fee that is applied to volumes transported through the pipelines and facilities that comprise the Cold Lake pipeline system, and a recovery of substantially all operating costs. The founding shippers have committed to utilizing these pipelines and paying for such usage over the term of the Cold Lake TSA which extends indefinitely subject to certain provisions in the agreement. Additional returns on capital invested and recovery of associated operating costs are also earned with respect to other agreements between Cold Lake and shippers utilizing the Cold Lake pipeline system.

Revenues from the Corridor pipeline system decreased $2.6 million during the three months ended March 31, 2013, compared to the same period in 2012. The decrease in revenue is primarily due to a reduction in the Corridor rate base resulting from the transfer of a surplus 12-inch diameter pipeline to the Polaris pipeline system in the third quarter of 2012.

The Corridor Firm Service Agreement (Corridor FSA) utilizes a rate base cost-of-service approach to establish a revenue requirement which provides for recovery of all debt financing costs, operating costs, rate base depreciation and taxes, in addition to providing a return on equity. As a result of this cost-of-service approach, Corridor's FFO[*] is not impacted by throughput volumes or commodity price fluctuations. The main drivers of any potential variation in Corridor's FFO[*] are changes to the long-term Government of Canada bond rate upon which the annual return on equity is determined, and changes to Corridor's rate base.

Polaris pipeline system generated revenue of $16.6 million in the first quarter of 2013. This pipeline system began generating revenue in the third quarter of 2012, which consists of capital fee revenue, operating cost recoveries and the reimbursement of certain construction related expenditures.

On August 15, 2012, Corridor's 12-inch diameter pipeline was transferred to the Polaris pipeline system and removed from Corridor's rate base as it entered commercial service. The Polaris pipeline system currently generates revenue under a 25-year diluent transportation agreement with Imperial Oil utilizing a cost-of-service approach providing for a return on capital invested and recovery of all operating costs. Throughput volumes or commodity price fluctuations do not impact Polaris' FFO[*] as a result of the cost-of-service agreement.

Operating Expenses

In the oil sands transportation business segment, operating expenses typically have a limited impact on Inter Pipeline's cash flow. On the Cold Lake pipeline system, substantially all operating expenditures are recovered from the shippers, while on the Corridor and Polaris pipeline systems there is full recovery of these costs. Operating expenses in the oil sands transportation business were $27.6 million for the first quarter of 2013, an increase of $8.0 million compared to the same period in 2012.

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[*] Please refer to the **NON-GAAP FINANCIAL MEASURES** section

Operating expenses in the Cold Lake pipeline system increased $2.3 million in the first quarter of 2013, compared to the same period in 2012. The increase is primarily due to higher general operating and integrity costs, as well as higher power costs resulting from increased power prices and shipped volumes.

For the three months ended March 31, 2013, operating expenses in the Corridor pipeline system decreased $0.5 million, compared to the same period in 2012. The decrease in operating expenses is primarily due to the transfer of the 12-inch pipeline to the Polaris pipeline system as discussed above.

The Polaris pipeline system incurred operating costs of $6.2 million in the first quarter of 2013, primarily relating to property taxes, employee and routine operating costs as well as certain construction related expenditures.

Capital Expenditures

In the first quarter of 2013, the Cold Lake pipeline system incurred total growth capital expenditures[*] of $273.3 million, most of which related to Cold Lake pipeline's oil sands development program. These expenditures include initial engineering, design and procurement of long lead items.

Included in the $273.3 million is $13.0 million incurred on the Cold Lake west leg expansion project, for a total of $58.0 million spent to date on the project. Bitumen blend capacity on the mainline will be increased from approximately 535,000 b/d to 650,000 b/d by expanding existing pump stations and the addition of two new pump stations. The project is expected to cost $90.0 million (100%), with an in service date in the second half of 2013.

In the first quarter of 2013, total growth capital expenditures[*] on the Polaris pipeline system were $108.3 million, with $93.9 million incurred on its $1.2 billion development plan, for a total of $137.3 million spent to date. These expenditures relate to initial engineering, design and procurement of long lead items. Further description of the Cold Lake and Polaris development plans can be found in the **Outlook** section of this MD&A.

Growth capital expenditures[*] incurred on the Sunrise project in the first quarter were $3.7 million, relating to facility and pipeline construction activities. The Polaris pipeline system will be ready to provide diluent transportation service for the Sunrise oil sands project in the second half of 2013.

The remaining growth capital expenditures[*] of $10.7 million incurred during the quarter on the Polaris pipeline system were spent on various other development initiatives.

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[*] Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

NGL EXTRACTION BUSINESS SEGMENT

	Three Months Ended March 31							
				2013				2012
	mmcf/d	*(000s b/d)*			*mmcf/d*	*(000s b/d)*		
Facility	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	1,850	53.7	25.5	79.2	1,879	56.3	25.5	81.8
Empress V (100% basis)	924	24.7	11.1	35.8	831	22.3	7.5	29.8
Empress II	-	-	-	-	-	-	-	-
	2,774	78.4	36.6	115.0	2,710	78.6	33.0	111.6

	Three Months Ended March 31		
(millions)	2013	2012	*% change*
Revenue[1]	$ 129.4	$ 136.7	*(5.3)*
Shrinkage gas[1]	$ 61.6	$ 56.0	*10.0*
Operating expenses[1]	$ 24.6	$ 23.5	*4.7*
Funds from operations[1][2]	$ 43.0	$ 57.0	*(24.6)*
Capital expenditures[1]			
Growth[2]	$ 12.3	$ 4.9	
Sustaining[2]	0.6	0.4	
	$ 12.9	$ 5.3	

(1) Revenue, shrinkage gas, operating expenses, FFO [2] and capital expenditures for the Empress V NGL extraction facility are recorded based on Inter Pipeline's 50% ownership.
(2) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.

Volumes

Average natural gas throughput volumes processed by Inter Pipeline's NGL extraction facilities were 2,774 million cubic feet per day (mmcf/d) during the first quarter of 2013, an increase of 64 mmcf/d from the same period in 2012.

During the first quarter of 2013, average natural gas throughput volumes at the Cochrane facility of 1,850 mmcf/d were comparable to volumes in 2012. Cochrane volumes fluctuate primarily in accordance with demand for Canadian natural gas in the US west-coast region.

Average throughput volume increased 93 mmcf/d at the Empress V facility during the first quarter of 2013, compared to the same period in 2012. Throughput volume at the Empress facilities fluctuate in accordance with natural gas exports from Alberta's eastern border and are also largely dependent on successfully attracting border gas flows to the extraction facilities.

Revenue

The NGL extraction business earns revenue from a combination of commodity-based, fee-based and cost-of-service arrangements. Commodity-based contracts provide for a sharing of profits from the sale of NGL products between the NGL extraction business and the purchaser. The profit share calculation consists of revenue from the sale of NGL products less costs to bring the NGL product to market, including extraction, shrinkage gas, fractionation and marketing costs. Commodity-based contracts are exposed to frac-spread and volume risks. Fee-based contracts provide a fixed fee associated with each barrel of NGL produced and recovery of operating costs, including shrinkage gas costs. There is no commodity price exposure associated with this type of contract; however, fee-based contracts are exposed to volume fluctuations. Cost-of-service contracts provide a structured return on capital invested utilizing a rate base approach and a recovery of operating costs, including shrinkage gas. This form of contract provides the most stable cash flow of the three contract types, as there is minimal volume risk and no commodity price exposure.

Revenue for the first quarter of 2013 was $129.4 million, which is $7.3 million lower than the comparable period in 2012. The decrease in revenue was mainly driven by lower propane-plus pricing, which was partially offset by higher ethane pricing, while volumes were fairly consistent.

Frac-spread

	Three Months Ended March 31			
(dollars)	2013		2012	
	USD/USG [(1)]	CAD/USG [(1)]	USD/USG [(1)]	CAD/USG [(1)]
Market frac-spread	$ 0.834	$ 0.841	$ 1.259	$ 1.260
Realized frac-spread	$ 0.877	$ 0.885	$ 1.148	$ 1.149

(1) The differential between USD/USG and CAD/USG frac-spreads is due to fluctuations in exchange rates between US and Canadian dollars.

Market frac-spread is defined as the difference between the weighted average propane-plus price at Mont Belvieu, Texas and the monthly index price of AECO natural gas purchased for shrinkage calculated in US dollars per US gallon (USD/USG). This price is converted to Canadian dollars per US gallon (CAD/USG) based on the average monthly Bank of Canada CAD/USD noon rate. Realized frac-spread is defined in a similar manner and is calculated on a weighted average basis using market frac-spread for unhedged production and fixed-price frac-spread prices for the remaining hedged production. Propane-plus market price differentials, natural gas transportation and extraction premium costs have not been significant historically, and therefore are not included in the calculation of realized frac-spread. See the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section for further discussion of frac-spread hedges.

Realized frac-spreads decreased from $1.15 USD/USG in the first quarter of 2012 to $0.88 USD/USG for the same period in 2013. The 5-year and 15-year simple average market frac-spreads, as at December 31, 2012, were $0.91 USD/USG and $0.50 USD/USG, respectively.

Shrinkage

Shrinkage gas represents natural gas bought by Inter Pipeline to replace the heat content of liquids extracted from natural gas processed at the extraction facilities. The price for shrinkage gas is based on a combination of daily and monthly index AECO natural gas prices. During the first three months of 2013, shrinkage gas expense increased $5.6 million over the comparable period in 2012, primarily due to higher AECO natural gas prices. Weighted average monthly AECO prices[*] increased 22.2% from $2.39 per gigajoule (GJ) in the first quarter of 2012 to $2.92/GJ in the first quarter of 2013.

Operating Expenses

For the first quarter of 2013, operating expenses increased $1.1 million compared to the same period in 2012 as fuel and power costs were $1.7 million higher, but were partially offset by lower general operating and maintenance costs. Average Alberta power pool prices increased from $60.12/MWh to $65.30/MWh in the first quarter of 2012 to the first quarter of 2013, respectively.

Capital Expenditures

The NGL extraction business incurred $12.3 million in growth capital expenditures[†] during the first three months of 2013, of which $12.0 million was spent at the Cochrane facility on a liquid sweetening project. Sustaining capital expenditures[†] incurred during the first quarter of 2013 were $0.6 million, primarily relating to the upgrade of various processing equipment at the Cochrane facility.

[*] Weighted average price calculated from one-month spot prices at AECO as reported in the *Canadian Gas Price Reporter*.

[†] Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

CONVENTIONAL OIL PIPELINES BUSINESS SEGMENT

	Three Months Ended March 31		
Volumes (000s b/d)	2013	2012	*% change*
Bow River	103.8	112.2	*(7.5)*
Central Alberta	32.3	25.7	*25.7*
Mid-Saskatchewan	49.2	41.4	*18.8*
	185.3	179.3	*3.3*
(millions)			
Revenue	$ 67.3	$ 51.2	*31.4*
Midstream product purchases	$ 14.0	$ -	*100.0*
Operating expenses	$ 12.5	$ 10.2	*22.5*
Funds from operations[1]	$ 40.4	$ 40.5	*(0.2)*
Revenue per barrel[2]	$ 2.96	$ 2.86	*3.5*
Capital expenditures			
Growth[1]	$ 2.1	$ 2.9	
Sustaining[1]	0.9	0.8	
	$ 3.0	$ 3.7	

(1) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
(2) Revenue per barrel represents total revenue of the conventional oil pipelines business segment less midstream marketing revenue divided by actual volumes.

Volumes
Average volumes transported by the conventional oil pipelines business were 185,300 b/d in the first quarter of 2013, an increase of 6,000 b/d, or 3.3% compared to the same period in 2012. In the first quarter of 2013, average volumes on the Mid-Saskatchewan pipeline increased 7,800 b/d or 18.8% over the comparable period in 2012, due to continued growth in horizontal drilling activity in the Viking light oil play. On the Central Alberta pipeline system average volumes increased 6,600 b/d or 25.7% for the first quarter of 2013, compared to the same period in 2012. Higher volumes resulted from increased drilling activity and stronger truck terminal throughput. Bow River pipeline volumes declined 7.5% or 8,400 b/d for the first quarter of 2013, compared to the same period in 2012, as a result of lower trucked volumes and natural production declines.

Revenue
Revenues in the conventional oil pipelines business increased $16.1 million for the three months ended March 31, 2013, compared to the same period in 2012. The increase is primarily due to higher revenue from midstream marketing activities, which were previously recorded net of product purchases and trucking costs. Revenue was also higher in the first quarter of 2013 due to increased tariffs and higher transportation volumes as discussed above.

Midstream Product Purchases
For the three months ended March 31, 2013, product purchases for midstream marketing activities were $14.0 million. As mentioned above these costs were previously recorded against revenue.

Operating Expenses
Operating expenses for the first quarter of 2013 increased $2.3 million, compared to the same period in 2012. The increase is due to the following: trucking costs for Inter Pipeline's midstream marketing activities, higher integrity and employee costs, and an increase in long-term environmental liabilities.

Capital Expenditures

The conventional oil pipelines business spent $2.1 million in growth capital expenditures* during the first three months of 2013, primarily relating to facility upgrades and third party connections on the Mid-Saskatchewan pipeline system.

BULK LIQUID STORAGE BUSINESS SEGMENT

	Three Months Ended March 31		
	2013	2012	*% change*
Utilization	87.4%	88.9%	*(1.7)*
(millions)			
Revenue	$ 39.4	$ 38.7	*1.8*
Operating expenses	$ 16.3	$ 16.1	*1.2*
Funds from operations(1)	$ 20.4	$ 19.3	*5.7*
Capital expenditures			
Growth(1)	$ 11.6	$ 3.1	
Sustaining(1)	2.3	3.8	
	$ 13.9	$ 6.9	

(1) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.

Utilization

Inter Pipeline operates a bulk liquid storage business through two wholly owned subsidiaries, Simon Storage Limited (Simon Storage) and Inter Terminals Denmark A/S (Inter Terminals). Simon Storage owns and operates six bulk liquid storage terminals located in the United Kingdom (UK) and Ireland, and two inland terminals located on the Rhine River in Germany, with a combined liquid storage capacity of approximately 8.1 million barrels. Inter Terminals owns and operates four coastal bulk liquid storage terminals located in Denmark, with a combined storage capacity of approximately 11.2 million barrels.

Demand for bulk liquid storage in the first quarter of 2013 has remained relatively strong despite the uncertain European economic environment, with tank utilization averaging 87.4%. Utilization levels averaged 90.1% at Simon Storage and 85.4% at Inter Terminals during the first quarter of 2013. The absence of strong contango in certain petroleum product futures markets has negatively impacted storage utilization levels. Demand for storage has fluctuated historically as a result of market conditions within industry sectors, and is typically mitigated through product and customer diversification.

Revenue

The business activities of Simon Storage and Inter Terminals consist primarily of bulk liquid storage, handling and blending services that are underpinned by a range of long-term and short-term fee-based contracts. Simon Storage also offers a range of ancillary services to its customers.

In the first quarter of 2013, revenue in the bulk liquid storage business increased $0.7 million to $39.4 million, compared to the same period in 2012. Inter Terminals revenue increased $0.7 million during the first quarter of 2013, compared to the same period in 2012. The increase is primarily due to revenue being included for the full quarter in 2013 versus from the date of acquisition in the first quarter of 2012. Simon Storage's revenue remained consistent quarter over quarter.

Foreign currency translation adjustments increased revenue by $0.1 million in the first quarter of 2013, compared to the same period in 2012. The average Euro/CAD exchange rate increased from

* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

1.31 in the first quarter of 2012 to 1.33 in the first quarter of 2013. The average Pound Sterling/CAD exchange rate decreased from 1.57 in the first quarter of 2012 to 1.56 in the first quarter of 2013.

Operating Expenses

For the three months ended March 31, 2013, operating expenses increased $0.2 million primarily due to higher fuel and power costs in the Simon Storage business, compared to the same period in 2012. Inter Terminals operating expenses in the first quarter of 2013 were consistent with the same period in 2012.

Capital Expenditures

Growth capital expenditures* in the bulk liquid storage business were $11.6 million in the first quarter of 2013, including $9.5 million for the acquisition of 400,000 barrels of tank capacity at the Ensted terminal in Denmark. The remaining growth capital expenditures* of $2.1 million relate to a number of tank life extensions and tank modification projects. Sustaining capital expenditures* in the first quarter of 2013 were $2.3 million, primarily relating to improvement projects on terminal infrastructure and safety.

OTHER EXPENSES

	Three Months Ended March 31	
(millions)	2013	2012 *(restated)*
Depreciation and amortization	$ 30.9	$ 28.0
Financing charges	23.9	23.3
Provision for income taxes	21.2	22.5
General and administrative	16.2	15.1
Acquisition fee to General Partner	-	4.6
Management and incentive fees to General Partner	4.2	3.7
Unrealized change in fair value of derivative financial instruments	0.7	(3.1)
Loss on disposal of assets	1.7	-

Depreciation and Amortization

Depreciation and amortization of tangible and intangible assets increased $2.9 million in the first quarter of 2013 compared to the same period in 2012. The increase is due to depreciation on assets now in service that were not in service or depreciated in 2012, as well as higher amortization expense at Inter Terminals.

* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

Financing Charges

(millions)	Three Months Ended March 31 2013	2012 *(restated)*
Interest on credit facilities	$ 8.2	$ 9.6
Interest on loan payable to General Partner	4.4	5.8
Interest on Corridor Debentures	2.5	2.5
Interest on MTN Series 1, 2 and 3	9.8	5.9
Total interest	24.9	23.8
Capitalized interest	(2.6)	(1.8)
Amortization of transaction costs on long-term debt, short-term debt and commercial paper	0.8	0.8
Accretion of provisions and pension plan financing charges	0.8	0.5
Total financing charges	$ 23.9	$ 23.3

Total financing charges for the first quarter of 2013 are comparable to the same period in 2012, increasing by $0.6 million.

Interest on medium-term notes (MTN) increased $3.9 million for the three months ended March 31, 2013, due to the timing of issuance of the MTN Series 3 on May 28, 2012.

Interest on credit facilities decreased $1.4 million in the first quarter of 2013, compared to the same period in 2012. The decrease is primarily due to lower debt levels and interest rates. Weighted average short-term interest rates were 9 basis points lower in the first quarter of 2013, compared to the same period in 2012. The weighted average credit facility debt outstanding decreased by $240.1 million from $1,955.9 million in the first quarter of 2012 to $1,715.8 million in the first quarter of 2013.

Interest on the loan payable to the General Partner for the three months ended March 31, 2013, decreased $1.4 million due to repayment of the $91.2 million tranche of the loan on October 29, 2012.

For the three months ended March 31, 2013, capitalized interest increased by $0.8 million from the comparable period in 2012. This increase is largely due to capitalized interest attributed to Polaris and Cold Lake pipeline system expansions and a liquid sweetening project at the Cochrane NGL extraction facility.

Accretion of provisions and pension plan financing charges increased $0.3 million for the three months ended March 31, 2013, compared to same period in 2012. The increase is due to a pension plan adjustment at Simon Storage.

See the **LIQUIDITY AND CAPITAL RESOURCES** section for further information about Inter Pipeline's debt facilities and interest rate swaps.

Income Taxes

Consolidated income tax expense was $21.2 million for the three months ended March 31, 2013, or $1.3 million lower than the comparable period in 2012. The decrease is due to lower consolidated income before taxes, as well as a reduction in income tax rates in the UK from 2012.

General and Administrative

(millions)	Three Months Ended March 31 2013	2012
Canada	$ 13.9	$ 12.4
Europe	2.3	2.7
	$ 16.2	$ 15.1

Canadian general and administrative expenses increased $1.5 million for the three months ended March 31, 2013, compared to the same period in 2012. The increase is largely due to foreign exchange losses and higher professional fees.

For the three months ended March 31, 2013, European general and administrative costs were $0.4 million lower than the comparable period in 2012, primarily due to acquisition related costs for Inter Terminals incurred in the first quarter of 2012.

Fees to General Partner

The General Partner earned management fees from Inter Pipeline of $3.1 million in the first quarter of 2013 (first quarter 2012 - $3.3 million). This fee is equivalent to 2% of “Operating Cash,” as defined in the Limited Partnership Agreement (LPA). In the first quarter of 2013, an incentive fee to the General Partner of $1.1 million was also accrued, as annualized Distributable Cash for 2013 is in excess of $1.01 per unit annually (three months ended March 31, 2012 - $0.4 million). No acquisition fees were earned during the first quarter of 2013 (first quarter of 2012 - $4.6 million).

See the **TRANSACTIONS WITH RELATED PARTIES** section for additional information on fees to the General Partner.

Unrealized Change in Fair Value of Derivative Financial Instruments

Inter Pipeline’s mark-to-market valuation of derivative financial instruments resulted in a decrease to net income of $0.7 million for the three months ended March 31, 2013.

Net income was unfavourably impacted by the mark-to-market adjustment on NGL swaps for price and volume changes between January and March by $3.0 million and on foreign currency swaps by $1.2 million. The mark-to-market adjustments for natural gas and electricity price swaps favourably impacted net income by $3.4 million and $0.1 million, respectively, for price and volume changes between January and March 2013.

See the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section for additional information on Inter Pipeline’s risk management initiatives.

Loss on Disposal of Assets

In the three month period ended March 31, 2013, Inter Pipeline incurred a loss on disposal of assets of $1.7 million, largely relating to a turbine exchange in the NGL extraction business.

SUMMARY OF QUARTERLY RESULTS

(millions, except per unit and % amounts)	2011[1] Second Quarter	2011[1] Third Quarter	2011[1] Fourth Quarter	2012[1] First Quarter (restated)	2012[1] Second Quarter (restated)	2012[1] Third Quarter (restated)	2012[1] Fourth Quarter (restated)	2013 First Quarter
Revenue								
Oil sands transportation	$ 67.7	$ 73.0	$ 71.3	$ 75.1	$ 72.4	$ 82.4	$ 89.4	$ 91.6
NGL extraction	137.4	158.2	129.1	136.7	106.3	123.4	133.5	129.4
Conventional oil pipelines	42.1	45.7	46.3	51.2	58.8	59.2	62.0	67.3
Bulk liquid storage	26.1	25.2	26.5	38.7	42.4	35.7	38.8	39.4
	$ 273.3	$ 302.1	$ 273.2	$ 301.7	$ 279.9	$ 300.7	$ 323.7	$ 327.7
Funds from operations[2]								
Oil sands transportation	$ 41.3	$ 41.8	$ 39.5	$ 44.1	$ 44.0	$ 47.0	$ 49.0	$ 50.8
NGL extraction[3]	42.8	62.6	44.1	57.0	48.5	50.4	38.7	43.0
Conventional oil pipelines	31.5	35.6	33.5	40.5	35.3	38.9	38.7	40.4
Bulk liquid storage	8.3	9.0	9.4	19.3	23.3	17.6	20.0	20.4
Corporate costs	(32.0)	(37.1)	(36.4)	(50.1)	(41.0)	(44.6)	(42.7)	(45.2)
	$ 91.9	$ 111.9	$ 90.1	$ 110.8	$ 110.1	$ 109.3	$ 103.7	$ 109.4
Per unit[2]	$ 0.35	$ 0.43	$ 0.35	$ 0.42	$ 0.41	$ 0.40	$ 0.38	$ 0.40
Net income	$ 61.0	$ 76.6	$ 45.8	$ 82.1	$ 106.8	$ 68.4	$ 59.7	$ 72.2
Net income attributable to unitholders	$ 61.0	$ 76.6	$ 45.8	$ 79.6	$ 104.4	$ 65.9	$ 57.3	$ 69.7
Per unit – basic & diluted	$ 0.24	$ 0.29	$ 0.17	$ 0.30	$ 0.39	$ 0.24	$ 0.21	$ 0.25
Distributions to unitholders[4]	$ 62.1	$ 62.5	$ 65.1	$ 69.9	$ 70.6	$ 71.3	$ 73.4	$ 76.8
Per unit[4]	$ 0.2400	$ 0.2400	$ 0.2475	$ 0.2625	$ 0.2625	$ 0.2625	$ 0.2675	$ 0.2775
Units outstanding (basic)								
Weighted average	258.8	259.9	262.7	265.7	268.6	271.3	273.9	276.4
End of period	259.1	261.2	264.2	267.2	270.0	272.7	275.2	277.6
Capital expenditures								
Growth[2]	$ 27.8	$ 29.8	$ 34.2	$ 40.2	$ 68.6	$ 108.6	$ 128.3	$ 407.6
Sustaining[2]	4.4	5.0	7.2	6.4	7.0	11.4	15.6	5.9
	$ 32.2	$ 34.8	$ 41.4	$ 46.6	$ 75.6	$ 120.0	$ 143.9	$ 413.5
Payout ratio[2]	67.6%	55.8%	72.3%	64.7%	65.8%	67.0%	72.8%	72.2%
Total debt[5]	$ 2,738.2	$ 2,719.1	$ 2,672.1	$ 3,145.8	$ 3,082.7	$ 3,113.6	$ 3,127.6	$ 3,246.6
Total partners' equity	$ 1,346.7	$ 1,404.4	$ 1,419.8	$ 1,493.7	$ 1,559.4	$ 1,594.8	$ 1,659.5	$ 1,686.9
Enterprise value[2]	$ 6,847.2	$ 6,901.1	$ 7,593.3	$ 8,374.5	$ 8,268.8	$ 8,973.1	$ 9,593.8	$ 9,862.2
Total debt to total capitalization[2]	67.0%	65.9%	65.3%	67.8%	66.4%	66.1%	65.3%	65.8%
Total recourse debt to capitalization[2]	41.5%	40.1%	38.9%	48.2%	46.1%	47.6%	47.0%	48.7%

(1) IFRS 10 adoption is effective as of January 1, 2013 and restated for 2012 as required for comparative purposes, therefore the 2011 quarterly information is still presented in accordance with International Accounting Standards (IAS) 31. Accordingly, the 2011 quarterly information may not be comparable to that for 2012 and 2013. Please refer to the **ACCOUNTING POLICIES ADOPTED IN 2013** section for further discussion.
(2) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
(3) In the third quarter of 2011, FFO[2] increased in the NGL extraction business by $20.5 million due to a one time pricing adjustment relating to propane-plus sales at the Cochrane NGL extraction plant from 2007 to 2011.
(4) Distributions to unitholders are calculated based on the number of units outstanding at each record date.
(5) Total debt includes long-term debt, short-term debt and commercial paper before discounts and debt transaction costs.

LIQUIDITY AND CAPITAL RESOURCES

Inter Pipeline's capital management objectives are aligned with its commercial growth strategies and long-term outlook for the business. The primary objectives are to maintain:

(i) stable distributions to unitholders over economic and industry cycles;
(ii) a flexible capital structure which optimizes the cost of capital within an acceptable level of risk; and
(iii) an investment grade credit rating.

Management may make adjustments to the capital structure for changes in economic conditions or the risk characteristics of the underlying assets. To maintain or modify the capital structure, Inter Pipeline may adjust the level of distributions to unitholders, issue new Class A units or new debt, renegotiate new debt terms or repay existing debt.

Inter Pipeline maintains flexibility in its capital structure to fund organic growth capital and acquisitions through market and industry cycles. Funding requirements are projected to ensure appropriate sources of financing are available to meet future financial obligations and capital expenditure programs. Inter Pipeline generally relies on committed credit facilities and cash flow from its operations to fund capital requirements. At March 31, 2013, Inter Pipeline had access to committed credit facilities totaling $2.3 billion, of which $567.1 million remains unutilized, and demand facilities totaling $45 million of which $44.8 million remains unutilized. Certain facilities are available to specific subsidiaries of Inter Pipeline.

On April 19, 2013, Inter Pipeline increased the size of its senior unsecured revolving credit facility from $750 million to $1.25 billion. The term of the credit facility remains unchanged with a maturity date of December 5, 2017.

In addition to committed credit facilities, Inter Pipeline issues equity capital from time to time to ensure its balance sheet remains well prepared for expected growth. Approximately $54.4 million of equity was issued through the distribution reinvestment plan during the three months ended March 31, 2013.

Taking market trends into consideration, Inter Pipeline regularly forecasts its operational activities and expected FFO[*] to ensure that sufficient funding is available for future capital programs and distributions to unitholders.

Inter Pipeline may utilize derivative financial instruments to minimize exposure to fluctuating commodity prices, foreign exchange and interest rates. Inter Pipeline's risk management policy defines and specifies the controls and responsibilities to manage market exposure to changing commodity prices (crude oil, natural gas, NGL and power) and changes within financial markets relating to interest rates and foreign exchange exposure. Further details of the risk management program are discussed in the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section.

In November 2012, Inter Pipeline filed a short form base shelf prospectus with Canadian regulatory authorities. Under provisions detailed in the short form base shelf prospectus, Inter Pipeline may offer and issue, from time to time: (i) Class A units; (ii) debt securities and (iii) subscription receipts (collectively, the "Securities") of up to $3.0 billion aggregate initial offering price of Securities during the 25 month period that the short form base shelf prospectus is valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more prospectus supplements. This short form base shelf prospectus replaces the previous one filed on November 30, 2010. Inter Pipeline issued $325 million MTN Series 1 and $200 million MTN Series 2 in 2011 and issued $400 million MTN Series 3 in 2012.

[*] Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

CAPITAL STRUCTURE

(millions, except % amounts)	Recourse	Non-recourse	March 31 2013	December 31 2012
Credit facilities available				
Corridor syndicated facility	$ -	$ 1,550.0	$ 1,550.0	$ 1,550.0
Inter Pipeline syndicated facility	750.0	-	750.0	750.0
	750.0	1,550.0	2,300.0	2,300.0
Demand facilities[(1)]	20.0	25.0	45.0	45.0
	$ 770.0	$ 1,575.0	$ 2,345.0	$ 2,345.0
Total debt outstanding				
Recourse				
Inter Pipeline syndicated facility			$ 388.6	$ 260.0
Loan payable to General Partner			288.6	288.6
MTN Series 1, 2 and 3			925.0	925.0
Non-recourse				
Corridor syndicated facility			1,344.4	1,354.0
Corridor debentures			300.0	300.0
Total debt[(1)(2)]			3,246.6	3,127.6
Total partners' equity			1,686.9	1,659.5
Total capitalization[(3)]			$ 4,933.5	$ 4,787.1
Total debt to total capitalization[(3)]			65.8%	65.3%
Total recourse debt to capitalization[(3)]			48.7%	47.0%

(1) At March 31, 2013, outstanding Corridor letters of credit of approximately $0.2 million were not included in total debt outstanding.
(2) Total debt reported in the March 31, 2013 consolidated financial statements of $3,231.6 million, includes long-term debt and commercial paper outstanding of $3,246.6 million less discounts and debt transaction costs of $15.0 million.
(3) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.

Inter Pipeline's capital under management includes financial debt and partners' equity. Capital availability is monitored through a number of measures, including total recourse debt to capitalization* and recourse debt to EBITDA*. Capital management objectives are to provide access to capital at a reasonable cost while maintaining an investment grade long-term corporate credit rating and ensuring compliance with all debt covenants. Management's long-term objectives are to remain well below its maximum permitted ratio of 65% recourse debt to capitalization* and maximum senior recourse debt to EBITDA* ratio of 4.25 times. In March 2013, terms under an amended note purchase agreement became effective, which enabled the permitted recourse debt to EBITDA* ratio to increase from 4.25 to 5.5 times. The higher ratio provides Inter Pipeline with greater financial flexibility to fund the oil sands transportation expansion projects previously discussed. Once the debt issued under the note purchase agreement matures in October 2014, the recourse debt to EBITDA* covenant will no longer exist. Inter Pipeline's recourse debt to capitalization* ratio was 48.7% at March 31, 2013. Adjusting for the impact of non-recourse debt of $1,644.4 million, Inter Pipeline's consolidated debt to total capitalization* ratio at March 31, 2013 was 65.8%.

At March 31, 2013, approximately $1,883.0 million or 58.0% of Inter Pipeline's total consolidated debt was exposed to variable interest rates. Of this amount $1,494.4 million or 46.0% relates to Corridor debt outstanding and is directly recoverable through the terms of the Corridor FSA. When deemed appropriate, Inter Pipeline enters into interest rate swap agreements to manage its interest rate risk exposure. In 2007, Inter Pipeline acquired an interest rate swap agreement to manage fixed interest rate exposure on Corridor's Series B debentures.

* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

	March 31		December 31	
	2013		2012	
Maturity date	Fixed Rate Per Annum (excluding applicable margin)	Notional Balance (millions)	Fixed Rate Per Annum (excluding applicable margin)	Notional Balance (millions)
Corridor debentures				
- Fixed to floating rate swap				
Series B - February 2, 2015	5.033%	$ 150.0	5.033%	$ 150.0

The following earnings coverage ratios are calculated on a consolidated basis for the twelve month periods ended March 31, 2013 and December 31, 2012.

	Twelve Months Ended	
	March 31	December 31
(times)	2013	2012
Interest coverage[(1)(2)]	4.7	4.8

(1) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
(2) Net income attributable to unitholders plus income taxes and borrowing costs, divided by the sum of borrowing costs, capitalized borrowing costs and any retirement of obligations.

The following investment grade, long-term corporate credit ratings or senior unsecured debt ratings are maintained by Inter Pipeline and by Corridor.

	Credit Rating	Trend/Outlook
Inter Pipeline Fund		
S&P	BBB+	Stable
DBRS	BBB (high)	Stable
Inter Pipeline (Corridor) Inc.		
S&P	A	Stable
DBRS	A	Stable
Moody's	A2	Stable

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND GUARANTEES

The following table summarizes Inter Pipeline's expected capital spending profile and future contractual obligations at March 31, 2013. Management intends to finance short-term commitments either through existing or renegotiated credit facilities and cash flow from operations. Longer term commitments will be funded through Inter Pipeline's capital management policies as discussed earlier in the **LIQUIDITY AND CAPITAL RESOURCES** section.

(millions)	Total	Less than one year	One to five years	After five years
Capital expenditure projects[1][2]				
Oil sands transportation[2]	$ 2,277.0	$ 1,112.1	$ 1,164.9	$ -
NGL extraction	21.4	21.4	-	-
Conventional oil pipelines	8.3	8.3	-	-
Bulk liquid storage	8.7	8.7	-	-
Growth capital funded by Inter Pipeline[2][3]	2,315.4	1,150.5	1,164.9	-
Sustaining capital funded by Inter Pipeline[2][3]	35.1	35.1	-	-
	2,350.5	1,185.6	1,164.9	-
Total debt[4]				
Corridor syndicated facility[5]	1,344.4	1,344.4	-	-
Inter Pipeline syndicated facility	388.6	-	388.6	-
Loan to General Partner	288.6	-	288.6	-
Corridor debentures	300.0	-	150.0	150.0
MTN Series 1, 2, 3	925.0	-	-	925.0
	3,246.6	1,344.4	827.2	1,075.0
Other obligations				
Derivative financial instruments	6.1	6.1	-	-
Operating leases	227.1	8.8	45.0	173.3
Purchase obligations	187.8	49.6	42.0	96.2
Long-term portion of incentive plan	3.0	-	3.0	-
Working capital deficit[3]	299.7	299.7	-	-
	$ 6,320.8	$ 2,894.2	$ 2,082.1	$ 1,344.5

(1) Capital expenditures classified as "less than one year" represent expected spending for the remaining months of 2013.
(2) Inter Pipeline's expected growth and sustaining capital spending profile including the 15% non-controlling interest in Cold Lake is $2,621.7 million.
(3) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
(4) At March 31, 2013, outstanding Corridor letters of credit of approximately $0.2 million were not included in total debt outstanding. Total debt reported in the March 31, 2013 interim financial statements of $3,231.6 million, includes long-term debt and commercial paper of $3,246.6 million less discounts and debt transaction costs of $15.0 million
(5) Principal obligations are related to commercial paper. This amount is fully supported and management expects that it will continue to be supported by Corridor's fully committed syndicated credit facility that has no repayment requirements until December 2016.

Inter Pipeline plans to fund approximately $2.3 billion in organic growth capital[*] projects over the next five years.

Inter Pipeline's bulk liquid storage business will incur additional sustaining capital expenditures[*] in the foreseeable future to comply with UK's storage and containment regulations, as discussed in the risk factors relating to Post Buncefield Regulation in Inter Pipeline's 2012 annual MD&A.

[*] Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

Inter Pipeline's debt outstanding at March 31, 2013, matures at various dates up to May 2022:

- Corridor's Series B debentures mature on February 2, 2015, and Corridor's Series C debentures mature on February 3, 2020.
- On December 15, 2011, Corridor entered into a $1.55 billion senior unsecured syndicated revolving credit facility with an initial maturity date of December 15, 2015. On December 15, 2012, the initial maturity date was extended to December 15, 2016.
- On December 5, 2011, Inter Pipeline entered into a $750 million senior unsecured syndicated revolving credit facility with an initial maturity date of December 5, 2016. On December 5, 2012, the initial maturity date was extended to December 5, 2017 and Inter Pipeline entered into a new $20 million demand operating facility replacing the previous one entered into on December 5, 2011. Inter Pipeline's $750 million senior unsecured syndicated revolving credit facility was increased to $1.25 billion on April 19, 2013, with the maturity date unchanged at December 5, 2017.
- Inter Pipeline's and Corridor's credit facilities can be extended beyond their initial maturity date under certain circumstances.
- Inter Pipeline's loan payable to the General Partner of $288.6 million matures on October 28, 2014.
- Inter Pipeline's MTN Series 1, 2 and 3 mature on February 2, 2021, July 30, 2018 and May 30, 2022, respectively.

The following future obligations resulting from the normal course of operations will be primarily funded from FFO[*] in the respective periods that they become due or may be funded through debt:

(i) Derivative financial instruments are utilized to manage market risk exposure to changes in commodity prices, foreign currencies and interest rates in future periods. This future obligation is an estimate of the fair value of the liability on an undiscounted basis for financially net settled derivative contracts outstanding at March 31, 2013, based upon the various contractual maturity dates.

(ii) Operating leases and purchase obligations represent minimum payment obligations associated with leases and normal operating agreements for periods up to 2090.

(iii) Working capital deficiencies[*] arise primarily from capital expenditures outstanding in accounts payable at the end of a period, and fluctuate with changes in commodity prices.

(iv) Inter Pipeline has obligations of $26.4 million under its employee long-term incentive plan, of which $23.4 million is included in the working capital deficit[*].

(v) Present value of estimated expenditures expected to be incurred on decommissioning of active pipeline systems, NGL extraction plants and leased bulk liquid storage sites and remediation of known environmental liabilities is $59.9 million at March 31, 2013. Due to the uncertainty of timing for payment of these obligations, they were excluded from the table above.

[*] Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

DISTRIBUTIONS TO UNITHOLDERS

(millions, except per unit and % amounts)	Three Months Ended March 31 2013	2012 *(restated)*
Cash provided by operating activities	$ 120.1	$ 62.9
Net change in non-cash operating working capital	(10.7)	47.9
Less funds from operations[1] attributable to non-controlling interest	(3.0)	(2.8)
Cash available for distribution to unitholders[1]	106.4	108.0
Change in discretionary reserves[1]	(29.6)	(38.1)
Distributions to unitholders	$ 76.8	$ 69.9
Distributions per unit[2]	$ 0.2775	$ 0.2625
Payout ratio[1]	72.2%	64.7%

(1) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
(2) Distributions to unitholders are calculated based on the number of units outstanding at each record date.

It is the goal of the General Partner to provide unitholders with stable distributions over time. As a result, not all cash available for distribution* is distributed to unitholders. Rather, a portion of cash available for distribution* is reserved and reinvested in the business to effectively manage its capital structure, and in particular, debt levels. The General Partner makes its distribution decisions based on the underlying assumptions in each year's annual operating and capital budget and long-term forecast, consistent with its policy to provide unitholders with stable distributions.

Cash available for distribution* is a non-GAAP financial measure that the General Partner uses in managing Inter Pipeline's business and in assessing future cash requirements that impact the determination of future distributions to unitholders. Inter Pipeline defines cash available for distribution* as cash provided by operating activities less net changes in non-cash working capital and funds from operations* attributable to non-controlling interest. The impact of net change in non-cash working capital is excluded in the calculation of "Cash available for distribution*" primarily to compensate for the seasonality of working capital throughout the year. Certain Inter Pipeline revenue contracts dictate an exchange of cash that differs, on a monthly basis, from the recognition of revenue. Within a 12-month calendar year, there is minimal variation between revenue recognized and cash exchanged. Inter Pipeline therefore excludes the net change in non-cash working capital in its calculation of cash available for distribution* to mitigate the quarterly impact this difference has on cash available for distribution*. The intent is to not skew the results of Inter Pipeline in any quarter for exchanges of cash, but to focus the results on cash that is generated in any reporting period.

In addition, in determining actual distributions, Inter Pipeline applies a discretionary reserve* to cash available for distribution*, which is designed to ensure stability of distributions over economic and industry cycles and to enable Inter Pipeline to absorb the impact of material one-time events. Therefore, not all cash available for distribution* is necessarily distributed to unitholders. The reconciliation is prepared using reasonable and supportable assumptions, reflecting Inter Pipeline's planned course of action in light of management and the board of directors' judgment regarding the most probable set of economic conditions. Investors should be aware that actual results may vary, possibly materially, from such forward-looking adjustments.

The discretionary reserve* increased approximately $29.6 million in the first quarter of 2013 due primarily to the strong operating results of Inter Pipeline's business segments. Inter Pipeline will continue to manage the discretionary reserve* and future distributions in accordance with its policy of attempting to manage the stability of distributions through industry and economic cycles.

* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

The tables below show Inter Pipeline's distributions declared relative to cash provided by operating activities and net income attributable to unitholders for the periods indicated. See the **OUTLOOK** section of this report and **RISK FACTORS** section for further information regarding the sustainability of distributions.

	Three Months Ended March 31			Years Ended December 31	
(millions)	2013	2012 *(restated)*	2012 *(restated)*	2011[(1)]	2010[(1)]
Cash provided by operating activities	$ 120.1	$ 62.9	$ 385.5	$ 460.5	$ 349.6
Less cash provided by operating activities attributable to non-controlling interest	(1.4)	(1.8)	(10.2)	-	-
Distributions to unitholders	(76.8)	(69.9)	(285.2)	(251.7)	(232.6)
Excess (shortfall)	$ 41.9	$ (8.8)	$ 90.1	$ 208.8	$ 117.0

	Three Months Ended March 31			Years Ended December 31	
(millions)	2013	2012	2012	2011[(1)]	2010[(1)]
Net income attributable to unitholders	$ 69.7	$ 79.6	$ 307.2	$ 247.9	$ 236.0
Distributions to unitholders	(76.8)	(69.9)	(285.2)	(251.7)	(232.6)
(Shortfall) excess	$ (7.1)	$ 9.7	$ 22.0	$ (3.8)	$ 3.4

(1) IFRS 10 adoption is effective as of January 1, 2013 and restated for 2012 as required for comparative purposes. The 2011, 2010 and 2009 information is still presented in accordance with IAS 31 and accordingly may not be comparable to that for 2012 and 2013. Please refer to the **ACCOUNTING POLICIES ADOPTED IN 2013** section for further discussion.

Distributions in all periods are less than cash provided by operating activities, except for the three months ended March 31, 2012 due to a payment of Canadian income taxes related to the 2011 taxation year of $48.7 million. Distributions were also less than net income attributable to unitholders, except for the three months ended March 31, 2013 and for the year ended December 31, 2011. Net income includes certain non-cash expenses such as depreciation and amortization, deferred income taxes and unrealized changes in the fair value of derivative financial instruments, therefore distributions may exceed net income attributable to unitholders.

The overall distributions of Inter Pipeline are governed by the LPA, specifically section 5.2, which specifies the terms for Inter Pipeline to make distributions. Distributable Cash is defined to generally mean cash from operating, investing and financing activities, less certain items, including any cash withheld as a reserve that the General Partner determines to be necessary or appropriate for the proper management of Inter Pipeline and its assets. As a result of the General Partner's discretion to establish reserves under the LPA, distributions to unitholders are always equal to Distributable Cash.

OUTSTANDING UNIT DATA

Inter Pipeline's outstanding units at March 31, 2013 are as follows:

(millions)	Class A	Class B	Total
Units outstanding	277.3	0.3	277.6

At May 7, 2013, Inter Pipeline had 278.1 million Class A units and 0.3 million Class B units for a total of 278.4 million units outstanding.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK MANAGEMENT

Inter Pipeline utilizes derivative financial instruments to manage liquidity and market risk exposure to changes in commodity prices, foreign currencies and interest rates. Risk management policies are intended to minimize the volatility of Inter Pipeline's exposure to commodity price, foreign exchange and interest rate risk to assist with stabilizing FFO*. Inter Pipeline endeavours to accomplish this primarily through the use of derivative financial instruments. Inter Pipeline prohibits the use of derivative financial instruments for speculative purposes. All hedging policies are authorized and approved by the board of directors through Inter Pipeline's risk management policy.

Inter Pipeline enters into the following types of derivative financial instruments: commodity price swap agreements, foreign currency exchange contracts, power price hedges and heat rate and interest rate swap agreements. The mark-to-market or fair value of these financial instruments is recorded as an asset or liability and any change in the fair value recognized as an unrealized change in fair value of these derivative financial instruments in the calculation of net income. When the financial instrument matures, any realized gain or loss is recorded in net income.

In the following sections, sensitivity analyses are presented to provide an indication of the amount that an isolated change in one variable may have on net income and are based on derivative financial instruments and long-term debt, short-term debt and commercial paper outstanding at March 31, 2013. The analyses are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated based on one variable because the relationship with other variables may not be linear. In reality, changes in one variable may magnify or counteract the impact of another variable which may result in a significantly different conclusion.

NGL Extraction Business

Frac-spread Risk Management

Inter Pipeline is exposed to frac-spread risk which is the difference between the weighted average propane-plus price at Mont Belvieu, Texas and the monthly index price of AECO natural gas purchased for shrinkage calculated in USD/USG. Derivative financial instruments are utilized to manage frac-spread risk. Inter Pipeline transacts with third party counterparties to sell a notional portion of its NGL products and purchase related notional quantities of natural gas at fixed prices. NGL price swap agreements are transacted in US currency, therefore Inter Pipeline also enters into foreign exchange contracts to sell US dollars to convert notional US dollar amounts in the NGL swaps to Canadian dollars.

The following table presents the proportion of future propane-plus volumes hedged under contracts outstanding and the average net price of the frac-spread hedges at March 31, 2013. The CAD/USG average price would approximate the following USD/USG price based on the average USD/CAD forward curve at March 31, 2013.

	March 31, 2013		
	% Forecast Propane-plus Volumes Hedged	Average Price (USD/USG)	Average Price (CAD/USG)
April to December 2013	42%	$ 0.95	$ 0.97

Based on propane-plus volume hedges outstanding at March 31, 2013, the following table illustrates how a 10% change in NGL and AECO natural gas commodity prices and foreign exchange rates in isolation could individually impact the mark-to-market valuation of Inter Pipeline's derivative financial

* Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section

instruments and consequently after-tax income assuming rates associated with each of the other components and all other variables remain constant:

(millions)		Fair value of derivative financial instruments		Change in net income based on 10% increase in prices/rates[(1)]		Change in net income based on 10% decrease in prices/rates[(1)]
NGL[(2)]	$	13.2	$	(4.1)	$	4.1
AECO natural gas		(3.4)		1.1		(1.1)
Foreign exchange		(2.7)		(5.1)		5.1
Frac-spread risk management	$	7.1				

(1) Negative amounts represent a liability increase or asset decrease.
(2) Assumes that a commodity price change will impact all propane, normal butane, isobutane and pentanes-plus products linearly.

Power Price Risk Management

Inter Pipeline uses derivative financial instruments to manage power price risk in its NGL extraction and conventional oil pipelines business segments. When deemed appropriate, Inter Pipeline enters into financial heat rate swap and power price swap contracts to manage power price risk exposure in these businesses. As at March 31, 2013, there are no heat rate price swap agreements outstanding.

During the three months ended March 31, 2013, Inter Pipeline entered into an electricity price swap agreement in the conventional oil pipelines business in addition to the existing electricity price swap entered into in 2012. At March 31, 2013, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk and consequently after-tax income by approximately $0.2 million.

Bulk Liquid Storage Business

Foreign Exchange Risk Management

Inter Pipeline is exposed to currency risk resulting from the translation of assets and liabilities of its European bulk liquid storage operations and transactional currency exposures arising from purchases in currencies other than Inter Pipeline's functional currency, the Canadian dollar. Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future.

Corporate

Interest Rate Risk Management

Inter Pipeline's exposure to interest rate risk primarily relates to its long-term debt obligations and fair valuation of its floating-to-fixed interest rate swap agreements. Inter Pipeline manages its interest rate risk by balancing its exposure to fixed and variable rates while minimizing interest costs. When deemed appropriate, Inter Pipeline enters into interest rate swap agreements to manage its interest rate price risk exposure.

Based on the variable rate obligations outstanding at March 31, 2013, a 1% change in interest rates at this date could affect interest expense on credit facilities by approximately $4.3 million, assuming all other variables remain constant. Of this amount, $3.3 million relates to the $1.55 billion unsecured revolving credit facility and is recoverable through the terms of the Corridor FSA, therefore the after-tax income impact would be $0.7 million.

Realized and Unrealized Gains (Losses) on Derivative Instruments – Fair Value Through Profit or Loss

Derivative financial instruments designated as "fair value through profit or loss" are recorded on the consolidated balance sheet at fair value. Any gain or loss upon settlement of these contracts is recorded as a realized gain or loss in net income. Prior to settlement, any change in the fair value of

these instruments is recognized in net income as an unrealized change in fair value of derivative financial instruments.

The fair values of derivative financial instruments are calculated by Inter Pipeline using a discounted cash flow methodology with reference to actively quoted forward prices and/or published price quotations in an observable market and market valuations provided by counterparties. Forward prices for NGL swaps are less transparent because they are less actively traded. These forward prices are assessed based on available market information for the time frames for which there are derivative financial instruments in place. Fair values are discounted using a risk-free rate plus a credit premium that takes into account the credit quality of the instrument.

Gains (losses) on derivative financial instruments recognized in the calculation of net income are as follows:

	Three Months Ended March 31	
(millions)	2013	2012
Realized gain (loss) on derivative financial instruments		
Revenues		
NGL swaps	$ 5.2	$ (2.1)
Foreign exchange swaps (frac-spread hedges)	(0.7)	-
	4.5	(2.1)
Shrinkage gas expense		
Natural gas swaps	(1.9)	(3.5)
	(1.9)	(3.5)
Financing charges		
Interest rate swaps	1.2	1.2
	1.2	1.2
Net realized gain (loss) on derivative financial instruments	3.8	(4.4)
Unrealized change in fair value of derivative financial instruments		
NGL swaps	(3.0)	4.2
Natural gas swaps	3.4	(4.9)
Foreign exchange swaps (frac-spread hedges)	(1.2)	4.4
Electricity price swaps	0.1	-
Foreign exchange swaps (other)	-	(0.6)
Unrealized change in fair value of derivative financial instruments	(0.7)	3.1
Total gain (loss) on derivative financial instruments	$ 3.1	$ (1.3)

CREDIT RISK

Inter Pipeline's credit risk exposure relates primarily to customers and financial counterparties holding cash and derivative financial instruments, with a maximum exposure equal to the carrying amount of these instruments. Credit risk is managed through credit approval and monitoring procedures. The creditworthiness assessment takes into account available qualitative and quantitative information about the counterparty including, but not limited to, business performance, financial status and external credit ratings. Depending on the outcome of each assessment, guarantees or some other credit enhancement may be requested as security. Inter Pipeline attempts to mitigate its exposure by entering into contracts with customers that may permit netting or entitle Inter Pipeline to lien or take product in kind and/or allow for termination of the contract on the occurrence of certain events of default. Each business segment monitors outstanding accounts receivable on an ongoing basis.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At March 31, 2013, accounts receivable associated with these two business segments were

$85.1 million or 61.9% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business units and customers.

With respect to credit risk arising from cash and cash equivalents, deposits and derivative financial instruments, Inter Pipeline believes the risk of non-performance of counterparties is minimal as cash, deposits and derivative financial instruments outstanding are predominantly held with major financial institutions or investment grade corporations.

Inter Pipeline actively monitors the risk of non-performance of its customers and financial counterparties. At March 31, 2013, accounts receivable outstanding meeting the definition of past due and impaired is immaterial.

TRANSACTIONS WITH RELATED PARTIES

No revenue was earned from related parties in the three month period ended March 31, 2013 or 2012.

Upon acquisition of the General Partner in 2002, Pipeline Assets Corp. (PAC), the sole shareholder of the General Partner, assumed the obligations of the former general partner of Inter Pipeline under a support agreement. The support agreement obligates the affiliates controlled by PAC to provide certain personnel and services if requested by the General Partner, to fulfill its obligations to administer and operate Inter Pipeline's business. Such services are incurred in the normal course of operations and amounts paid for such services are at cost for the services provided. No amounts have been paid under the terms of the support agreement since PAC acquired its interests in the General Partner.

The General Partner's 0.1% interest in Inter Pipeline, represented by Class B units, is controlled by PAC. The General Partner is a wholly owned subsidiary of PAC, a corporation controlled solely by the Chairman of the Board of the General Partner. Certain officers and directors of the General Partner have non-voting shares in PAC that entitle them to dividends. Officers and directors of the General Partner received a cumulative total of $0.3 million in dividends in the first quarter of 2013 (first quarter of 2012 - $0.9 million), from PAC pursuant to their ownership of non-voting shares.

Under the LPA, the General Partner is entitled to recover all direct and indirect expenses, including general and administrative expenses, incurred on behalf of Inter Pipeline or in the performance of its duties as General Partner of Inter Pipeline. The General Partner also receives an annual base fee equal to 2% of Inter Pipeline's annual "Operating Cash" as defined in the LPA. In addition, as an incentive to the General Partner to enhance the profitability of Inter Pipeline and the distributions declared in respect of Inter Pipeline's units, the General Partner is entitled to earn an annual incentive fee calculated as a percentage of available Distributable Cash (as defined in the LPA). The percentage of available Distributable Cash payable to the General Partner as an incentive fee will be 15% of available Distributable Cash in excess of $1.01 per unit annually but less than or equal to $1.10 per unit annually, 25% of available Distributable Cash in excess of $1.10 per unit annually but less than or equal to $1.19 per unit annually and 35% of available Distributable Cash in excess of $1.19 per unit annually. The incentive fee is paid at the time of distribution of Distributable Cash for the last calendar month of each year. In addition, the General Partner is entitled to be paid an acquisition fee equal to 1.0% of the purchase price of any New Assets (as defined in the LPA) acquired by Inter Pipeline, and a disposition fee equal to 0.5% of the sale price of any assets sold by Inter Pipeline. See the Other Expenses section of **RESULTS OF OPERATIONS** for details of fees paid to the General Partner during the period.

In 2004, Inter Pipeline entered into a loan agreement with the General Partner for $379.8 million. At the same time, the General Partner had received $379.8 million by way of a private placement note issuance and immediately loaned the funds to Inter Pipeline. At March 31, 2013, interest payable to the General Partner on the loan was $7.6 million (December 31, 2012 - $3.2 million). This loan to Inter Pipeline from the General Partner has the identical repayment terms and commitments as the notes payable by the General Partner to the institutional note holders, except for an interest rate

increase of 0.05% over the rates payable on the notes issued by the General Partner. Inter Pipeline has guaranteed the notes issued by the General Partner to the note holders. The guarantee may be exercised in the event of a default by the General Partner pursuant to the terms of the Note Purchase Agreement and is equal to the amount of principal outstanding at the time of default, including a premium of 50 bps over the implied yield to maturity, accrued interest and, if applicable, swap breakage costs. On October 29, 2012, Inter Pipeline repaid the first tranche of the loan from the General Partner which amounted to $91.2 million.

Amounts due to or from the General Partner and its affiliates related to services are non-interest bearing and have no fixed repayment terms with the exception of the loan agreement with the General Partner as noted above. At March 31, 2013, there were amounts owed to the General Partner by Inter Pipeline of $2.2 million (December 31, 2012 – $2.7 million).

CONTROLS AND PROCEDURES

Management has made no material changes to the disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) in Inter Pipeline's existing business segments during the first quarter of the 2013 fiscal year, with the exception of the DC&P and ICFR related to Inter Terminals.

In January 2012, Inter Pipeline acquired Inter Terminals. Where possible, Inter Terminals has adopted Inter Pipeline's DC&P and ICFR. For business processes unique to Inter Terminals, management has now completed the design of DC&P and ICFR, the results of which are consolidated in Inter Pipeline's interim financial statements at March 31, 2013.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Inter Pipeline's consolidated financial statements requires management to make critical and complex judgments, estimates and assumptions about future events, when applying GAAP, that have a significant impact on the financial results reported. These judgments, estimates, and assumptions are subject to change as future events occur or new information becomes available. Readers should refer to note 2 *Summary of Significant Accounting Policies* of the December 31, 2012 consolidated financial statements for a list of Inter Pipeline's significant accounting policies.

The amounts recorded for fair value of derivative financial instruments, intangible assets, goodwill, property, plant and equipment, provisions, employee benefits, deferred taxes and depreciation and amortization are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material.

ACCOUNTING POLICIES ADOPTED IN 2013

Inter Pipeline has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements *(IFRS 10)*

Inter Pipeline has an indirect 85% interest in the Cold Lake Pipeline Limited Partnership (Cold Lake LP) and an 85% interest in its general partner Cold Lake Pipeline Ltd. (collectively Cold Lake). Non-controlling interest represents a 15% ownership interest in Cold Lake attributable to a third party. The portion of equity in entities not owned by Inter Pipeline is reflected as non-controlling interest within total equity on the consolidated balance sheet.

IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and Standing Interpretations Committee (SIC) 12 *Consolidation-Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of

control. The accounting requirements for consolidation have remained largely consistent with IAS 27. Management has evaluated Inter Pipeline's investment in Cold Lake and determined that Inter Pipeline controls the relevant activities of this investment in accordance with IFRS 10. As a result, Inter Pipeline consolidates 100% of Cold Lake under IFRS 10, compared to proportionate consolidation of 85% of Cold Lake under IAS 31 *Interests in Joint Ventures* (IAS 31). A non-controlling interest is recorded to represent the 15% equity investment in Cold Lake that is not attributable to Inter Pipeline.

IFRS 10 revises the definition of control from IAS 27 and establishes a single control model that focuses on an investor's power to direct the activities of an investee that most significantly affect the investee's returns (relevant activities), exposure to variable returns and the ability to use power to affect the amount of an investor's returns. Compared with the requirements of IAS 27, IFRS 10 requires management to exercise significant judgment in its assessment of control including but not limited to; the determination of the investee's relevant activities, the investor's ability to direct those relevant activities, the investor's exposure to returns of the investee, as well as rights of other parties. IFRS 10 also requires management to continuously assess control over an investee.

On January 2, 2003 Inter Pipeline acquired an additional 70% interest in Cold Lake which, combined with its initial 15% investment acquired on October 5, 2000, resulted in Inter Pipeline owning an 85% interest in Cold Lake. Inter Pipeline determined that it had control over Cold Lake since the acquisition of the additional 70% interest by considering factors such as its majority voting rights over Cold Lake's relevant activities. The relevant activities of include identification of expansion and other transportation service opportunities, performance of due diligence and economic feasibility studies and managing decisions to undergo capital projects. Management believes that Inter Pipeline has the current ability to direct these relevant activities and, as such, has control over Cold Lake.

IFRS 11 Joint Arrangements *(IFRS 11)*

IFRS 11 supersedes IAS 31 and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions to Venturers* and is applied to interests in joint arrangements where there is joint control. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. For joint operations, an entity recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 *Investments in Associates and Joint Ventures (amended in 2011)*. The adoption of IFRS 11 did not result in any changes to the accounting for Inter Pipeline's only jointly controlled operation, its 50% investment in the Empress V NGL Extraction facility, which is accounted for as a joint operation.

IFRS 12 Disclosure of Interests in Other Entities *(IFRS 12)*

IFRS 12 provides disclosure requirements for a reporting entity's interests held in other entities including: subsidiaries, joint arrangements, associates, or unconsolidated structured entities. Inter Pipeline has adopted IFRS 12 in its financial statement disclosure effective January 1, 2013, and for the comparative periods.

IFRS 13 Fair Value Measurement *(IFRS 13)*

IFRS 13 defines fair value and provides, in a single IFRS, a framework for measuring fair value when it is required or permitted within IFRS standards. The standard also provides consistent disclosure requirements about fair value measurements. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by Inter Pipeline to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 19 Employee Benefits (Revised) *(IAS 19)*

IAS 19 amends certain accounting requirements for defined benefit pension plans. The amendments included fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets. Effective January 1, 2013, the expected return on

Inter Pipeline's pension plan assets is calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The impact of the amended standard on Inter Pipeline's results was insignificant to prior periods and resulted in increased financing charges of approximately $0.3 million for the three months ended March 31, 2013.

IAS 1 Presentation of Financial Statements, Amendment *(IAS 1)*

Inter Pipeline has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required Inter Pipeline to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These presentation changes did not result in any adjustments to other comprehensive income or comprehensive income.

RISK FACTORS

During the first quarter of 2013, there were no significant changes to Inter Pipeline's operating activities that would affect the disclosure of risk factors as discussed in its 2012 annual MD&A.

NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

Certain non-GAAP financial measures referred to in this MD&A, namely "adjusted working capital deficiency", "cash available for distribution to unitholders", "discretionary reserve", "enterprise value", "interest coverage", "payout ratio", "growth capital expenditures", "sustaining capital expenditures" and "total debt to total capitalization" are not measures recognized by GAAP. Certain additional GAAP financial measures presented in the consolidated financial statements and referred to in this MD&A, namely "EBITDA", "funds from operations", "funds from operations per unit", and "total recourse debt to capitalization" are not measures recognized by GAAP. These non-GAAP and additional 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 non-GAAP and additional GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.

Non-GAAP Financial Measures

The following non-GAAP financial measures are provided to assist investors with their evaluation of Inter Pipeline, including their assessment of its ability to generate cash and fund monthly distributions. Management considers these non-GAAP financial measures to be important indicators in assessing its performance.

Adjusted working capital deficiency is calculated by subtracting current liabilities from current assets including cash and excluding the fair value of derivative financial instruments and current portion of long-term debt.

(millions)	March 31 2013	December 31 2012 *(restated)*
Current assets		
Cash and cash equivalents	$ 41.4	$ 65.0
Accounts receivable	137.5	146.7
Prepaid expenses and other deposits	32.2	31.3
Current liabilities		
Distributions payable to unitholders	(25.7)	(25.5)
Accounts payable and accrued liabilities	(456.1)	(293.0)
Current income taxes payable	(14.7)	(8.7)
Deferred revenue	(14.3)	(6.1)
Adjusted working capital deficiency	$ (299.7)	$ (90.3)

Cash available for distribution to unitholders includes cash provided by operating activities less net changes in non-cash working capital and funds from operations attributable to non-controlling interest. This measure is used by the investment community to calculate the annualized yield of the units.

Discretionary reserve is calculated as cash available for distribution to unitholders less actual distributions declared. This measure is used by the investment community to determine the amount of cash reserved and reinvested in the business.

Enterprise value is calculated by multiplying the period-end closing unit price by the total number of units outstanding and adding total debt (excluding discounts and debt transaction costs). This measure, in combination with other measures, is used by the investment community to assess the overall market value of the business. Enterprise value is calculated as follows:

(millions, except per unit amounts)	March 31 2013	December 31 2012
Closing unit price	$ 23.83	$ 23.50
Total closing number of Class A and B units	277.6	275.2
	6,615.6	6,466.2
Total debt	3,246.6	3,127.6
Enterprise value	$ 9,862.2	$ 9,593.8

Growth capital expenditures are generally defined as expenditures which incrementally increase cash flow or earnings potential of assets, expand the capacity of current operations or significantly extend the life of existing assets. This measure is used by the investment community to assess the extent of discretionary capital spending.

Sustaining capital expenditures are generally defined as expenditures which support and/or maintain the current capacity, cash flow or earnings potential of existing assets without the associated benefits characteristic of growth capital expenditures. This measure is used by the investment community to assess the extent of non-discretionary capital spending.

	Three Months Ended March 31			
			2013[1]	2012
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	$ 381.6	$ 0.4	$ 382.0	$ 30.2
NGL extraction	12.3	0.6	12.9	5.3
Conventional oil pipelines	2.1	0.9	3.0	3.7
Bulk liquid storage	11.6	2.3	13.9	6.9
Corporate	-	1.7	1.7	0.5
Capital expenditures	$ 407.6	$ 5.9	$ 413.5	$ 46.6
Capital expenditures funded by Inter Pipeline[1]	$ 405.5	$ 5.9	$ 411.4	$ 45.9

(1) Capital expenditures funded by Inter Pipeline exclude the 15% non-controlling interest in Cold Lake.

Interest coverage is calculated as net income attributable to unitholders plus income taxes and borrowing costs divided by the sum of borrowing costs, capitalized borrowing costs and any retirement of obligations. This measure is used by the investment community to determine the ease with which borrowing costs are satisfied.

Payout ratio is calculated by expressing distributions declared to unitholders for the period as a percentage of cash available for distribution. This measure, in combination with other measures, is used by the investment community to assess the sustainability of the current distributions.

Total debt to total capitalization is calculated by dividing the sum of total debt including demand facilities and excluding discounts and debt transaction costs by total capitalization. Total capitalization includes the sum of total debt (as above) and partners' equity. This measure in combination with other measures, are used by the investment community to assess the financial strength of the entity.

Additional GAAP Financial Measures

The following additional GAAP financial measures are provided to assist investors with their evaluation of Inter Pipeline, including their assessment of its ability to generate cash and fund monthly distributions. Management considers these additional GAAP financial measures to be important indicators in assessing its performance.

EBITDA and funds from operations are reconciled from the components of net income as noted below. Funds from operations are expressed before changes in non-cash working capital. **Funds from operations per unit** are calculated on a weighted average basis using basic units outstanding during the period. These measures, together with other measures, are used by the investment community to assess the source and sustainability of distributions.

	Three Months Ended March 31	
(millions)	2013	2012 *(restated)*
Net income	$ 72.2	$ 82.1
Depreciation and amortization	30.9	28.0
Loss on disposal of assets	1.7	-
Non-cash recovery	(2.8)	(3.1)
Unrealized change in fair value of derivative financial instruments	0.7	(3.1)
Deferred income tax expense	6.7	6.9
Funds from operations	109.4	110.8
Less funds from operations attributable to non-controlling interest	(3.0)	(2.8)
Funds from operations attributable to unitholders	$ 106.4	$ 108.0
Funds from operations	$ 109.4	$ 110.8
Total interest less capitalized interest	22.3	21.9
Current income tax expense	14.5	15.7
EBITDA	146.2	148.4
Less EBITDA attributable to non-controlling interest	(3.0)	(2.8)
EBITDA attributable to unitholders	$ 143.2	$ 145.6

Total recourse debt to capitalization is calculated by dividing the sum of debt facilities outstanding with recourse to Inter Pipeline (excluding discounts and debt transaction costs) by total capitalization excluding outstanding debt facilities with no recourse to Inter Pipeline. This measure in combination with other measures, are used by the investment community to assess the financial strength of the entity.

ELIGIBLE INVESTORS

Pursuant to Inter Pipeline's LPA dated October 9, 1997, as amended, all unitholders are required to be residents of Canada. A copy of the limited partnership agreement can be found at www.interpipelinefund.com. If a unitholder is a non-resident of Canada (Non-Eligible unitholder), he will not be considered to be a member of the partnership effective the date the Class A units were acquired. Inter Pipeline requires all Non-Eligible unitholders to dispose of their Class A units in accordance with the limited partnership agreement.

In most cases, a unitholder with an address outside of Canada will be a Non-Eligible unitholder.

ADDITIONAL INFORMATION

Additional information relating to Inter Pipeline, including Inter Pipeline's **Annual Information Form**, is available on SEDAR at www.sedar.com. Inter Pipeline's Statement of Corporate Governance is included in Inter Pipeline's **Annual Information Form**.

The MD&A has been reviewed and approved by the Audit Committee and the Board of Directors of the General Partner.

Dated at Calgary, Alberta this 9th day of May, 2013.

Inter Pipeline Fund

Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)	**As at March 31 2013**	As at December 31 2012 *(restated - see note 19)*	As at January 1 2012 *(restated - see note 19)*
ASSETS			
Current Assets			
Cash and cash equivalents (note 18)	**$ 41,353**	$ 64,979	$ 50,817
Accounts receivable	**137,500**	146,746	109,567
Derivative financial instruments (note 15)	**18,036**	20,816	5,167
Prepaid expenses and other deposits	**32,176**	31,279	11,142
Total Current Assets	**229,065**	263,820	176,693
Non-Current Assets			
Derivative financial instruments (note 15)	**3,871**	4,865	9,772
Property, plant and equipment (note 4)	**5,162,829**	4,793,508	4,154,324
Goodwill and intangible assets (note 5)	**610,256**	620,202	513,396
Total Assets	**$ 6,006,021**	$ 5,682,395	$ 4,854,185
LIABILITIES AND EQUITY			
Current Liabilities			
Distributions payable to unitholders (note 6)	**$ 25,680**	$ 25,452	$ 23,114
Accounts payable and accrued liabilities (note 12)	**456,093**	292,999	162,503
Current income taxes payable	**14,674**	8,685	49,761
Derivative financial instruments (note 15)	**6,077**	8,336	25,746
Deferred revenue	**14,332**	6,143	4,606
Current portion of long-term debt (note 7)	**-**	-	90,989
Commercial paper (note 7)	**1,341,556**	1,351,132	1,464,369
Total Current Liabilities	**1,858,412**	1,692,747	1,821,088
Non-Current Liabilities			
Long-term debt (note 7)	**1,890,019**	1,760,902	1,102,288
Long-term payable	**3,871**	4,865	9,772
Derivative financial instruments (note 15)	**11**	-	11,035
Provisions (note 8)	**59,900**	59,953	37,025
Employee benefits (note 9)	**5,294**	9,631	6,989
Long-term deferred revenue and other liabilities	**15,929**	16,958	17,652
Deferred income taxes	**389,151**	384,531	342,474
Total Liabilities	**4,222,587**	3,929,587	3,348,323
Commitments (notes 4 and 13)			
Partners' Equity			
Partners' equity (note 10)	**1,730,201**	1,682,955	1,452,066
Total reserves (note 10)	**(43,337)**	(23,504)	(32,280)
Total Partners' Equity	**1,686,864**	1,659,451	1,419,786
Non-Controlling Interest (note 11)	**96,570**	93,357	86,076
Total Equity	**1,783,434**	1,752,808	1,505,862
Total Liabilities and Equity	**$ 6,006,021**	$ 5,682,395	$ 4,854,185

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Fund

Interim Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)

	Attributable to Unitholders of Inter Pipeline Fund					
	Class A Limited Liability Partnership Units	Class B Unlimited Liability Partnership Units	Reserves *(note 10)*	Total Partners' Equity	Non-Controlling Interest *(note 11)*	Total Equity
Balance, January 1, 2013 *(restated)*	$1,681,274	$ 1,681	$ (23,504)	$1,659,451	$ 93,357	**$ 1,752,808**
Net income for the period	69,582	69	-	69,651	2,581	**72,232**
Other comprehensive loss	-	-	(19,833)	(19,833)	-	**(19,833)**
	1,750,856	1,750	(43,337)	1,709,269	95,938	**1,805,207**
Distributions declared to unitholders (note 6)	(76,737)	(77)	-	(76,814)	-	**(76,814)**
Issuance of Partnership units (note 10)						
Issued under Premium Distribution™ and Distribution Reinvestment Plan	54,354	55	-	54,409	-	**54,409**
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	(2,896)	**(2,896)**
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	3,528	**3,528**
Balance, March 31, 2013	$ 1,728,473	$ 1,728	$ (43,337)	$ 1,686,864	$ 96,570	**$ 1,783,434**
Balance, January 1, 2012	$ 1,450,617	$ 1,449	$ (32,280)	$ 1,419,786	$ -	$ 1,419,786
Opening IFRS 10 adjustment (note 19)	-	-	-	-	86,076	86,076
Balance, beginning of the period *(restated)*	1,450,617	1,449	(32,280)	1,419,786	86,076	1,505,862
Net income for the period	79,554	80	-	79,634	2,470	82,104
Other comprehensive income	-	-	10,505	10,505	-	10,505
	1,530,171	1,529	(21,775)	1,509,925	88,546	1,598,471
Distributions declared to unitholders (note 6)	(69,804)	(70)	-	(69,874)	-	(69,874)
Issuance of Partnership units (note 10)						
Issued under Premium Distribution™ and Distribution Reinvestment Plan	53,582	54	-	53,636	-	53,636
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	(2,519)	(2,519)
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	905	905
Balance, March 31, 2012 *(restated)*	$ 1,513,949	$ 1,513	$ (21,775)	$ 1,493,687	$ 86,932	$ 1,580,619

See accompanying condensed notes to the interim consolidated financial statements.

™ Denotes trademark of Canaccord Capital Corporation.

Inter Pipeline Fund

Interim Consolidated Statements of Net Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 **2013**	2012 *(restated - see note 19)*
REVENUES		
Operating revenues	**$ 327,679**	$ 301,689
EXPENSES		
Shrinkage gas	**61,594**	55,970
Midstream product purchases	**13,955**	-
Operating	**81,045**	69,404
Depreciation and amortization	**30,926**	28,027
Financing charges (note 17)	**23,878**	23,278
General and administrative	**16,248**	15,143
Unrealized change in fair value of derivative financial instruments (note 15)	**716**	(3,067)
Acquisition fee to General Partner (note 12)	**-**	4,591
Management and incentive fees to General Partner (note 12)	**4,182**	3,704
Loss on disposal of assets	**1,733**	-
	234,277	197,050
INCOME BEFORE INCOME TAXES	**93,402**	104,639
Provision for income taxes		
Current	**14,519**	15,676
Deferred	**6,651**	6,859
	21,170	22,535
NET INCOME	**$ 72,232**	$ 82,104
Net income attributable to		
Unitholders of Inter Pipeline Fund	**$ 69,651**	$ 79,634
Non-controlling interest (note 11)	**2,581**	2,470
	$ 72,232	$ 82,104
Net income per Partnership unit attributable to unitholders of Inter Pipeline Fund (note 10)		
Basic and diluted	**$ 0.25**	$ 0.30

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Fund

Interim Consolidated Statements of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 **2013**	2012 *(restated - see note 19)*
NET INCOME	**$ 72,232**	$ 82,104
OTHER COMPREHENSIVE (LOSS) INCOME (note 10)		
Item that may be reclassified subsequently to net income		
Unrealized (loss) gain on translating financial statements of foreign operations	**(20,076)**	10,618
Items that will not be reclassified to net income		
Actuarial gain on defined benefit pension plan	**322**	-
Income tax relating to defined benefit pension reserve	**(79)**	(113)
	(19,833)	10,505
COMPREHENSIVE INCOME	**$ 52,399**	$ 92,609
Comprehensive income attributable to		
Unitholders of Inter Pipeline Fund	**$ 49,818**	$ 90,139
Non-controlling interest (note 11)	**2,581**	2,470
	$ 52,399	$ 92,609

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Fund

Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 **2013**	2012 *(restated - see note 19)*
OPERATING ACTIVITIES		
Net income	**$ 72,232**	$ 82,104
Items not involving cash:		
Depreciation and amortization	**30,926**	28,027
Loss on disposal of assets	**1,733**	-
Non-cash recovery	**(2,902)**	(3,104)
Unrealized change in fair value of derivative financial instruments	**716**	(3,067)
Deferred income tax expense	**6,651**	6,859
Funds from operations	**109,356**	110,819
Net change in non-cash operating working capital (note 18)	**10,746**	(47,941)
Cash provided by operating activities	**120,102**	62,878
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	**(415,194)**	(46,594)
Proceeds on sale of assets	**8**	-
Acquisition of Inter Terminals	**-**	(509,873)
Assumption of cash on acquisition of Inter Terminals	**-**	48,293
Capital contributions received from Cold Lake non-controlling interest	**3,528**	905
Net change in non-cash investing working capital (note 18)	**174,715**	13,275
Cash used in investing activities	**(236,943)**	(493,994)
FINANCING ACTIVITIES		
Cash distributions paid to unitholders of Inter Pipeline Fund (note 6)	**(22,405)**	(16,238)
Cash distributions paid by Cold Lake to non-controlling interest	**(2,896)**	(2,519)
Increase in debt	**118,877**	472,815
Transaction costs on debt	**(152)**	(704)
Net change in non-cash financing working capital (note 18)	**228**	264
Cash provided by financing activities	**93,652**	453,618
Effect of foreign currency translation on foreign currency denominated cash	**(437)**	1,036
(Decrease) increase in cash and cash equivalents	**(23,626)**	23,538
Cash and cash equivalents, beginning of period	**64,979**	50,817
Cash and cash equivalents, end of period	**$ 41,353**	$ 74,355

Cash taxes paid	**$ 8,514**	$ 49,339
Cash interest paid	**$ 25,538**	$ 23,884

See accompanying condensed notes to the interim consolidated financial statements.

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting Standards (IAS) 34 – *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Fund's (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2012.

Inter Pipeline has consistently applied the same accounting policies for all periods presented in these interim financial statements as those used in Inter Pipeline's audited consolidated financial statements for the year ended December 31, 2012, except as described in note 2 below. The accounting policies in note 2 have been applied consistently in preparing the interim financial statements for the three month periods ended March 31, 2013, and March 31, 2012, and the consolidated balance sheets as at December 31, 2012, March 31, 2012, and January 1, 2012. In preparing the interim financial statements for the three month period ended March 31, 2013, Inter Pipeline has adjusted comparative amounts reported previously. A reconciliation of the changes is provided in note 19.

These interim financial statements were authorized for issue by the Board of Directors of the General Partner on May 9, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of Consolidation*

These interim financial statements include the accounts of Inter Pipeline and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as Inter Pipeline, using consistent accounting policies.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Inter Pipeline obtained control, and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions, and unrealized gains and losses from intercompany transactions, are eliminated on consolidation. Ownership interests in subsidiaries represented by other parties that do not control the entity are presented in the consolidated statements as balances and activities attributable to non-controlling interest.

Non-controlling interest

Inter Pipeline has an indirect 85% interest in the Cold Lake Pipeline Limited Partnership (Cold Lake LP) and an 85% interest in its general partner Cold Lake Pipeline Ltd. (collectively Cold Lake). Non-controlling interest represents a 15% ownership interest in Cold Lake attributable to a third party. The portion of equity in entities not owned by Inter Pipeline is reflected as non-controlling interest within total equity on the consolidated balance sheet.

b) *Accounting Policies Adopted in 2013*

Inter Pipeline has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements *(IFRS 10)*

IFRS 10 replaces IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and Standing Interpretations Committee (SIC) 12 *Consolidation-Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. Management has evaluated Inter Pipeline's investment in Cold Lake and determined that Inter Pipeline controls the relevant activities of this investment in accordance with IFRS 10. As a result, Inter Pipeline consolidates 100% of Cold Lake under IFRS 10, compared to proportionate consolidation of 85% of Cold Lake under IAS 31 *Interests in Joint Ventures* (IAS 31). A non-controlling interest is recorded to represent the 15% equity investment in Cold Lake that is not attributable to Inter Pipeline (refer to note 19 for a reconciliation of the changes).

IFRS 11 Joint Arrangements *(IFRS 11)*

IFRS 11 supersedes IAS 31 and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions to Venturers* and is applied to interests in joint arrangements where there is joint control. IFRS 11 requires joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement is no longer the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. For joint operations, an entity recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in *IAS 28 Investments in Associates and Joint Ventures (amended in 2011)*. The adoption of IFRS 11 did not result in any changes to the accounting for Inter Pipeline's only jointly controlled operation, its 50% investment in the Empress V NGL Extraction facility, which is accounted for as a joint operation.

IFRS 12 Disclosure of Interests in Other Entities *(IFRS 12)*

IFRS 12 provides disclosure requirements for a reporting entity's interests held in other entities including: subsidiaries, joint arrangements, associates, or unconsolidated structured entities. Inter Pipeline has adopted IFRS 12 in its financial statement disclosure effective January 1, 2013, and for the comparative periods.

IFRS 13 Fair Value Measurement *(IFRS 13)*

IFRS 13 defines fair value and provides, in a single IFRS, a framework for measuring fair value when it is required or permitted within IFRS standards. The standard also provides consistent disclosure requirements about fair value measurements. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by Inter Pipeline to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 19 Employee Benefits (Revised) *(IAS 19)*

IAS 19 amends certain accounting requirements for defined benefit pension plans. The amendments included fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets. Effective January 1, 2013, the expected return on Inter Pipeline's pension plan assets is calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The impact of the amended standard on Inter Pipeline's results was insignificant to prior periods and resulted in increased financing charges of approximately $0.3 million for the three months ended March 31, 2013.

IAS 1 Presentation of Financial Statements, Amendment *(IAS 1)*

Inter Pipeline has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required Inter Pipeline to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These presentation changes did not result in any adjustments to other comprehensive income or comprehensive income.

c) *Critical Accounting Estimates and Judgments*

Consolidation of non-controlling interest

As discussed above IFRS 10 revises the definition of control from IAS 27 and establishes a single control model that focuses on an investor's power to direct the activities of an investee that most significantly affect the investee's returns (relevant activities), exposure to variable returns and the ability to use power to affect the amount of an investor's returns. Compared with the requirements of IAS 27, IFRS 10 requires management to exercise significant judgment in its assessment of control including but not limited to; the determination of the investee's relevant activities, the investor's ability to direct those relevant activities, the investor's exposure to returns of the investee, as well as rights of other parties. IFRS 10 also requires management to continuously assess control over an investee.

On January 2, 2003 Inter Pipeline acquired an additional 70% interest in Cold Lake which, combined with its initial 15% investment acquired on October 5, 2000, resulted in Inter Pipeline owning an 85% interest in Cold Lake. Inter Pipeline determined that it had control over Cold Lake since the acquisition of the additional 70% interest by considering factors such as its majority voting rights over Cold Lake's relevant activities. The relevant activities include identification of expansion and other transportation service opportunities, performance of due diligence and economic feasibility studies and managing decisions to undergo capital projects. Management believes that Inter Pipeline has the current ability to direct these relevant activities and, as such, has control over Cold Lake.

Inter Pipeline Fund
Condensed Notes to Interim Consolidated Financial Statements
(unaudited)
March 31, 2013
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

3. SEGMENT REPORTING

Inter Pipeline operates its business under the following principal business segments:

Three Months Ended March 31, 2013

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 91,583	$ 129,398	$ 67,336	$ -	$ 288,317	$ 39,362	$ 327,679
Expenses							
Shrinkage gas	-	61,594	-	-	61,594	-	61,594
Midstream product purchases	-	-	13,955	-	13,955	-	13,955
Operating	27,585	24,616	12,571	-	64,772	16,273	81,045
Depreciation and amortization	11,187	6,722	2,435	584	20,928	9,998	30,926
Financing charges	8,747	67	157	14,340	23,311	567	23,878
General and administrative	2,478	-	-	11,431	13,909	2,339	16,248
Unrealized change in fair value of derivative financial instruments	-	808	(92)	-	716	-	716
Management and incentive fees to General Partner	-	-	-	4,182	4,182	-	4,182
Loss (gain) on disposal of assets	-	1,741	(8)	-	1,733	-	1,733
Total expenses	49,997	95,548	29,018	30,537	205,100	29,177	234,277
Income (loss) before income taxes	41,586	33,850	38,318	(30,537)	83,217	10,185	93,402
Provision for (recovery of) income taxes	6,615	-	-	14,951	21,566	(396)	21,170
Net income (loss)	$ 34,971	$ 33,850	$ 38,318	$ (45,488)	$ 61,651	$ 10,581	$ 72,232
Items not involving cash:							
Depreciation and amortization*	11,187	8,463	2,427	584	22,661	9,998	32,659
Non-cash (recovery) expense	(325)	(111)	(246)	(2,701)	(3,383)	481	(2,902)
Unrealized change in fair value of derivative financial instruments	-	808	(92)	-	716	-	716
Deferred income tax expense (recovery)	4,929	-	-	2,442	7,371	(720)	6,651
Funds from (used in) operations	$ 50,762	$ 43,010	$ 40,407	$ (45,163)	$ 89,016	$ 20,340	$ 109,356
Property, plant and equipment additions	$ 381,989	$ 12,950	$ 3,007	$ 1,677	$ 399,623	$ 13,830	$ 413,453
							As at March 31, 2013
Property, plant and equipment - net book value	$ 3,599,083	$ 415,093	$ 473,764	$ 11,351	$ 4,499,291	$ 663,538	$ 5,162,829
Goodwill and intangible assets - net book value	$ 228,109	$ 207,843	$ -	$ -	$ 435,952	$ 174,304	$ 610,256
Other assets	$ 75,196	$ 66,808	$ 34,714	$ 272	$ 176,990	$ 55,946	$ 232,936
Total assets	$ 3,902,388	$ 689,744	$ 508,478	$ 11,623	$ 5,112,233	$ 893,788	$ 6,006,021

* Includes loss (gain) on disposal of assets

Inter Pipeline Fund
Condensed Notes to Interim Consolidated Financial Statements
(unaudited)
March 31, 2013
(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Three Months Ended March 31, 2012 (restated)

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 75,104	$ 136,656	$ 51,239	$ -	$ 262,999	$ 38,690	$ 301,689
Expenses							
Shrinkage gas	-	55,970	-	-	55,970	-	55,970
Operating	19,602	23,514	10,161	-	53,277	16,127	69,404
Depreciation and amortization	10,893	6,690	2,371	643	20,597	7,430	28,027
Financing charges	9,495	63	162	13,399	23,119	159	23,278
General and administrative	1,590	-	-	10,843	12,433	2,710	15,143
Unrealized change in fair value of derivative financial instruments	-	(3,664)	-	597	(3,067)	-	(3,067)
Acquisition fee to General Partner	-	-	-	4,591	4,591	-	4,591
Management and incentive fees to General Partner	-	-	-	3,704	3,704	-	3,704
Total expenses	41,580	82,573	12,694	33,777	170,624	26,426	197,050
Income (loss) before income taxes	33,524	54,083	38,545	(33,777)	92,375	12,264	104,639
Provision for (recovery of) income taxes	4,739	-	-	18,903	23,642	(1,107)	22,535
Net income (loss)	$ 28,785	$ 54,083	$ 38,545	$ (52,680)	$ 68,733	$ 13,371	$ 82,104
Items not involving cash:							
Depreciation and amortization	10,893	6,690	2,371	643	20,597	7,430	28,027
Non-cash (recovery) expense	(187)	(100)	(385)	(2,436)	(3,108)	4	(3,104)
Unrealized change in fair value of derivative financial instruments	-	(3,664)	-	597	(3,067)	-	(3,067)
Deferred income tax expense (recovery)	4,669	-	-	3,700	8,369	(1,510)	6,859
Funds from (used in) operations	$ 44,160	$ 57,009	$ 40,531	$ (50,176)	$ 91,524	$ 19,295	$ 110,819
Property, plant and equipment additions	$ 30,157	$ 5,253	$ 3,696	$ 550	$ 39,656	$ 6,938	$ 46,594

As at December 31, 2012 *(restated)*

	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Property, plant and equipment - net book value	$ 3,228,340	$ 406,313	$ 473,192	$ 9,251	$ 4,117,096	$ 676,412	$ 4,793,508
Goodwill and intangible assets - net book value	$ 229,057	$ 210,396	$ -	$ -	$ 439,453	$ 180,749	$ 620,202
Other assets	$ 68,451	$ 85,341	$ 51,811	$ 389	$ 205,992	$ 62,693	$ 268,685
Total assets	$ 3,525,848	$ 702,050	$ 525,003	$ 9,640	$ 4,762,541	$ 919,854	$ 5,682,395

As at January 1, 2012 *(restated)*

	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Property, plant and equipment - net book value	$ 2,997,655	$ 386,931	$ 448,463	$ 7,339	$ 3,840,388	$ 313,936	$ 4,154,324
Goodwill and intangible assets - net book value	$ 232,852	$ 220,606	$ -	$ -	$ 453,458	$ 59,938	$ 513,396
Other assets	$ 46,010	$ 64,859	$ 50,003	$ 321	$ 161,193	$ 25,272	$ 186,465
Total assets	$ 3,276,517	$ 672,396	$ 498,466	$ 7,660	$ 4,455,039	$ 399,146	$ 4,854,185

4. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line fill	Construction Work in Progress	Total
Cost				
Balance, January 1, 2012 *(restated)*	$ 4,578,128	$ 249,971	$ 143,077	$ 4,971,176
Acquisition of Inter Terminals	340,881	-	1,278	342,159
Additions/transfers from construction* *(restated)*	171,052	23,858	368,736	563,646
Disposals/completed construction* *(restated)*	(8,625)	-	(169,968)	(178,593)
Foreign currency translation adjustment	11,474	-	275	11,749
Balance, December 31, 2012 *(restated)*	5,092,910	273,829	343,398	5,710,137
Additions/transfers from construction*	33,448	-	412,890	446,338
Disposals/completed construction*	(38)	-	(32,886)	(32,924)
Foreign currency translation adjustment	(22,675)	-	(468)	(23,143)
Balance, March 31, 2013	**$ 5,103,645**	**$ 273,829**	**$ 722,934**	**$ 6,100,408**
Accumulated Depreciation				
Balance, January 1, 2012 *(restated)*	$ 808,213	$ 8,639	$ -	$ 816,852
Depreciation *(restated)*	94,815	3,359	-	98,174
Disposals	(430)	-	-	(430)
Foreign currency translation adjustment	2,033	-	-	2,033
Balance, December 31, 2012 *(restated)*	904,631	11,998	-	916,629
Depreciation	24,538	726	-	25,264
Disposals	(38)	-	-	(38)
Foreign currency translation adjustment	(4,276)	-	-	(4,276)
Balance, March 31, 2013	**$ 924,855**	**$ 12,724**	**$ -**	**$ 937,579**
Net Book Value				
At January 1, 2012 *(restated)*	$ 3,769,915	$ 241,332	$ 143,077	$ 4,154,324
At December 31, 2012 *(restated)*	$ 4,188,279	$ 261,831	$ 343,398	$ 4,793,508
At March 31, 2013	**$ 4,178,790**	**$ 261,105**	**$ 722,934**	**$ 5,162,829**

* The majority of property, plant and equipment additions are related to constructed assets and are initially recorded as construction work in progress before being transferred to pipelines, facilities and equipment or pipeline line fill when the related asset is available for use.

At March 31, 2013, Inter Pipeline expects to spend approximately $2,350.5 million on property, plant and equipment, of which $1,185.6 million is due within one year and $1,164.9 million is due in one to five years. These amounts do not include expenditures related to the 15% non-controlling interest in Cold Lake.

5. GOODWILL AND INTANGIBLE ASSETS

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Goodwill	**$ 320,134**	$ 324,077	$ 211,150
Intangible assets	**290,122**	296,125	302,246
Goodwill and intangible assets	**$ 610,256**	$ 620,202	$ 513,396

As a result of the transition to IFRS 10, intangible assets increased $10.8 million at December 31, 2012 related to the 15% non-controlling interest in Cold Lake (January 1, 2012 - $11.4 million).

6. DISTRIBUTIONS TO UNITHOLDERS

Section 5.2 of the Limited Partnership Agreement (LPA) specifies the terms for Inter Pipeline to make distributions of LPA Distributable Cash on a monthly basis, provided that Inter Pipeline has cash available for such payment (thereby excluding any cash withheld as a reserve). LPA Distributable Cash is defined to generally mean cash from operating, investing and financing activities, less certain items, including any cash withheld as a reserve that the General Partner determines to be necessary or appropriate for the proper management of Inter Pipeline and its assets. As a result of the General Partner's discretion to establish reserves under the LPA, cash distributed to unitholders is always equal to LPA Distributable Cash.

For the three months ended March 31, 2013, Inter Pipeline declared distributions totaling $76.8 million, or $0.2775 per unit, of which $54.4 million was settled with the issuance of units under the Premium Distribution[TM] and Distribution Reinvestment Plan (Plan) (three months ended March 31, 2012 - $69.9 million, $0.2625 per unit and $53.6 million, respectively). As at March 31, 2013, distributions of $25.7 million were payable on 277.3 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0925 per unit (December 31, 2012 - $25.5 million payable on 274.9 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0925 per unit, January 1, 2012 - $23.1 million payable on 263.9 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0875 per unit).

On April 4, 2013, Inter Pipeline declared distributions of $0.0925 per unit. The distributions will be paid on May 15, 2013, to all unitholders of record on April 22, 2013. The total estimated declared distributions are approximately $25.8 million.

[TM] Denotes trademark of Canaccord Capital Corporation

7. LONG-TERM DEBT, SHORT-TERM DEBT AND COMMERCIAL PAPER

	March 31 2013	December 31 2012	January 1 2012
$1,550 million Unsecured Revolving Credit Facility (a)	$ 1,344,350	$ 1,353,950	$ 1,467,300
$750 million Unsecured Revolving Credit Facility (b)	388,600	260,000	-
Loan payable to General Partner	288,648	288,648	379,800
Corridor Debentures (c)	300,000	300,000	300,000
Senior Unsecured Medium-Term Notes (d)	925,000	925,000	525,000
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts)	3,246,598	3,127,598	2,672,100
Less: Current portion of long-term debt and commercial paper*	(1,344,350)	(1,353,950)	(1,558,452)
	1,902,248	1,773,648	1,113,648
Transaction costs, net of accumulated amortization	(12,797)	(13,461)	(12,447)
Discount, net of accumulated amortization	(2,226)	(2,103)	(2,007)
Add: Current portion of transaction costs and discounts	2,794	2,818	3,094
Long-term debt	1,890,019	1,760,902	1,102,288
Current portion of long-term debt including transaction costs and discounts	-	-	90,989
Commercial paper including transaction costs and discounts* (a)	1,341,556	1,351,132	1,464,369
	$ 3,231,575	$ 3,112,034	$ 2,657,646

* Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Unsecured Revolving Credit Facility that has no repayment requirements until December 2016.

(a) At March 31, 2013, letters of credit of $0.2 million were issued by Corridor.

(b) On April 19, 2013, Inter Pipeline increased the size of its Unsecured Revolving Credit Facility from $750 million to $1,250 million. The term of the credit facility remains unchanged with a maturity date of December 5, 2017, which can be extended further upon certain conditions.

(c) Corridor Debentures are defined as the $150 million 5.033% Series B debentures due February 2, 2015 and the $150 million 4.897% Series C debentures due February 3, 2020.

(d) Senior Unsecured Medium-Term Notes are defined as the $325 million 4.967% Series 1 notes due February 2, 2021, the $200 million 3.839% Series 2 notes due July 30, 2018, and the $400 million 3.776% Series 3 notes due May 30, 2022.

8. PROVISIONS

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Decommissioning obligations	$ 41,587	$ 41,914	$ 20,281
Environmental liabilities	18,313	18,039	16,744
Provisions	$ 59,900	$ 59,953	$ 37,025

9. EMPLOYEE BENEFITS

	March 31 2013	December 31 2012	January 1 2012
Pension liability	**$ 2,313**	$ 2,396	$ 758
Long-term incentive plan liability	**2,981**	7,235	6,231
Employee benefits	**$ 5,294**	$ 9,631	$ 6,989

For the three months ended March 31, 2013, employee benefits expense recognized in net income was $19.8 million (three months ended March 31, 2012 - $19.3 million).

Long-Term Incentive Plan

The following table summarizes the status of Inter Pipeline's deferred unit rights (DURs) as at March 31, 2013, and December 31, 2012 and the changes during the three months and year then ended, respectively:

	DURs Number
Balance, January 1, 2012	1,370,679
Granted	682,476
Exercised	(723,922)
Forfeitures	(34,748)
Balance, December 31, 2012	1,294,485
Granted	623,123
Exercised	(46,902)
Forfeitures	(11,117)
Balance, March 31, 2013	**1,859,589**

At March 31, 2013, the current portion of the liability included in accounts payable and accrued liabilities was $23.4 million (December 31, 2012 - $16.2 million, January 1, 2012 - $12.7 million). At March 31, 2013, 573,116 DURs are exercisable. Inter Pipeline's closing Class A unit price at March 31, 2013, was $23.83.

The total intrinsic value of DURs vested and not exercised as at March 31, 2013, was $14.7 million (December 31, 2012 - $15.5 million, January 1, 2012 - $13.2 million).

The weighted average remaining contractual life of the outstanding DURs as at March 31, 2013, was 1.76 years.

For the three months ended March 31, 2013, operating expenses included $0.8 million and general and administrative expenses included $3.4 million related to DURs (three months ended March 31, 2012 - $1.2 million and $4.1 million, respectively).

10. PARTNERS' EQUITY

Units Issued, Fully Paid and Outstanding

Authorized

Unlimited number of Class A limited liability units, with voting rights and no par value.
Unlimited number of Class B unlimited liability units, with voting rights and no par value.

Issued, Fully Paid and Outstanding

	Class A Units	Class B Units	Total
Balance, January 1, 2012	263,892,445	264,413	264,156,858
Issued under Premium Distribution™ and Distribution Reinvestment Plan	10,987,873	11,009	10,998,882
Balance, December 31, 2012	274,880,318	275,422	275,155,740
Issued under Premium Distribution™ and Distribution Reinvestment Plan	2,459,484	2,466	2,461,950
Balance, March 31, 2013	**277,339,802**	**277,888**	**277,617,690**

Calculation of Net Income per Partnership Unit

Partnership units share equally on a pro rata basis in the allocation of net income. The number of diluted units outstanding is calculated using the Treasury Stock method based on the weighted average number of units outstanding for the period as follows:

	Three Months Ended March 31	
	2013	2012
Net income attributable to unitholders – basic and diluted	**$ 69,651**	$ 79,634
Weighted average units outstanding – basic	**276,395,638**	265,675,934
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**598,954**	756,352
Weighted average units outstanding – diluted	**276,994,592**	266,432,286
Net income per Partnership unit attributable to unitholders – basic and diluted	**$ 0.25**	$ 0.30

Reserves

Reserves are summarized as follows:

	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Total Reserves
Balance, January 1, 2012	$ (23,923)	$ (8,357)	$ (32,280)
Other comprehensive income (loss)	10,618	(113)	10,505
Balance, March 31, 2012	$ (13,305)	$ (8,470)	$ (21,775)
Balance, January 1, 2013	$ (13,437)	$ (10,067)	$ (23,504)
Other comprehensive (loss) income	(20,076)	243	(19,833)
Balance, March 31, 2013	**$ (33,513)**	**$ (9,824)**	**$ (43,337)**

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11. NON-CONTROLLING INTEREST

As a result of adopting IFRS 10, Inter Pipeline consolidates 100% of Cold Lake and a non-controlling interest is recorded to represent the 15% equity investment in Cold Lake that is not attributable to Inter Pipeline.

Summarized information on the balance sheets and results of operations relating to the non-controlling interest's 15% ownership interest in Cold Lake are:

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Current assets	**$ 4,248**	$ 2,498	$ 1,443
Non-current assets	**91,437**	89,699	84,675
Current liabilities	**897**	1,172	(35)
Non-current liabilities	**(12)**	(12)	(7)
Proportionate share of net assets	**$ 96,570**	$ 93,357	$ 86,076

	Three Months Ended March 31	
	2013	2012 *(restated)*
Revenues	**$ 4,848**	$ 4,465
Expenses	**2,256**	1,984
Current income tax	**11**	11
Proportionate share of net income and comprehensive income	**$ 2,581**	$ 2,470

12. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three months ended March 31, 2013 and 2012.

Amounts due from or to the General Partner and its affiliates related to their services are non-interest bearing and have no fixed repayment terms, with the exception of the loan payable to the General Partner (note 7). At March 31, 2013, accounts payable includes $2.2 million owing to the General Partner by Inter Pipeline (December 31, 2012 - $2.7 million, January 1, 2012 - $0.9 million).

Under the LPA, the General Partner is entitled to recover all direct and indirect expenses, including general and administrative expenses, incurred on behalf of Inter Pipeline. The General Partner also receives an annual base fee equal to 2% of Inter Pipeline's annual "Operating Cash" as defined in the LPA. In addition, the General Partner is entitled to earn an annual incentive fee of 15% of Inter Pipeline's annual distributable cash, as defined in the LPA (LPA Distributable Cash), in excess of $1.01 per unit annually but less than or equal to $1.10 per unit annually, 25% of available Distributable Cash in excess of $1.10 per unit annually but less than or equal to $1.19 per unit annually, and 35% of available Distributable Cash in excess of $1.19 per unit annually; an acquisition fee of 1.0% of the purchase price of any assets acquired by Inter Pipeline (excluding the pipeline assets originally acquired); and a disposition fee of 0.5% of the sale price of any assets sold by Inter Pipeline.

Management fees of $3.1 million were earned by the General Partner in the three months ended March 31, 2013 (three months ended March 31, 2012 - $3.3 million). Incentive fees of $1.1 million were accrued to the General Partner as Inter Pipeline's annual Distributable Cash is expected to be in excess of $1.01 per unit annually (three months ended March 31, 2012 - $0.4 million). Acquisition fees of $nil and disposition fees of $nil were earned by the General Partner in the three months ended March 31, 2013 (three months ended March 31, 2012 – $4.6 million and $nil respectively).

In 2004, Inter Pipeline entered into a loan agreement with the General Partner for $379.8 million, of which $288.6 million is outstanding at March 31, 2013 (December 31, 2012 - $288.6 million, January 1, 2012 - $379.8 million). At March 31, 2013, accounts payable includes interest payable to the General Partner on the loan of $7.6 million (December 31, 2012 - $3.2 million, January 1, 2012 - $4.1 million).

In the three months ended March 31, 2013, certain of the officers and directors of the General Partner received a total of $0.3 million in dividends from PAC pursuant to their non-voting shares (three months ended March 31, 2012 - $0.9 million).

13. COMMITMENTS AND CONTINGENCIES

On June 15, 2007, Inter Pipeline entered into an agreement with the Corridor shippers to guarantee the payment and performance of all obligations, other than repayment of borrowed amounts or similar financial obligations, of Corridor, the General Partner, or the operator (if the operator is not Inter Pipeline) in favour of the shippers under the Firm Service Agreement (FSA) and other related agreements. The guarantee may be exercised in the event that Corridor, the General Partner or the operator (if the operator is not Inter Pipeline) fails to pay or perform such obligations for any reason.

As a result of the sale of Lewis Tankers Limited in November 2009, Inter Pipeline provided third party guarantees for minimum payments under commercial vehicle lease agreements that expire between July 2010 and December 2013. The guarantees may be exercised if the purchaser fails to fulfill its payment obligations. At March 31, 2013, the guaranteed lease obligations are approximately $0.2 million.

Inter Pipeline has entered into lease agreements for office space, storage, land and property, plant and equipment for periods ranging from 2013 to 2090. At March 31, 2013, the future minimum lease obligations are approximately $227.1 million.

Inter Pipeline has committed to purchase obligations totaling approximately $187.8 million at March 31, 2013 (refer to note 4 for expected property, plant and equipment expenditures). Inter Pipeline is also committed to investing capital in the bulk liquid storage business to comply with the United Kingdom's post Buncefield regulations. Potential solutions are being evaluated and expenditures are estimated to be in the range of $5.0 million to $7.0 million over the next eight years.

14. CAPITAL DISCLOSURES

Capital under management includes long-term debt, short-term debt and commercial paper (excluding discounts and transaction costs) and partners' equity.

At March 31, 2013, Inter Pipeline had access to committed credit facilities totaling $2,300.0 million, of which $567.1 million remains unutilized. Inter Pipeline also had access to unutilized demand facilities of $45.0 million, of which $44.8 million remains unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline. On April 19, 2013, Inter Pipeline increased the size of its Unsecured Revolving Credit Facility from $750.0 million to $1,250.0 million (note 7).

Management's long-term objectives are to remain well below its maximum permitted ratio of 65% recourse debt to capitalization* and maximum senior recourse debt to EBITDA** ratio of 4.25 times. In March 2013, terms under an amended note purchase agreement became effective, which enabled the permitted recourse debt to EBITDA** ratio to increase from 4.25 to 5.5 times. The higher ratio provides Inter Pipeline with greater financial flexibility to fund its oil sands transportation expansion projects. Once the debt issued under the note purchase agreement matures in October 2014, the recourse debt to EBITDA** covenant will no longer exist. The recourse debt to capitalization* and senior recourse debt to EBITDA** measures below are similar to the coverage ratio terms contained in Inter Pipeline's credit agreements. EBITDA** calculated below includes the 15% non-controlling interest in Cold Lake and all net income associated with non-recourse subsidiaries, while the credit agreements only include distributed earnings attributable to unitholders of Inter Pipeline.

	March 31 2013	December 31 2012	January 1 2012
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts, per note 7)			
Recourse debt	**$ 1,602,248**	$ 1,473,648	$ 904,800
Non-recourse debt	**1,644,350**	1,653,950	1,767,300
	3,246,598	3,127,598	2,672,100
Partners' equity	**1,686,864**	1,659,451	1,419,786
Total capitalization	**$ 4,933,462**	$ 4,787,049	$ 4,091,886
Capitalization (excluding non-recourse debt)	**$ 3,289,112**	$ 3,133,099	$ 2,324,586
Recourse debt to capitalization*	**48.7%**	47.0%	38.9%

	Twelve Months Ended	
	March 31 2013	December 31 2012 *(restated)*
Net income	**$ 307,110**	$ 316,982
Add:		
Depreciation and amortization	**127,492**	124,593
Loss on disposal of assets	**1,908**	175
Financing charges	**98,204**	97,604
Non-cash recovery	**(355)**	(234)
Unrealized change in fair value of derivative financial instruments	**(40,580)**	(44,363)
Provision for income taxes	**87,930**	89,295
EBITDA**	**$ 581,709**	$ 584,052
Recourse debt to EBITDA**	**2.8**	2.5

Inter Pipeline was compliant with all covenants throughout each of the periods presented.

* Recourse debt to capitalization is an additional GAAP measure and is calculated by dividing the sum of debt facilities outstanding with recourse to Inter Pipeline (excluding discounts and debt transaction costs) by total capitalization excluding outstanding debt facilities with no recourse to Inter Pipeline.

** EBITDA is an additional GAAP measure whose nearest GAAP measure is net income. Additional GAAP measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

15. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at March 31, 2013, are classified as follows:

	Fair Value Through Profit or Loss	Cash, Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non-Financial Asset or Liability*	Carrying Value of Asset or Liability
Assets**						
Cash and cash equivalents	$ -	$ 41,353	$ -	$ 41,353	$ -	$ 41,353
Accounts receivable	-	121,695	-	121,695	15,805	137,500
Prepaid expenses and other deposits	-	18,116	-	18,116	14,060	32,176
Derivative financial instruments***	21,907	-	-	21,907	-	21,907
Liabilities						
Distributions payable to unitholders	-	-	25,680	25,680	-	25,680
Accounts payable and accrued liabilities	4,754	-	412,904	417,658	38,435	456,093
Derivative financial instruments***	6,088	-	-	6,088	-	6,088
Deferred revenue and other liabilities	-	-	8,533	8,533	21,728	30,261
Long-term debt and commercial paper (note 7)****	-	-	3,246,598	3,246,598	-	3,246,598
Long-term payable	3,871	-	-	3,871	-	3,871

* Not all components of assets and liabilities meet the definition of a financial asset or liability.
** Inter Pipeline does not have any assets that meet the definition of "available-for-sale" or "held-to-maturity."
*** Financial instruments at fair value through profit or loss (FVTPL) are recorded at fair value using a discounted cash flow methodology.
**** Carrying values include commercial paper and exclude discounts and transaction costs with the respective accumulated amortization.

a) Fair Value of Financial Instruments

The fair values of long-term debt and derivative financial instruments are discussed in the following paragraphs. The long-term portion of unrealized gains arising from the interest rate swap contract payable to the Corridor shippers is designated as FVTPL and is carried at fair value. The carrying value of all other financial assets and liabilities approximate their fair value due to the relatively short-term maturity.

Due to the short-term maturity of instruments under long-term variable rate revolving credit facilities, it is assumed that the carrying amounts of these financial instruments approximate their fair values. At March 31, 2013, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan Payable to General Partner	$ 288,648	$ 307,536
Corridor Debentures	$ 300,000	$ 329,659
Senior Unsecured Medium-Term Notes	$ 925,000	$ 1,004,343

* Carrying value excludes transaction costs, discount and accumulated amortization.

The fair values of derivatives and other financial instruments used for risk management activities are recorded in the consolidated balance sheets as follows:

	March 31 2013	December 31 2012	January 1 2012
Current asset	**$ 18,036**	$ 20,816	$ 5,167
Non-current asset	**3,871**	4,865	9,772
Current liability	**(6,077)**	(8,336)	(25,746)
Non-current liability	**(11)**	-	(11,035)
	$ 15,819	$ 17,345	$ (21,842)

Derivative financial instruments carried at fair value are as follows:

	March 31 2013	December 31 2012	January 1 2012
Frac-spread risk management			
NGL swaps	**$ 13,204**	$ 16,246	$ (13,691)
Natural gas swaps	**(3,380)**	(6,776)	(15,573)
Foreign exchange swaps	**(2,697)**	(1,535)	(7,189)
	7,127	7,935	(36,453)
Interest rate risk management			
Interest rate swaps	**8,625**	9,435	14,611
	8,625	9,435	14,611
Power price risk management			
Electricity price swap	**67**	(25)	-
	67	(25)	-
	$ 15,819	$ 17,345	$ (21,842)

Net Gains or Losses

Realized and Unrealized Gain (Loss) on Derivative Instruments – Fair Value Through Profit or Loss

Realized gains (losses) represent actual settlements under derivative contracts during the period. The realized gains (losses) on derivative financial instruments recognized in net income were:

	Three Months Ended March 31	
	2013	2012
Revenues		
NGL swaps	**$ 5,241**	$ (2,043)
Foreign exchange swaps (frac-spread)	**(661)**	(33)
	4,580	(2,076)
Shrinkage gas expense		
Natural gas swaps	**(1,943)**	(3,496)
	(1,943)	(3,496)
Operating expenses		
Electricity price swaps	**25**	-
	25	-
Financing charges		
Interest rate swap	**1,159**	1,196
	1,159	1,196
Net realized gain (loss) on derivative financial instruments	**$ 3,821**	$ (4,376)

The unrealized change in fair value related to derivative financial instruments recognized in net income was:

	Three Months Ended March 31	
	2013	2012
Frac-spread risk management		
NGL swaps	**$ (3,042)**	$ 4,225
Natural gas swaps	**3,396**	(4,910)
Foreign exchange swaps	**(1,162)**	4,349
	(808)	3,664
Power price risk management		
Electricity price swaps	**92**	-
	92	-
Foreign exchange risk management		
Foreign exchange swaps	**-**	(597)
	-	(597)
Unrealized change in fair value of derivative financial instruments	**$ (716)**	$ 3,067

Realized and Unrealized Gain (Loss) on Other Classes of Financial Instruments

Inter Pipeline had no significant gains (losses) or impairment losses on other classes of financial instruments.

16. RISK MANAGEMENT

Inter Pipeline is exposed to a number of inherent financial risks arising in the normal course of operations which include market price risk related to commodity prices, foreign currency exchange rates and interest rates, credit risk and liquidity risk.

a) Market Risk

Frac-Spread Risk Management

Contracts outstanding at March 31, 2013, represented approximately 42% of forecast propane-plus volumes at the Cochrane extraction facility for the period April 1, 2013 to December 31, 2013, at an average frac-spread price of approximately $0.97 CAD/US gallon. This average price approximated $0.95 USD/US gallon, based on the average USD/CAD forward curve as at March 31, 2013.

The following table illustrates how a 10% change in NGL and AECO natural gas commodity prices and foreign exchange rates in isolation could individually impact the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage frac-spread risk and consequently after-tax income assuming rates associated with each of the other components and all other variables remain constant:

	Fair Value of Derivative Financial Instruments	Change in Net Income Based on 10% Increase in Prices/Rates**	Change in Net Income Based on 10% Decrease in Prices/Rates**
NGL*	$ 13,204	$ (4,116)	$ 4,116
AECO natural gas	(3,380)	1,120	(1,120)
Foreign exchange	(2,697)	(5,123)	5,123
Frac-spread risk management	$ 7,127		

* Assumes that a commodity price change will impact all propane, normal butane, isobutane and pentanes-plus products linearly.
* * Negative amounts represent a liability increase or asset decrease.

Interest Rate Risk Management

Based on the variable rate debt obligations outstanding at March 31, 2013, a 1% change in interest rates at this date could affect interest expense on credit facilities by approximately $4.3 million for the three months ended March 31, 2013, assuming all other variables remain constant. Of this amount, $3.3 million relates to the $1.55 billion Unsecured Revolving Credit Facility (note 7) and is recoverable through the terms of Corridor's FSA, therefore the after-tax income impact would be $0.7 million.

Power Price Risk Management

Inter Pipeline enters into electricity price swap contracts to manage power price risk exposure in the conventional oil pipelines business. During the three months ended March 31, 2013, Inter Pipeline entered into an electricity price swap agreement in the conventional oil pipelines business in addition to the existing electricity price swap agreement entered into in 2012. Inter Pipeline may also enter into financial heat rate swap contracts to manage power price risk exposure in the NGL extraction business. As at March 31, 2013, there are no heat rate price swap agreements outstanding.

At March 31, 2013, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.2 million.

Foreign Exchange Risk Management

Inter Pipeline is exposed to currency risk resulting from the translation of assets and liabilities of its European bulk liquid storage operations and transactional currency exposures arising from purchases in currencies other than Inter Pipeline's functional currency, the Canadian dollar. Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future.

b) Credit Risk

With respect to credit risk arising from cash, deposits and derivative financial instruments, Inter Pipeline believes the risks of non-performance of counterparties are minimal as cash, deposits and derivative financial instruments outstanding are predominantly held with major financial institutions or investment grade corporations.

At March 31, 2013, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval, ongoing monitoring procedures and historical experience.

At March 31, 2013, accounts receivable outstanding meeting the definition of past due and impaired are insignificant.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At March 31, 2013, accounts receivable associated with these two business segments were $85.1 million or 61.9% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business units and customers.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at March 31, 2013, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Distributions payable to unitholders	$ 25,680	$ 25,680	$ -	$ -
Accounts payable and accrued liabilities	456,093	456,093	-	-
Deferred revenue and other liabilities	30,261	14,332	9,808	6,121
Derivative financial instruments*	6,127	6,116	11	-
Long-term debt and commercial paper**	3,246,598	1,344,350	827,248	1,075,000
Long-term payable*	4,009	-	4,009	-
	$ 3,768,768	$ 1,846,571	$ 841,076	$ 1,081,121

* Derivative financial instruments are shown on a net basis. Derivative financial instruments and the long-term payable represent an estimate of the fair value liability on an undiscounted basis for financially net settled derivative contracts outstanding at March 31, 2013, based upon contractual maturity dates. Fair values of derivative financial instruments and the long-term payable reported on the consolidated balance sheets are shown on a discounted basis.

** Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Unsecured Revolving Credit Facility that has no repayment requirements until December 2016.

17. FINANCING CHARGES

	Three Months Ended March 31	
	2013	2012 *(restated)*
Interest expense on credit facilities	**$ 8,200**	$ 9,568
Interest on loan payable to General Partner	**4,438**	5,771
Interest on Corridor Debentures	**2,514**	2,518
Interest on Senior Unsecured Medium-Term Notes	**9,731**	5,955
Total interest	**24,883**	23,812
Capitalized interest	**(2,637)**	(1,843)
Amortization of transaction costs on long-term debt, short-term debt and commercial paper	**817**	831
Accretion of provisions and pension plan financing charges	**815**	478
Financing charges	**$ 23,878**	$ 23,278

18. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended March 31	
	2013	2012 *(restated)*
Accounts receivable	**$ 9,246**	$ (578)
Prepaid expense and other deposits	**(897)**	(13,656)
Distributions payable to unitholders	**228**	264
Accounts payable and accrued liabilities	**162,910**	(13,863)
Deferred revenue	**8,189**	11,950
Current income taxes payable	**5,989**	(33,658)
Working capital acquired	**-**	14,932
Impact of foreign exchange rate differences and other	**24**	207
Changes in non-cash working capital	**$ 185,689**	$ (34,402)
These changes relate to the following activities:		
Operating	**$ 10,746**	$ (47,941)
Investing	**174,715**	13,275
Financing	**228**	264
Changes in non-cash working capital	**$ 185,689**	$ (34,402)

Cash and Cash Equivalents

	March 31 2013	December 31 2012 *(restated)*	January 1 2012 *(restated)*
Cash on hand and at banks	**$ 29,086**	$ 53,604	$ 38,675
Short-term deposits	**12,267**	11,375	12,142
	$ 41,353	$ 64,979	$ 50,817

19. TRANSITION TO IFRS 10

Inter Pipeline has re-assessed its consolidation conclusions at January 1, 2013, in accordance with IFRS 10 and concluded that it has controlled Cold Lake since the acquisition of its additional 70% ownership interest on January 2, 2003, and that 100% of Cold Lake should be consolidated. The 15% ownership interest in Cold Lake that is not attributable to Inter Pipeline is presented in the consolidated financial statements as activities and balances attributable to a non-controlling interest. Inter Pipeline's 85% ownership interest in Cold Lake was previously accounted for as a joint venture and was consolidated in a manner that reflected Inter Pipeline's 85% ownership interest in the individual income, expenses, assets, liabilities and cash flows of Cold Lake on a line by line basis in the consolidated results.

Inter Pipeline has accounted for this change in accounting policy using the relevant transitional provisions of IFRS 10 by accounting for its acquisition of Cold Lake using IFRS 3 *Business Combinations*, as at the acquisition date of January 2, 2003, and consolidating Cold Lake since the acquisition date. The adjustments for each financial statement line item affected are presented in the following tables:

Reconciliation of Consolidated Statement of Net Income for the three months ended March 31, 2012

	Three months ended March 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
REVENUES			
Operating revenues	**$ 297,224**	$ 4,465	**$ 301,689**
EXPENSES			
Shrinkage gas	**55,970**	-	**55,970**
Operating	**67,782**	1,622	**69,404**
Depreciation and amortization	**27,662**	365	**28,027**
Financing charges	**23,281**	(3)	**23,278**
General and administration	**15,143**	-	**15,143**
Unrealized change in fair value of derivative financial instruments	**(3,067)**	-	**(3,067)**
Acquisition fee to General Partner	**4,591**	-	**4,591**
Management and incentive fees to General Partner	**3,704**	-	**3,704**
	195,066	1,984	**197,050**
INCOME BEFORE INCOME TAXES	**102,158**	2,481	**104,639**
Provision for income taxes			
Current	**15,665**	11	**15,676**
Deferred	**6,859**	-	**6,859**
	22,524	11	**22,535**
NET INCOME	**$ 79,634**	$ 2,470	**$ 82,104**
Net income attributable to			
Unitholders of Inter Pipeline Fund	**$ 79,634**	$ -	**$ 79,634**
Non-controlling interest	**-**	-	**2,470**
	$ 79,634	$ -	**$ 82,104**
Net income per Partnership unit attributable to unitholders of Inter Pipeline Fund			
Basic and diluted	**$ 0.30**	$ -	**$ 0.30**

Reconciliation of Consolidated Statement of Comprehensive Income for the three months ended March 31, 2012

IFRS 10 had no impact on Inter Pipeline's other comprehensive income for the three months ended March 31, 2012. Comprehensive income increased by $2.5 million as a result of the IFRS 10 changes recorded in the consolidated statement of net income.

Reconciliation of Consolidated Statement of Net Income for the year ended December 31, 2012

	Year ended December 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
REVENUES			
Operating revenues	**$ 1,187,023**	$ 18,968	**$ 1,205,991**
EXPENSES			
Shrinkage gas	**206,525**	-	**206,525**
Midstream product purchases	**31,905**	-	**31,905**
Operating	**293,150**	7,656	**300,806**
Depreciation and amortization	**123,132**	1,461	**124,593**
Financing charges	**97,618**	(14)	**97,604**
General and administration	**64,046**	-	**64,046**
Unrealized change in fair value of derivative financial intruments	**(44,363)**	-	**(44,363)**
Acquisition fee to General Partner	**4,591**	-	**4,591**
Management and acquisition fees to General Partner	**13,832**	-	**13,832**
Loss (gain) on disposal of assets	**179**	(4)	**175**
	790,615	9,099	**799,714**
INCOME BEFORE INCOME TAXES	**396,408**	9,869	**406,277**
Provision for income taxes			
Current	**57,002**	40	**57,042**
Deferred	**32,253**	-	**32,253**
	89,255	40	**89,295**
NET INCOME	**$ 307,153**	$ 9,829	**$ 316,982**
Net income attributable to			
Unitholders of Inter Pipeline Fund	**$ 307,153**	$ -	**$ 307,153**
Non-controlling interest	**-**	-	**9,829**
	$ 307,153	$ -	**$ 316,982**
Net income per Partnership unit attributable to unitholders of Inter Pipeline Fund			
Basic and diluted	**$ 1.14**	$ -	**$ 1.14**

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2012

IFRS 10 had no impact on Inter Pipeline's other comprehensive income for the year ended December 31, 2012. Comprehensive income increased by $9.8 million as a result of the IFRS 10 changes recorded in the consolidated statement of net income.

Reconciliation of Consolidated Statement of Cash Flows for the three months ended March 31, 2012

	Three months ended March 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
OPERATING ACTIVITIES			
Net income	**$ 79,634**	$ 2,470	**$ 82,104**
Items not involving cash:			
Depreciation and amortization	**27,662**	365	**28,027**
Non-cash recovery	**(3,104)**	-	**(3,104)**
Unrealized change in fair value of derivative financial instruments	**(3,067)**	-	**(3,067)**
Deferred income tax expense	**6,859**	-	**6,859**
Funds from operations	**107,984**	2,835	**110,819**
Net change in non-cash operating working capital	**(46,927)**	(1,014)	**(47,941)**
Cash provided by operating activities	**61,057**	1,821	**62,878**
INVESTING ACTIVITIES			
Expenditures on property, plant and equipment	**(45,903)**	(691)	**(46,594)**
Acquisition of Inter Terminals	**(509,873)**	-	**(509,873)**
Assumption of cash on acquisition of Inter Terminals	**48,293**	-	**48,293**
Capital contribution received from Cold Lake non-controlling interest	**-**	905	**905**
Net change in non-cash investing working capital	**13,171**	104	**13,275**
Cash (used in) provided by investing activities	**(494,312)**	318	**(493,994)**
FINANCING ACTIVITIES			
Cash distributions paid to unitholders of Inter Pipeline Fund	**(16,238)**	-	**(16,238)**
Cash distributions paid by Cold Lake to non-controlling interest	**-**	(2,519)	**(2,519)**
Increase in debt	**472,815**	-	**472,815**
Transaction costs on debt	**(704)**	-	**(704)**
Net change in non-cash financing working capital	**264**	-	**264**
Cash provided by (used in) financing activities	**456,137**	(2,519)	**453,618**
Effect of foreign currency translation on foreign currency denominated cash	**1,036**	-	**1,036**
Increase (decrease) in cash and cash equivalents	**23,918**	(380)	**23,538**
Cash and cash equivalents, beginning of period	**50,021**	796	**50,817**
Cash and cash equivalents, end of period	**$ 73,939**	$ 416	**$ 74,355**

Reconciliation of Consolidated Statement of Cash Flows for the year ended December 31, 2012

	Year ended December 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
OPERATING ACTIVITIES			
Net income	**$ 307,153**	$ 9,829	**$ 316,982**
Items not involving cash:			
Depreciation and amortization	**123,132**	1,461	**124,593**
Loss (gain) on disposal of assets	**179**	(4)	**175**
Non-cash expense	**4,236**	-	**4,236**
Unrealized change in fair value of derivative financial instruments	**(44,363)**	-	**(44,363)**
Deferred income tax expense	**32,253**	-	**32,253**
Funds from operations	**422,590**	11,286	**433,876**
Net change in non-cash operating working capital	**(47,338)**	(1,005)	**(48,343)**
Cash provided by operating activities	**375,252**	10,281	**385,533**
INVESTING ACTIVITIES			
Expenditures on property, plant and equipment	**(378,010)**	(6,481)	**(384,491)**
Proceeds on sale of assets	**356**	4	**360**
Acquisition of Inter Terminals	**(509,713)**	-	**(509,713)**
Assumption of cash on acquisition of Inter Terminals	**48,293**	-	**48,293**
Capital contribution received from Cold Lake non-controlling interest	**-**	7,238	**7,238**
Net change in non-cash investing working capital	**100,489**	(976)	**99,513**
Cash used in investing activities	**(738,585)**	(215)	**(738,800)**
FINANCING ACTIVITIES			
Cash distributions paid to unitholders of Inter Pipeline Fund	**(76,264)**	-	**(76,264)**
Cash distributions paid by Cold Lake to non-controlling interest	**-**	(9,785)	**(9,785)**
Increase in debt	**455,402**	-	**455,402**
Transaction costs on debt	**(1,924)**	-	**(1,924)**
Net change in non-cash financing working capital	**412**	-	**412**
Cash provided by (used in) financing activities	**377,626**	(9,785)	**367,841**
Effect of foreign currency translation on foreign currency denominated cash	**(412)**	-	**(412)**
Increase in cash and cash equivalents	**13,881**	281	**14,162**
Cash and cash equivalents, beginning of period	**50,021**	796	**50,817**
Cash and cash equivalents, end of period	**$ 63,902**	$ 1,077	**$ 64,979**

Reconciliation of Consolidated Balance Sheets

	January 1, 2012			March 31, 2012			December 31, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**	**As Previously Reported**	IFRS 10 Adjustment	**As Restated**	**As Previously Reported**	IFRS 10 Adjustment	**As Restated**
ASSETS									
Current Assets									
Cash and cash equivalents	$ 50,021	$ 796	$ 50,817	$ 73,939	$ 416	$ 74,355	$ 63,902	$ 1,077	$ 64,979
Accounts receivable	109,145	422	109,567	109,482	663	110,145	146,545	201	146,746
Derivative financial instruments	5,167	-	5,167	5,146	-	5,146	20,816	-	20,816
Prepaid expenses and other deposits	10,917	225	11,142	24,483	315	24,798	30,059	1,220	31,279
Total Current Assets	175,250	1,443	176,693	213,050	1,394	214,444	261,322	2,498	263,820
Non-Current Assets									
Derivative financial instruments	9,772	-	9,772	7,705	-	7,705	4,865	-	4,865
Property, plant and equipment	4,081,036	73,288	4,154,324	4,453,534	73,756	4,527,290	4,714,627	78,881	4,793,508
Goodwill and intangible assets	502,009	11,387	513,396	635,975	11,245	647,220	609,384	10,818	620,202
Total Assets	$4,768,067	$ 86,118	$4,854,185	$5,310,264	$ 86,395	$5,396,659	$5,590,198	$ 92,197	$5,682,395
LIABILITIES AND PARTNERS' EQUITY									
Current Liabilities									
Distributions payable to unitholders	$ 23,114	$ -	$ 23,114	$ 23,378	$ -	$ 23,378	$ 25,452	$ -	$ 25,452
Accounts payable and accrued liabilities	162,499	4	162,503	148,947	(669)	148,278	294,240	(1,241)	292,999
Current income taxes payable	49,753	8	49,761	16,092	11	16,103	8,685	-	8,685
Derivative financial instruments	25,746	-	25,746	24,085	-	24,085	8,336	-	8,336
Deferred revenue	4,583	23	4,606	16,442	114	16,556	6,074	69	6,143
Current portion of long-term debt	90,989	-	90,989	91,037	-	91,037	-	-	-
Commercial paper	1,464,369	-	1,464,369	1,451,738	-	1,451,738	1,351,132	-	1,351,132
Total Current Liabilities	1,821,053	35	1,821,088	1,771,719	(544)	1,771,175	1,693,919	(1,172)	1,692,747
Non-Current Liabilities									
Long-term debt	1,102,288	-	1,102,288	1,588,144	-	1,588,144	1,760,902	-	1,760,902
Long-term payable	9,772	-	9,772	7,705	-	7,705	4,865	-	4,865
Derivative financial instruments	11,035	-	11,035	9,970	-	9,970	-	-	-
Provisions	37,018	7	37,025	56,285	7	56,292	59,941	12	59,953
Employee benefits	6,989	-	6,989	3,265	-	3,265	9,631	-	9,631
Long-term deferred revenue and other liabilities	17,652	-	17,652	16,703	-	16,703	16,958	-	16,958
Deferred income taxes	342,474	-	342,474	362,786	-	362,786	384,531	-	384,531
Total Liabilities	3,348,281	42	3,348,323	3,816,577	(537)	3,816,040	3,930,747	(1,160)	3,929,587
Partners' Equity									
Partners' equity	1,452,066	-	1,452,066	1,515,462	-	1,515,462	1,682,955	-	1,682,955
Total reserves	(32,280)	-	(32,280)	(21,775)	-	(21,775)	(23,504)	-	(23,504)
Total Partners' Equity	1,419,786	-	1,419,786	1,493,687	-	1,493,687	1,659,451	-	1,659,451
Non-controlling Interest	-	86,076	86,076	-	86,932	86,932	-	93,357	93,357
Total Equity	1,419,786	86,076	1,505,862	1,493,687	86,932	1,580,619	1,659,451	93,357	1,752,808
Total Liabilities and Equity	$4,768,067	$ 86,118	$4,854,185	$5,310,264	$ 86,395	$5,396,659	$5,590,198	$ 92,197	$5,682,395