



Management's Discussion and Analysis
For the three and nine months ended September 30, 2013

Forward-Looking Information

The following Management's Discussion and Analysis (MD&A) highlights Inter Pipeline Ltd. and its predecessor Inter Pipeline Fund's (together referred to as Inter Pipeline) significant business results and statistics for the three and nine month periods ended September 30, 2013, to provide Inter Pipeline's shareholders 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. Effective September 1, 2013, Inter Pipeline completed an arrangement pursuant to which, among other things, the outstanding Class A units of Inter Pipeline Fund were converted into common shares of Inter Pipeline Ltd. This resulted in the conversion to a dividend paying corporation, Inter Pipeline Ltd., which continues as a successor issuer to Inter Pipeline Fund (Corporate Conversion). In this MD&A, any references to Inter Pipeline prior to September 1, 2013 refer to Inter Pipeline Fund and its consolidated subsidiaries, and any references to Inter Pipeline subsequent to September 1, 2013 refer to Inter Pipeline Ltd. and its consolidated subsidiaries. Similarly, any references to common shares, shareholders or dividends used prior to September 1, 2013, refer to Class A units, unitholders and distributions of Inter Pipeline Fund, and any references to common shares, shareholders or dividends used subsequent to September 1, 2013 refer to common shares, shareholders and dividends of Inter Pipeline Ltd. 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 dividends to its shareholders through 2013 and beyond; 2) the maintenance of Inter Pipeline's dividend level combined with the tax treatment of dividends to its shareholders; 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; 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 Inter Pipeline 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 dividends to its shareholders; risks inherent in Inter Pipeline's Canadian and foreign operations; risks of war, hostilities, civil insurrection, instability and political and economic conditions in or affecting countries in which Inter Pipeline and its affiliates operate; severe weather conditions; terrorist threats; risks associated with technology; Inter Pipeline's ability to generate sufficient cash flow from operations to meet its current and future obligations; Inter Pipeline's ability to access external sources of debt and equity capital; general economic and business conditions; the potential delays of and costs of overruns on construction projects, including, but not limited to Inter Pipeline's current 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 and nine month periods ended September 30, 2013

The MD&A provides a detailed explanation of Inter Pipeline's operating results for the three and nine month periods ended September 30, 2013, as compared to the three and nine month periods ended September 30, 2012. The MD&A should be read in conjunction with the September 30, 2013 unaudited condensed interim consolidated financial statements (interim financial statements), the interim financial statements and MD&A for the three and nine month periods ended September 30, 2012, the MD&A and audited consolidated financial statements for the year ended December 31, 2012, the **Annual Information Form, the Information Circular dated July 23, 2013** 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 I, 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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THIRD QUARTER HIGHLIGHTS

- Completed a highly successful conversion from a limited partnership structure to a dividend paying corporation
- Funds from operations* (FFO) totaled \$123 million, a new quarterly record
- Low quarterly payout ratio* of 70.5%
- Announced a \$0.15 per share annualized dividend increase, representing Inter Pipeline's largest ever increase and second in 2013
- Oil sands and conventional oil pipeline volumes averaged 1,028,900 barrels per day (b/d), with both business segments generating record quarterly cash flow
- Announced a long-term agreement to transport diluent and bitumen blend for Canadian Natural Resources' (CNR) Kirby South oil sands project, involving a capital investment of \$95 million
- Announced a \$50 million pipeline connection to a new rail loading facility owned by Canexus Corporation
- Announced a \$45 million expansion of the Polaris pipeline system to accommodate additional diluent deliveries to Imperial Oil's Kearl oil sands project
- Successfully commissioned a \$63 million liquid sweetening project at the Cochrane NGL extraction plant
- Incurred record growth capital expenditures* of \$566 million during the quarter
- Issued \$500 million of senior medium-term notes at an attractive interest rate of 3.448%

SUBSEQUENT EVENTS

- Raised \$345 million in new equity through the highly successful issuance of Inter Pipeline Ltd. common shares
- Announced a long-term agreement to provide diluent transportation service to the Hangingstone oil sands project under development by Athabasca Oil Corporation

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

PERFORMANCE OVERVIEW

(millions, except per share and % amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2013 ⁽¹⁾	2012 ⁽¹⁾ (restated)	2013 ⁽¹⁾	2012 ⁽¹⁾ (restated)
Revenues				
Oil sands transportation	\$ 96.2	\$ 82.4	\$ 281.1	\$ 229.9
NGL extraction	127.2	123.4	374.1	366.4
Conventional oil pipelines	81.1	59.2	219.9	169.2
Bulk liquid storage	36.0	35.7	113.4	116.8
	\$ 340.5	\$ 300.7	\$ 988.5	\$ 882.3
Funds from operations⁽²⁾⁽³⁾				
Oil sands transportation ⁽³⁾	\$ 55.7	\$ 47.0	\$ 155.5	\$ 135.1
NGL extraction	43.2	50.4	117.3	155.9
Conventional oil pipelines	47.0	38.9	130.9	114.7
Bulk liquid storage	17.2	17.6	57.1	60.2
Corporate costs	(39.8)	(44.6)	(122.7)	(135.7)
	\$ 123.3	\$ 109.3	\$ 338.1	\$ 330.2
Per share⁽²⁾	\$ 0.44	\$ 0.40	\$ 1.21	\$ 1.23
Net income (loss)⁽⁴⁾	\$ 77.8	\$ 68.4	\$ (131.6)	\$ 257.3
Net income (loss) attributable to shareholders⁽⁴⁾	\$ 74.8	\$ 65.9	\$ (139.4)	\$ 249.9
Per share – basic	\$ 0.27	\$ 0.24	\$ (0.50)	\$ 0.93
Per share – diluted	\$ 0.26	\$ 0.24	\$ (0.50)	\$ 0.93
Dividends to shareholders⁽⁵⁾	\$ 84.6	\$ 71.3	\$ 239.6	\$ 211.8
Per share ⁽⁵⁾	\$ 0.2975	\$ 0.2625	\$ 0.8550	\$ 0.7875
Shares outstanding (basic)				
Weighted average	283.6	271.3	279.6	268.5
End of period	289.8	272.7	289.8	272.7
Capital expenditures				
Growth ⁽²⁾	\$ 566.1	\$ 108.6	\$ 1,369.5	\$ 217.4
Sustaining ⁽²⁾	7.4	11.4	19.1	24.8
	\$ 573.5	\$ 120.0	\$ 1,388.6	\$ 242.2
Payout ratio⁽²⁾	70.5%	67.0%	72.8%	65.8%
			As at September 30	As at December 31
(millions, except % amounts)			2013 ⁽¹⁾	2012 ⁽¹⁾ (restated)
Total assets			\$ 6,993.1	\$ 5,682.4
Total debt⁽⁶⁾			\$ 3,964.5	\$ 3,127.6
Total shareholders' equity			\$ 1,661.9	\$ 1,659.5
Enterprise value⁽²⁾			\$ 11,252.0	\$ 9,593.8
Total debt to total capitalization⁽²⁾⁽⁷⁾			70.5%	65.3%
Total recourse debt to capitalization⁽²⁾⁽⁷⁾			58.5%	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.

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

(3) Funds from operations⁽²⁾ include non-controlling interest amounts of \$3.3 million and \$8.9 million for the three and nine months ended September 30, 2013, respectively (\$2.9 million and \$8.5 million for the three and nine months ended September 30, 2012, respectively).

(4) On June 1, 2013, Inter Pipeline completed several internal transactions related to the restructuring of its limited partnership structure to a corporate form by indirectly purchasing Pipeline Management Inc. (General Partner), for initial consideration of \$170 million, plus closing adjustments of \$8.6 million, and a future second instalment of \$170 million. Please refer to the **TRANSACTIONS WITH RELATED PARTIES** section.

(5) Dividends to shareholders are calculated based on the number of common shares outstanding at each record date.

(6) Total debt reported in the September 30, 2013 interim financial statements of \$3,947.8 million, includes long-term debt and commercial paper of \$3,964.5 million less discounts and debt transaction costs of \$16.7 million.

(7) On September 3, 2013 Inter Pipeline announced its successful Corporate Conversion, resulting in the General Partner internalization liability of \$178.6 million being converted to common shares of Inter Pipeline. Convertible common shares were issued to settle the remaining General Partner internalization liability of \$170.0 million and will be converted to common shares upon successful completion of certain organic growth projects currently under development, and as a result Inter Pipeline's shareholders' equity would correspondingly increase. This impact on Inter Pipeline's total debt to total capitalization⁽²⁾ and total recourse debt to capitalization⁽²⁾ ratios at September 30, 2013 would be a decrease to 68.4% and 56.1%, respectively.

THREE MONTHS ENDED SEPTEMBER 30, 2013

Inter Pipeline generated record quarterly financial results in the third quarter of 2013. FFO* increased \$14.0 million from \$109.3 million in 2012 to \$123.3 million in 2013. This increase is largely due to strong financial performance in the oil sands transportation and conventional oil pipelines business segments. FFO* increased 18.5% or \$8.7 million to a new quarterly record of \$55.7 million in the oil sands transportation business, primarily due to increased results from the Polaris pipeline system which entered commercial service in the third quarter of 2012. FFO* from the conventional oil pipelines business increased \$8.1 million or 20.8% to \$47.0 million, which is also a new quarterly record. This record performance was driven by increased volumes on the Mid-Saskatchewan and Central Alberta pipelines, in addition to an incremental contribution from Inter Pipeline's midstream marketing activities. Operating results from the NGL extraction business' decreased \$7.2 million primarily due to lower propane-plus and ethane volumes at the Cochrane extraction facility. FFO* from the bulk liquid storage business also declined \$0.4 million due to lower utilization and storage rates. Corporate costs were reduced \$4.8 million or 10.8% primarily due to the elimination of management and incentive fees due to the successful Corporate Conversion. Inter Pipeline's payout ratio* was a strong 70.5% for the three months ended September 30, 2013.

Inter Pipeline generated net income of \$77.8 million in the third quarter of 2013, an increase of \$9.4 million over the comparable period 2012. The increase is primarily due to higher operating results discussed above, partially offset by higher deferred income taxes and an unfavourable change in the mark-to-market adjustment of its derivative financial instruments.

In the third quarter of 2013, total dividends to shareholders increased 18.7% or \$13.3 million to \$84.6 million, compared to the same period in 2012. This increase was largely due to increased monthly dividends of \$0.005, \$0.0025 and \$0.0125 per common share in December 2012, June 2013 and September 2013, respectively, as well as an increase in the overall number of common shares outstanding.

Inter Pipeline's total consolidated debt increased \$386.5 million from \$3,578.0 million at June 30, 2013 to \$3,964.5 million at September 30, 2013, while \$571.1 million was expended by Inter Pipeline on capital projects.

NINE MONTHS ENDED SEPTEMBER 30, 2013

Inter Pipeline generated strong financial results in the nine months ended September 30, 2013. FFO* increased \$7.9 million from \$330.2 million in 2012 to \$338.1 million in 2013. The increase in operating results is due to the same reasons discussed above. Inter Pipeline's payout ratio* for the nine months ended September 30, 2013 was attractive at 72.8%.

Inter Pipeline recorded a net loss in the nine months ended September 30, 2013 of \$131.6 million compared to net income of \$257.3 million in the same period in 2012. This is primarily due to the one-time non-cash General Partner internalization expense in the second quarter of \$348.6 million. Additionally, an unfavourable change in the mark-to-market adjustment of derivative financial instruments was partially offset by a decrease in deferred income taxes and the increase in operating results discussed above.

Total dividends to shareholders increased 13.1% or \$27.8 million to \$239.6 million for the nine months ended September 30, 2013, compared to the same period in 2012, for the same reasons mentioned above.

Inter Pipeline's consolidated debt increased \$836.9 million from \$3,127.6 million at December 31, 2012 to \$3,964.5 million at September 30, 2013. During this period, Inter Pipeline funded capital expenditures totaling \$1,382.6 million. At September 30, Inter Pipeline's total recourse debt to capitalization* ratio was 58.5%. This ratio is higher than normal as a result of charging the one-time, non-cash internalization cost of \$348.6 million to earnings in the second quarter. This non-cash

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

expense concurrently decreased shareholders' equity which reduced Inter Pipeline's capitalization by \$348.6 million. On September 3, 2013, Inter Pipeline announced the completion of the Corporate Conversion, resulting in, among other things, a General Partner internalization liability of \$178.6 million being converted to common shares of Inter Pipeline. The remaining General Partner internalization liability of \$170 million was settled with convertible common shares which will be exchanged for common shares and will be credited to equity upon revenue commencement for two identified oil sands projects. Management anticipates this will occur in early 2015, at which time the remaining impact to equity of charging the internalization value to earnings will be reversed, and the related negative impact on Inter Pipeline's total recourse debt to capitalization* level will be eliminated. Inter Pipeline's total debt to total capitalization ratio* at September 30, 2013 was 70.5%, which includes non-recourse debt of \$1,621.9 million held within Inter Pipeline's Corridor corporate entity, compared to 65.3% at December 31, 2012. Inter Pipeline's total debt to total capitalization* and total recourse debt to capitalization* ratios at September 30, 2013 would have been 68.4% and 56.1%, respectively assuming the remaining \$170 million convertible common shares were converted to common shares of Inter Pipeline.

On October 3, 2013, Inter Pipeline successfully completed its inaugural equity offering of common shares for \$345 million. After including the impact of the \$345 million equity offering, Inter Pipeline's total debt to total capitalization* and total recourse debt to capitalization* ratios at September 30, 2013, would have been reduced to 64.3% and 49.9%, respectively.

OUTLOOK

Inter Pipeline's corporate strategy is to acquire and develop long-life, high-quality energy infrastructure assets that generate stable and predictable cash flow. Inter Pipeline is currently embarking on a multi-year capital investment program to advance this strategy. Over \$2.7 billion of organic growth projects currently under active development will increase and add stability to longer term cash flows which in turn will support stable and growing dividends to shareholders.

Development of our oil sands transportation systems accounts for over 95% of our expected capital spending plans. Alberta's oil sands reserves continue to be actively developed, generating considerable producer demand for new bitumen blend and diluent transportation capacity. Inter Pipeline currently has over 2,500 kilometres (km) of oil sands related pipelines spanning the main producing areas of Alberta's oil sands regions. Additional pipeline construction and facility expansions will increase diluent and bitumen blend transportation capabilities between major market hubs in Edmonton and Hardisty, Alberta, and the Cold Lake and Athabasca oil sands producing regions.

Inter Pipeline's oil sands expansion plans are anchored by high-volume, long term cost-of-service agreements with large, credit worthy producers. The FCCL Partnership (FCCL), a business venture between Cenovus Energy and ConocoPhillips, has entered into contracts for committed capacity of 500,000 b/d of bitumen blend and 350,000 b/d of diluent. These contracts provide underlying support for the overall \$2.6 billion expansion program that will expand and integrate Inter Pipeline's Cold Lake and Polaris pipeline systems and add connection infrastructure to production sites in the Cold Lake region. As part of the agreements, Inter Pipeline will provide transportation services to existing FCCL projects at Foster Creek and Christina Lake and also to the Narrows Lake project which is currently being developed. Under terms of the agreements, long term annual EBITDA* is expected to increase by between \$260 million and \$290 million, with an estimated \$70 million of EBITDA* expected to commence in mid 2014. The agreements are for an initial term of 20 years and can be extended for a further 30 years.

As part of the expansion program, approximately \$1.4 billion (Inter Pipeline's 85% share) will be invested on the Cold Lake pipeline system to construct approximately 400 km of new pipeline that will twin existing pipeline segments and extend the Cold Lake system north to the Narrows Lake production site. On the Polaris system, approximately 440 km of new pipeline and associated infrastructure will be constructed at an estimated cost of \$1.2 billion. This investment will connect diluent receipt points in the Edmonton area to the Christina Lake, Narrows Lake and Foster Creek

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

projects. 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.

When completed, capacity on the Cold Lake system will increase by 550,000 b/d to approximately 1.2 million b/d and Polaris system capacity will increase by 700,000 b/d to approximately 820,000 b/d. The Cold Lake and Polaris systems can be further expanded to ultimate throughput capacities of 1.9 million b/d and 1.2 million b/d, respectively, through the addition of pump stations and associated infrastructure.

During the third quarter, Inter Pipeline continued to broaden its oil sands expansion program with the announcement of several new highly accretive oil sands transportation arrangements. In July, Inter Pipeline executed a 10-year agreement to provide bitumen blend transportation services to Canexus Corporation's unit train rail loading operations near Bruderheim, Alberta. Inter Pipeline will construct a 13 km, 24-inch diameter pipeline lateral and associated metering facility to transport bitumen blend from Inter Pipeline's Cold Lake system to a Canexus connection at the Polaris pumping station near Lamont, Alberta. Total cost of the project is approximately \$50 million, and the accretive investment is expected to generate about \$10 million per year in incremental EBITDA*. Canexus has contracted for 100,000 b/d of firm capacity on the new pipeline lateral, which will have an ultimate throughput capacity of 320,000 b/d. Inter pipeline is pursuing additional bitumen blend delivery opportunities to utilize the additional capacity.

In August, Inter Pipeline announced that Imperial Oil has elected to increase its firm capacity commitment on the Polaris pipeline system for the expansion of its Kearl oil sands project. Under the terms of an existing 25-year ship-or-pay agreement, Imperial has exercised its option for an additional 60,000 b/d of diluent transportation capacity, bringing total diluent commitments for Kearl to 120,000 b/d. Inter Pipeline will spend \$45 million to re-commission three existing pump stations on the Polaris system to accommodate the increased volumes. The additional transportation service is expected to begin in mid 2015. Inter Pipeline expects that the additional volume commitment will generate approximately \$19 million per year in incremental EBITDA*, bringing total annual contributions from the Kearl agreement to approximately \$56 million per year.

Also in August, Inter Pipeline entered into a long-term agreement to provide 63,000 b/d bitumen blend and 18,000 b/d of diluent transportation for Canadian Natural Resources' Kirby South oil sands project. Inter Pipeline constructed a 20 km, 16-inch diameter bitumen blend line and a 20 km, 10-inch diameter diluent pipeline at a total cost of approximately \$95 million. The accretive investment is generating approximately \$35 million in incremental EBITDA* annually. Diluent delivery services to Kirby South began in August 2013.

Subsequent to quarter end, Inter Pipeline announced an agreement to transport diluent to Athabasca Oil Corporation's (AOC) Hangingstone project. The 25-year ship-or-pay agreement is for an initial volume commitment of 4,500 b/d of diluent, with a possible ramp up to approximately 30,000 b/d of diluent should AOC proceed with further phases of expansion. A new \$25 million, 4 km pipeline lateral and associated facilities will be constructed to connect the Polaris system to the Hangingstone project. The contract will initially generate annual EBITDA* of approximately \$5 million when in service in early 2015.

The Canexus, Kearl, Kirby South and Hangingstone contracts are indicative of the highly accretive earning potential of Inter Pipeline's asset base. In combination, the three projects will generate incremental annual EBITDA* of approximately \$70 million on total capital investments of \$215 million. Inter Pipeline will continue to aggressively pursue further diluent and bitumen blend transportation opportunities to maximize the potential of its pipeline systems.

In the third quarter, Inter Pipeline completed the conversion from a limited partnership to a corporate structure in order to better position the business for future growth. At a special meeting on August 22, 2013, unitholders overwhelmingly approved the conversion to corporate status, with Inter Pipeline

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

now operating as a corporate entity, Inter Pipeline Ltd., as of September 1. Under the new structure, Inter Pipeline anticipates improved access to capital markets and enhanced corporate governance practices.

Inter Pipeline maintained strong access to debt and equity capital markets and is well positioned to finance its future capital expenditure commitments. In July, Inter Pipeline issued \$500 million 7-year medium-term notes (MTN Series 4) in Canadian debt capital markets. The debt issue was well received by the market, and attractively priced at 3.448%. Net proceeds of the offering were used to reduce variable debt outstanding under Inter Pipeline's \$1.25 billion revolving credit facility.

Subsequent to quarter end, Inter Pipeline successfully completed its inaugural equity offering of common shares. The \$345 million offering was completed on October 3 and net proceeds were used to reduce outstanding indebtedness on Inter Pipeline's revolving credit facility. In the quarter, Inter Pipeline's successful dividend reinvestment program (DRIP) also generated \$57.6 million in new equity capital, bringing total equity contributions for the three month period to over \$400 million. At September 30, 2013, including the impact of the \$345 million equity offering, Inter Pipeline's total recourse debt to capitalization ratio would have been reduced from 58.5% to 49.9%.

Inter Pipeline's strong balance sheet and successful business is reflected in its investment grade credit ratings granted by the major rating institutions. 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).

RESULTS OF OPERATIONS

OIL SANDS TRANSPORTATION BUSINESS SEGMENT

	Three Months Ended September 30			Nine Months Ended September 30		
<i>Volumes (000s b/d)</i>	2013	2012	% change	2013	2012	% change
Cold Lake (100% basis)	458.5	490.2	(6.5)	485.4	482.7	0.6
Corridor	354.3	346.4	2.3	337.0	321.3	4.9
Polaris	20.1	-	100.0	8.0	-	100.0
	832.9	836.6	(0.4)	830.4	804.0	3.3

<i>(millions)</i>	<i>(restated)</i>			<i>(restated)</i>		
Revenue ⁽¹⁾	\$ 96.2	\$ 82.4	16.7	\$ 281.1	\$ 229.9	22.3
Operating expenses ⁽¹⁾	\$ 27.5	\$ 24.9	10.4	\$ 86.2	\$ 62.2	38.6
Funds from operations ⁽¹⁾⁽²⁾	\$ 55.7	\$ 47.0	18.5	\$ 155.5	\$ 135.1	15.1
Capital expenditures ⁽¹⁾						
Growth ⁽²⁾	\$ 554.9	\$ 97.2		\$ 1,318.7	\$ 159.6	
Sustaining ⁽²⁾	0.6	0.6		1.4	2.4	
	\$ 555.5	\$ 97.8		\$ 1,320.1	\$ 162.0	

(1) For the three and nine months ended September 30, 2013, Cold Lake pipeline system includes the following amounts relating to non-controlling interest: revenue - \$5.4 million and \$15.3 million (\$4.9 million and \$13.7 million in 2012), respectively; operating expenses - \$2.1 million and \$6.4 million (\$2.2 million and \$5.2 million in 2012), respectively; FFO⁽²⁾ - \$3.3 million and \$8.9 million (\$2.9 million and \$8.5 million in 2012), respectively; and capital expenditures - \$2.4 million and \$6.0 million (\$1.4 million and \$3.9 million in 2012), respectively.

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

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

Volumes

Average volumes transported in the oil sands transportation business decreased 3,700 b/d to 832,900 b/d in the third quarter and increased 26,400 b/d to 830,400 b/d year to date in 2013, compared to the same periods in 2012.

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. For the three and nine months ended September 30, 2013, average volumes transported on the Cold Lake pipeline system decreased 31,700 b/d or 6.5% and increased 2,700 b/d or 0.6%, respectively, compared to the same periods in 2012. Volumes fluctuate on the Cold Lake pipeline system with the timing of steam injection cycles associated with certain shippers' production processes. Volumes were also impacted in the third quarter of 2013 by facility maintenance activities and operational issues experienced by certain producers. Long-term volume growth, consistent with shippers' published forecasts, is anticipated on the Cold Lake pipeline system.

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 as well as feedstock and upgraded products between the Scotford upgrader and certain pipeline terminals in Edmonton. Average volumes on the Corridor pipeline system increased 7,900 b/d or 2.3% in the third quarter and 15,700 b/d or 4.9% year to date in 2013, compared to the same periods in 2012. Higher volumes are attributable to increased production from Athabasca Oil Sands Project's Jackpine mine.

The Polaris pipeline system currently provides diluent transportation services from an area northeast of Edmonton to both the Kearl and Suncor oil sands projects, and will go into transportation service for the jointly owned Husky and BP Sunrise oil sands project in the fourth quarter of 2013. The Polaris pipeline system began transporting diluent to the Kearl oil sands project in March 2013 and to the Suncor oil sands project in June 2013. For the three and nine months ended September 30, 2013, average volumes on the Polaris pipeline system were 20,100 b/d and 8,000 b/d, respectively.

Revenue

In the three and nine months ended September 30, 2013, revenue from the oil sands transportation business increased \$13.8 million to \$96.2 million and \$51.2 million to \$281.1 million, respectively, compared to the same periods in 2012.

Cold Lake pipeline system revenue increased \$3.5 million to \$36.8 million and \$10.8 million to \$102.9 million during the three and nine months ended September 30, 2013, respectively, over the comparable periods in 2012. The increase in revenue for both periods is primarily due to higher power and operating cost recoveries.

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.

Revenue from the Corridor pipeline system increased \$0.3 million to \$43.6 million in the third quarter and decreased \$3.6 million to \$128.4 million year to date in 2013, compared to the same periods in 2012. Revenue was unfavourably impacted by the transfer of a surplus 12-inch diameter pipeline to the Polaris pipeline system in the third quarter of 2012, resulting in a reduction to the Corridor rate base and lower revenue of \$1.3 million in the third quarter and \$6.6 million year to date in 2013. This decrease was partially offset by increased revenue from operating expense recoveries and a higher return on equity as a result of increases in the long-term Government of Canada (GOC) benchmark bond interest rate.

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 GOC bond rate upon which the annual return on equity is determined, and changes to Corridor's rate base.

Revenues from the Polaris pipeline system increased \$10.0 million to \$15.8 million and \$44.0 million to \$49.8 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The Polaris pipeline system began generating revenue in the third quarter of 2012.

On August 15, 2012, Corridor's 12-inch diameter pipeline was transferred to the Polaris pipeline system. The Polaris pipeline system currently generates revenue under diluent transportation agreements of 25-years, 5-years and 15-years with Imperial Oil, Suncor and CNR, respectively, 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 agreements.

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 increased \$2.6 million to \$27.5 million in the third quarter and \$24.0 million to \$86.2 million year to date in 2013, compared to the same periods in 2012.

Cold Lake pipeline operating expenses were consistent in the third quarter of 2013 and 2012, however 2013 year to date expenses increased \$9.6 million compared to 2012. The increase results from higher power costs due to increased power pricing, and also higher integrity, right-of-way, employee and general operating costs.

Operating expenses from the Corridor pipeline system increased \$0.4 million in the third quarter and decreased \$0.3 million year to date 2013, compared to the same periods in 2012. The transfer of the 12-inch diameter pipeline to the Polaris pipeline system favourably impacted operating expenses, which were reduced by \$0.6 million in the third quarter and \$3.0 million year to date in 2013. These decreases were more than offset on a quarterly basis and largely offset on a year to date basis by higher general operating costs and property taxes.

Polaris pipeline operating expenses increased \$2.2 million in the third quarter and \$14.7 million year to date in 2013, compared to the same periods in 2012. The increase in both periods is largely due to certain construction related expenditures, employee costs, routine operating costs and property taxes.

Capital Expenditures

In the third quarter of 2013, the Cold Lake pipeline system incurred total growth capital expenditures* of \$365.1 million, primarily related to Cold Lake pipeline's \$1.4 billion (85% share) oil sands development program to provide transportation services to existing FCCL projects. These expenditures include engineering, design, procurement of long lead items and construction activities.

Cold Lake growth capital expenditures* also included \$16.4 million in the current quarter related to the west leg expansion project. Expenditures to date on this project total \$83.7 million, which involves increasing the bitumen blend capacity on the mainline 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 fourth quarter of 2013.

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

Cold Lake and Polaris growth capital spending in the current quarter also included \$3.4 million and \$1.0 million, respectively, for engineering and design, relating to bitumen blend transportation services to Canexus Corporation's unit train rail loading operations near Bruderheim, Alberta. Inter Pipeline will construct a 13 km, 24-inch diameter pipeline lateral and associated metering facility to transport bitumen blend from Inter Pipeline's Cold Lake system to a Canexus connection at the Polaris pumping station near Lamont, Alberta, for a total cost of approximately \$50 million.

Growth capital expenditures^{*} incurred on the Corridor pipeline system during the third quarter of 2013 totaled \$4.0 million, largely relating to final costs associated with the Corridor pipeline expansion project.

The Polaris pipeline system incurred growth capital expenditures^{*} of \$185.8 million during the third quarter of 2013, of which \$182.8 million relates to its \$1.2 billion development plan, for a total of \$422.9 million spent to date. These expenditures relate to engineering, design, procurement of long lead items and construction activities. The remaining Polaris pipeline growth capital expenditures^{*} of \$3.0 million relate to various other development initiatives, including pipeline construction activities related to the Sunrise oil sands project. Further description of the Cold Lake and Polaris development plans can be found in the **Outlook** section of this MD&A.

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

NGL EXTRACTION BUSINESS SEGMENT

									Three Months Ended			
									September 30			
									2013		2012	
									<i>mmcf/d</i>		<i>(000s b/d)</i>	
									<i>mmcf/d</i>		<i>(000s b/d)</i>	
Facility	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	1,717	44.6	24.1	68.7	1,922	54.4	27.5	81.9				
Empress V (100% basis)	878	24.4	10.6	35.0	625	16.6	8.0	24.6				
Empress II	279	6.3	3.5	9.8	-	-	-	-				
	2,874	75.3	38.2	113.5	2,547	71.0	35.5	106.5				

									Nine Months Ended			
									September 30			
									2013		2012	
									<i>mmcf/d</i>		<i>(000s b/d)</i>	
									<i>mmcf/d</i>		<i>(000s b/d)</i>	
Facility	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	1,615	45.2	22.1	67.3	1,799	52.9	25.6	78.5				
Empress V (100% basis)	874	24.2	10.6	34.8	762	17.2	8.6	25.8				
Empress II	179	4.0	2.3	6.3	123	2.4	1.5	3.9				
	2,668	73.4	35.0	108.4	2,684	72.5	35.7	108.2				

							Three Months Ended			Nine Months Ended					
							September 30			September 30					
							2013			2012			% change		
							<i>(millions)</i>			<i>(millions)</i>			<i>(millions)</i>		
Revenue ⁽¹⁾							\$ 127.2	\$ 123.4	3.1	\$ 374.1	\$ 366.4	2.1			
Shrinkage gas ⁽¹⁾							\$ 54.4	\$ 49.1	10.8	\$ 167.6	\$ 141.8	18.2			
Operating expenses ⁽¹⁾							\$ 29.8	\$ 24.0	24.2	\$ 89.1	\$ 68.6	29.9			
Funds from operations ⁽¹⁾⁽²⁾							\$ 43.2	\$ 50.4	(14.3)	\$ 117.3	\$ 155.9	(24.8)			
Capital expenditures ⁽¹⁾															
Growth ⁽²⁾							\$ 5.6	\$ 7.8		\$ 27.8	\$ 18.0				
Sustaining ⁽²⁾							0.9	3.0		2.4	3.8				
							\$ 6.5	\$ 10.8		\$ 30.2	\$ 21.8				

(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

During the three and nine months ended September 30, 2013, Inter Pipeline's NGL extraction facilities processed average natural gas throughput volumes of 2,874 million cubic feet per day (mmcf/d) and 2,668 mmcf/d, respectively. This is an increase of 327 mmcf/d in the quarter and a decrease of 16 mmcf/d year to date, compared to the same periods in 2012.

At the Cochrane facility, average natural gas throughput volumes decreased for the three and nine months ended September 30, 2013 by 205 mmcf/d and 184 mmcf/d, respectively, compared to the same periods in 2012. Throughput volumes at the Cochrane facility were impacted by volume restrictions on the TransCanada pipeline system caused by flooding in Alberta. Cochrane throughput volumes were also impacted by demand for Canadian natural gas in the US west-coast region. In addition, year to date throughput volumes were impacted by a scheduled 18 day full plant maintenance outage at the Cochrane facility which occurred earlier in 2013.

At the Empress facilities, combined throughput volumes increased 532 mmcf/d in the third quarter and 168 mmcf/d year to date in 2013, compared to the same periods in 2012. In the third quarter of 2012, throughput volumes were reduced as a result of a maintenance outage at the Empress V facility. As well, throughput volumes at the Empress facilities are impacted by the levels of natural gas exports from Alberta's eastern border and are 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 from the NGL extraction business increased \$3.8 million in the third quarter and \$7.7 million year to date in 2013, compared to the same periods in 2012. Revenues increased primarily due to higher ethane pricing and higher Empress V ethane volumes, which was partially offset by lower ethane and propane-plus volumes from the Cochrane facility. The increase in ethane and propane-plus volumes at Empress II and propane-plus volumes at Empress V do not impact revenue or FFO* due to cost-of-service contracts in place for these products at these facilities.

Frac-spread

<i>(dollars)</i>	Three Months Ended			
	2013		2012	
	<i>USD/USG⁽¹⁾</i>	<i>CAD/USG⁽¹⁾</i>	<i>USD/USG⁽¹⁾</i>	<i>CAD/USG⁽¹⁾</i>
Market frac-spread	\$ 0.968	\$ 1.005	\$ 0.900	\$ 0.895
Realized frac-spread	\$ 0.971	\$ 1.008	\$ 0.915	\$ 0.910

<i>(dollars)</i>	Nine Months Ended			
	2013		2012	
	<i>USD/USG⁽¹⁾</i>	<i>CAD/USG⁽¹⁾</i>	<i>USD/USG⁽¹⁾</i>	<i>CAD/USG⁽¹⁾</i>
Market frac-spread	\$ 0.895	\$ 0.920	\$ 1.059	\$ 1.060
Realized frac-spread	\$ 0.929	\$ 0.954	\$ 1.019	\$ 1.020

(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

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

of realized frac-spread. See the **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** section for further discussion of frac-spread hedges.

Realized frac-spreads for the three and nine months ended September 30, 2013 increased from \$0.92 USD/USG to \$0.97 USD/USG and decreased from \$1.02 USD/USG to \$0.93 USD/USG, respectively, compared to the same periods in 2012. 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 Gas

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. Shrinkage gas expense increased \$5.3 million in the third quarter and \$25.8 million year to date in 2013, compared to the same periods in 2012, due to higher AECO natural gas prices and higher Empress V ethane volumes, which were partially offset by lower ethane and propane-plus volumes from the Cochrane facility. Weighted average monthly AECO prices* increased in the third quarter from \$2.08 per gigajoule (GJ) in 2012 to \$2.68/GJ in 2013 and year to date from \$2.07/GJ in 2012 to \$3.00/GJ in 2013.

Operating Expenses

For the three and nine months ended September 30, 2013, operating expenses increased \$5.8 million and \$20.5 million, respectively, compared to the same periods in 2012. These increases are primarily due to higher fuel and power costs as a result of increased pricing, as well as higher general operating and maintenance costs, including costs to commission the liquid sweetening unit. Operating costs in 2013 were also impacted on a year to date basis by costs associated with a scheduled full plant outage at the Cochrane facility occurring earlier in the year. Average Alberta power pool prices increased in the third quarter from \$78.09/MWh in 2012 to \$83.62/MWh in 2013 and year to date from \$59.48/MWh in 2012 to \$90.84/MWh in 2013. For the increase in AECO prices please refer to the shrinkage gas discussion above.

Capital Expenditures

The NGL extraction business incurred \$5.6 million in growth capital expenditures[†] during the third quarter of 2013, primarily related to a liquid sweetening project at the Cochrane facility that was developed to reduce the sulphur levels in extracted propane-plus products. This project was completed during the quarter at a total cost of \$63 million, and ensures Inter Pipeline maintains access to premium-priced product markets. Third quarter sustaining capital expenditures[†] of \$0.9 million, primarily relate to upgraded 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			Nine Months Ended		
	September 30			September 30		
<i>Volumes (000s b/d)</i>	2013	2012	% change	2013	2012	% change
Bow River	98.6	105.7	(6.7)	96.7	108.1	(10.5)
Central Alberta	40.6	29.0	40.0	35.6	27.2	30.9
Mid-Saskatchewan	56.8	39.8	42.7	51.8	39.8	30.2
	196.0	174.5	12.3	184.1	175.1	5.1

(millions, except per barrel amount)

Revenue	\$ 81.1	\$ 59.2	37.0	\$ 219.9	\$ 169.2	30.0
Midstream product purchases	\$ 20.1	\$ 8.9	125.8	\$ 49.0	\$ 21.7	125.8
Operating expenses	\$ 14.3	\$ 11.9	20.2	\$ 39.9	\$ 34.0	17.4
Funds from operations ⁽¹⁾	\$ 47.0	\$ 38.9	20.8	\$ 130.9	\$ 114.7	14.1
Revenue per barrel ⁽²⁾	\$ 2.91	\$ 2.90	0.3	\$ 2.91	\$ 2.83	2.8
Capital expenditures						
Growth ⁽¹⁾	\$ 2.4	\$ 0.8		\$ 6.1	\$ 30.0	
Sustaining ⁽¹⁾	2.1	0.9		3.8	1.9	
	\$ 4.5	\$ 1.7		\$ 9.9	\$ 31.9	

(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, revenue from take-or-pay contracts for volume shortfalls and revenue/expense from over/short volumes divided by actual volumes.

Volumes

For the three and nine months ended September 30, 2013, average volumes transported on the conventional oil pipelines increased 21,500 b/d and 9,000 b/d, respectively, compared to the same periods in 2012. Mid-Saskatchewan pipeline volumes increased 17,000 b/d or 42.7% in the third quarter and 12,000 b/d or 30.2% year to date in 2013, compared to the same periods in 2012. Volume growth on the Mid-Saskatchewan pipeline system is largely attributable to steady increases in production from the Viking light oil play as horizontal drilling activity continues to rise. Central Alberta pipeline volumes also increased by 11,600 b/d or 40.0% in the third quarter and 8,400 b/d or 30.9% year to date in 2013, over the comparable periods in 2012. These additional volumes are primarily due to stronger truck terminal throughput due in part to system outages on competing pipelines and increased drilling activity. Volumes on the Bow River pipeline system decreased 7,100 b/d or 6.7% and 11,400 b/d or 10.5% during the third quarter and year to date in 2013, respectively, compared to the same periods in 2012. These decreases are largely due to lower trucked in volumes and natural production declines, as well as a third party refinery turnaround which occurred earlier in the year impacting Hardisty south volumes.

Revenue

Conventional oil pipelines revenue increased \$21.9 million to \$81.1 million and \$50.7 million to \$219.9 million for the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. Increased blending activity in the midstream marketing function was a significant contributor to the increase in revenue. In addition, on a year to date basis prior to internalization of this function in early 2012, revenue was recorded net of product purchases and trucking costs. For the three and nine months ended September 30, 2013, revenues were also higher compared to 2012 as a result of increased volumes on the Mid-Saskatchewan and Central Alberta pipelines, as well as higher pipeline tariffs.

Midstream Product Purchases

Midstream product purchases increased \$11.2 million in the third quarter and \$27.3 million year to date in 2013, compared to the same periods in 2012, as a result of increased blending activity. On a year to date basis, midstream product purchases were also higher in 2013 due to the timing of internalizing the midstream marketing activities in 2012 as discussed above.

Operating Expenses

Operating expenses increased \$2.4 million and \$5.9 million in the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. These increases are primarily due to higher pipeline integrity and flood related costs, as well as higher trucking costs in the midstream marketing business.

Capital Expenditures

Growth capital expenditures* in the conventional oil pipelines business were \$2.4 million during the third quarter, largely relating to facility upgrades and third party connections on the Mid-Saskatchewan pipeline system.

BULK LIQUID STORAGE BUSINESS SEGMENT

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2013	2012	% change	2013	2012	% change
Utilization	82%	88%	(6.8)	84%	91%	(7.3)
<i>(millions)</i>						
Revenue	\$ 36.0	\$ 35.7	0.8	\$ 113.4	\$ 116.8	(2.9)
Operating expenses	\$ 16.0	\$ 15.3	4.6	\$ 48.3	\$ 47.1	2.5
Funds from operations ⁽¹⁾	\$ 17.2	\$ 17.6	(2.3)	\$ 57.1	\$ 60.2	(5.1)
Capital expenditures						
Growth ⁽¹⁾	\$ 3.2	\$ 2.8		\$ 16.9	\$ 9.8	
Sustaining ⁽¹⁾	2.6	5.7		6.6	14.3	
	\$ 5.8	\$ 8.5		\$ 23.5	\$ 24.1	

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

Utilization

Inter Pipeline operates a bulk liquid storage business segment 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 remains relatively strong despite the uncertain European economic environment, with tank utilization averaging 82% and 84% for the three and nine months ended September 30, 2013, respectively. Utilization rates at Simon Storage and Inter Terminals were 91% and 75% in the third quarter, and 90% and 79% year to date in 2013, respectively. Utilization rates are adversely impacted by the absence of strong contango in certain petroleum product futures markets.

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.

Bulk liquid storage revenue increased \$0.3 million in the third quarter and decreased \$3.4 million year to date in 2013, compared to the same periods in 2012. Inter Terminals revenue decreased for the three and nine months ended September 30, 2013 by \$2.0 million and \$6.1 million, compared to the

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

same periods in 2012, due to lower occupancy levels. Revenue from the Simon Storage business was fairly consistent with the same periods in 2012, increasing only \$0.3 million in both the third quarter and year to date in 2013. Revenues increased \$2.0 million and \$2.4 million in the three and nine months ended September 30, 2013 due to foreign currency translation adjustments, compared to the same periods in 2012. The average Euro/CAD rate increased from 1.25 in the third quarter of 2012 to 1.38 in the third quarter of 2013, and from 1.28 year to date 2012 to 1.35 year to date 2013. The Pound Sterling/CAD exchange rate increased from 1.57 to 1.61 in the third quarter of 2012 to 2013 and was consistent at 1.58 for year to date 2012 and 2013.

Operating Expenses

In the three and nine months ended September 30, 2013, operating expenses in the bulk liquid storage business increased \$0.7 million and \$1.2 million, respectively, over the comparable periods in 2012. Operating expenses increased as a result of foreign currency translation adjustments by \$0.8 million for both the three and nine months ended September 30, 2013, compared to the same periods in 2012. Operating expenses at both Inter Terminals and Simon Storage were fairly consistent with the prior periods in 2012. Inter Terminals operating costs were \$0.2 million lower in the third quarter of 2013, however the same on a year to date basis. Simon Storage's operating expenses increased \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2013, compared to the same periods in 2012, primarily due to higher general operating costs.

Capital Expenditures

During the third quarter of 2013, the bulk liquid storage business incurred growth capital expenditures* of \$3.2 million, primarily for tank life extensions and tank modification projects at the UK and German terminals. Sustaining capital expenditures* during the third quarter of 2013 of \$2.6 million largely relate to environmental performance enhancement initiatives, and other improvement projects on terminal infrastructure and safety.

During the third quarter of 2013, Simon Storage also divested a non-core trucking depot for \$0.8 million.

OTHER EXPENSES

(millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012 (restated)	2013	2012 (restated)
Depreciation and amortization	\$ 31.8	\$ 30.5	\$ 94.1	\$ 92.3
Financing charges	23.9	24.8	70.1	73.1
Provision for income taxes	18.3	17.9	58.7	73.1
General and administrative	20.5	15.6	51.0	44.6
Acquisition fee to General Partner	-	-	-	4.6
Management and incentive fees to General Partner	(0.8)	3.4	8.0	10.4
Unrealized change in fair value of derivative financial instruments	6.9	5.6	7.8	(49.6)
Loss on disposal of assets	-	0.1	1.7	-
General Partner internalization	-	-	348.6	-

Depreciation and Amortization

Depreciation and amortization of tangible and intangible assets increased \$1.3 million in the third quarter and \$1.8 million year to date in 2013, compared to the same periods in 2012. The increase in both periods is primarily due to depreciation on assets now in service that were not in service or depreciated in the same periods in 2012.

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

Financing Charges

<i>(millions)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
		<i>(restated)</i>		<i>(restated)</i>
Interest on credit facilities	\$ 10.0	\$ 7.4	\$ 28.0	\$ 25.9
Interest on loan payable to private placement noteholders	4.4	5.7	13.3	17.3
Interest on Corridor Debentures	2.5	2.6	7.5	7.6
Interest on MTN Series 1, 2, 3 and 4	13.2	9.7	32.6	23.0
Total interest	30.1	25.4	81.4	73.8
Capitalized interest	(7.6)	(1.7)	(15.7)	(4.4)
Amortization of transaction costs on long-term debt and commercial paper	0.9	0.7	2.6	2.3
Accretion of provisions and pension plan funding charges	0.5	0.4	1.8	1.4
Total financing charges	\$ 23.9	\$ 24.8	\$ 70.1	\$ 73.1

In the three and nine months ended September 30, 2013, total financing charges decreased \$0.9 million and \$3.0 million, respectively, compared to the same periods in 2012.

Capitalized interest increased during the three and nine months ended September 30, 2013, by \$5.9 million and \$11.3 million, respectively, compared to the same periods in 2012. These increases are largely due to capitalized interest on the Polaris and Cold Lake pipeline system expansions and the liquid sweetening project at the Cochrane NGL extraction facility.

For the three and nine months ended September 30, 2013, interest on the loan payable to private placement noteholders decreased \$1.3 million and \$4.0 million, respectively, compared to the same periods in 2012. The decrease is primarily due to the repayment of a \$91.2 million tranche of the loan on October 29, 2012.

Interest on MTN's increased \$3.5 million and \$9.6 million in the three and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The increase is due to the timing of issuance of the MTN Series 3 on May 28, 2012 and the issuance of the MTN Series 4 on July 19, 2013.

Interest on credit facilities increased \$2.6 million in the third quarter and \$2.1 million year to date in 2013, over the comparable periods in 2012. The increase in interest expense is due to higher average short-term interest rates and increased average debt levels. The weighted average credit facility debt outstanding increased \$464.0 million to \$1,991.7 million and \$126.7 million to \$1,879.7 million for the three and nine months ended September 30, 2013, compared to the same periods in 2012.

Accretion of provisions and pension plan funding charges increased \$0.1 million and \$0.4 million in the three and nine months ended September 30, 2013, over the comparable periods in 2012. The increases are due to a pension plan adjustment at Simon Storage during the first quarter of 2013.

Amortization of transaction costs on long-term debt, short-term debt and commercial paper increased \$0.2 million in the third quarter and \$0.3 million year to date in 2013, compared to the same periods in 2012, as a result of new issuances.

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

Income Taxes

For the three and nine months ended September 30, 2013, consolidated income tax expense increased \$0.4 million to \$18.3 million and decreased \$14.4 million to \$58.7 million, respectively, compared to the same periods in 2012. The increase in consolidated income tax expense in the third quarter is primarily due to higher consolidated income before taxes, while the decrease in consolidated income tax expense year to date in 2013 is primarily due to lower consolidated income before taxes after adjustment for the one-time non-cash General Partner internalization expense.

General and Administrative

(millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Canada	\$ 18.2	\$ 13.3	\$ 44.3	\$ 36.7
Europe	2.3	2.3	6.7	7.9
	\$ 20.5	\$ 15.6	\$ 51.0	\$ 44.6

In the three and nine months ended September 30, 2013, Canadian general and administrative expenses increased \$4.9 million and \$7.6 million, respectively, over the comparable periods in 2012. These increases are largely due to costs associated with the internalization of the General Partner and Corporate Conversion, as well as increased office rent.

European general and administrative costs were consistent in the third quarter and decreased \$1.2 million year to date in 2013, compared to the same periods in 2012. This decrease is primarily due to acquisition related costs for Inter Terminals incurred in 2012.

Fees to General Partner

In connection with the Corporate Conversion, effective on September 1, 2013, and as a result of the dissolution and termination of Inter Pipeline Fund, Inter Pipeline is no longer obligated to pay management, incentive, acquisition or disposition fees. During the three and nine months ended September 30, 2013, the General Partner earned management fees from Inter Pipeline of \$2.0 million and \$8.0 million, respectively (three and nine months ended September 30, 2012 - \$3.0 million and \$9.2 million, respectively). Accrued incentive fees to the General Partner of \$2.8 million were reversed in the current period as an obligation no longer existed upon approval of the Corporate Conversion (third quarter of 2012 accrued incentive fees - \$0.4 million; year to date 2012 accrued incentive fees - \$1.2 million). No acquisition fees were earned during the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012 - \$nil and \$4.6 million, respectively).

See the **TRANSACTIONS WITH RELATED PARTIES** section for additional information on fees previously paid 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 \$6.9 million in the third quarter and increase to net loss of \$7.8 million year to date in 2013.

In the third quarter of 2013, the mark-to-market adjustment on NGL swaps and electricity price swaps for price and volume changes between July and September decreased net income by \$10.7 million and \$0.1 million, respectively. Net income was favourably impacted by the mark-to-market adjustment on foreign currency and natural gas by \$2.2 million and \$1.7 million, respectively, for price and volume changes between July and September.

The mark-to-market adjustment for NGL swaps increased the net loss by \$13.4 million during the nine months ended September 30, 2013, for price and volume changes between January and September. The mark-to-market adjustment for natural gas, foreign currency swaps and electricity price swaps

decreased the net loss by \$5.0 million, \$0.4 million and \$0.2 million, respectively, for price and volume changes between January and September.

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

Loss on Disposal of Assets

For the nine months ended September 30, 2013, Inter Pipeline incurred a loss of \$1.7 million on the disposal of assets largely related to a turbine exchange in the NGL extraction business.

General Partner Internalization

On June 1, 2013, Inter Pipeline completed several internal transactions related to the restructuring of its current limited partnership structure to position the business for Corporate Conversion (Internalization Transactions). Inter Pipeline settled the provisions of its management contract by indirectly purchasing its General Partner, for initial consideration of \$170 million, plus adjustments of \$8.6 million, and a future second instalment of \$170 million.

See the **TRANSACTIONS WITH RELATED PARTIES** section for additional information on Inter Pipeline's Internalization Transactions.

SUMMARY OF QUARTERLY RESULTS

<i>(millions, except per share and % amounts)</i>	2011 ⁽¹⁾		2012 ⁽¹⁾			2013		
	Fourth Quarter	First Quarter <i>(restated)</i>	Second Quarter <i>(restated)</i>	Third Quarter <i>(restated)</i>	Fourth Quarter <i>(restated)</i>	First Quarter	Second Quarter	Third Quarter
Revenue								
Oil sands transportation	\$ 71.3	\$ 75.1	\$ 72.4	\$ 82.4	\$ 89.4	\$ 91.6	\$ 93.3	\$ 96.2
NGL extraction	129.1	136.7	106.3	123.4	133.5	129.4	117.5	127.2
Conventional oil pipelines	46.3	51.2	58.8	59.2	62.0	67.3	71.5	81.1
Bulk liquid storage	26.5	38.7	42.4	35.7	38.8	39.4	38.0	36.0
	\$ 273.2	\$ 301.7	\$ 279.9	\$ 300.7	\$ 323.7	\$ 327.7	\$ 320.3	\$ 340.5
Funds from operations⁽²⁾								
Oil sands transportation	\$ 39.5	\$ 44.1	\$ 44.0	\$ 47.0	\$ 49.0	\$ 50.8	\$ 49.0	\$ 55.7
NGL extraction	44.1	57.0	48.5	50.4	38.7	43.0	31.1	43.2
Conventional oil pipelines	33.5	40.5	35.3	38.9	38.7	40.4	43.5	47.0
Bulk liquid storage	9.4	19.3	23.3	17.6	20.0	20.4	19.5	17.2
Corporate costs	(36.4)	(50.1)	(41.0)	(44.6)	(42.7)	(45.2)	(37.7)	(39.8)
	\$ 90.1	\$ 110.8	\$ 110.1	\$ 109.3	\$ 103.7	\$ 109.4	\$ 105.4	\$ 123.3
Per share ⁽²⁾	\$ 0.35	\$ 0.42	\$ 0.41	\$ 0.40	\$ 0.38	\$ 0.40	\$ 0.37	\$ 0.44
Net income (loss) ⁽³⁾	\$ 45.8	\$ 82.1	\$ 106.8	\$ 68.4	\$ 59.7	\$ 72.2	\$ (281.6)	\$ 77.8
Net income (loss) attributable to shareholders ⁽³⁾	\$ 45.8	\$ 79.6	\$ 104.4	\$ 65.9	\$ 57.3	\$ 69.7	\$ (283.9)	\$ 74.8
Per share – basic	\$ 0.17	\$ 0.30	\$ 0.39	\$ 0.24	\$ 0.21	\$ 0.25	\$ (1.02)	\$ 0.27
Per share – diluted	\$ 0.17	\$ 0.30	\$ 0.39	\$ 0.24	\$ 0.21	\$ 0.25	\$ (1.02)	\$ 0.26
Dividends to shareholders ⁽⁴⁾	\$ 65.1	\$ 69.9	\$ 70.6	\$ 71.3	\$ 73.4	\$ 76.8	\$ 78.2	\$ 84.6
Per share ⁽⁴⁾	\$ 0.2475	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2675	\$ 0.2775	\$ 0.2800	\$ 0.2975
Shares outstanding (basic)								
Weighted average	262.7	265.7	268.6	271.3	273.9	276.4	278.8	283.6
End of period	264.2	267.2	270.0	272.7	275.2	277.6	280.0	289.8
Capital expenditures								
Growth ⁽²⁾	\$ 34.2	\$ 40.2	\$ 68.6	\$ 108.6	\$ 128.3	\$ 407.6	\$ 395.8	\$ 566.1
Sustaining ⁽²⁾	7.2	6.4	7.0	11.4	15.6	5.9	5.8	7.4
	\$ 41.4	\$ 46.6	\$ 75.6	\$ 120.0	\$ 143.9	\$ 413.5	\$ 401.6	\$ 573.5
Payout ratio ⁽²⁾	72.3%	64.7%	65.8%	67.0%	72.8%	72.2%	76.1%	70.5%
Total debt ⁽⁵⁾	\$ 2,672.1	\$ 3,145.8	\$ 3,082.7	\$ 3,113.6	\$ 3,127.6	\$ 3,246.6	\$ 3,578.0	\$ 3,964.5
Total shareholders' equity	\$ 1,419.8	\$ 1,493.7	\$ 1,559.4	\$ 1,594.8	\$ 1,659.5	\$ 1,686.9	\$ 1,414.3	\$ 1,661.9
Enterprise value ⁽²⁾	\$ 7,593.3	\$ 8,374.5	\$ 8,268.8	\$ 8,973.1	\$ 9,593.8	\$ 9,862.2	\$ 9,646.1	\$ 11,252.0
Total debt to total capitalization ⁽²⁾⁽⁶⁾	65.3%	67.8%	66.4%	66.1%	65.3%	65.8%	71.7%	70.5%
Total recourse debt to capitalization ⁽²⁾⁽⁶⁾	38.9%	48.2%	46.1%	47.6%	47.0%	48.7%	57.8%	58.5%

(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.

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

(3) On June 1, 2013, Inter Pipeline completed several internal transactions related to the restructuring of its current limited partnership structure to position the business for Corporate Conversion by indirectly purchasing its General Partner, for initial consideration of \$170 million, plus closing adjustments of \$8.6 million, and a future second instalment of \$170 million. Please refer to the **TRANSACTIONS WITH RELATED PARTIES** section.

(4) Dividends to shareholders are calculated based on the number of common shares outstanding at each record date.

(5) Total debt includes long-term debt, short-term debt and commercial paper before discounts and debt transaction costs.

(6) On September 3, 2013, Inter Pipeline announced the completion of the Corporate Conversion, resulting in, among other things, the General Partner internalization liability of \$178.6 million being converted to common shares of Inter Pipeline. Convertible common shares were issued to settle the remaining General Partner internalization liability of \$170 million and will be converted to common shares upon successful completion of certain organic growth projects currently under development, and as a result Inter Pipeline's shareholders' equity would correspondingly increase. This impact on Inter Pipeline's total debt to total capitalization⁽²⁾ and total recourse debt to capitalization⁽²⁾ ratios at September 30, 2013 would be a decrease to 68.4% and 56.1%, respectively.

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 dividends to shareholders 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 dividends to shareholders, issue new common shares 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 September 30, 2013, Inter Pipeline had access to committed credit facilities totaling \$2.8 billion, of which \$849.1 million remained unutilized, and demand facilities totaling \$65 million of which \$64.3 million remained 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 (Inter Pipeline syndicated facility) from \$750 million to \$1.25 billion. The term of the credit facility remains unchanged with a maturity date of December 5, 2017. Inter Pipeline also increased the size of its demand facility from \$20 million to \$40 million on May 14, 2013.

On September 2, 2013, as a result of completing the conversion from a limited partnership to a corporation, Inter Pipeline restated its \$1.25 billion syndicated credit facility on terms similar to the previous facility. Inter Pipeline also replaced its \$40 million demand line on September 2, 2013 as a result of the Corporate Conversion. In addition, Inter Pipeline entered into a new DRIP plan effective September 1, 2013, which replaced the previous plan.

On July 19, 2013, Inter Pipeline issued \$500 million of senior unsecured MTN Series 4 due July 20, 2020, in the Canadian public debt market. The MTN Series 4 were issued under Inter Pipeline's short form base shelf prospectus dated November 30, 2012, a related prospectus supplement and a related pricing supplement both dated July 16, 2013. The MTN Series 4 bear interest at the rate of 3.448% per annum, payable semi-annually. Net proceeds from the offering were used to repay a portion of Inter Pipeline's existing bank indebtedness.

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 \$166.6 million of equity was issued through the dividend reinvestment plan during the first nine months of 2013.

On October 3, 2013, Inter Pipeline completed an equity offering to sell 13,719,500 common shares at \$25.15 per share for gross proceeds of \$345 million. The offering includes 1,789,500 common shares issued pursuant to the full exercise of an over-allotment option granted to the underwriters at the same offering price. Net proceeds from the offering were used to pay down a portion of the amount drawn under Inter Pipeline's \$1.25 billion syndicated facility.

Taking market trends into consideration, Inter Pipeline regularly forecasts its operational activities and expected FFO¹ to ensure that sufficient funding is available for future capital programs and dividends to shareholders.

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

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.

CAPITAL STRUCTURE

<i>(millions, except % amounts)</i>			September 30	December 31
	Recourse	Non-recourse	2013	2012
Credit facilities available				
Corridor syndicated facility	\$ -	\$ 1,550.0	\$ 1,550.0	\$ 1,550.0
Inter Pipeline syndicated facility	1,250.0	-	1,250.0	750.0
	1,250.0	1,550.0	2,800.0	2,300.0
Demand facilities ⁽¹⁾	40.0	25.0	65.0	45.0
	\$ 1,290.0	\$ 1,575.0	\$ 2,865.0	\$ 2,345.0
Total debt outstanding				
Recourse				
Inter Pipeline syndicated facility			\$ 629.0	\$ 260.0
Loan payable to private placement noteholders			288.6	288.6
MTN Series 1, 2, 3, 4 ⁽²⁾			1,425.0	925.0
Non-recourse				
Corridor syndicated facility			1,321.9	1,354.0
Corridor debentures			300.0	300.0
Total debt⁽¹⁾⁽³⁾			3,964.5	3,127.6
Total shareholders' equity			1,661.9	1,659.5
Total capitalization⁽⁴⁾			\$ 5,626.4	\$ 4,787.1
Total debt to total capitalization ⁽⁴⁾⁽⁵⁾			70.5%	65.3%
Total recourse debt to capitalization ⁽⁴⁾⁽⁵⁾			58.5%	47.0%

- (1) At September 30, 2013, outstanding Inter Pipeline and Corridor letters of credit of approximately \$0.5 million and \$0.2 million, respectively, were not included in total debt outstanding.
- (2) Inter Pipeline issued \$325 million MTN Series 1 and \$200 million MTN Series 2 in 2011, \$400 million MTN Series 3 in 2012, and \$500 million MTN Series 4 in 2013.
- (3) Total debt reported in the September 30, 2013 consolidated financial statements of \$3,947.8 million, includes long-term debt and commercial paper outstanding of \$3,964.5 million less discounts and debt transaction costs of \$16.7 million.
- (4) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
- (5) On September 3, 2013, Inter Pipeline announced its successful Corporate Conversion, resulting in the General Partner internalization liability of \$178.6 million being converted to common shares of Inter Pipeline. Convertible common shares were issued to settle the remaining General Partner internalization liability of \$170 million and will be converted to common shares upon successful completion of certain organic growth projects currently under development, and as a result Inter Pipeline's shareholders' equity would correspondingly increase. This impact on Inter Pipeline's total debt to total capitalization⁽⁴⁾ and total recourse debt to capitalization⁽⁴⁾ ratios at September 30, 2013 would be a decrease to 68.4% and 56.1%, respectively.

Inter Pipeline's capital under management includes financial debt and shareholders' 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 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

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

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.

At September 30, Inter Pipeline's total recourse debt to capitalization ratio* was 58.5%. This ratio is higher than normal as a result of charging the one-time, non-cash internalization cost of \$348.6 million to earnings in the second quarter. This non-cash expense concurrently decreased shareholders' equity which reduced Inter Pipeline's capitalization by \$348.6 million. On September 3, 2013, Inter Pipeline announced its successful Corporate Conversion, resulting in the General Partner internalization liability of \$178.6 million being converted to common shares of Inter Pipeline. The remaining General Partner internalization liability of \$170 million was settled with convertible common shares which will be exchanged for common shares and credited to equity upon revenue commencement for two identified oil sands projects. Management anticipates this will occur in early 2015. At this time, the remaining impact to equity of charging the internalization value to earnings will be reversed, and the related negative impact on Inter Pipeline's total recourse debt to capitalization* level will be eliminated. Inter Pipeline's total debt to total capitalization ratio*, which includes non-recourse debt of \$1,621.9 million held within Inter Pipeline's Corridor corporate entity, was 70.5% at September 30, 2013 compared to 65.3% at December 31, 2012. The table below shows the impact of both the convertible common shares and the \$345 million equity offering would have on Inter Pipeline's total debt to total capitalization* and total recourse debt to capitalization* ratios at September 30, 2013.

	September 30, 2013		
	Ratio	Convertible common share impact ⁽²⁾	Common share equity offering impact ⁽³⁾
Total debt to total capitalization ⁽¹⁾	70.5%	68.4%	64.3%
Total recourse debt to capitalization ⁽¹⁾	58.5%	56.1%	49.9%

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

(2) Includes the impact of Inter Pipeline's convertible common shares as if they were converted to common shares of Inter Pipeline at September 30, 2013.

(3) Includes the impact of Inter Pipeline's October 3, 2013, \$345 million common share offering, assuming it had closed on September 30, 2013.

At September 30, 2013, approximately \$2,100.9 million or 53.0% of Inter Pipeline's total consolidated debt was exposed to variable interest rates. Of this amount \$1,471.9 million or 70.1% relates to Corridor debt outstanding and its financing costs are directly recoverable through the terms of the Corridor FSA. When deemed appropriate, Inter Pipeline may enter 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.

	September 30		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

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

The following earnings coverage ratios are calculated on a consolidated basis for the twelve month periods ended September 30, 2013 and December 31, 2012.

<i>(times)</i>	Twelve Months Ended	
	September 30	December 31
	2013	2012
Interest coverage ⁽¹⁾⁽²⁾	0.9	4.8

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

(2) Net (loss) 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.

Inter Pipeline's interest coverage ratio for the twelve months ended September 30, 2013 would have been 4.1 times had it not been impacted by the one-time non-cash General Partner internalization expense of \$348.6 million to earnings in the second quarter. As a result of charging the internalization cost to earnings the interest coverage ratio decreased to 0.9 times.

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 Ltd.		
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 September 30, 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.

<i>(millions)</i>	Total	Less than one year	One to five years	After five years
Capital expenditure projects ⁽¹⁾⁽²⁾				
Oil sands transportation ⁽²⁾	\$ 1,415.8	\$ 255.3	\$ 1,160.5	\$ -
NGL extraction	3.7	3.5	0.2	-
Conventional oil pipelines	24.0	24.0	-	-
Bulk liquid storage	4.5	4.5	-	-
Growth capital funded by Inter Pipeline ⁽²⁾⁽³⁾	1,448.0	287.3	1,160.7	-
Sustaining capital funded by Inter Pipeline ⁽²⁾⁽³⁾	17.6	17.6	-	-
	1,465.6	304.9	1,160.7	-
Total debt ⁽⁴⁾				
Corridor syndicated facility ⁽⁵⁾	1,321.9	1,321.9	-	-
Inter Pipeline syndicated facility	629.0	-	629.0	-
Loan to private placement noteholders	288.6	-	288.6	-
Corridor debentures	300.0	-	150.0	150.0
MTN Series 1, 2, 3, 4	1,425.0	-	200.0	1,225.0
	3,964.5	1,321.9	1,267.6	1,375.0
Other obligations				
Derivative financial instruments	3.0	3.0	-	-
Operating leases	227.1	8.8	45.0	173.3
Purchase obligations	171.2	15.8	44.8	110.6
Long-term portion of incentive plan	5.4	-	5.4	-
Working capital deficit ⁽³⁾	381.4	381.4	-	-
	\$ 6,218.2	\$ 2,035.8	\$ 2,523.5	\$ 1,658.9

- (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 \$1,732.5 million.
- (3) Please refer to the **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES** section.
- (4) At September 30, 2013, outstanding Inter Pipeline and Corridor letters of credit of approximately \$0.5 million and \$0.2 million, respectively, were not included in total debt outstanding. Total debt reported in the September 30, 2013 interim financial statements of \$3,947.8 million, includes long-term debt and commercial paper of \$3,964.5 million less discounts and debt transaction costs of \$16.7 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.
- (6) Convertible common shares recorded as a liability of \$170 million are not expected to be settled in cash and therefore not included in the table above.

Inter Pipeline plans to fund approximately \$1.4 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 September 30, 2013, matures at various dates up to May 2022:

- Inter Pipeline's loan payable to private placement noteholders of \$288.6 million matures on October 28, 2014.
- Corridor's Series B debentures mature on February 2, 2015, and Corridor's Series C debentures mature on February 3, 2020.
- Corridor's \$1.55 billion senior unsecured syndicated revolving credit facility matures on December 15, 2016.
- Inter Pipeline's \$1.25 billion senior unsecured syndicated revolving credit facility matures on December 5, 2017. On May 14, 2013, Inter Pipeline increased the size of its demand facility from \$20 million to \$40 million.
- Inter Pipeline's and Corridor's credit facilities can be extended beyond their initial maturity date under certain circumstances.
- Inter Pipeline's MTN Series 1, 2 and 3 mature on February 2, 2021, July 30, 2018 and May 30, 2022, respectively. On July 19, 2013, Inter Pipeline issued \$500 million of MTN Series 4 that mature on July 20, 2020.

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 September 30, 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 \$36.8 million under its employee long-term incentive plan, of which \$31.4 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 \$61.3 million at September 30, 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

DIVIDENDS TO SHAREHOLDERS

<i>(millions, except per share and % amounts)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012 <i>(restated)</i>	2013	2012 <i>(restated)</i>
Cash provided by operating activities	\$ 128.0	\$ 61.7	\$ 358.2	\$ 261.1
Net change in non-cash operating working capital	(4.7)	47.6	(20.1)	69.1
Less funds from operations ⁽¹⁾ attributable to non-controlling interest	(3.3)	(2.9)	(8.9)	(8.5)
Funds from operations ⁽¹⁾ attributable to shareholders	120.0	106.4	329.2	321.7
Dividends to shareholders	\$ 84.6	\$ 71.3	\$ 239.6	\$ 211.8
Dividends per share ⁽²⁾	\$ 0.2975	\$ 0.2625	\$ 0.8550	\$ 0.7875
Payout ratio ⁽¹⁾	70.5%	67.0%	72.8%	65.8%

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

(2) Dividends to shareholders are calculated based on the number of common shares outstanding at each record date.

Inter Pipeline's goal is to provide shareholders with stable dividends over time. As a result, not all funds from operations* attributable to shareholders are distributed to shareholders. A portion is withheld and reinvested in the business to effectively manage its capital structure, and in particular, debt levels. Inter Pipeline sets dividend levels based on the underlying assumptions in each year's annual operating and capital budget and long-term forecast, consistent with its goal to provide shareholders with stable dividends. Dividends are determined at the discretion of Inter Pipeline's Board of Directors, subject to certain legal requirements, and are payable when declared.

Funds from operations* is an additional GAAP financial measure that Inter Pipeline uses in managing its business and in assessing future cash requirements that impact the determination of future dividends to shareholders. Inter Pipeline expresses funds from operations* attributable to shareholders 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 funds from operations* 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 funds from operations* to mitigate its quarterly impact. 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.

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

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

	Three Months Ended September 30	Nine Months Ended September 30	2012	2011 ⁽¹⁾	Years Ended December 31 2010 ⁽¹⁾
<i>(millions)</i>	2013	2013	<i>(restated)</i>		
Cash provided by operating activities	\$ 128.0	\$ 358.2	\$ 385.5	\$ 460.5	\$ 349.6
Less cash provided by operating activities attributable to non-controlling interest	(3.1)	(9.9)	(10.2)	-	-
Dividends to shareholders	(84.6)	(239.6)	(285.2)	(251.7)	(232.6)
Excess	\$ 40.3	\$ 108.7	\$ 90.1	\$ 208.8	\$ 117.0

	Three Months Ended September 30	Nine Months Ended September 30	2012	2011 ⁽¹⁾	Years Ended December 31 2010 ⁽¹⁾
<i>(millions)</i>	2013	2013	2012	2011 ⁽¹⁾	2010 ⁽¹⁾
Net income (loss) attributable to shareholders	\$ 74.8	\$ (139.4)	\$ 307.2	\$ 247.9	\$ 236.0
Dividends to shareholders	(84.6)	(239.6)	(285.2)	(251.7)	(232.6)
(Shortfall) excess	\$ (9.8)	\$ (379.0)	\$ 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 and 2010 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.

Cash provided by operating activities in all periods was greater than dividends to shareholders plus cash provided by operating activities attributable to non-controlling interest. Dividends were also less than net income attributable to unitholders, except for the current quarter and year ended December 31, 2011 and added to the shortfall for the nine months ended September 30, 2013 which was in a net loss position largely due to a one-time non-cash General Partner internalization expense of \$348.6 million. Net income (loss) also 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 dividends may exceed net income attributable to shareholders.

OUTSTANDING SHARE DATA

Inter Pipeline's outstanding common shares at September 30, 2013 are as follows:

<i>(millions)</i>	Total
Common shares outstanding	289.8

At November 5, 2013, Inter Pipeline had 304.6 million common shares 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 and commercial paper outstanding at September 30, 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 September 30, 2013. The CAD/USG average price would approximate the following USD/USG price based on the average USD/CAD forward curve at September 30, 2013.

	September 30, 2013		
	% Forecast Propane- plus Volumes Hedged	Average Price (USD/USG)	Average Price (CAD/USG)
October to December 2013	31%	\$ 0.94	\$ 0.97
January to December 2014	3%	\$ 0.76	\$ 0.79

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

Based on propane-plus volume hedges outstanding at September 30, 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 and consequently after-tax income assuming rates associated with each of the other components and all other variables remain constant:

<i>(millions)</i>	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⁾	\$ 2.8	\$ (2.0)	\$ 2.0
AECO natural gas	(1.8)	0.4	(0.4)
Foreign exchange	(1.2)	(2.2)	2.2
Frac-spread risk management	\$ (0.2)		

(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 September 30, 2013, there are no heat rate swap agreements outstanding.

During the nine months ended September 30, 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 September 30, 2013, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant would have changed 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 \$0.1 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 September 30, 2013, a 1% change in interest rates at this date would have changed interest expense on credit facilities for the three and nine months ended September 30, 2013, by approximately \$4.9 million and \$14.6 million, respectively, assuming all other variables remain constant. Of these amounts, \$3.3 million and \$9.9 million, for the three and nine months ended September 30, 2013, respectively, relate to the \$1.55 billion unsecured revolving credit facility and are recoverable through the terms of the Corridor FSA, therefore the after-tax income impact for the three and nine months ended September 30, 2013 would be \$1.2 million and \$3.5 million, respectively.

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 (loss) are as follows:

(millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Realized gain (loss) on derivative financial instruments				
Revenues				
NGL swaps	\$ 4.0	\$ 5.2	\$ 15.2	\$ 7.3
Foreign exchange swaps (frac-spread hedges)	(1.3)	0.2	(3.0)	(0.1)
	2.7	5.4	12.2	7.2
Shrinkage gas expense				
Natural gas swaps	(2.3)	(4.1)	(5.7)	(12.4)
	(2.3)	(4.1)	(5.7)	(12.4)
Operating expenses				
Electricity price swaps	0.1	-	0.4	-
	0.1	-	0.4	-
Financing charges				
Interest rate swaps	1.2	1.2	3.6	3.6
	1.2	1.2	3.6	3.6
General and administrative				
Foreign exchange swaps	-	-	-	0.9
	-	-	-	0.9
Net realized gain (loss) on derivative financial instruments	1.7	2.5	10.5	(0.7)
Unrealized change in fair value of derivative financial instruments				
NGL swaps	(10.7)	(14.8)	(13.4)	36.2
Natural gas swaps	1.7	5.0	5.0	6.9
Foreign exchange swaps (frac-spread hedges)	2.2	4.3	0.4	6.6
Electricity price swaps	(0.1)	(0.1)	0.2	(0.1)
Unrealized change in fair value of derivative financial instruments	(6.9)	(5.6)	(7.8)	49.6
Total (loss) gain on derivative financial instruments	\$ (5.2)	\$ (3.1)	\$ 2.7	\$ 48.9

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 September 30, 2013, accounts receivable associated with these two business segments were \$94.4 million or 61.2% 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 segments 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 September 30, 2013, accounts receivable outstanding meeting the definition of past due and impaired is insignificant.

TRANSACTIONS WITH RELATED PARTIES

No revenue was earned from related parties in the three and nine months ended September 30, 2013 or 2012.

On June 1, 2013, Inter Pipeline completed several internal transactions related to the restructuring of its current limited partnership structure to position the business for Corporate Conversion. Inter Pipeline indirectly purchased its General Partner from Pipeline Assets Corp. (PAC), for initial consideration valued at \$170 million, plus closing adjustments of \$8.6 million, and a future second instalment of \$170 million which is contingent on the outcome of certain organic growth projects currently under development. PAC's shareholders agreed to accept all consideration in the form of preferred shares in a new entity rather than cash. In the second quarter of 2013, Inter Pipeline recognized a \$348.6 million non-cash expense and corresponding financial liabilities related to this transaction. On September 3, 2013, Inter Pipeline announced the completion of the Corporate Conversion, resulting in the General Partner internalization liability of \$178.6 million being converted to common shares of Inter Pipeline. Convertible common shares were issued to settle the remaining General Partner internalization liability of \$170 million and will be converted into common shares of Inter Pipeline upon the earlier of revenue commencement from two identified oil sands expansion projects or January 1, 2017. Additional information relating to Inter Pipeline's Internalization Transactions and Corporate Conversion can be found in the Share Purchase Agreement dated June 1, 2013, Inter Pipeline's news releases dated June 2, August 22, and September 3, 2013, the Material Change report dated June 2, 2013, and the Information Circular dated July 23, 2013, which are available on SEDAR at www.sedar.com. Additional information related to the Corporate Conversion is also available on Inter Pipeline's website at <http://www.interpipeline.com>.

Prior to the Internalization Transactions, the General Partner was 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 had non-voting shares in PAC that entitled them to dividends. These officers and directors of the General Partner received a cumulative total of \$0.2 million in dividends in the third quarter of 2013 (third quarter of 2012 - \$0.3 million) totaling \$1.4 million for the nine months ended September 30, 2013 (nine months ended September 30, 2012 - \$1.6 million), from PAC pursuant to their ownership of non-voting shares.

In connection with the completion of Corporate Conversion, the General Partner was amalgamated with Inter Pipeline. As a result, the loan balance to the General Partner is owed directly to the private placement noteholders and no longer considered a transaction with related parties.

CONTROLS AND PROCEDURES

Management has made no material changes to the disclosure controls and procedures and internal controls over financial reporting during the third quarter of 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.

Consolidation of non-controlling interest

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. The remaining 15% is owned by an unrelated third party.

Upon initial adoption of IFRS in 2011, and specifically IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and IAS 31 *Interests in Joint Ventures* (IAS 31), Inter Pipeline determined that it had joint, rather than sole, control of Cold Lake. Under IAS 27, control was defined as "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities". IAS 31 indicated that joint control existed when strategic financial and operating decisions relating to the activity required the unanimous consent of the parties sharing control.

Cold Lake's Unanimous Shareholder Agreement (USA) establishes the decision-making abilities of Cold Lake's shareholders in relation to the Cold Lake pipeline system. Cold Lake is administered by a management committee, with each owner represented by two voting members. The USA splits decisions into two categories: those that require minimum approval and those that require special majority approval. Decisions that are subject to minimum approval require an affirmative vote by members of the management committee representing at least 50% of the shareholders. Therefore, Inter Pipeline is the only owner that has the ability to approve items requiring minimum approval unilaterally. Decisions that are subject to special majority approval require the affirmative vote of at least two members representing 75% or more of the shareholders. Therefore, neither Cold Lake owner can unilaterally approve items requiring special majority approval.

Inter Pipeline and the third party owner had joint control given that both owners shared control over financing decisions that required majority approval pursuant to the USA. As a result, Inter Pipeline's interest in Cold Lake was treated as a joint venture under IAS 31, and its 85% interest was proportionately consolidated.

In 2013, Inter Pipeline adopted IFRS 10 *Consolidated Financial Statements (IFRS 10)*, which revised the definition of control from IAS 27. Under IFRS 10, a single control model was established that focused on relevant activities, which are defined as "activities of an investee that significantly affect the investee's returns" (Relevant Activities), and specifically an investor's power to direct those 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.

In accordance with IFRS 10, Inter Pipeline determined that it had control over Cold Lake upon the acquisition of the additional 70% interest in 2003. Inter Pipeline, as 85% owner of the Cold Lake pipeline system, has the ability to unilaterally approve all Relevant Activities, which require minimal approval pursuant to the USA. The most significant Relevant Activities include the identification of expansion and other transportation service opportunities, performance of due diligence, undertaking economic feasibility studies and managing decisions to undergo non-Cold Lake TSA capital projects, where a feasibility study has been undertaken. Management believes the ability to exclusively decide to proceed with such capital projects, including the \$1.4 billion (85% share) capital program to construct a bitumen blend pipeline and associated facilities in support of the Foster Creek project, will significantly affect Cold Lake's returns, which is a key determination of control under IFRS 10. Such project returns are commercially negotiated by Inter Pipeline separately from the fixed returns contained within the Cold Lake TSA.

Financing activities are not considered to be significant Relevant Activities given that Cold Lake does not have any external debt, nor does Cold Lake have any intentions at this time to obtain debt financing in the future.

As a result of the foregoing, Inter Pipeline has the ability to unilaterally impact Cold Lake's returns by proceeding with significant capital projects, on a negotiated basis, without the approval or consent of the other third party owner. Projects that require special majority approval are based on returns prescribed within the Cold Lake TSA and have limited applicability to the determination of control under IFRS 10. Based on these considerations, Inter Pipeline has control over Cold Lake.

ACCOUNTING POLICIES ADOPTED IN 2013

Inter Pipeline's interim financial statements for the three and nine months ended September 30, 2013 have been presented in accordance with IAS 34 and have been prepared by management following the same accounting policies and methods of computation as disclosed in the interim financial statements for the three and nine months ended September 30, 2013.

New accounting policies that Inter Pipeline adopted effective January 1, 2013 include: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement*, IAS 19 *Employee Benefits (Revised)* and IAS 1 *Presentation of Financial Statements, Amendment*. For details on the implications of these standards to Inter Pipeline please refer to the interim financial statements for the three and nine months ended September 30, 2013.

RISK FACTORS

During the third 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", "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 share", 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 dividends. 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, General Partner internalization liability and commercial paper.

<i>(millions)</i>	September 30 2013	December 31 2012 <i>(restated)</i>
Current assets		
Cash and cash equivalents	\$ 49.1	\$ 65.0
Accounts receivable	154.3	146.7
Prepaid expenses and other deposits	35.1	31.3
Current liabilities		
Dividends payable to shareholders	(31.1)	(25.5)
Accounts payable and accrued liabilities	(544.7)	(293.0)
Current income taxes payable	(34.7)	(8.7)
Deferred revenue	(9.4)	(6.1)
Adjusted working capital deficiency	<u>\$ (381.4)</u>	<u>\$ (90.3)</u>

Enterprise value is calculated by multiplying the period-end closing common share price by the total number of common shares 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:

<i>(millions, except per share amounts)</i>	September 30 2013	December 31 2012
Closing share price	\$ 25.15	\$ 23.50
Total closing number of common shares	289.8	275.2
	7,287.5	6,466.2
Total debt	3,964.5	3,127.6
Enterprise value	<u>\$ 11,252.0</u>	<u>\$ 9,593.8</u>

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 September 30	
					2013 ⁽¹⁾	2012
(millions)	Growth	Sustaining	Total	Total	Total	Total
Oil sands transportation	\$ 554.9	\$ 0.6	\$ 555.5	\$	\$	97.8
NGL extraction	5.6	0.9	6.5			10.8
Conventional oil pipelines	2.4	2.1	4.5			1.7
Bulk liquid storage	3.2	2.6	5.8			8.5
Corporate	-	1.2	1.2			1.2
	\$ 566.1	\$ 7.4	\$ 573.5	\$	\$	120.0
Capital expenditures funded by Inter Pipeline ⁽¹⁾	\$ 563.8	\$ 7.3	\$ 571.1	\$	\$	118.6

					Nine Months Ended September 30	
					2013 ⁽¹⁾	2012
(millions)	Growth	Sustaining	Total	Total	Total	Total
Oil sands transportation	\$ 1,318.7	\$ 1.4	\$ 1,320.1	\$	\$	162.0
NGL extraction	27.8	2.4	30.2			21.8
Conventional oil pipelines	6.1	3.8	9.9			31.9
Bulk liquid storage	16.9	6.6	23.5			24.1
Corporate	-	4.9	4.9			2.4
Capital expenditures	\$ 1,369.5	\$ 19.1	\$ 1,388.6	\$	\$	242.2
Capital expenditures funded by Inter Pipeline ⁽¹⁾	\$ 1,363.6	\$ 19.0	\$ 1,382.6	\$	\$	238.3

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

Interest coverage is calculated as net (loss) income attributable to shareholders 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 dividends declared to shareholders for the period as a percentage of funds from operations attributable to shareholders. This measure, in combination with other measures, is used by the investment community to assess the sustainability of the current dividends.

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 shareholders' 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 dividends. 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 (loss) income as noted below. Funds from operations are expressed before changes in non-cash working capital.

Funds from operations per share are calculated on a weighted average basis using basic common shares outstanding during the period. These measures, together with other measures, are used by the investment community to assess the source, sustainability and cash available for dividends.

<i>(millions)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012 <i>(restated)</i>	2013	2012 <i>(restated)</i>
Net (loss) income	\$ 77.8	\$ 68.4	\$ (131.6)	\$ 257.3
Depreciation and amortization	31.8	30.5	94.1	92.3
Loss on disposal of assets	-	0.1	1.7	-
Non-cash expense	2.6	2.9	1.0	3.2
Unrealized change in fair value of derivative financial instruments	6.9	5.6	7.8	(49.6)
Deferred income tax expense	4.2	1.8	16.5	27.0
General Partner internalization	-	-	348.6	-
Funds from operations	123.3	109.3	338.1	330.2
Less funds from operations attributable to non-controlling interest	(3.3)	(2.9)	(8.9)	(8.5)
Funds from operations attributable to shareholders	\$ 120.0	\$ 106.4	\$ 329.2	\$ 321.7
Funds from operations	\$ 123.3	\$ 109.3	\$ 338.1	\$ 330.2
Total interest less capitalized interest	22.6	23.8	65.8	69.5
Current income tax expense	14.1	16.1	42.2	46.1
EBITDA	160.0	149.2	446.1	445.8
Less EBITDA attributable to non-controlling interest	(3.3)	(2.9)	(8.9)	(8.5)
EBITDA attributable to shareholders	\$ 156.7	\$ 146.3	\$ 437.2	\$ 437.3

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.

ADDITIONAL INFORMATION

Additional information relating to Inter Pipeline, including Inter Pipeline's **Annual Information Form** and the **Information Circular dated July 23, 2013** are 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 Inter Pipeline.

Dated at Calgary, Alberta this 7th day of November, 2013.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)	As at September 30 2013	As at December 31 2012
ASSETS		
Current Assets		
Cash and cash equivalents (note 21)	\$ 49,144	\$ 64,979
Accounts receivable	154,298	146,746
Derivative financial instruments (note 18)	7,765	20,816
Prepaid expenses and other deposits	35,085	31,279
Total Current Assets	246,292	263,820
Non-Current Assets		
Derivative financial instruments (note 18)	1,586	4,865
Property, plant and equipment (note 6)	6,132,779	4,793,508
Goodwill and intangible assets (note 7)	612,421	620,202
Total Assets	\$ 6,993,078	\$ 5,682,395
LIABILITIES AND EQUITY		
Current Liabilities		
Dividends payable (note 8)	\$ 31,149	\$ 25,452
Accounts payable and accrued liabilities	544,661	292,999
Current income taxes payable (note 12)	34,662	8,685
Derivative financial instruments (note 18)	2,976	8,336
Deferred revenue	9,414	6,143
Commercial paper (note 9)	1,319,223	1,351,132
Total Current Liabilities	1,942,085	1,692,747
Non-Current Liabilities		
Long-term debt (note 9)	2,628,621	1,760,902
Convertible common shares (note 4)	170,000	-
Long-term payable	1,556	4,865
Provisions (note 10)	61,341	59,953
Employee benefits (note 11)	7,876	9,631
Long-term deferred revenue and other liabilities	15,767	16,958
Deferred income taxes (note 12)	403,599	384,531
Total Liabilities	5,230,845	3,929,587
Commitments (notes 6 and 16)		
Shareholders' Equity		
Shareholders' equity (note 13)	1,648,367	1,682,955
Total reserves (note 13)	13,500	(23,504)
Total Shareholders' Equity	1,661,867	1,659,451
Non-Controlling Interest (note 14)	100,366	93,357
Total Equity	1,762,233	1,752,808
Total Liabilities and Equity	\$ 6,993,078	\$ 5,682,395

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)

	Attributable to Shareholders of Inter Pipeline Ltd.									
	Class A Limited Liability Partnership Units (note 13)	Class B Unlimited Liability Partnership Units (note 13)	Share Capital (note 13)	Earnings / (Deficit) (note 13)	Contributed Surplus (note 13)	Reserves (note 13)	Total Shareholders' Equity	Non- Controlling Interest (note 14)	Total Equity	
Balance, January 1, 2013	\$ 1,681,274	\$ 1,681	\$ -	\$ -	\$ -	\$ (23,504)	\$ 1,659,451	\$ 93,357	\$ 1,752,808	
Net (loss) income for the period	-	-	-	(139,392)	-	-	(139,392)	7,806	(131,586)	
Other comprehensive income	-	-	-	-	-	37,004	37,004	-	37,004	
Dividends declared (note 8)	-	-	-	(239,601)	-	-	(239,601)	-	(239,601)	
Issuance of common shares (note 13) Issued under Premium Dividend™ and Dividend Reinvestment Plan	147,082	147	19,328	-	-	-	166,557	-	166,557	
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	-	-	(8,482)	(8,482)	
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	-	-	7,685	7,685	
Transactions due to Corporate Conversion:										
Issuance of common shares (net of issue costs) (note 4)	-	-	178,066	-	-	-	178,066	-	178,066	
Amalgamation on Corporate Conversion (note 4)	-	-	-	(218)	-	-	(218)	-	(218)	
Reclassifications (note 13)	656,129	661	-	(659,247)	2,457	-	-	-	-	
Exchanged on Corporate Conversion (note 4)	(2,484,485)	-	2,484,485	-	-	-	-	-	-	
Cancellation of Class B partnership units (note 4)	-	(2,489)	-	2,489	-	-	-	-	-	
Balance, September 30, 2013	\$ -	\$ -	\$ 2,681,879	\$ (1,035,969)	\$ 2,457	\$ 13,500	\$ 1,661,867	\$ 100,366	\$ 1,762,233	
Balance, January 1, 2012	\$ 1,450,617	\$ 1,449	\$ -	\$ -	\$ -	\$ (32,280)	\$ 1,419,786	\$ -	\$ 1,419,786	
Opening IFRS 10 adjustment (note 3)	-	-	-	-	-	-	-	86,076	86,076	
Balance, beginning of the period	1,450,617	1,449	-	-	-	(32,280)	1,419,786	86,076	1,505,862	
Net income for the period (restated)	249,682	250	-	-	-	-	249,932	7,383	257,315	
Other comprehensive loss	-	-	-	-	-	(19,839)	(19,839)	-	(19,839)	
Dividends declared (note 8)	(211,630)	(211)	-	-	-	-	(211,841)	-	(211,841)	
Issuance of common shares (note 13) Issued under Premium Dividend™ and Dividend Reinvestment Plan	156,565	157	-	-	-	-	156,722	-	156,722	
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	-	-	(7,310)	(7,310)	
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	-	-	4,617	4,617	
Balance, September 30, 2012 (restated)	\$ 1,645,234	\$ 1,645	\$ -	\$ -	\$ -	\$ (52,119)	\$ 1,594,760	\$ 90,766	\$ 1,685,526	

See accompanying condensed notes to the interim consolidated financial statements.

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Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Net Income (Loss)

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
		<i>(restated - see note 22)</i>		<i>(restated - see note 22)</i>
REVENUES				
Operating revenues	\$ 340,552	\$ 300,726	\$ 988,507	\$ 882,295
EXPENSES				
Shrinkage gas	54,335	49,021	167,575	141,756
Midstream product purchases	20,092	8,927	48,955	21,748
Operating	87,641	76,088	263,518	211,893
Depreciation and amortization	31,834	30,838	94,137	93,364
Financing charges (note 20)	23,915	24,837	70,119	73,093
General and administrative	20,524	15,607	50,975	44,581
Unrealized change in fair value of derivative financial instruments (note 18)	6,938	5,639	7,848	(49,581)
Acquisition fee to General Partner (note 15)	-	-	-	4,591
Management and incentive fees to General Partner (note 15)	(801)	3,450	7,971	10,411
General Partner internalization (note 4)	-	-	348,584	-
(Gain) loss on disposal of assets	(65)	63	1,668	(32)
	244,413	214,470	1,061,350	551,824
INCOME (LOSS) BEFORE INCOME TAXES	96,139	86,256	(72,843)	330,471
Provision for income taxes (note 12)				
Current	14,179	16,166	42,281	46,187
Deferred	4,134	1,729	16,462	26,969
	18,313	17,895	58,743	73,156
NET INCOME (LOSS)	\$ 77,826	\$ 68,361	\$ (131,586)	\$ 257,315
Net income (loss) income attributable to				
Shareholders of Inter Pipeline Ltd.	\$ 74,833	\$ 65,920	\$ (139,392)	\$ 249,932
Non-controlling interest (note 14)	2,993	2,441	7,806	7,383
	\$ 77,826	\$ 68,361	\$ (131,586)	\$ 257,315
Net income (loss) per share attributable to shareholders of Inter Pipeline Ltd. (note 13)				
Basic	\$ 0.27	\$ 0.24	\$ (0.50)	\$ 0.93
Diluted	\$ 0.26	\$ 0.24	\$ (0.50)	\$ 0.93

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
		<i>(restated - see note 22)</i>		<i>(restated - see note 22)</i>
NET INCOME (LOSS)	\$ 77,826	\$ 68,361	\$ (131,586)	\$ 257,315
OTHER COMPREHENSIVE INCOME (LOSS) (note 13)				
Item that may be reclassified subsequently to net income (loss)				
Unrealized gain (loss) on translating financial statements of foreign operations	22,322	(9,595)	37,141	(18,378)
Items that will not be reclassified to net income (loss)				
Actuarial (loss) gain on defined benefit pension plan	-	(1,556)	322	(1,556)
Income tax relating to defined benefit pension reserve	(380)	208	(459)	95
	21,942	(10,943)	37,004	(19,839)
COMPREHENSIVE INCOME (LOSS)	\$ 99,768	\$ 57,418	\$ (94,582)	\$ 237,476
Comprehensive income (loss) attributable to				
Shareholders of Inter Pipeline Ltd.	\$ 96,775	\$ 54,977	\$ (102,388)	\$ 230,093
Non-controlling interest (note 14)	2,993	2,441	7,806	7,383
	\$ 99,768	\$ 57,418	\$ (94,582)	\$ 237,476

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
		<i>(restated - see note 22)</i>		<i>(restated - see note 22)</i>
OPERATING ACTIVITIES				
Net income (loss)	\$ 77,826	\$ 68,361	\$ (131,586)	\$ 257,315
Items not involving cash:				
Depreciation and amortization	31,834	30,838	94,137	93,364
(Gain) loss on disposal of assets	(65)	63	1,668	(32)
Non-cash expense	2,718	2,645	1,028	2,170
Unrealized change in fair value of derivative financial instruments	6,938	5,639	7,848	(49,581)
General Partner internalization (note 4)	-	-	348,584	-
Deferred income tax expense	4,134	1,729	16,462	26,969
Funds from operations	123,385	109,275	338,141	330,205
Net change in non-cash operating working capital (note 21)	4,708	(47,518)	20,129	(69,073)
Cash provided by operating activities	128,093	61,757	358,270	261,132
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	(573,470)	(119,952)	(1,390,293)	(242,179)
Proceeds on sale of assets	844	242	852	337
Net change on amalgamation (note 4)	(218)	-	(218)	-
Acquisition of Inter Terminals	-	(300)	-	(509,713)
Assumption of cash on acquisition of Inter Terminals	-	-	-	48,293
Capital contributions received from Cold Lake non-controlling interest	2,302	1,890	7,685	4,617
Net change in non-cash investing working capital (note 21)	81,480	55,689	246,576	54,022
Cash used in investing activities	(489,062)	(62,431)	(1,135,398)	(644,623)
FINANCING ACTIVITIES				
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 8)	(27,011)	(19,613)	(73,044)	(55,119)
Cash distributions paid by Cold Lake to non-controlling interest	(2,653)	(2,640)	(8,482)	(7,310)
Increase in debt	387,511	31,071	837,126	441,461
Transaction costs on debt	(2,221)	105	(3,864)	(2,350)
Share issue costs	(519)	-	(519)	-
Net change in non-cash financing working capital (note 21)	6,004	236	8,142	744
Cash provided by financing activities	361,111	9,159	759,359	377,426
Effect of foreign currency translation on foreign currency denominated cash	844	(72)	1,934	(892)
Increase (decrease) in cash and cash equivalents	986	8,413	(15,835)	(6,957)
Cash and cash equivalents, beginning of period	48,158	35,447	64,979	50,817
Cash and cash equivalents, end of period	\$ 49,144	\$ 43,860	\$ 49,144	\$ 43,860
Cash taxes paid	\$ 8,168	\$ 48,719	\$ 16,926	\$ 98,073
Cash interest paid	\$ 26,220	\$ 24,095	\$ 78,711	\$ 70,201

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Condensed Notes to Interim Consolidated Financial Statements

(unaudited)

September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

1. STRUCTURE OF THE CORPORATION

Inter Pipeline Ltd. (Inter Pipeline or the Corporation) was incorporated under the provisions of the Business Corporations Act (Alberta) on January 29, 2013. On May 31, 2013, the Corporation changed its name to Inter Pipeline Ltd. from 1726761 Alberta Ltd. On September 1, 2013, the Corporation carried on the business of Inter Pipeline Fund (the Fund) following the conversion from a limited partnership to a dividend paying corporation (Corporate Conversion) pursuant to a plan of arrangement under the Business Corporations Act (Alberta) (the Arrangement).

The Fund was formed as a limited partnership under the laws of Alberta pursuant to a Limited Partnership Agreement (LPA) dated October 9, 1997. Pursuant to the LPA, Pipeline Management Inc. (General Partner) was required to maintain a minimum 0.1% interest in the Fund. The Fund was dependent on the General Partner for administration and management of all matters relating to the operation of the Fund. As a result, the General Partner was entitled to recover all direct and indirect expenses, including general and administrative expenses incurred on behalf of the Fund. The General Partner also received an annual base management fee equal to 2% of the Fund's annual "Operating Cash" as defined in the LPA. In addition, the General Partner was entitled to earn an annual incentive fee, which was calculated based on a range of percentages of annual distributable cash, as defined in the LPA; an acquisition fee of 1.0% of the purchase price of any assets acquired by the Fund (excluding pipeline assets originally acquired); and a disposition fee of 0.5% of the sale price of any assets sold by the Fund.

Prior to the Corporate Conversion the General Partner held a 0.1% partnership interest in the Fund represented by Class B units. Public investors held the remaining 99.9% partnership interest as limited partners represented by Class A units. Until June 1, 2013, the General Partner's 0.1% partnership interest was controlled by Pipeline Assets Corp. (PAC) and the General Partner was a wholly owned subsidiary of PAC, a corporation controlled solely by the Chairman of the Board of the General Partner. Following completion of the Internalization Transactions, the General Partner's 0.1% partnership interest was controlled by the independent directors of the General Partner.

The Corporate Conversion was approved by the Fund's Class A unitholders at a special meeting of unitholders on August 22, 2013. The Arrangement was granted final approval by the Court of Queen's Bench of Alberta and all requisite regulatory approvals and material third party consents and approvals were received. As a result, Corporate Conversion was effective September 1, 2013. Upon completion of the Arrangement, the Fund's Class A unitholders received one common share of Inter Pipeline in exchange for each Class A unit of the Fund held. The Fund was dissolved and the consolidated financial statements of Inter Pipeline reflect the assets and liabilities of the Fund at the respective carrying amounts and comparative information of the Fund as previously reported. In these and future financial statements, Inter Pipeline will refer to common shares, shareholders, restricted share units and dividends, which were formerly referred to as partnership units, unitholders, deferred unit rights and distributions under the partnership structure. Comparative figures in these and future financial statements will reflect the history of the Fund to the date of Corporate Conversion (refer to note 4 for more details on Corporate Conversion).

Inter Pipeline is comprised of four industry operating segments located in two geographic segments: oil sands transportation business, NGL extraction business and conventional oil pipelines business all operating in Canada, while the bulk liquid storage business operates in Europe. The head office, principal address and records office of Inter Pipeline are located in Calgary, Alberta, Canada.

These unaudited condensed interim consolidated financial statements (interim financial statements) include the accounts of Inter Pipeline, its subsidiary companies, partnerships and any joint arrangements as at and for the period ended September 30, 2013.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Inter Pipeline on November 7, 2013.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Condensed Notes to Interim Consolidated Financial Statements

(unaudited)

September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These 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 the Fund's 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 3. The accounting policies disclosed in note 3 have been applied consistently in preparing these interim financial statements for the three and nine months ended September 30, 2013, and September 30, 2012, and the consolidated balance sheets as at September 30, 2013 and December 31, 2012. In preparing the interim financial statements for the three and nine months ended September 30, 2013, Inter Pipeline has adjusted comparative amounts reported previously. A reconciliation of the changes is provided in note 22.

3. 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% ownership interest in the Cold Lake Pipeline Limited Partnership (Cold Lake LP) and an 85% ownership 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 an unrelated 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 (see note 3 (c)). As a result, Inter Pipeline consolidates 100% of Cold Lake under IFRS 10, compared to proportionate consolidation of 85%

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Condensed Notes to Interim Consolidated Financial Statements

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(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

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 22 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 nine months ended September 30, 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

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. The remaining 15% is owned by an unrelated third party.

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(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Cold Lake's Unanimous Shareholder Agreement (USA) establishes the decision-making abilities of Cold Lake's shareholders in relation to the Cold Lake pipeline system. Cold Lake is administered by a management committee, with each owner represented by two voting members. The USA splits decisions into two categories: those that require minimum approval and those that require special majority approval. Decisions that are subject to minimum approval require an affirmative vote by members of the management committee representing at least 50% of the shareholders. Therefore, Inter Pipeline is the only owner that has the ability to approve items requiring minimum approval unilaterally. Decisions that are subject to special majority approval require the affirmative vote of at least two members representing 75% or more of the shareholders. Therefore, neither Cold Lake owner can unilaterally approve items requiring special majority approval.

As outlined in the USA, the following items require minimum approval:

- Decision to proceed with a feasibility study for a non-Transportation Service Agreement (TSA) expansion;
- Decision to proceed with non-TSA expansions where a feasibility study has been undertaken and no adverse economic impact is identified; and
- TSA expansions required by founding shippers pursuant to the existing TSA.

As outlined in the USA, the following items require special majority approval:

- Decision to proceed with laterals and extensions;
- Entering into new agreements which create obligations for Cold Lake in excess of a minimum dollar threshold;
- Decision to proceed with a proposed non-TSA expansion where no feasibility study has been undertaken;
- The timing, nature and amount of any debt financing to be undertaken; and
- Approval of Cold Lake's annual operating and capital budgets.

Upon initial adoption of IFRS in 2011, and specifically IAS 27 and IAS 31, Inter Pipeline determined that it had joint, rather than sole, control of Cold Lake. Under IAS 27, control was defined as "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities". IAS 31 indicated that joint control existed when strategic financial and operating decisions relating to the activity required the unanimous consent of the parties sharing control. Inter Pipeline and the third party owner had joint control given that both owners shared control over financing decisions that required majority approval pursuant to the USA. As a result, Inter Pipeline's interest in Cold Lake was treated as a joint venture under IAS 31, and its 85% interest was proportionately consolidated.

In 2013, Inter Pipeline adopted IFRS 10, which revised the definition of control from IAS 27. Under IFRS 10, a single control model was established that focused on relevant activities, which are defined as "activities of an investee that significantly affect the investee's returns" (Relevant Activities), and specifically an investor's power to direct those 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.

In accordance with IFRS 10, Inter Pipeline determined that it had control over Cold Lake upon the acquisition of the additional 70% interest in 2003. Inter Pipeline, as 85% owner of the Cold Lake pipeline system, has the ability to unilaterally approve all Relevant Activities, which require minimal approval pursuant to the USA. The most significant Relevant Activities include the identification of expansion and other transportation service opportunities, performance of due diligence, undertaking economic feasibility studies and managing decisions to undergo non-TSA capital projects, where a feasibility study has been undertaken. Management believes the ability to exclusively decide to proceed with such capital projects,

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Condensed Notes to Interim Consolidated Financial Statements

(unaudited)

September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

including the \$1.4 billion capital program to construct a bitumen blend pipeline and associated facilities in support of the Foster Creek project, will significantly affect Cold Lake's returns, which is a key determination of control under IFRS 10. Such project returns are commercially negotiated by Inter Pipeline separately from the fixed returns contained within the TSA.

Capital projects to construct laterals and extensions are not considered to be Relevant Activities as the returns from those projects are fixed based on provisions within the existing TSA. In addition, financing activities are not considered to be significant Relevant Activities given that Cold Lake does not have any external debt, nor does Cold Lake have any intentions at this time to obtain debt financing in the future.

As a result of the foregoing, Inter Pipeline has the ability to unilaterally impact Cold Lake's returns by proceeding with significant capital projects, on a negotiated basis, without the approval or consent of the other third party owner. Projects that require special majority approval are based on returns prescribed within the TSA and have limited applicability to the determination of control under IFRS 10. Based on these considerations, Inter Pipeline has control over Cold Lake.

4. CORPORATE RESTRUCTURING

On June 1, 2013, the Fund completed several internal transactions (Internalization Transactions) related to the restructuring of its limited partnership structure to position the business for a planned conversion to corporate form, which eliminated all management, acquisition, divestiture and incentive fees payable to the General Partner. The Fund indirectly purchased its General Partner, for initial consideration of \$170 million, plus adjustments of \$8.6 million, and a second instalment of up to \$170 million, which is partially contingent on the outcome of certain organic growth projects in the Foster Creek and Christina Lake areas currently under development. New diluent delivery services to the Foster Creek and Christina Lake projects are expected to be operational in mid 2014 and new bitumen blend facilities in support of the Foster Creek project are expected to be in service in early 2015. In the event that the Foster Creek and Christina Lake projects are not both generating revenue by January 1, 2017, the amount of the second instalment will be reduced to \$70 million. As a result, the Fund recognized a \$348.6 million non-cash expense on June 1, 2013.

As a result of the Internalization Transactions, the PAC shareholders agreed to accept consideration in the form of Class A and Class B preferred shares in Inter Pipeline GP Corp., a new corporation established for the purpose of the Internalization Transactions, rather than cash. Initial consideration of \$178.6 million, including adjustments of \$8.6 million, was satisfied with the issuance of 7,411,683 Class A preferred shares in Inter Pipeline GP Corp. on June 1, 2013. On September 1, 2013, the Class A preferred shares were exchanged on a one for one basis for common shares in Inter Pipeline upon successful completion of Corporate Conversion.

Consideration transferred to the PAC shareholders for the second instalment of \$170 million was in the form of 7,055,406 Class B preferred shares in Inter Pipeline GP Corp., which were exchanged on a one for one basis for convertible common shares of Inter Pipeline on September 1, 2013, as a result of Corporate Conversion. These convertible common shares will be converted to common shares in Inter Pipeline on a one for one basis when the Foster Creek and Christina Lake projects are both generating revenue. If this does not occur prior to January 1, 2017, the convertible common shares will be exchanged on a 70/170th basis and the value of the second instalment will be reduced to \$70 million. The convertible common shares are recorded as a liability, as the number of common shares to be issued upon conversion may not be a fixed amount.

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The Internalization Transactions were accounted for as transactions between entities under common control. On June 1, 2013, Inter Pipeline GP Corp. and PAC amalgamated as one corporate entity, Inter Pipeline GP Corp. A support agreement entered into by the Fund on June 1, 2013, to unconditionally guarantee the performance of obligations under the preferred share provisions and to provide sufficient funds to Inter Pipeline GP Corp. to declare and pay dividends on and to redeem the preferred shares in certain circumstances, was terminated as a result of completion of Corporate Conversion.

On September 1, 2013, the Fund was dissolved, the General Partner assumed all assets and liabilities of the Fund and then on September 2, 2013, Pipeline Management Inc., Inter Pipeline GP Corp., Inter Pipeline Putco Corp. and Inter Pipeline amalgamated (the Amalgamation) as one corporate entity, and continued carrying on the business of the Fund as Inter Pipeline.

These interim financial statements of Inter Pipeline follow the continuity of interests at book value basis of accounting for the Amalgamation. As a result, Inter Pipeline's consolidated statement of net income (loss) for the nine months ended September 30, 2013, is a combination of the Fund's statement of net income (loss) for the period January 1, 2013 to August 31, 2013, plus the statements of net income of the amalgamated entities from September 1, 2013 to September 30, 2013. Inter Pipeline's balance sheet at September 30, 2013, is an amalgamation of the balance sheets of the Fund and the amalgamating entities, after eliminating inter company transactions.

On Amalgamation, the following assets and liabilities of the amalgamated companies were transferred to Inter Pipeline:

Cash	\$	8,955
Working capital		(9,173)
Deficit	\$	(218)

As a result of Corporate Conversion, the LPA was terminated and Inter Pipeline is no longer required to pay management, acquisition, divestiture or incentive fees (note 15). The general and administrative costs previously incurred by the General Partner for all matters relating to the operation of the Fund had historically been recorded in the financial statements of the Fund as operating or general and administrative expenses.

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5. SEGMENT REPORTING

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

	Three Months Ended September 30, 2013				Europe		Total Canadian and European Operations
	Canada			Corporate	Total Canadian Operations	Bulk Liquid Storage Business	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business				
Revenues	\$ 96,160	\$ 127,266	\$ 81,124	\$ -	\$ 304,550	\$ 36,002	\$ 340,552
Expenses							
Shrinkage gas	-	54,335	-	-	54,335	-	54,335
Midstream product purchases	-	-	20,092	-	20,092	-	20,092
Operating	27,581	29,777	14,328	-	71,686	15,955	87,641
Depreciation and amortization	11,703	7,528	2,536	706	22,473	9,361	31,834
Financing charges	8,706	67	157	14,731	23,661	254	23,915
General and administrative	2,311	-	-	15,885	18,196	2,328	20,524
Unrealized change in fair value of derivative financial instruments	-	6,907	31	-	6,938	-	6,938
Management and incentive fees to General Partner	-	-	-	(801)	(801)	-	(801)
Loss (gain) on disposal of assets	-	46	(24)	-	22	(87)	(65)
Total expenses	50,301	98,660	37,120	30,521	216,602	27,811	244,413
Income (loss) before income taxes	45,859	28,606	44,004	(30,521)	87,948	8,191	96,139
Provision for (recovery of) income taxes	8,161	-	-	15,437	23,598	(5,285)	18,313
Net income (loss)	\$ 37,698	\$ 28,606	\$ 44,004	\$ (45,958)	\$ 64,350	\$ 13,476	\$ 77,826
Items not involving cash:							
Depreciation and amortization	11,703	7,574	2,512	706	22,495	9,274	31,769
Non-cash expense	124	148	471	1,868	2,611	107	2,718
Unrealized change in fair value of derivative financial instruments	-	6,907	31	-	6,938	-	6,938
Deferred income tax expense (recovery)	6,147	-	-	3,586	9,733	(5,599)	4,134
Funds from (used in) operations	\$ 55,672	\$ 43,235	\$ 47,018	\$ (39,798)	\$ 106,127	\$ 17,258	\$ 123,385
Property, plant and equipment additions	\$ 555,558	\$ 6,518	\$ 4,538	\$ 1,196	\$ 567,810	\$ 5,660	\$ 573,470
As at September 30, 2013							
Property, plant and equipment - net book value	\$ 4,516,272	\$ 423,119	\$ 475,494	\$ 13,217	\$ 5,428,102	\$ 704,677	\$ 6,132,779
Goodwill and intangible assets - net book value	\$ 226,211	\$ 202,738	\$ -	\$ -	\$ 428,949	\$ 183,472	\$ 612,421
Other assets	\$ 23,515	\$ 61,658	\$ 109,807	\$ 612	\$ 195,592	\$ 52,286	\$ 247,878
Total assets	\$ 4,765,998	\$ 687,515	\$ 585,301	\$ 13,829	\$ 6,052,643	\$ 940,435	\$ 6,993,078

* Includes loss (gain) on disposal of assets

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	Three Months Ended September 30, 2012 (restated)						Total Canadian and European Operations
	Canada				Europe		
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	
Revenues	\$ 82,458	\$ 123,443	\$ 59,154	\$ -	\$ 265,055	\$ 35,671	\$ 300,726
Expenses							
Shrinkage gas	-	49,021	-	-	49,021	-	49,021
Midstream product purchases	-	-	8,927	-	8,927	-	8,927
Operating	24,856	23,986	11,930	-	60,772	15,316	76,088
Depreciation and amortization	10,815	6,674	2,851	670	21,010	9,828	30,838
Financing charges	9,179	63	162	15,222	24,626	211	24,837
General and administrative	1,591	-	-	11,689	13,280	2,327	15,607
Unrealized change in fair value of derivative financial instruments	-	5,560	-	79	5,639	-	5,639
Management and incentive fees to General Partner	-	-	-	3,450	3,450	-	3,450
Loss (gain) on disposal of assets	-	305	(5)	-	300	(237)	63
Total expenses	46,441	85,609	23,865	31,110	187,025	27,445	214,470
Income (loss) before income taxes	36,017	37,834	35,289	(31,110)	78,030	8,226	86,256
Provision for (recovery of) income taxes	5,823	-	-	14,248	20,071	(2,176)	17,895
Net income (loss)	\$ 30,194	\$ 37,834	\$ 35,289	\$ (45,358)	\$ 57,959	\$ 10,402	\$ 68,361
Items not involving cash:							
Depreciation and amortization *	10,815	6,979	2,846	670	21,310	9,591	30,901
Non-cash expense (recovery)	170	132	736	1,637	2,675	(30)	2,645
Unrealized change in fair value of derivative financial instruments	-	5,560	-	79	5,639	-	5,639
Deferred income tax expense (recovery)	5,755	-	-	(1,660)	4,095	(2,366)	1,729
Funds from (used in) operations	\$ 46,934	\$ 50,505	\$ 38,871	\$ (44,632)	\$ 91,678	\$ 17,597	\$ 109,275
Property, plant and equipment additions	\$ 97,733	\$ 10,711	\$ 1,713	\$ 1,213	\$ 111,370	\$ 8,582	\$ 119,952
						As at December 31, 2012	
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

* Includes loss (gain) on disposal of assets

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	Canada					Europe		Total Canadian and European Operations
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business		
Revenues	\$ 281,095	\$ 374,115	\$ 219,898	\$ -	\$ 875,108	\$ 113,399	\$ 988,507	
Expenses								
Shrinkage gas	-	167,575	-	-	167,575	-	167,575	
Midstream product purchases	-	-	48,955	-	48,955	-	48,955	
Operating	86,240	89,122	39,885	-	215,247	48,271	263,518	
Depreciation and amortization	34,114	21,044	7,484	1,935	64,577	29,560	94,137	
Financing charges	26,134	200	471	42,252	69,057	1,062	70,119	
General and administrative	7,617	-	-	36,637	44,254	6,721	50,975	
Unrealized change in fair value of derivative financial instruments	-	8,089	(241)	-	7,848	-	7,848	
Management fees to General Partner	-	-	-	7,971	7,971	-	7,971	
General Partner internalization	-	-	-	348,584	348,584	-	348,584	
Loss (gain) on disposal of assets	-	1,787	(32)	-	1,755	(87)	1,668	
Total expenses	154,105	287,817	96,522	437,379	975,823	85,527	1,061,350	
Income (loss) before income taxes	126,990	86,298	123,376	(437,379)	(100,715)	27,872	(72,843)	
Provision for (recovery of) income taxes	21,620	-	-	43,243	64,863	(6,120)	58,743	
Net income (loss)	\$ 105,370	\$ 86,298	\$ 123,376	\$ (480,622)	\$ (165,578)	\$ 33,992	\$ (131,586)	
Items not involving cash:								
Depreciation and amortization*	34,114	22,831	7,452	1,935	66,332	29,473	95,805	
Non-cash (recovery) expense	(152)	137	348	(48)	285	743	1,028	
Unrealized change in fair value of derivative financial instruments	-	8,089	(241)	-	7,848	-	7,848	
Deferred income tax expense (recovery)	16,130	-	-	7,407	23,537	(7,075)	16,462	
General Partner internalization	-	-	-	348,584	348,584	-	348,584	
Funds from (used in) operations	155,462	117,355	130,935	(122,744)	281,008	57,133	338,141	
Property, plant and equipment additions	\$ 1,320,058	\$ 30,250	\$ 9,936	\$ 4,894	\$ 1,365,138	\$ 23,414	\$ 1,388,552	

* Includes loss (gain) on disposal of assets

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	Canada				Europe		Total Canadian and European Operations
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	
Revenues	\$ 229,881	\$ 366,402	\$ 169,199	\$ -	\$ 765,482	\$ 116,813	\$ 882,295
Expenses							
Shrinkage gas	-	141,756	-	-	141,756	-	141,756
Midstream product purchases	-	-	21,748	-	21,748	-	21,748
Operating	62,205	68,615	33,973	-	164,793	47,100	211,893
Depreciation and amortization	32,558	20,055	7,603	2,003	62,219	31,145	93,364
Financing charges	27,952	190	486	43,817	72,445	648	73,093
General and administrative	4,562	-	-	32,091	36,653	7,928	44,581
Unrealized change in fair value of derivative financial instruments	-	(49,660)	-	79	(49,581)	-	(49,581)
Acquisition fee to General Partner	-	-	-	4,591	4,591	-	4,591
Management and incentive fees to General Partner	-	-	-	10,411	10,411	-	10,411
(Gain) loss on disposal of assets	(27)	292	(52)	(8)	205	(237)	(32)
Total expenses	127,250	181,248	63,758	92,984	465,240	86,584	551,824
Income (loss) before income taxes	102,631	185,154	105,441	(92,984)	300,242	30,229	330,471
Provision for (recovery of) income taxes	15,489	-	-	60,566	76,055	(2,899)	73,156
Net income (loss)	\$ 87,142	\$ 185,154	\$ 105,441	\$ (153,550)	\$ 224,187	\$ 33,128	\$ 257,315
Items not involving cash:							
Depreciation and amortization*	32,531	20,347	7,551	1,995	62,424	30,908	93,332
Non-cash expense (recovery)	99	140	1,695	318	2,252	(82)	2,170
Unrealized change in fair value of derivative financial instruments	-	(49,660)	-	79	(49,581)	-	(49,581)
Deferred income tax expense (recovery)	15,280	-	-	15,458	30,738	(3,769)	26,969
Funds from (used in) operations	\$ 135,052	\$ 155,981	\$ 114,687	\$ (135,700)	\$ 270,020	\$ 60,185	\$ 330,205
Property, plant and equipment additions	\$ 161,944	\$ 21,731	\$ 31,884	\$ 2,452	\$ 218,011	\$ 24,168	\$ 242,179

* Includes (gain) loss on disposal of assets

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6. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line fill	Construction Work in Progress	Total
Cost				
Balance, January 1, 2012	\$ 4,578,128	\$ 249,971	\$ 143,077	\$ 4,971,176
Acquisition of Inter Terminals	340,881	-	1,278	342,159
Additions/transfers from construction*	171,052	23,858	368,736	563,646
Disposals/completed construction*	(8,625)	-	(169,968)	(178,593)
Foreign currency translation adjustment	11,474	-	275	11,749
Balance, December 31, 2012	5,092,910	273,829	343,398	5,710,137
Additions/transfers from construction*	442,856	-	1,386,861	1,829,717
Disposals/completed construction*	(2,725)	-	(441,166)	(443,891)
Foreign currency translation adjustment	36,540	-	(321)	36,219
Balance, September 30, 2013	\$ 5,569,581	\$ 273,829	\$ 1,288,772	\$ 7,132,182
Accumulated Depreciation				
Balance, January 1, 2012	\$ 808,213	\$ 8,639	\$ -	\$ 816,852
Depreciation	94,815	3,359	-	98,174
Disposals	(430)	-	-	(430)
Foreign currency translation adjustment	2,033	-	-	2,033
Balance, December 31, 2012	904,631	11,998	-	916,629
Depreciation	75,514	2,179	-	77,693
Disposals	(76)	-	-	(76)
Foreign currency translation adjustment	5,157	-	-	5,157
Balance, September 30, 2013	\$ 985,226	\$ 14,177	\$ -	\$ 999,403
Net Book Value				
At December 31, 2012	\$ 4,188,279	\$ 261,831	\$ 343,398	\$ 4,793,508
At September 30, 2013	\$ 4,584,355	\$ 259,652	\$ 1,288,772	\$ 6,132,779

* 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 September 30, 2013, Inter Pipeline expects to spend approximately \$1,465.6 million on property, plant and equipment, of which \$304.9 million is due within one year and \$1,160.7 million is due in one to five years. These amounts do not include capital expenditures related to the 15% non-controlling interest in Cold Lake.

7. GOODWILL AND INTANGIBLE ASSETS

	September 30 2013	December 31 2012
Goodwill	\$ 332,354	\$ 324,077
Intangible assets	280,067	296,125
Goodwill and intangible assets	\$ 612,421	\$ 620,202

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8. DIVIDENDS TO SHAREHOLDERS

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Dividends declared to shareholders	\$ 84,608	\$ 71,346	\$ 239,601	\$ 211,841
Declared amount (\$ per share)	\$ 0.2975	\$ 0.2625	\$ 0.8550	\$ 0.7875

As at September 30, 2013, dividends of \$31.1 million were payable on 289.8 million outstanding common shares at \$0.1075 per share (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).

On October 8, 2013, Inter Pipeline declared dividends of \$0.1075 per share, or approximately \$32.7 million, which will be paid on November 15, 2013, to all shareholders of record on October 22, 2013.

Reinvestment of Dividends

Of the total dividends declared to shareholders, \$57.6 million and \$166.6 million were settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan for the three and nine months ended September 30, 2013, respectively (three and nine months ended September 30, 2012 - \$51.7 million and \$156.7 million, respectively).

9. LONG-TERM DEBT AND COMMERCIAL PAPER

	September 30 2013	December 31 2012
\$1,550 million Unsecured Revolving Credit Facility (a)	\$ 1,321,900	\$ 1,353,950
\$1,250 million Unsecured Revolving Credit Facility (b)	629,000	260,000
Loan payable to Private Placement noteholders (c)	288,648	288,648
Corridor Debentures (d)	300,000	300,000
Senior Unsecured Medium-Term Notes (e)	1,425,000	925,000
Long-term debt and commercial paper (excluding transaction costs and discounts)	3,964,548	3,127,598
Less: commercial paper*	(1,321,900)	(1,353,950)
	2,642,648	1,773,648
Transaction costs, net of accumulated amortization	(14,777)	(13,461)
Discount, net of accumulated amortization	(1,927)	(2,103)
Add: Current portion of transaction costs and discounts	2,677	2,818
Long-term debt	2,628,621	1,760,902
Commercial paper including current portion of transaction costs and discounts* (a)	1,319,223	1,351,132
	\$ 3,947,844	\$ 3,112,034

* 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 September 30, 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. On September 2, 2013, as a result of Corporate Conversion, Inter Pipeline restated its \$1.25 billion Unsecured Revolving Credit Facility on terms similar to the previous facility.

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Inter Pipeline increased the size of its demand facility from \$20 million to \$40 million on May 14, 2013. Inter Pipeline replaced this \$40 million demand line with a new \$40 million demand facility on September 2, 2013, as a result of the Corporate Conversion. The terms of the new demand facility remain unchanged.

At September 30, 2013, letters of credit of \$0.5 million were issued by Inter Pipeline under its demand facility.

(c) On October 28, 2004, the Fund borrowed \$379.8 million from the General Partner with the following terms:

- \$91.2 million due October 28, 2012, 5.85%, which was repaid on October 29, 2012; and
- \$288.6 million due October 28, 2014, 6.15%.

On this date, the General Partner had received \$379.8 million by way of a Private Placement note issuance and immediately loaned the funds to the Fund. This loan to the Fund had 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 5 basis points over the rates payable on the notes issued by the General Partner.

As a result of Corporate Conversion (note 4), on September 2, 2013, the remaining outstanding loan balance of \$288.6 million is owed directly by Inter Pipeline to the Private Placement noteholders. The terms of the notes have not changed and Inter Pipeline pays interest directly to the Private Placement noteholders at 6.10%; however Inter Pipeline is no longer required to pay the additional 5 basis points over the rates payable on the notes to the General Partner.

(d) 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.

(e) On July 19, 2013, Inter Pipeline issued \$500 million of 3.448% Senior Unsecured Medium-Term Notes, Series 4 (MTN Series 4) due July 20, 2020, in the Canadian public debt market. The MTN Series 4 were issued under Inter Pipeline's short form base shelf prospectus dated November 30, 2012, a related prospectus supplement and a related pricing supplement both dated July 16, 2013. The MTN Series 4 bear interest at the rate of 3.448% per annum, payable semi-annually. The proceeds from this issuance were used to pay down a portion of the amount drawn under Inter Pipeline's \$1,250 million Unsecured Revolving Credit Facility.

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, the \$400 million 3.776% Series 3 notes due May 30, 2022, and the \$500 million 3.448% series 4 notes due July 20, 2020.

10. PROVISIONS

	September 30 2013	December 31 2012
Decommissioning obligations	\$ 42,654	\$ 41,914
Environmental liabilities	18,687	18,039
Provisions	\$ 61,341	\$ 59,953

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11. EMPLOYEE BENEFITS

	September 30 2013	December 31 2012
Pension liability	\$ 2,492	\$ 2,396
Long-term incentive plan liability	5,384	7,235
Employee benefits	\$ 7,876	\$ 9,631

For the three and nine months ended September 30, 2013, employee benefits expense recognized in net income (loss) were \$25.6 million and \$64.8 million, respectively (three and nine months ended September 30, 2012 - \$21.3 million and \$58.9 million, respectively).

Long-Term Incentive Plan

The following table summarizes the status of Inter Pipeline's restricted share units (RSUs) as at September 30, 2013, and December 31, 2012 and the changes during the nine months and year then ended, respectively:

	RSUs 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	640,043
Exercised	(72,382)
Forfeitures	(24,709)
Balance, September 30, 2013	1,837,437

As a result of Corporate Conversion (note 4), Inter Pipeline's RSU Plan was amended to replace references to the Fund and Class A units to Inter Pipeline and common shares, respectively.

At September 30, 2013, the current portion of the liability included in accounts payable and accrued liabilities was \$31.4 million (December 31, 2012 - \$16.2 million). At September 30, 2013, 686,829 RSUs are exercisable. Inter Pipeline's closing share price at September 30, 2013, was \$25.15.

The total intrinsic value of RSUs vested and not exercised as at September 30, 2013, was \$18.9 million (December 31, 2012 - \$15.5 million).

The weighted average remaining contractual life of the outstanding RSUs as at September 30, 2013 was 1.26 years.

For the three months ended September 30, 2013, operating expenses included \$1.9 million and general and administrative expenses included \$7.2 million related to RSUs (three months ended September 30, 2012 - \$1.7 million and \$5.3 million, respectively). For the nine months ended September 30, 2013, operating expenses included \$3.1 million and general and administrative expenses included \$12.7 million related to RSUs (nine months ended September 30, 2012 - \$3.5 million and \$11.6 million, respectively).

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12. INCOME TAXES

All dividends declared and paid by Inter Pipeline following Corporate Conversion on September 1, 2013, are designated as “eligible dividends” for Canadian income tax purposes.

In the bulk liquid storage business, the 2013 results reflect recent tax legislative changes in Denmark and the United Kingdom (UK).

In Denmark, tax legislation was substantively enacted on June 27, 2013, which will reduce the statutory income tax rate from 25% to 24.5% for 2014, from 24.5% to 23.5% for 2015 and from 23.5% to 22% for 2016 onward. The effect of recognizing these Danish income tax rate changes was a \$1.3 million reduction in deferred income tax liabilities.

In the UK, tax legislation was substantively enacted on July 2, 2013, which will reduce the statutory income tax rate from 23% to 21%, effective April 1, 2014, and from 21% to 20%, effective April 1, 2015 (2012 - 25% to 24%, effective April 1, 2012, and from 24% to 23%, effective April 1, 2013). The effect of recognizing these UK income tax rate changes was a \$5.0 million (2012 - \$3.5 million) reduction in deferred income tax liabilities.

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income (loss) before income taxes as shown in the following table:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
		<i>(restated)</i>		<i>(restated)</i>
Income (loss) before income taxes per consolidated financial statements	\$ 96,139	\$ 86,256	\$ (72,843)	\$ 330,471
Income before income taxes attributable to non-controlling interest	(3,005)	(2,450)	(7,840)	(7,414)
Adjusted income before income taxes	\$ 93,134	\$ 83,806	\$ (80,683)	\$ 323,057
Tax rate	25.0%	25.0%	25.0%	25.0%
	23,284	20,952	(20,171)	80,764
General Partner internalization	-	-	87,369	-
Deductible intercompany interest	(967)	(1,235)	(3,994)	(4,575)
Impact of rate reductions	(5,038)	(1,746)	(6,295)	(3,503)
Other	1,034	(76)	1,834	470
Provision for income taxes	\$ 18,313	\$ 17,895	\$ 58,743	\$ 73,156

13. SHAREHOLDERS' EQUITY
Common Shares Issued, Fully Paid and Outstanding

Authorized

Unlimited number of common shares, with voting rights and no par value.

Issued, Fully Paid and Outstanding

	Number of Class A Units	Number of Class B Units	Number of Common Shares	Total Number	Share Capital
Balance, January 1, 2012	263,892,445	264,413	-	264,156,858	\$ 2,130,778
Issued under Premium Dividend™ and Dividend Reinvestment Plan	10,987,873	11,009	-	10,998,882	208,967
Balance, December 31, 2012	274,880,318	275,422	-	275,155,740	\$ 2,339,745
Issued under Premium Dividend™ and Dividend Reinvestment Plan	6,639,917	6,657	826,217	7,472,791	\$ 166,557
Exchanged on Corporate Conversion	(281,520,235)	-	281,520,235	-	-
Cancellation of Class B Units	-	(282,079)	-	(282,079)	(2,489)
Common shares issued on Corporate Conversion (note 4), net of issue costs	-	-	7,411,683	7,411,683	178,066
Balance, September 30, 2013	-	-	289,758,135	289,758,135	\$ 2,681,879

On October 3, 2013 Inter Pipeline closed an equity offering to sell 13,719,500 common shares at \$25.15 per share for gross proceeds of \$345.0 million, which included the exercise of an over-allotment option granted to the underwriters at the same offering price.

Net proceeds from the offering received in October 2013, were used to pay down a portion of the amount drawn under Inter Pipeline's \$1,250 million Unsecured Revolving Credit Facility.

Contributed Surplus

Upon completion of the Amalgamation transactions, Inter Pipeline reclassified \$2.5 million to contributed surplus, which was previously recorded as partners' equity attributable to Class A and Class B partnership units.

Deficit

Upon completion of the Amalgamation transactions, Inter Pipeline reclassified \$659.2 million to deficit, which was previously recorded as partners' equity attributable to Class A and Class B partnership units.

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Calculation of Net Income (Loss) per Common Share

Basic earnings per share is calculated by dividing the net income (loss) for the period attributable to common shareholders of Inter Pipeline by the weighted average number of common shares outstanding during the period. The number of diluted shares outstanding is calculated using the Treasury Stock method based on the weighted average number of shares outstanding for the period as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Net income (loss) attributable to shareholders – basic and diluted	\$ 74,833	\$ 65,920	\$ (139,392)	\$ 249,932
Weighted average shares outstanding – basic	283,591,572	271,346,963	279,627,289	268,538,772
Effect of Premium Dividend™ and Dividend Reinvestment Plan*	684,339	684,892	-	715,929
Effect of convertible common shares issued on Corporate Conversion*	2,223,987	-	-	-
Weighted average shares outstanding – diluted	286,499,898	272,031,855	279,627,289	269,254,701
Net income (loss) per common share attributable to shareholders – basic	\$ 0.27	\$ 0.24	\$ (0.50)	\$ 0.93
diluted	\$ 0.26	\$ 0.24	\$ (0.50)	\$ 0.93

* The effect of 634,831 shares issued under the Premium Dividend™ and Dividend Reinvestment Plan and 749,475 convertible common shares was not included in the calculation of diluted net loss per common share attributable to shareholders for the nine months ended September 30, 2013, as they are anti dilutive.

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 loss	(18,378)	(1,461)	(19,839)
Balance, September 30, 2012	\$ (42,301)	\$ (9,818)	\$ (52,119)
Balance, January 1, 2013	\$ (13,437)	\$ (10,067)	\$ (23,504)
Other comprehensive income	37,141	(137)	37,004
Balance, September 30, 2013	\$ 23,704	\$ (10,204)	\$ 13,500

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14. NON-CONTROLLING INTEREST

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

	September 30	December 31
	2013	2012
Current assets	\$ 5,191	\$ 2,498
Non-current assets	94,503	89,699
Current liabilities	684	1,172
Non-current liabilities	(12)	(12)
Proportionate share of net assets	\$ 100,366	\$ 93,357

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Revenues	\$ 5,486	\$ (restated) 4,986	\$ 15,346	\$ (restated) 13,723
Expenses	2,481	2,536	7,506	6,309
Current income tax	12	9	34	31
Proportionate share of net income and comprehensive income	\$ 2,993	\$ 2,441	\$ 7,806	\$ 7,383

15. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three and nine months ended September 30, 2013 and 2012.

Following Corporate Conversion on September 1, 2013, Inter Pipeline is no longer required to pay management, acquisition, divestiture and incentive fees (note 4). Management fees of \$2.0 million and \$8.0 million were earned by the General Partner in the three and nine months ended September 30, 2013, respectively (three and nine months ended September 30, 2012 - \$3.0 million and \$9.2 million, respectively). As a result of Corporate Conversion, incentive fees of \$2.8 million previously accrued for the year ended December 31, 2013, were reversed in the three and nine months ended September 30, 2013, as the annual distributable cash threshold of the LPA was not met prior to Corporate Conversion when the LPA was terminated (incentive fees earned in the three and nine months ended September 30, 2012 - \$0.4 million and \$1.2 million, respectively). No acquisition fees or disposition fees were earned by the General Partner in the three and nine months ended September 30, 2013 (three and nine months ended September 30, 2012 - \$nil and \$4.6 million, respectively).

In the three and nine months ended September 30, 2013, certain of the officers and directors of the General Partner received \$0.2 million and \$1.4 million in dividends from PAC pursuant to their non-voting shares (three and nine months ended September 30, 2012 - \$0.3 million and \$1.6 million, respectively).

On June 1, 2013, Inter Pipeline recognized a non-cash General Partner internalization expense of \$348.6 million related to the indirect purchase of its General Partner (note 4). In addition, certain key management personnel contracts were renegotiated, resulting in recognition of an additional short-term employee benefits expense of \$0.8 million and \$1.1 million in the three and nine months ended September 30, 2013, respectively. An additional share based payment expense was recognized related to RSUs of \$0.4 million and \$1.4 million in the three and nine months ended September 30, 2013, respectively.

In 2004, Inter Pipeline entered into a loan agreement with the General Partner for \$379.8 million of which \$288.6 million was outstanding prior to Corporate Conversion. As a result of the Amalgamation transactions on September 2, 2013, this remaining loan balance of \$288.6 million is payable directly by Inter Pipeline to the Private Placement noteholders and is no longer a related party transaction (note 9).

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16. 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 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 or the operator (if the operator is not Inter Pipeline) fails to pay or perform such obligations for any reason.

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 September 30, 2013, the future minimum lease obligations are approximately \$227.1 million.

Inter Pipeline has committed to purchase obligations totaling approximately \$171.2 million at September 30, 2013 (refer to note 6 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 UK'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.

17. CAPITAL DISCLOSURES

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

At September 30, 2013, Inter Pipeline had access to committed credit facilities totaling \$2,800.0 million, of which \$849.1 million remained unutilized. Inter Pipeline also had access to unutilized demand facilities of \$65.0 million, of which \$64.3 million remained unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

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 shareholders of Inter Pipeline.

* 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.

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	September 30 2013	December 31 2012
Long-term debt and commercial paper (excluding transaction costs and discounts, per note 9)		
Recourse debt	\$ 2,342,648	\$ 1,473,648
Non-recourse debt	1,621,900	1,653,950
	3,964,548	3,127,598
Shareholders' equity	1,661,867	1,659,451
Total capitalization	\$ 5,626,415	\$ 4,787,049
Capitalization (excluding non-recourse debt)	\$ 4,004,515	\$ 3,133,099
Recourse debt to capitalization*	58.5%	47.0%

	Twelve Months Ended	
	September 30 2013	December 31 2012
Net (loss) income	\$ (71,919)	\$ 316,982
Add:		
Depreciation and amortization	125,366	124,593
Loss on disposal of assets	1,875	175
Financing charges	94,630	97,604
Non-cash recovery	(2,033)	(234)
Unrealized change in fair value of derivative financial instruments	13,066	(44,363)
Provision for income taxes	74,882	89,295
General Partner internalization	348,584	-
EBITDA**	\$ 584,451	\$ 584,052
Recourse debt to EBITDA**	4.0	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.

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18. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at September 30, 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	\$ -	\$ 49,144	\$ -	\$ 49,144	\$ -	\$ 49,144
Accounts receivable	-	128,082	-	128,082	26,216	154,298
Prepaid expenses and other deposits	-	24,704	-	24,704	10,381	35,085
Derivative financial instruments***	9,351	-	-	9,351	-	9,351
Liabilities						
Dividends payable	-	-	31,149	31,149	-	31,149
Accounts payable and accrued liabilities	4,757	-	488,380	493,137	51,524	544,661
Derivative financial instruments***	2,976	-	-	2,976	-	2,976
Deferred revenue and other liabilities	-	-	2,569	2,569	22,612	25,181
Long-term debt and commercial paper (note 9)****	-	-	3,964,548	3,964,548	-	3,964,548
Long-term payable	1,556	-	-	1,556	-	1,556
Convertible common shares (note 4)	-	-	170,000	170,000	-	170,000

* 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, convertible common shares 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 September 30, 2013, the carrying values of fixed rate debt and convertible common shares compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan payable to Private Placement noteholders	\$ 288,648	\$ 300,845
Corridor Debentures	\$ 300,000	\$ 318,618
Senior Unsecured Medium-Term Notes	\$ 1,425,000	\$ 1,438,000
Convertible common shares	\$ 170,000	\$ 178,572

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

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

	September 30 2013	December 31 2012
Current asset	\$ 7,765	\$ 20,816
Non-current asset	1,586	4,865
Current liability	(2,976)	(8,336)
	\$ 6,375	\$ 17,345

Derivative financial instruments carried at fair value are as follows:

	September 30 2013	December 31 2012
Frac-spread risk management		
NGL swaps	\$ 2,822	\$ 16,246
Natural gas swaps	(1,832)	(6,776)
Foreign exchange swaps	(1,144)	(1,535)
	(154)	7,935
Interest rate risk management		
Interest rate swaps	6,313	9,435
	6,313	9,435
Power price risk management		
Electricity price swap	216	(25)
	216	(25)
	\$ 6,375	\$ 17,345

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 (loss) were:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Revenues				
NGL swaps	\$ 4,074	\$ 5,129	\$ 15,230	\$ 7,259
Foreign exchange swaps (frac-spread)	(1,339)	211	(2,990)	(111)
	2,735	5,340	12,240	7,148
Shrinkage gas expense				
Natural gas swaps	(2,375)	(4,085)	(5,758)	(12,380)
	(2,375)	(4,085)	(5,758)	(12,380)
Operating expenses				
Electricity price swaps	107	-	411	-
	107	-	411	-
Financing charges				
Interest rate swap	1,216	1,202	3,601	3,590
	1,216	1,202	3,601	3,590
General and administrative				
Foreign exchange swaps	-	-	-	943
	-	-	-	943
Net realized gain (loss) on derivative financial instruments	\$ 1,683	\$ 2,457	\$ 10,494	\$ (699)

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Frac-spread risk management				
NGL swaps	\$ (10,766)	\$ (14,812)	\$ (13,424)	\$ 36,144
Natural gas swaps	1,636	4,925	4,943	6,872
Foreign exchange swaps	2,223	4,327	392	6,644
	(6,907)	(5,560)	(8,089)	49,660
Power price risk management				
Electricity price swaps	(31)	(79)	241	(79)
	(31)	(79)	241	(79)
Unrealized change in fair value of derivative financial instruments	\$ (6,938)	\$ (5,639)	\$ (7,848)	\$ 49,581

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.

19. 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 September 30, 2013, represented approximately 30.5% of forecast propane-plus volumes at the Cochrane extraction facility for the period October 1, 2013 to December 31, 2013, at an average frac-spread price of approximately \$0.97 CAD/US gallon and 3.0% of forecast volumes for the period January 1, 2014 to December 31, 2014 at average frac-spread prices of approximately \$0.79 CAD/US gallon. These average prices approximated \$0.94 USD/US gallon and \$0.76 USD/US gallon, respectively, based on the average USD/CAD forward curve as at September 30, 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*	\$ 2,822	\$ (1,953)	\$ 1,953
AECO natural gas	(1,832)	443	(443)
Foreign exchange	(1,144)	(2,169)	2,169
Frac-spread risk management	\$ (154)		

* 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.

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Interest Rate Risk Management

Based on the variable rate debt obligations outstanding at September 30, 2013, a 1% change in interest rates at this date would have changed interest expense on credit facilities for the three and nine months ended September 30, 2013, by approximately \$4.9 million and \$14.6 million respectively, assuming all other variables remain constant. Of these amounts, \$3.3 million and \$9.9 million, for the three and nine months ended September 30, 2013, respectively, relate to the \$1.55 billion Unsecured Revolving Credit Facility (note 9) and are recoverable through the terms of Corridor's FSA, therefore the after-tax income impact for the three and nine months ended September 30, 2013, would be \$1.2 million and \$3.5 million, respectively.

Power Price Risk Management

Inter Pipeline may enter into electricity price swap contracts to manage power price risk exposure in the conventional oil pipelines business. During the nine months ended September 30, 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 September 30, 2013, there are no heat rate price swap agreements outstanding.

At September 30, 2013, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant would have changed 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 \$0.1 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 September 30, 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 September 30, 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 September 30, 2013, accounts receivable associated with these two business segments were \$94.4 million or 61.2% 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 segments and customers.

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c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at September 30, 2013, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	\$ 31,149	\$ 31,149	\$ -	\$ -
Accounts payable and accrued liabilities	544,661	544,661	-	-
Deferred revenue and other liabilities	25,181	9,414	9,523	6,244
Derivative financial instruments*	2,985	2,985	-	-
Long-term debt and commercial paper**	3,964,548	1,321,900	1,267,648	1,375,000
Convertible common shares***	170,000	-	170,000	-
Long-term payable*	1,619	-	1,619	-
	\$ 4,740,143	\$ 1,910,109	\$ 1,448,790	\$ 1,381,244

* 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 September 30, 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.

*** Convertible common shares are expected to be converted to equity and will not be settled in cash (note 4).

20. FINANCING CHARGES

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Interest expense on credit facilities	\$ 10,025	\$ 7,351	\$ 27,995	\$ 25,893
Interest on loan payable to				
Private Placement noteholders	4,426	5,771	13,302	17,313
Interest on Corridor Debentures	2,538	2,552	7,540	7,591
Interest on Senior Unsecured				
Medium-Term Notes	13,131	9,731	32,593	22,983
Total interest	30,120	25,405	81,430	73,780
Capitalized interest	(7,590)	(1,745)	(15,674)	(4,393)
Amortization of transaction costs on				
long-term debt and commercial paper	879	705	2,548	2,277
Accretion of provisions and pension plan				
funding charges	506	472	1,815	1,429
Financing charges	\$ 23,915	\$ 24,837	\$ 70,119	\$ 73,093

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)
Condensed Notes to Interim Consolidated Financial Statements
(unaudited)

September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
		<i>(restated)</i>		<i>(restated)</i>
Accounts receivable	\$ (15,078)	\$ (30,498)	\$ (7,552)	\$ (27,271)
Prepaid expense and other deposits	4,914	(319)	(3,806)	(17,172)
Dividends payable	4,547	236	5,697	744
Accounts payable and accrued liabilities	96,278	66,702	251,475	53,356
Deferred revenue	(5,121)	3,111	3,271	10,709
Current income taxes payable	6,600	(30,433)	25,977	(49,761)
Working capital acquired	-	(299)	-	15,513
Impact of foreign exchange rate differences and other	52	(93)	(215)	(425)
Changes in non-cash working capital	\$ 92,192	\$ 8,407	\$ 274,847	\$ (14,307)
These changes relate to the following activities:				
Operating	\$ 4,708	\$ (47,518)	\$ 20,129	\$ (69,073)
Investing	81,480	55,689	246,576	54,022
Financing	6,004	236	8,142	744
Changes in non-cash working capital	\$ 92,192	\$ 8,407	\$ 274,847	\$ (14,307)

Cash and Cash Equivalents

	September 30	December 31
	2013	2012
Cash on hand and at banks	\$ 36,387	\$ 53,604
Short-term deposits	12,757	11,375
	\$ 49,144	\$ 64,979

22. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS 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 its 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:

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)
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September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Balance Sheet at September 30, 2012

September 30, 2012

	As Previously Reported	IFRS 10 Adjustment	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 43,029	\$ 831	\$ 43,860
Accounts receivable	136,176	662	136,838
Derivative financial instruments	23,422	-	23,422
Prepaid expenses and other deposits	27,340	974	28,314
Total Current Assets	229,967	2,467	232,434
Derivative financial instruments	10,234	-	10,234
Property, plant and equipment	4,574,707	76,454	4,651,161
Goodwill and intangible assets	608,192	10,961	619,153
Total Assets	\$ 5,423,100	\$ 89,882	\$ 5,512,982
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Dividends payable	\$ 23,858	\$ -	\$ 23,858
Accounts payable and accrued liabilities	216,783	(1,041)	215,742
Derivative financial instruments	8,082	-	8,082
Deferred revenue	15,165	150	15,315
Current portion of long-term debt	91,137	-	91,137
Commercial paper	1,364,558	-	1,364,558
Total Current Liabilities	1,719,583	(891)	1,718,692
Long-term debt	1,643,670	-	1,643,670
Long-term payable	6,150	-	6,150
Derivative financial instruments	1,574	-	1,574
Provisions	56,909	7	56,916
Employee benefits	7,627	-	7,627
Long-term deferred revenue and other liabilities	15,370	-	15,370
Deferred income taxes	377,457	-	377,457
Total Liabilities	3,828,340	(884)	3,827,456
Shareholders' Equity			
Shareholders' equity	1,646,879	-	1,646,879
Total reserves	(52,119)	-	(52,119)
Total Shareholders' Equity	1,594,760	-	1,594,760
Non-controlling Interest	-	90,766	90,766
Total Equity	1,594,760	90,766	1,685,526
Total Liabilities and Equity	\$ 5,423,100	\$ 89,882	\$ 5,512,982

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)
Condensed Notes to Interim Consolidated Financial Statements
(unaudited)

September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Statements of Net income and Comprehensive Income for the three and nine months ended September 30, 2012

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	As Previously Reported	IFRS 10 Adjustment	As Restated	As Previously Reported	IFRS 10 Adjustment	As Restated
REVENUES						
Operating revenues	\$ 295,740	\$ 4,986	\$ 300,726	\$ 868,572	\$ 13,723	\$ 882,295
EXPENSES						
Shrinkage gas	49,021	-	49,021	141,756	-	141,756
Midstream product purchases	8,927	-	8,927	21,748	-	21,748
Operating	73,912	2,176	76,088	206,664	5,229	211,893
Depreciation and amortization	30,474	364	30,838	92,269	1,095	93,364
Financing charges	24,841	(4)	24,837	73,104	(11)	73,093
General and administration	15,607	-	15,607	44,581	-	44,581
Unrealized change in fair value of derivative financial instruments	5,639	-	5,639	(49,581)	-	(49,581)
Acquisition fee to General Partner	-	-	-	4,591	-	4,591
Management and incentive fees to General Partner	3,450	-	3,450	10,411	-	10,411
Loss (gain) on disposal of assets	63	-	63	(28)	(4)	(32)
	211,934	2,536	214,470	545,515	6,309	551,824
INCOME BEFORE INCOME TAXES	83,806	2,450	86,256	323,057	7,414	330,471
Provision for income taxes						
Current	16,157	9	16,166	46,156	31	46,187
Deferred	1,729	-	1,729	26,969	-	26,969
	17,886	9	17,895	73,125	31	73,156
NET INCOME	\$ 65,920	\$ 2,441	\$ 68,361	\$ 249,932	\$ 7,383	\$ 257,315
Net income attributable to						
Shareholders of Inter Pipeline Ltd.	\$ 65,920	\$ -	\$ 65,920	\$ 249,932	\$ -	\$ 249,932
Non-controlling interest	-	2,441	2,441	-	7,383	7,383
	\$ 65,920	\$ 2,441	\$ 68,361	\$ 249,932	\$ 7,383	\$ 257,315
Net income per share attributable to shareholders of Inter Pipeline Ltd.						
Basic and diluted	\$ 0.24	\$ -	\$ 0.24	\$ 0.93	\$ -	\$ 0.93

IFRS 10 had no impact on Inter Pipeline's other comprehensive income for the three and nine months ended September 30, 2012. Comprehensive income for the three and nine months ended September 30, 2012 increased by \$2.4 million and \$7.4 million, respectively, as a result of the IFRS 10 changes recorded in the consolidated statements of net income.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)
Condensed Notes to Interim Consolidated Financial Statements
(unaudited)

September 30, 2013

(tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

Reconciliation of Consolidated Statements of Cash Flows for the three and nine months ended September 30, 2012

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	As Previously Reported	IFRS 10 Adjustment	As Restated	As Previously Reported	IFRS 10 Adjustment	As Restated
OPERATING ACTIVITIES						
Net income	\$ 65,920	\$ 2,441	\$ 68,361	\$ 249,932	\$ 7,383	\$ 257,315
Items not involving cash:						
Depreciation and amortization	30,474	364	30,838	92,269	1,095	93,364
Loss (gain) on disposal of assets	63	-	63	(28)	(4)	(32)
Non-cash expense	2,645	-	2,645	2,170	-	2,170
Unrealized change in fair value of derivative financial instruments	5,639	-	5,639	(49,581)	-	(49,581)
Deferred income tax expense	1,729	-	1,729	26,969	-	26,969
Funds from operations	106,470	2,805	109,275	321,731	8,474	330,205
Net change in non-cash operating working capital	(47,665)	147	(47,518)	(67,987)	(1,086)	(69,073)
Cash provided by operating activities	58,805	2,952	61,757	253,744	7,388	261,132
INVESTING ACTIVITIES						
Expenditures on property, plant and equipment	(118,604)	(1,348)	(119,952)	(238,344)	(3,835)	(242,179)
Proceeds on sale of assets	242	-	242	333	4	337
Acquisition of Inter Terminals	(300)	-	(300)	(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	-	1,890	1,890	-	4,617	4,617
Net change in non-cash investing working capital	56,337	(648)	55,689	54,851	(829)	54,022
Cash used in investing activities	(62,325)	(106)	(62,431)	(644,580)	(43)	(644,623)
FINANCING ACTIVITIES						
Cash dividends paid to shareholders of Inter Pipeline Ltd.	(19,613)	-	(19,613)	(55,119)	-	(55,119)
Cash distributions paid by Cold Lake to non-controlling interest	-	(2,640)	(2,640)	-	(7,310)	(7,310)
Increase in debt	31,071	-	31,071	441,461	-	441,461
Transaction costs on debt	105	-	105	(2,350)	-	(2,350)
Net change in non-cash financing working capital	236	-	236	744	-	744
Cash provided by (used in) financing activities	11,799	(2,640)	9,159	384,736	(7,310)	377,426
Effect of foreign currency translation on foreign currency denominated cash	(72)	-	(72)	(892)	-	(892)
Increase (decrease) in cash and cash equivalents	8,207	206	8,413	(6,992)	35	(6,957)
Cash and cash equivalents, beginning of period	34,822	625	35,447	50,021	796	50,817
Cash and cash equivalents, end of period	\$ 43,029	\$ 831	\$ 43,860	\$ 43,029	\$ 831	\$ 43,860