Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

FORWARD-LOOKING INFORMATION

The following **Management's Discussion and Analysis (MD&A)** highlights Inter Pipeline Ltd. and its subsidiaries (together, Inter Pipeline) significant business results and statistics for the three and nine month periods ended September 30, 2017, to provide readers with information about Inter Pipeline, including management's assessment of its future plans and operations. This information may not be appropriate for other purposes. This MD&A contains certain forward-looking statements or information (collectively referred to as "forward-looking statements") within the meaning of applicable securities legislation. All statements, other than statements of historical fact included in the MD&A, which address activities, events or developments that Inter Pipeline expects or anticipates to occur in the future, are forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expect", "continue", "estimate", "believe", "project", "forecast", "plan", "intend", "target", "outlook", "focus", "could" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A may include, but are not limited to, statements regarding: 1) Inter Pipeline's belief that it is well positioned to maintain its current level of dividends to its shareholders; 2) Inter Pipeline being well positioned to operate and grow in the future including anticipated benefits of acquisitions, growth and development opportunities associated with acquisitions; 3) financial forecasts or anticipated financial performance; 4) timing and cost of capital projects, and forward EBITDA (as defined herein) estimates in respect of these projects; 5) capital expenditure forecasts; 6) the future value of petrochemicals and natural gas liquids (NGL); and 7) the plans and forecasts described under the **OUTLOOK** section.

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. Inter Pipeline applies a variety of factors and assumptions when making forward-looking statements and making forecasts, projections, predictions or estimations, which include, but are not limited to, Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits; Inter Pipeline's ability to maintain its investment grade credit ratings; the availability and price of labour, equipment and materials; assumptions concerning operational reliability; the availability and price of energy commodities; the availability of adequate levels of insurance; and general economic and business conditions.

By their nature, forward-looking statements are subject to various known and unknown risks, uncertainties and other factors, which are beyond Inter Pipeline's control, including, but not limited to: the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its affiliates; competitive factors, pricing pressures and supply and demand in the oil and gas transportation, NGL processing and storage industries; fluctuations in currency and interest rates; risks of war, hostilities, civil insurrection, instability and terrorist actions, as well as political and economic conditions, in or affecting countries in which Inter Pipeline and its affiliates operate; public opinion regarding the production, transportation and use of oil and gas; severe weather and environmental conditions; risks associated with technology; Inter Pipeline's ability to access external sources of debt and equity capital; the potential delays of, and costs of overruns on, construction projects in all of Inter Pipeline's business segments; Inter Pipeline's ability to make capital investments and the amounts of capital investments; changes in laws and regulations, including environmental, regulatory and taxation laws, and the interpretation of such changes to Inter Pipeline's business; the risks associated with existing and potential or threatened future lawsuits and regulatory actions against Inter Pipeline and its affiliates; increases in maintenance, operating or financing costs; difficulty in obtaining necessary regulatory approvals or land access rights and maintenance of support of such approvals and rights; the realization of the anticipated benefits of acquisitions; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty, as these are interdependent and Inter Pipeline's future course of action depends on management's assessment of all information available at the relevant time.

Readers are cautioned that the foregoing list of assumptions, risks, uncertainties and 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, 2017

The MD&A provides a detailed explanation of Inter Pipeline's operating results for the three and nine month periods ended September 30, 2017, as compared to the three and nine month periods ended September 30, 2016. The MD&A should be read in conjunction with the September 30, 2017 unaudited condensed interim consolidated financial statements (interim financial statements), the interim financial statements and MD&A for the quarterly period ended September 30, 2016, the audited consolidated financial statements and MD&A for the year ended December 31, 2016, the **Annual Information Form**, and other information filed by Inter Pipeline at www.sedar.com.

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

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

- Funds from operations (FFO) totalled $269 million, a new quarterly record and a 27 percent increase over the third quarter 2016
- Generated record net income for the quarter of $143 million, a 17 percent increase over the same period in 2016
- Declared cash dividends of $152 million, or approximately $0.41 per share
- Attractive quarterly payout ratio* of 56.6 percent
- Total pipeline throughput volumes averaged 1,359,100 barrels per day (b/d)
- Connections to provide oil sands transportation service to both the North West Redwater Sturgeon Refinery and the Canadian Diluent Hub were placed into commercial service
- European bulk liquid storage utilization rates averaged 95 percent during the quarter

* Please refer to the NON-GAAP FINANCIAL MEASURES section

PERFORMANCE OVERVIEW

(millions, except volumes, per share and % amounts)	Three Months Ended September 30 2017	2016	Nine Months Ended September 30 2017	2016
Pipeline volumes *(000s b/d)* [1]				
Oil sands transportation	**1,147.1**	1,093.3	**1,172.8**	1,070.1
Conventional oil pipelines	**212.0**	192.8	**209.1**	200.8
Total pipeline volumes	**1,359.1**	1,286.1	**1,381.9**	1,270.9
NGL processing volumes *(000s b/d)* [1][2]				
Natural gas processing - Ethane	**48.2**	58.0	**51.1**	57.0
Natural gas processing - Propane-plus	**35.6**	42.5	**36.6**	43.2
Redwater Olefinic Fractionator sales volume[2]	**31.9**	-	**28.1**	-
Total NGL processing volumes	**115.7**	100.5	**115.8**	100.2
Utilization				
Bulk liquid storage	**95%**	98%	**97%**	98%
Revenue				
Oil sands transportation	**$ 203.5**	$ 192.9	**$ 593.6**	$ 577.8
NGL processing	**171.5**	93.7	**523.8**	244.0
Conventional oil pipelines	**117.8**	86.9	**358.1**	254.0
Bulk liquid storage	**54.8**	61.0	**166.8**	188.1
	$ 547.6	$ 434.5	**$ 1,642.3**	$ 1,263.9
Funds from operations[3]				
Oil sands transportation[3]	**$ 160.6**	$ 142.3	**$ 458.3**	$ 423.1
NGL processing	**78.1**	28.7	**188.4**	82.8
Conventional oil pipelines	**54.5**	49.1	**160.6**	146.2
Bulk liquid storage	**25.2**	30.2	**76.7**	91.1
Corporate costs	**(49.5)**	(38.9)	**(161.2)**	(149.1)
	$ 268.9	$ 211.4	**$ 722.8**	$ 594.1
Per share[4]	**$ 0.72**	$ 0.62	**$ 1.94**	$ 1.76
Net income	**$ 142.5**	$ 121.3	**$ 384.8**	$ 348.8
Net income attributable to shareholders	**$ 142.5**	$ 113.7	**$ 384.8**	$ 323.9
Per share – basic and diluted	**$ 0.38**	$ 0.34	**$ 1.03**	$ 0.96
Dividends to shareholders	**$ 152.1**	$ 131.4	**$ 452.7**	$ 394.1
Per share[5]	**$ 0.4050**	$ 0.3900	**$ 1.2150**	$ 1.1700
Shares outstanding (basic)				
Weighted average	**375.1**	338.7	**372.2**	337.4
End of period	**376.7**	359.5	**376.7**	359.5
Capital expenditures[6]				
Growth[4]	**$ 72.6**	$ 40.8	**$ 219.8**	$ 100.7
Sustaining[4]	**18.7**	8.1	**46.3**	36.1
	$ 91.3	$ 48.9	**$ 266.1**	$ 136.8
Payout ratio[4]	**56.6%**	64.8%	**62.6%**	69.7%

(millions, except % amounts)	As at September 30 2017	As at December 31 2016
Total assets	**$ 10,229.2**	$ 10,151.6
Total debt[7]	**$ 5,590.0**	$ 5,828.6
Total equity	**$ 3,381.0**	$ 3,187.9
Enterprise value[4]	**$ 15,328.8**	$ 16,732.5
Consolidated Net Debt to Total Capitalization[4]	**54.7%**	57.2%

(1) Cold Lake volumes and Empress V NGL production reported on a 100% basis. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

(2) Average third quarter 2016 throughput volumes from the offgas processing business have not been included in the table above. Only eight days of operations from the September 23, 2016 closing date of the acquisition are included in Inter Pipeline's September 30, 2016 results and therefore does not contain any meaningful information.

(3) Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system. For the three and nine months ended September 30, 2016, funds from operations included non-controlling interest amounts of $8.7 million and $28.5 million, respectively, related to the Cold Lake pipeline system.

(4) Please refer to the NON-GAAP FINANCIAL MEASURES section.

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

(6) Amounts reported on a 100% basis that includes non-controlling interest. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

(7) Financial debt reported in the September 30, 2017 interim financial statements of $5,568.3 million, includes long-term debt, short-term debt and commercial paper of $5,590.0 million less discounts and debt transaction costs of $21.7 million.

Three Months Ended September 30, 2017

Inter Pipeline generated record financial results in the current quarter, as FFO increased $57.5 million or 27.2% from $211.4 million in 2016 to $268.9 million in 2017. The increase in FFO was largely driven by strong operating results in the NGL processing business as its FFO increased mainly due to the contribution from offgas processing which was acquired on September 23, 2016, as well as higher Cochrane propane-plus frac-spreads. FFO from the oil sands transportation business reached a new quarterly record primarily due to lower current income taxes and proceeds from capital recoveries. Conventional oil pipelines also generated record FFO largely due to a higher contribution from midstream marketing activities and increased overall pipeline volumes. FFO from the bulk liquid storage business declined as a result of lower throughput activity and unfavourable foreign exchange translation adjustments. FFO in the current quarter was unfavourably impacted by higher corporate costs largely due to one-time leasehold inducement proceeds of $14.6 million in the third quarter of 2016, and higher interest expense, which was offset in part by lower current income taxes due to tax synergies created from the acquisition of offgas processing.

Inter Pipeline's net income increased in the current quarter by $21.2 million from $121.3 million in 2016 to a record $142.5 million in 2017. The increase in net income results from higher FFO as discussed above, offset in part by higher deferred income taxes, depreciation and amortization expense, and deferred revenue related to capital recoveries. Net income in 2016 was also lower as the leasehold inducement proceeds of $14.6 million are not included in net income as they are taken into net income over the term of the lease.

Total dividends to shareholders increased $20.7 million or 15.8% in the third quarter from $131.4 million in 2016 to $152.1 million in 2017. The increase results from a greater number of common shares outstanding and a higher monthly dividend paid per share. Common shares outstanding increased due to the issuance of common shares associated with the offgas processing acquisition, the acquisition of the remaining 15% ownership interest in the Cold Lake pipeline system effective November 1, 2016, as well as strong shareholder participation in Inter Pipeline's dividend reinvestment plan. In November 2016, Inter Pipeline announced a dividend rate increase of $0.06 per share on an annualized basis. Inter Pipeline's payout ratio* was 56.6% for the three months ended September 30, 2017.

Inter Pipeline's total debt outstanding was $5,590.0 million at September 30, 2017, a decrease of $74.1 million from $5,664.1 million at June 30, 2017, during which time Inter Pipeline incurred $91.3 million in capital projects. Total debt includes non-recourse debt of $1,455.0 million held at Inter Pipeline (Corridor) Inc. at September 30, 2017.

Nine Months Ended September 30, 2017

Strong financial results were also generated by Inter Pipeline in the nine months ended September 30, 2017, as FFO increased $128.7 million or 21.7% from $594.1 million in 2016 to $722.8 million in 2017. The increase in FFO is largely due to the same reasons discussed above. However, year to date FFO was also impacted by a scheduled full plant maintenance outage at the Cochrane straddle plant for 32 days and a 20 day scheduled full plant maintenance outage at the Redwater Olefinic Fractionator. FFO in the nine months ended September 30, 2016, was unfavourably impacted by a $14.9 million one-time onerous contract adjustment relating to non-cancellable office leases.

Inter Pipeline's net income increased $36.0 million year to date from $348.8 million in 2016 to $384.8 million in 2017, largely for the same reasons discussed above.

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* Please refer to the NON-GAAP FINANCIAL MEASURES section

Total dividends to shareholders increased $58.6 million or 14.9% year to date from $394.1 million in 2016 to $452.7 million in 2017, for the same reasons mentioned above. Inter Pipeline's payout ratio* was 62.6% for the nine months ended September 30, 2017.

Inter Pipeline's total debt outstanding decreased $238.6 million from $5,828.6 million at December 31, 2016 to $5,590.0 million at September 30, 2017. During this period, Inter Pipeline also invested $266.1 million on capital projects. Total debt at September 30, 2017, includes non-recourse debt held at Inter Pipeline (Corridor) Inc. of $1,455.0 million, compared to $1,490.6 million at December 31, 2016.

OUTLOOK

Inter Pipeline owns and operates world scale energy infrastructure assets in Western Canada and Europe. Our long-term strategy is to acquire and develop high-quality assets that generate stable and predictable cash flow, while delivering strong returns to shareholders. In 2017, we continue to develop and leverage our existing asset base, control costs and pursue additional growth opportunities on a selective basis.

Inter Pipeline invested approximately $220 million of growth capital* across its oil sands transportation, NGL processing, conventional oil pipelines and bulk liquid storage segments this year. We continue to focus on the development of an integrated propane dehydrogenation (PDH) and polypropylene (PP) complex within our NGL processing business segment. These facilities would convert low-cost, locally sourced propane into higher value polypropylene, a valuable recyclable plastic. Approximately $44 million of growth capital* was invested to advance detailed engineering and procure long-lead items for this project in the third quarter of 2017, which has a total approximate cost of $3.1 billion. Inter Pipeline continues to work diligently to secure appropriate long-term contracts with strong "take-or-pay" features to support this large-scale capital project with the intention of making a final investment decision before the end of 2017, with operations beginning in the second half of 2021.

Inter Pipeline's largest business segment is our oil sands transportation which is comprised of 100% ownership in the Corridor, Cold Lake and Polaris pipeline systems. Collectively, these systems have over 2.5 million b/d of installed pipeline capacity, including 1.2 million b/d of bitumen blend capacity on the Cold Lake pipeline system, 879,000 b/d of diluent capacity on the Polaris pipeline system and 465,000 b/d of bitumen blend capacity on the Corridor pipeline system. These bitumen blend and diluent pipeline systems are underpinned by long-term commercial arrangements with creditworthy counterparties that generate stable cost-of-service FFO.

Total volumes transported on our oil sands pipeline systems for the third quarter of 2017 averaged over 1,147,000 b/d. Ultimate throughput capacities of 1.9 million b/d, 1.3 million b/d and 1.4 million b/d on the Cold Lake, Polaris and Corridor pipeline systems, respectively, can be achieved through the addition of pump stations and associated infrastructure. This additional capacity positions Inter Pipeline to capture new oil sands transportation connections over the long term.

As one of Canada's largest NGL processing businesses, Inter Pipeline owns three major straddle plants, two offgas plants, an offgas liquids pipeline and a fractionator, all located in Alberta. The straddle facilities processed approximately 2.6

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* Please refer to the NON-GAAP FINANCIAL MEASURES section

billion cubic feet of natural gas per day and produced 83,800 b/d of NGL in the third quarter of 2017. Average sales volumes from the Redwater Olefinic Fractionator were approximately 32,000 b/d for the quarter.

Our conventional oil pipelines segment saw strong transportation volumes on our three conventional gathering systems in the third quarter of 2017, increasing by approximately 10% quarter over quarter to 212,000 b/d. The increase was driven by a resurgence in drilling activity leading to higher volumes transported on our Bow River and Mid-Saskatchewan pipeline systems. With increased drilling activity in these core gathering areas we remain well positioned with excess capacity to provide transportation to this growing production base.

Inter Pipeline's European bulk liquid storage business diversifies our asset base by both geography and market. With operations in the UK, Sweden, Denmark, Germany and Ireland, we continue to seek opportunities to economically expand our existing storage capacity, while diversifying our product handling capabilities. Demand for oil and chemical storage in Europe remains strong with average utilization rates of 95% in the third quarter of 2017. A weakening contango pricing environment for certain petroleum products impacted activity levels at Inter Terminal's Danish operations during the quarter.

Inter Pipeline is committed to maintaining a strong balance sheet and financial flexibility. In 2017, we expect to finance our capital expenditure program primarily through undistributed cash flow, our revolving credit facility and proceeds from our dividend reinvestment plan. As at September 30, 2017, Inter Pipeline had $890 million of available capacity on its $1.5 billion revolving credit facility and a consolidated net debt to total capitalization ratio[*] of 54.7%, compared to 57.2% at the end of 2016.

As a result of our financial position and the stable nature of our business, Inter Pipeline has strong investment grade credit ratings. Standard & Poor's (S&P) and DBRS Limited (DBRS) have assigned Inter Pipeline credit ratings of BBB+ and BBB (high), respectively. Inter Pipeline (Corridor) Inc. has investment grade credit ratings of A- from S&P, A (low) from DBRS and Baa1 from Moody's Investors Service (Moody's).

The FFO that underpins our monthly dividend is stable, diversified and largely supported by investment grade counterparties. Our extensive energy infrastructure base continues to be well positioned to compete for future accretive growth opportunities, both locally and internationally. With a strong balance sheet and proven operational capability, Inter Pipeline is well-positioned to continue generating long-term positive results for our shareholders.

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

RESULTS OF OPERATIONS

Oil Sands Transportation Business Segment

	Three Months Ended September 30			Nine Months Ended September 30		
Volumes (000s b/d)	**2017**	2016	*% change*	**2017**	2016	*% change*
Cold Lake (100% basis)[1]	**571.7**	535.3	*6.8*	**583.3**	540.6	*7.9*
Corridor	**418.5**	423.2	*(1.1)*	**406.1**	373.7	*8.7*
Polaris	**156.9**	134.8	*16.4*	**183.4**	155.8	*17.7*
	1,147.1	1,093.3	*4.9*	**1,172.8**	1,070.1	*9.6*

(millions)						
Revenue[1]	**$ 203.5**	$ 192.9	*5.5*	**$ 593.6**	$ 577.8	*2.7*
Operating expenses[1]	**$ 39.6**	$ 32.7	*21.1*	**$ 108.2**	$ 97.7	*10.7*
Funds from operations[1]	**$ 160.6**	$ 142.3	*12.9*	**$ 458.3**	$ 423.1	*8.3*
Capital expenditures[1]						
Growth[2]	**$ 10.1**	$ 4.2		**$ 28.0**	$ 11.6	
Sustaining[2]	**0.6**	0.5		**0.9**	0.8	
	$ 10.7	$ 4.7		**$ 28.9**	$ 12.4	

(1) Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system. For the three and nine month periods ended September 30, 2016, Cold Lake pipeline system included the following amounts relating to non-controlling interest: revenue - $12.8 million and $37.7 million, respectively; operating expenses - $3.9 million and $8.5 million, respectively; FFO - $8.7 million and $28.5 million, respectively; and capital expenditures - $0.6 million and $1.0 million, respectively.

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

Volumes

In the three and nine months ended September 30, 2017, average volumes transported in the oil sands transportation business increased by 53,800 b/d and 102,700 b/d, respectively, over the same periods in 2016.

The Cold Lake pipeline system is a bitumen blend and diluent pipeline system that transports diluted bitumen from the Cold Lake oil sands area of Alberta to delivery points in Hardisty and Edmonton, Alberta. Average volumes on the Cold Lake pipeline system increased 36,400 b/d and 42,700 b/d in the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016, largely due to volume increases from Canadian Natural's Wolf Lake, Cenovus' Foster Creek and Imperials' Cold Lake oil sands projects. Volumes on the Cold Lake pipeline system typically fluctuate with the timing of steam injection cycles associated with certain shippers' production processes, however volume growth is anticipated over the long-term which is consistent with shippers' published forecasts.

The Corridor pipeline system transports diluent from the Scotford upgrader located northeast of Edmonton, Alberta to the Muskeg River and Jackpine mines near Fort McMurray, Alberta and bitumen blend produced from the mines back to the Scotford upgrader. In addition, feedstock and upgraded products are shipped between the Scotford upgrader and certain pipeline terminals in Edmonton. In the current quarter, Corridor pipeline system volumes decreased 4,700 b/d from the same period in 2016, largely due to a turnaround at the Jackpine mine. Year to date volumes increased 32,400 b/d in 2017 from 2016, as a result of higher volumes from the Muskeg River mine, partially offset by lower volumes from the Jackpine mine. In 2016, volumes were unfavourably impacted by a turnaround at the Scotford upgrader in the first quarter and wildfires in the Fort McMurray region in the second quarter.

The Polaris pipeline system provides diluent transportation service from the Edmonton area to the Athabasca and Cold Lake areas of Alberta. On the Polaris pipeline system average volumes increased by 22,100 b/d and 27,600 b/d in the three

and nine months ended September 30, 2017, respectively, over the same periods in 2016. The increase largely results from higher deliveries to Cenovus' Foster Creek, Imperial's Kearl and Husky's Sunrise oil sands projects, which was offset by lower deliveries to Suncor's oil sands facilities. Average volumes in 2016 were also unfavourably impacted by wildfires in the Fort McMurray region in the second quarter.

Revenue

The oil sands transportation business earns revenue for the transportation of petroleum products which are underpinned by a range of long-term cost-of-service contracts as defined in the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section.

Revenue in the oil sands transportation business increased $10.6 million and $15.8 million in the three and nine months ended September 30, 2017, respectively, from the same periods in 2016. The increase results from higher cost recoveries attributable to the increase in operating expenses, as well as higher capital fee revenue largely due to increases in the long-term Government of Canada bond rate.

FFO in the oil sands transportation business was favourably impacted by lower current income taxes, as discussed in income tax expense under the **Other Expenses** section, as well as proceeds from capital recoveries.

Operating Expenses

Operating expenses in the oil sands transportation business segment typically have a limited impact on Inter Pipeline's FFO, as substantially all operating expenditures are recovered from shippers on the Cold Lake, Corridor and Polaris pipeline systems. In the three and nine months ended September 30, 2017, operating expenses in the oil sands transportation business increased $6.9 million and $10.5 million, respectively, from the comparable periods in 2016. The increase is primarily due to repair and remediation costs related to a bitumen blend release on the Cold Lake pipeline system in Strathcona County, as well as increased integrity and subsidence repair costs, and fuel and power costs, offset slightly by lower property taxes.

Capital Expenditures

The oil sands transportation business incurred total growth capital expenditures[*] of $10.1 million in the current quarter. The majority of these expenditures are related to various pipeline connections including the completion of the Cold Lake Pipeline blend system to the North West Redwater Sturgeon Refinery and connecting the Polaris diluent system to the Pembina Canadian Diluent Hub.

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

NGL Processing Business Segment

Natural gas processing

	Three Months Ended September 30							
				2017				2016
	mmcf/d	*(000s b/d)*			*mmcf/d*	*(000s b/d)*		
Straddle plant	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	**1,690**	**27.1**	**24.6**	**51.7**	1,909	34.5	29.9	64.4
Empress V (100% basis)	**864**	**21.1**	**11.0**	**32.1**	1,006	23.5	12.6	36.1
Empress II	**-**	**-**	**-**	**-**	-	-	-	-
	2,554	**48.2**	**35.6**	**83.8**	2,915	58.0	42.5	100.5

	Nine Months Ended September 30							
				2017				2016
	mmcf/d	*(000s b/d)*			*mmcf/d*	*(000s b/d)*		
Straddle plant	Throughput	Ethane	Propane-plus	Total	Throughput	Ethane	Propane-plus	Total
Cochrane	**1,746**	**29.0**	**25.0**	**54.0**	1,910	35.0	30.7	65.7
Empress V (100% basis)	**921**	**22.1**	**11.6**	**33.7**	965	22.0	12.5	34.5
Empress II	**-**	**-**	**-**	**-**	-	-	-	-
	2,667	**51.1**	**36.6**	**87.7**	2,875	57.0	43.2	100.2

Offgas processing

	Three Months Ended September 30	Nine Months Ended September 30
	2017	**2017**
(mmcf/d)		
Offgas plants throughput volume[1]	**144**	**140**
(000s b/d)		
Offgas plants production volume[1]	**30.3**	**27.7**
Redwater Olefinic Fractionator sales volume[1]	**31.9**	**28.1**
Redwater Olefinic Fractionator volume composition[2]		
Ethane-ethylene	**40%**	**40%**
Paraffinic NGL		
Propane	**30%**	**29%**
Normal butane	**8%**	**8%**
Olefinic NGL		
Polymer grade propylene	**11%**	**12%**
Alky feed	**8%**	**8%**
Olefinic condensate	**3%**	**3%**

(1) Third quarter 2016 offgas volumes have not been included in the table above. Only eight days of operations from the September 23, 2016 closing date of the acquisition are included in Inter Pipeline's September 30, 2016 results and therefore does not contain any meaningful information.

(2) Composition is based on production volumes, which may differ from sales volumes.

NGL processing financial results

	Three Months Ended September 30			Nine Months Ended September 30		
(millions)	**2017**	2016	*% change*	**2017**	2016	*% change*
Revenue[1]	**$ 171.5**	$ 93.7	*83.0*	**$ 523.8**	$ 244.0	*114.7*
Shrinkage gas[1]	**$ 55.3**	$ 43.5	*27.1*	**$ 205.4**	$ 105.6	*94.5*
Operating expenses[1]	**$ 38.2**	$ 21.6	*76.9*	**$ 130.0**	$ 55.6	*133.8*
Funds from operations[1]	**$ 78.1**	$ 28.7	*172.1*	**$ 188.4**	$ 82.8	*127.5*
Capital expenditures[1]						
Growth[2]	**$ 45.9**	$ 1.1		**$ 137.3**	$ 1.8	
Sustaining[2]	**5.4**	1.2		**17.0**	8.5	
	$ 51.3	$ 2.3		**$ 154.3**	$ 10.3	

(1) Empress V straddle plant is recorded based on Inter Pipeline's 50% ownership.

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

Volumes

Inter Pipeline's straddle plants processed average natural gas volumes of 2,554 million cubic feet per day (mmcf/d) in the third quarter of 2017 or 361 mmcf/d lower than the third quarter in 2016. Year to date, volumes of 2,667 mmcf/d were processed in 2017, down 208 mmcf/d from 2016.

In the three and nine months ended September 30, 2017, average throughput volumes declined at the Cochrane straddle plant by 219 mmcf/d and 164 mmcf/d, respectively, compared to the same periods in 2016. Lower throughput volumes largely resulted from a scheduled full plant maintenance outage of 29 days in the second quarter and 3 days in the third quarter of 2017, as well as an unplanned partial outage in the current quarter. Throughput volumes at the Cochrane straddle plant are also impacted by, and fluctuate with, demand for Canadian natural gas in the United States (US) west-coast region, as well as third party pipeline matters.

At the Empress V straddle plant average throughput volumes decreased 142 mmcf/d and 44 mmcf/d in the three and nine months ended September 30, 2017, respectively, from the same periods in 2016. The Empress II straddle plant did not process any throughput volumes in the three and nine months ended September 30, 2017 and 2016, which does not impact operating results due to cost-of-service commercial arrangements in place. Natural gas throughput volumes at the Empress straddle plants are dependent on the level of natural gas exported from Alberta's eastern border and are reliant on successfully attracting border gas flows to the straddle plants.

Combined straddle plant NGL production declined in the third quarter by 16,700 b/d from 100,500 b/d in 2016 to 83,800 b/d in 2017 and year to date by 12,500 b/d from 100,200 b/d in 2016 to 87,700 b/d in 2017. The impact from the Cochrane full plant maintenance outage and the unplanned partial outage, as discussed above, was a primary contributor to the decline in production. NGL production from the Cochrane and Empress V straddle plants is also driven by changing throughput levels, composition of the natural gas, operating conditions and third party downstream facility constraints which can result in partial reinjection of volumes. Third party downstream facility constraints resulted in partial reinjection of ethane volumes in the three and nine months ended September 30, 2016, and to a larger extent during the same periods in 2017.

On a combined basis, Inter Pipeline's Pioneer 1 and Pioneer 2 offgas plants in the Fort McMurray area processed average volumes of 144 mmcf/d and 140 mmcf/d during the three and nine months ended September 30, 2017, respectively. Average ethane-plus volumes produced from the offgas plants were 30,300 b/d in the third quarter and 27,700 b/d year to

date in 2017. Throughput volumes to Inter Pipeline's offgas plants can be impacted by the operations associated with connected third party oil sands upgraders in the Fort McMurray area, as well as various downstream issues.

Redwater Olefinic Fractionator NGL sales volumes averaged 31,900 b/d in the current quarter and 28,100 b/d year to date in 2017. Sales from the Redwater Olefinic Fractionator can be impacted by the volumes and composition of the ethane-plus production from the offgas plants, cavern storage levels, operational and commercial matters, and various downstream related issues. Production from the offgas plants and sales volumes at the Redwater Olefinic Fractionator can differ due to varying inventory levels associated with the cavern storage facilities at the Redwater Olefinic Fractionator, operational and commercial matters, and other downstream issues. Year to date sales volumes from the Redwater Olefinic Fractionator were impacted by a scheduled full plant turnaround for 20 days during the second quarter of 2017.

Revenue

The NGL processing business earns revenue from the recovery of certain higher value hydrocarbon liquids from export-destined natural gas streams and offgas streams pursuant to a combination of commodity-based, fee-based and cost-of-service contracts. Please refer to the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section for further information.

Revenue in the NGL processing business increased $77.8 million and $279.8 million in the three and nine months ended September 30, 2017, compared to the same periods in 2016. Revenue from offgas processing increased $79.7 million to $85.5 million in the current quarter and $233.6 million to $239.4 million year to date in 2017, due to the timing of the acquisition as only eight days of operations from the September 23, 2016 closing date were included in 2016 results. Revenue from Inter Pipeline's straddle plants decreased $1.9 million to $86.0 million in the third quarter due to lower propane-plus and ethane volumes, partially offset by higher propane-plus and ethane pricing, compared to the third quarter in 2016. Year to date revenue increased $46.2 million to $284.4 million in 2017, over the same period in 2016, as higher propane-plus and ethane pricing more than offset lower propane-plus and ethane volumes.

Frac-spread

Three Months Ended September 30				
(dollars)	**2017**		2016	
	USD/USG [(1)]	*CAD/USG* [(1)]	*USD/USG* [(1)]	*CAD/USG* [(1)]
Cochrane propane-plus market frac-spread	**$ 0.672**	**$ 0.839**	$ 0.381	$ 0.497
Cochrane propane-plus realized frac-spread	**$ 0.721**	**$ 0.900**	$ 0.373	$ 0.487
Offgas olefinic market frac-spread	**$ 1.359**	**$ 1.700**	-	-
Offgas olefinic realized frac-spread	**$ 1.155**	**$ 1.444**	-	-
Offgas paraffinic market frac-spread	**$ 0.432**	**$ 0.561**	-	-
Offgas paraffinic realized frac-spread	**$ 0.345**	**$ 0.450**	-	-

Nine Months Ended September 30				
(dollars)	**2017**		2016	
	USD/USG [(1)]	*CAD/USG* [(1)]	*USD/USG* [(1)]	*CAD/USG* [(1)]
Cochrane propane-plus market frac-spread	**$ 0.594**	**$ 0.772**	$ 0.378	$ 0.498
Cochrane propane-plus realized frac-spread	**$ 0.612**	**$ 0.795**	$ 0.376	$ 0.495
Offgas olefinic market frac-spread	**$ 1.334**	**$ 1.746**	-	-
Offgas olefinic realized frac-spread	**$ 1.146**	**$ 1.578**	-	-
Offgas paraffinic market frac-spread	**$ 0.321**	**$ 0.447**	-	-
Offgas paraffinic realized frac-spread	**$ 0.259**	**$ 0.426**	-	-

(1) The differential between USD/USG and CAD/USG frac-spreads is due to fluctuations in exchange rates between US and Canadian dollars. This conversion is calculated based on Bank of Canada exchange rates.

Frac-spread is the difference between the selling prices for certain NGL and the input cost of the natural gas required to produce the respective products, including shrinkage gas.

The market frac-spread for propane-plus from the Cochrane straddle plant 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). Cochrane propane-plus 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 any hedged production. Natural gas purchased for shrinkage is based on the combination of the monthly index and daily price of AECO paid. The Cochrane propane-plus realized frac-spread does not include market price differentials or extraction premiums. Differences between realized propane-plus frac-spread and market propane-plus frac-spread from the Cochrane straddle plant are due in part to differences between the monthly index price of AECO and daily index price of AECO.

The Cochrane propane-plus realized frac-spread increased in the current quarter from $0.37 USD/USG in 2016 to $0.72 USD/USG in 2017 and year to date from $0.38 USD/USG in 2016 to $0.61 USD/USG in 2017. The 5-year and 15-year simple average Cochrane propane-plus market frac-spread prices at December 31, 2016 were $0.68 USD/USG and $0.61 USD/USG, respectively.

Offgas processing produces both olefinic and paraffinic NGL which are sold under multiple shorter term, individually negotiated contracts with unique pricing benchmarks. As a result, market and realized olefinic and paraffinic frac-spreads may change period over period. The spread between offgas market and realized frac-spread will fluctuate due to changing inventory levels, timing differences between the production of offgas NGL and sales of the products and underlying contractual arrangements that vary with price and volume.

Olefins are typically higher value petrochemicals that do not naturally exist and consist of polymer grade propylene, alky feed and olefinic condensate. Paraffins are generally lower value NGL consisting of propane and normal butane. The olefinic market frac-spread for offgas processing is defined as the difference between the weighted average prices of propylene, alky feed and olefinic condensate products sold less applicable differentials and the daily index price of AECO natural gas purchased for shrinkage calculated in USD/USG. Propylene pricing is based on a North American Gulf Coast benchmark price, while alky feed and olefinic condensate are currently priced on a differential to West Texas Intermediate (WTI) light sweet crude. The olefinic realized frac-spread for offgas processing is defined as the difference between the realized price of the propylene, alky feed and olefinic condensate products sold for unhedged production and fixed price frac-spread prices for any hedged production, and the realized cost of shrinkage gas purchased, including natural gas transportation, extraction premiums and associated costs, calculated in USD/USG. Shrinkage natural gas cost is based on a weighted average cost dependent on product inventory levels and applicable AECO daily and monthly index natural gas prices. The offgas olefinic realized frac-spread does not include product transportation or marketing fees.

The paraffinic market frac-spread for offgas processing is defined as the difference between the weighted average prices of propane and butane products less applicable differentials and the daily index price of AECO natural gas purchased for shrinkage calculated in USD/USG. Propane is currently based on a Conway monthly posting less a weighted average differential. Butane is currently priced based on a differential to WTI light sweet crude. The paraffinic realized frac-spread for offgas processing is defined as the difference between the realized price of the propane and butane products sold for unhedged production and fixed price frac-spread prices for any hedged production and the realized cost of shrinkage gas purchased, including natural gas transportation, extraction premiums and associated costs, calculated in USD/USG. Shrinkage natural gas cost is based on a weighted average cost dependent on product inventory levels and applicable AECO daily and monthly index natural gas prices. The offgas paraffinic realized frac-spread does not include product transportation or marketing fees.

In the current quarter, the offgas olefinic realized frac-spread was $1.16 USD/USG and the offgas paraffinic realized frac-spread was $0.35 USD/USG, while year to date in 2017 the offgas olefinic realized frac-spread was $1.15 USD/USG and the offgas paraffinic realized frac-spread was $0.26 USD/USG.

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

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 straddle plants and offgas processed at the offgas plants. The price for shrinkage gas is based on a combination of AECO daily spot prices and monthly index natural gas prices. Shrinkage gas expense increased $11.8 million and $99.8 million in the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. Offgas processing shrinkage gas expense increased $24.6 million to $27.0 million in the third quarter and $84.1 million to $86.5 million year to date in 2017. Shrinkage gas expense at Inter Pipeline's straddle plants decreased $12.8 million to $28.3 million in the current quarter and increased $15.7 million to $118.9 million year to date in 2017, over the same periods in 2016, largely due to fluctuations in AECO natural gas prices discussed below and lower volumes. Weighted

average AECO prices* decreased in the third quarter from $2.08 per gigajoule (GJ) in 2016 to $1.94/GJ in 2017 and increased year to date from $1.75/GJ in 2016 to $2.45/GJ in 2017.

Operating Expenses

In the three and nine months ended September 30, 2017, NGL processing operating expenses increased $16.6 million and $74.4 million, respectively, over the same periods in 2016. Operating expenses from offgas processing increased $14.9 million to $16.9 million and $60.1 million to $62.1 million in the three and nine months ended September 30, 2017, respectively, due to the timing of acquisition in 2016 as discussed above. Operating expenses from Inter Pipeline's straddle plants increased $1.7 million to $21.3 million in the third quarter and $14.3 million to $67.9 million year to date in 2017, compared to the same periods in 2016. Higher repair and maintenance costs related to the Cochrane scheduled full plant maintenance outage in the second and third quarter of 2017 was the primary driver for the increase. Higher fuel and power costs also contributed to the increase in operating costs on a year to date basis due to increased fuel and power pricing, transportation costs and power consumption, offset in part by lower fuel consumption. Average Alberta power pool prices increased in the third quarter from $17.94/MWh in 2016 to $24.57/MWh in 2017 and year to date from $17.02/MWh in 2016 to $22.09/MWh in 2017.

Capital Expenditures

The NGL processing business incurred total growth capital expenditures[†] of $45.9 million in the third quarter of 2017. Of this amount approximately $43.7 million relates to engineering, design, procurement and civil construction on the proposed $3.1 billion PDH and PP facilities. The remaining growth capital expenditures[†] largely relate to equipment and facility upgrades at the Cochrane straddle plant and the Redwater Olefinic Fractionator. Sustaining capital expenditures[†] in the current quarter of $5.4 million largely relate to upgrades of processing equipment at the Cochrane straddle plant and the Redwater Olefinic Fractionator.

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[*] 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 FINANCIAL MEASURES section

Conventional Oil Pipelines Business Segment

	Three Months Ended September 30			Nine Months Ended September 30		
Volumes (000s b/d)	**2017**	2016	*% change*	**2017**	2016	*% change*
Bow River	**93.3**	90.0	*3.7*	**92.2**	90.5	*1.9*
Central Alberta	**24.7**	28.5	*(13.3)*	**25.6**	29.2	*(12.3)*
Mid-Saskatchewan	**94.0**	74.3	*26.5*	**91.3**	81.1	*12.6*
	212.0	192.8	*10.0*	**209.1**	200.8	*4.1*

(millions, except per barrel amount)						
Revenue	**$ 117.8**	$ 86.9	*35.6*	**$ 358.1**	$ 254.0	*41.0*
Midstream product purchases	**$ 47.5**	$ 23.4	*103.0*	**$ 150.0**	$ 59.0	*154.2*
Operating expenses	**$ 16.3**	$ 14.8	*10.1*	**$ 47.0**	$ 48.6	*(3.3)*
Funds from operations	**$ 54.5**	$ 49.1	*11.0*	**$ 160.6**	$ 146.2	*9.8*
Revenue per barrel(2)	**$ 2.91**	$ 2.98	*(2.3)*	**$ 2.89**	$ 2.94	*(1.7)*
Capital expenditures						
Growth(1)	**$ 9.2**	$ 14.1		**$ 17.9**	$ 47.5	
Sustaining(1)	**1.1**	1.4		**2.7**	3.2	
	$ 10.3	$ 15.5		**$ 20.6**	$ 50.7	

(1) Please refer to the NON-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

Average volumes in the three and nine months ended September 30, 2017, on the conventional oil pipelines systems increased 19,200 b/d and 8,300 b/d, respectively, over the same periods in 2016. Volumes on the Mid-Saskatchewan pipeline system increased 19,700 b/d in the current quarter and 10,200 b/d year to date in 2017, from the same periods in 2016, as a result of increased light oil production from the Viking formation. Bow River pipeline system volumes increased 3,300 b/d and 1,700 b/d in the three and nine months ended September 30, 2017, respectively, primarily due to stronger drilling activity and higher Hardisty southbound transmission volumes, compared to the same periods in 2016. Average volumes on the Central Alberta pipeline system decreased 3,800 b/d and 3,600 b/d in the three and nine months ended September 30, 2017, respectively, due to a reduction in producer activity and a decline in truck terminal volumes, from the same periods in 2016.

Revenue

The conventional oil pipelines business earns revenue for the transportation of petroleum products in accordance with a number of fee-based contracts, while its midstream marketing activities generate revenue under a number of short-term commodity-based contracts. Please refer to the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section for further information.

Revenue from conventional oil pipelines increased $30.9 million in the current quarter and $104.1 million year to date in 2017, over the comparable periods in 2016, due to both an increase in overall pipeline system volumes and additional revenue from midstream marketing as a result of increased product marketing services, blending activity and commodity prices.

Midstream Product Purchases

Midstream product purchases increased $24.1 million and $91.0 million in the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. The increase in midstream product costs resulted from

incremental product volumes purchased for increased product marketing services and blending activity, as well as higher commodity pricing.

Operating Expenses

Operating expenses in the conventional oil pipelines business increased $1.5 million in the current quarter largely due to higher integrity costs, compared to the same period in 2016. Operating expenses decreased $1.6 million year to date in 2017, largely due to higher planned river crossing mitigation work performed in 2016.

Capital Expenditures

In the current quarter, the conventional oil pipelines business incurred growth capital expenditures* of $9.2 million, largely relating to pipeline system upgrades on the Mid-Saskatchewan pipeline system, as well as various other facility enhancements and upgrades.

Bulk Liquid Storage Business Segment

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	*% change*	**2017**	2016	*% change*
Utilization	**95%**	98%	*(3.0)*	**97%**	98%	*(0.6)*
(millions)						
Revenue	**$ 54.8**	$ 61.0	*(10.2)*	**$ 166.8**	$ 188.1	*(11.3)*
Operating expenses	**$ 21.7**	$ 23.1	*(6.1)*	**$ 67.5**	$ 73.2	*(7.8)*
Funds from operations	**$ 25.2**	$ 30.2	*(16.6)*	**$ 76.7**	$ 91.1	*(15.8)*
Capital expenditures						
Growth(1)	**$ 7.4**	$ 21.4		**$ 36.6**	$ 39.8	
Sustaining(1)	**4.3**	2.4		**10.4**	6.1	
	$ 11.7	$ 23.8		**$ 47.0**	$ 45.9	

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

Utilization

Inter Pipeline operates a bulk liquid storage business branded as Inter Terminals with operations in the UK, Germany, Ireland, Denmark and Sweden. Inter Terminals is one of the largest independent bulk liquid storage businesses in Europe, with a combined storage capacity of approximately 27 million barrels across 16 terminals. These terminals are strategically located with five terminals at the ports of Immingham, Teesside and Tyneside in the UK, one terminal on the Shannon estuary in Ireland, two terminals on the River Rhine at Mannheim, Germany, four terminals in Denmark located on the Danish Straits and four terminals in Sweden located along the Baltic Sea and Danish Straits.

Average utilization in the bulk liquid storage business remained strong despite the decrease in the third quarter from 98% in 2016 to 95% in 2017, and year to date from 98% in 2016 to 97% in 2017.

Revenue

The bulk liquid storage business earns revenue for bulk liquid storage and handling services that are underpinned by a range of long-term and short-term fee-based contracts. Please refer to the adjusted EBITDA by contract type disclosure in the **NON-GAAP FINANCIAL MEASURES** section for further information.

* Please refer to the NON-GAAP FINANCIAL MEASURES section

In the three and nine months ended September 30, 2017, revenue from the bulk liquid storage business decreased $6.2 million and $21.3 million, respectively, from the comparable periods in 2016. Revenue decreased due to lower throughput activity unfavourably impacting storage rates and other activity based revenue, as well as lower contracted tank capacity. Year to date 2017 revenue was also lower as a result of a non-recurring release of previously deferred revenue in the first quarter of 2016. Revenue was unfavourably impacted by foreign exchange translation adjustments of $1.4 million and $10.3 million in the three and nine months ended September 30, 2017, respectively, over the comparable periods in 2016.

See the **Foreign Exchange Rates** section below for further information on changes in rates.

Foreign Exchange Rates

	Three Months Ended September 30			Nine Months Ended September 30		
(dollars)	**2017**	2016	*% change*	**2017**	2016	*% change*
Euro/CAD	**$ 1.4721**	$ 1.4564	*1.1*	**$ 1.4545**	$ 1.4758	*(1.4)*
Pound Sterling/CAD	**$ 1.6396**	$ 1.7126	*(4.3)*	**$ 1.6670**	$ 1.8429	*(9.5)*

Operating Expenses

Operating expenses in the bulk liquid storage business decreased $1.4 million in the third quarter and $5.7 million year to date in 2017, from the same periods in 2016. The decrease is primarily due to a $2.3 million custom duty claim in Sweden in the third quarter of 2016, and more favourable foreign currency translation adjustments of $0.9 million in the current quarter and $4.8 million year to date in 2017, offset in part by higher general operating costs.

Capital Expenditures

The bulk liquid storage business incurred total growth capital expenditures* of $7.4 million in the current quarter, primarily relating to tank life extensions and modification projects. Approximately $1.2 million relates to the completion of five new tanks with aggregate capacity of 175,000 barrels at Seal Sands terminal at Teesside in the UK.

In the current quarter, the bulk liquid storage business incurred sustaining capital expenditures* of $4.3 million, largely relating to terminal infrastructure, safety improvement projects and environmental enhancement initiatives.

Other Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
(millions)	**2017**	2016	**2017**	2016
Depreciation and amortization	**$ 63.9**	$ 54.8	**$ 189.6**	$ 164.9
Income tax expense	**49.2**	34.9	**132.8**	104.0
Financing charges	**43.1**	35.9	**126.8**	106.2
General and administrative	**29.8**	28.4	**95.1**	98.1
Loss on disposal of assets	**0.5**	0.1	**5.1**	2.2

Depreciation and Amortization

In the three and nine months ended September 30, 2017, depreciation and amortization of tangible and intangible assets increased $9.1 million and $24.7 million, respectively, from the comparable periods in 2016, largely due to the depreciation of offgas processing assets acquired in the third quarter of 2016.

* Please refer to the NON-GAAP FINANCIAL MEASURES section

Income Tax Expense

In the three and nine months ended September 30, 2017, consolidated income tax expense increased $14.3 million and $28.8 million, respectively, over the same periods in 2016. Consolidated income tax expense is the sum of current income tax expense and deferred income tax expense.

Current income tax expense decreased $22.3 million in the current quarter and $61.9 million year to date in 2017, compared to the same periods in 2016, largely due to the utilization of tax assets acquired in the offgas acquisition in September 2016.

Deferred income tax expense increased $36.6 million and $90.7 million in the three and nine months ended September 30, 2017, over the comparable periods in 2016, due to the utilization of tax assets to lower current income tax expense and increased net income before tax.

Financing Charges

	Three Months Ended September 30		Nine Months Ended September 30	
(millions)	**2017**	2016	**2017**	2016
Interest on credit facilities	**$ 9.9**	$ 8.6	**$ 27.2**	$ 25.3
Interest on Corridor Debentures	**1.9**	1.8	**5.5**	5.5
Interest on Medium-Term Notes	**31.9**	24.0	**93.8**	71.2
Total interest	**43.7**	34.4	**126.5**	102.0
Capitalized interest	**(2.6)**	(0.1)	**(6.1)**	(0.4)
Amortization of transaction costs on financial debt	**1.0**	0.9	**3.1**	2.5
Accretion of provisions and pension plan funding charges	**1.0**	0.7	**3.3**	2.1
Total financing charges	**$ 43.1**	$ 35.9	**$ 126.8**	$ 106.2

Total financing charges increased $7.2 million and $20.6 million in the three and nine months ended September 30, 2017, respectively, from the same periods in 2016.

Interest on medium-term notes, in the three and nine months ended September 30, 2017, increased $7.9 million and $22.6 million, respectively, over the comparable periods in 2016. The increase is due to the issuance of Series 8 on September 13, 2016, Series 9 on December 16, 2016 and Series 10 on April 18, 2017, which was offset in part by Series 6 which matured and was repaid on May 30, 2017.

Interest on credit facilities increased $1.3 million in the third quarter and $1.9 million year to date in 2017, due to higher weighted average credit facility debt outstanding and increased short-term interest rates, compared to the same periods in 2016.

Capitalized interest increased in the three and nine months ended September 30, 2017 by $2.5 million and $5.7 million, respectively, compared to the same periods in 2016, largely relating to the proposed PDH and PP facilities.

Accretion of provisions and pension plan funding charges increased $0.3 million in the current quarter and $1.2 million year to date in 2017, from the same periods in 2016, largely due to the inclusion of decommissioning obligations from the offgas acquisition in September 2016.

Amortization of transaction costs on financial debt increased $0.1 million and $0.6 million in the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016, primarily due to new debt issuances since the third quarter of 2016.

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

General and Administrative

	Three Months Ended September 30		Nine Months Ended September 30	
(millions)	**2017**	2016	**2017**	2016
Canada	**$ 23.0**	$ 20.9	**$ 74.6**	$ 75.9
Europe	**6.8**	7.5	**20.5**	22.2
	$ 29.8	$ 28.4	**$ 95.1**	$ 98.1

In 2017, Canadian general and administrative expenses increased $2.1 million in the third quarter, over the same period in 2016. The increase is largely due to higher employee costs as a result of the inclusion of additional employees from the offgas acquisition, as well as higher rent costs. General and administrative costs decreased $1.3 million year to date in 2017, from the same period in 2016. Higher employee and rent costs, and professional fees were more than offset by a $14.9 million one-time rent expense adjustment relating to non-cancellable office leases that were deemed to be onerous contracts in the first quarter of 2016, and a non-recurring foreign exchange gain of $3.0 million in the second quarter of 2016.

In the three months ended September 30, 2017, European general and administrative costs decreased $0.7 million from the same period in 2016, largely due to lower employee costs. Year to date 2017, European general and administrative costs decreased $1.7 million mainly due to favourable foreign currency translation adjustments.

Loss on Disposal of Assets

Inter Pipeline incurred loss on disposal of assets in the three and nine months ended September 30, 2017 of $0.5 million and $5.1 million, respectively, largely due to the disposal and de-recognition of certain assets in the conventional oil pipelines and bulk liquid storage businesses.

SUMMARY OF QUARTERLY RESULTS

	2015	2016				**2017**		
(millions, except volume, per share and % amounts)	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**First Quarter**	**Second Quarter**	**Third Quarter**
Pipeline volumes *(000s b/d)* [(1)]								
Oil sands transportation	1,111.8	1,104.2	1,012.6	1,093.3	1,172.5	**1,251.4**	**1,121.1**	**1,147.1**
Conventional oil pipelines	214.8	208.5	201.3	192.8	200.3	**209.9**	**205.5**	**212.0**
Total pipeline volumes	1,326.6	1,312.7	1,213.9	1,286.1	1,372.8	**1,461.3**	**1,326.6**	**1,359.1**
NGL processing volumes *(000s b/d)* [(1)(2)]								
Natural gas processing - Ethane	59.1	60.9	51.9	58.0	69.9	**61.1**	**44.1**	**48.2**
Natural gas processing - Propane-plus	41.3	44.9	42.2	42.5	43.8	**42.9**	**31.4**	**35.6**
Redwater Olefinic Fractionator sales volume[(2)]	-	-	-	-	29.9	**31.6**	**20.6**	**31.9**
Total NGL processing volumes	100.4	105.8	94.1	100.5	143.6	**135.6**	**96.1**	**115.7**
Utilization								
Bulk liquid storage	97%	98%	97%	98%	99%	**99%**	**98%**	**95%**
Revenue								
Oil sands transportation	$ 213.4	$ 191.6	$ 193.3	$ 192.9	$ 200.8	**$ 191.1**	**$ 199.0**	**$ 203.5**
NGL processing	88.5	$ 77.5	$ 72.8	$ 93.7	$ 191.1	**$ 213.4**	**$ 138.9**	**$ 171.5**
Conventional oil pipelines	89.0	$ 81.5	$ 85.6	$ 86.9	$ 111.0	**$ 118.7**	**$ 121.6**	**$ 117.8**
Bulk liquid storage	64.8	$ 65.8	$ 61.3	$ 61.0	$ 57.8	**$ 55.5**	**$ 56.5**	**$ 54.8**
	$ 455.7	$ 416.4	$ 413.0	$ 434.5	$ 560.7	**$ 578.7**	**$ 516.0**	**$ 547.6**
Funds from operations								
Oil sands transportation	$ 157.8	$ 139.4	$ 141.4	$ 142.3	$ 158.5	**$ 148.2**	**$ 149.5**	**$ 160.6**
NGL processing	25.2	$ 23.6	$ 30.5	$ 28.7	$ 65.0	**$ 81.9**	**$ 28.4**	**$ 78.1**
Conventional oil pipelines	51.5	$ 50.0	$ 47.1	$ 49.1	$ 52.4	**$ 53.4**	**$ 52.7**	**$ 54.5**
Bulk liquid storage	28.2	$ 31.3	$ 29.6	$ 30.2	$ 28.9	**$ 26.2**	**$ 25.3**	**$ 25.2**
Corporate costs	(51.3)	$ (58.3)	$ (51.9)	$ (38.9)	$ (50.1)	**$ (62.8)**	**$ (48.9)**	**$ (49.5)**
	$ 211.4	$ 186.0	$ 196.7	$ 211.4	$ 254.7	**$ 246.9**	**$ 207.0**	**$ 268.9**
Per share[(3)]	$ 0.63	$ 0.55	$ 0.58	$ 0.62	$ 0.71	**$ 0.67**	**$ 0.56**	**$ 0.72**
Net income	$ 138.0	$ 104.6	$ 122.9	$ 121.3	$ 128.8	**$ 140.0**	**$ 102.3**	**$ 142.5**
Net income attributable to shareholders	$ 129.7	$ 95.8	$ 114.4	$ 113.7	$ 125.8	**$ 140.0**	**$ 102.3**	**$ 142.5**
Per share – basic and diluted	$ 0.39	$ 0.28	$ 0.34	$ 0.34	$ 0.35	**$ 0.38**	**$ 0.27**	**$ 0.38**
Dividends to shareholders[(4)]	$ 128.7	$ 131.3	$ 131.4	$ 131.4	$ 145.1	**$ 149.7**	**$ 150.9**	**$ 152.1**
Per share[(4)]	$ 0.3825	$ 0.3900	$ 0.3900	$ 0.3900	$ 0.4000	**$ 0.4050**	**$ 0.4050**	**$ 0.4050**
Shares outstanding (basic)								
Weighted average	336.3	336.6	336.8	338.7	361.2	**369.2**	**372.1**	**375.1**
End of period	336.4	336.7	336.9	359.5	367.9	**370.7**	**373.5**	**376.7**
Capital expenditures[(5)]								
Growth[(3)]	$ 52.6	$ 32.2	$ 27.7	$ 40.8	$ 49.9	**$ 52.7**	**$ 94.5**	**$ 72.6**
Sustaining[(3)]	27.8	18.0	10.0	8.1	22.3	**10.3**	**17.3**	**18.7**
	$ 80.4	$ 50.2	$ 37.7	$ 48.9	$ 72.2	**$ 63.0**	**$ 111.8**	**$ 91.3**
Payout ratio[(3)]	63.8%	74.6%	70.3%	64.8%	57.8%	**60.6%**	**72.9%**	**56.6%**
Total assets	$ 9,029.4	$ 8,921.9	$ 8,869.7	$ 10,141.0	$ 10,151.6	**$ 10,134.9**	**$ 10,204.1**	**$ 10,229.2**
Total debt[(6)]	$ 4,851.7	$ 4,850.2	$ 4,832.7	$ 5,596.6	$ 5,828.6	**$ 5,732.5**	**$ 5,664.1**	**$ 5,590.0**
Total equity	$ 2,821.1	$ 2,752.9	$ 2,692.8	$ 3,269.9	$ 3,187.9	**$ 3,261.4**	**$ 3,320.4**	**$ 3,381.0**
Enterprise value[(3)]	$ 12,323.7	$ 13,857.0	$ 14,064.4	$ 15,555.0	$ 16,732.5	**$ 16,122.5**	**$ 15,151.3**	**$ 15,328.8**
Consolidated Net Debt to Total Capitalization[(3)]	52.8%	53.8%	54.2%	54.5%	57.2%	**56.2%**	**55.5%**	**54.7%**

(1) Cold Lake volumes and Empress V NGL production reported on a 100% basis. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

(2) Average quarterly throughput volumes from the offgas processing acquisition in September 2016 have not been included for the third quarter of 2016 in the table above. Only eight days of operations from the closing date of the acquisition are included in Inter Pipeline's September 30, 2016 results and therefore does not contain any meaningful information.

(3) Please refer to the NON-GAAP FINANCIAL MEASURES section.

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

(5) Amounts reported on a 100% basis that includes non-controlling interest. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

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

LIQUIDITY AND CAPITAL RESOURCES

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

(i) stable 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.

Inter Pipeline's capital under management includes financial debt and shareholders' equity. 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 cash dividends paid to shareholders, issue new common or preferred shares, issue new debt, renegotiate existing debt terms or repay existing debt.

Inter Pipeline maintains flexibility in its capital structure to fund 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 FFO in excess of dividends to fund capital requirements. At September 30, 2017, Inter Pipeline had access to committed credit facilities totaling $3.05 billion, of which $1,135.0 million remained unutilized, and demand facilities totaling $133.4 million of which $129.8 million remained unutilized. Certain facilities are available to specific subsidiaries of Inter Pipeline.

Inter Pipeline may also issue equity capital to ensure its balance sheet remains well prepared for expected growth. During the three and nine months ended September 30, 2017, approximately $75.8 million and $229.8 million, respectively, of equity was issued through the dividend reinvestment plan.

Inter Pipeline has a current short form base shelf prospectus with Canadian regulatory authorities that was filed in December 2015. Under provisions detailed in the short form base shelf prospectus, Inter Pipeline may offer and issue, from time to time: (i) common shares; (ii) preferred shares; (iii) debt securities; and (iv) subscription receipts (collectively, the "Securities") of up to $3.0 billion aggregate of Securities during the 25 month period that the short form base shelf prospectus is valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more prospectus supplements.

On April 18, 2017 Inter Pipeline issued $500 million of senior unsecured medium-term notes Series 10 due April 18, 2024, in the Canadian public debt market. The medium-term notes Series 10 bear interest at a fixed rate of 2.734% per annum, payable semi-annually. Net proceeds from the offering were used to repay existing bank indebtedness under Inter Pipeline's revolving credit facility and for other general corporate purposes. The amount of Securities that can be issued under the shelf prospectus and related prospectus supplements has been reduced to $1.1 billion at September 30, 2017 as a result of previous issuances.

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* Please refer to the NON-GAAP FINANCIAL MEASURES section

On May 30, 2017 Inter Pipeline's $400 million senior unsecured medium-term notes Series 6 matured and were repaid.

Inter Pipeline may utilize derivative financial instruments to minimize exposure to fluctuating commodity prices, foreign exchange and interest rates. Inter Pipeline's market 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.

Credit Facilities and Debt Outstanding

							September 30		December 31
(millions)		Recourse		Non-recourse			**2017**		2016
Credit facilities available									
Corridor syndicated credit facility	$	-	$	1,550.0	**$**		**1,550.0**	$	1,550.0
Inter Pipeline syndicated credit facility		1,500.0		-			**1,500.0**		1,500.0
		1,500.0		1,550.0			**3,050.0**		3,050.0
Demand facilities[1]		108.4		25.0			**133.4**		98.1
	$	1,608.4	$	1,575.0	**$**		**3,183.4**	$	3,148.1
Total debt outstanding									
Inter Pipeline Ltd.									
Inter Pipeline syndicated credit facility					**$**		**610.0**	$	913.0
Medium-Term Notes							**3,525.0**		3,425.0
Inter Pipeline (Corridor) Inc.									
Corridor syndicated credit facility							**1,305.0**		1,340.6
Corridor Debentures							**150.0**		150.0
Total debt outstanding[2][3]					**$**		**5,590.0**	$	5,828.6

(1) On August 30, 2017, Inter Pipeline increased its demand facility from $40 million to $75 million. Demand facilities consist of: Inter Pipeline's $75 million demand facility; Corridor's $25 million demand facility; and Inter Terminals Limited and Inter Terminals EOT ApS Pound Sterling 20 million demand facility which was converted at a Pound Sterling/CAD rate of 1.6716 at September 30, 2017.

(2) At September 30, 2017, outstanding Inter Pipeline letters of credit of approximately $3.6 million were not included in total debt outstanding.

(3) Financial debt reported in the September 30, 2017 consolidated financial statements of $5,568.3 million, includes long-term debt, short-term debt and commercial paper outstanding of $5,590.0 million less discounts and debt transaction costs of $21.7 million.

Inter Pipeline's debt outstanding at September 30, 2017, matures at various dates up to May 2044 as follows:

(millions)		Amount	Rate	Maturity date
Inter Pipeline Ltd.				
Inter Pipeline syndicated credit facility	$	610.0	Variable	December 3, 2021
Medium-Term Notes				
Series 1		325.0	4.967%	February 2, 2021
Series 2		200.0	3.839%	July 30, 2018
Series 3		400.0	3.776%	May 30, 2022
Series 4		500.0	3.448%	July 20, 2020
Series 5		500.0	4.637%	May 30, 2044
Series 7		300.0	3.173%	March 24, 2025
Series 8		350.0	2.608%	September 13, 2023
Series 9		450.0	3.484%	December 16, 2026
Series 10		500.0	2.734%	April 18, 2024
Inter Pipeline (Corridor) Inc.				
Corridor syndicated credit facility		1,305.0	Variable	December 14, 2020
Corridor Debentures		150.0	4.897%	February 3, 2020

Financial Covenants

Inter Pipeline was in compliance with all covenants under its credit facilities and medium-term note indentures as at September 30, 2017.

The following table provides a listing of the key financial covenants as at September 30, 2017:

	Maximum Ratio	September 30 2017
Inter Pipeline Ltd.		
Inter Pipeline syndicated credit facility		
Consolidated Net Debt to Total Capitalization(1)(2)(3)(4)	65%	54.7%
Medium-Term Notes		
Funded Debt to Total Capitalization(2)(5)(6)	70%	53.8%
Inter Pipeline (Corridor) Inc.		
Corridor syndicated credit facility		
Corridor Debentures		
Rate Base Debt to Rate Base(7)(8)	75%	73.5%

(1) "Consolidated Net Debt" includes the aggregate amount of all debt of the borrower and its restricted subsidiaries, but excludes debt of any unrestricted subsidiary which is not guaranteed by the borrower or any restricted subsidiary, subordinated debt, non-recourse debt and debt attributable to any non-controlling interest, less cash and cash equivalents owned by the borrower and its restricted subsidiaries, but excluding any such cash or cash equivalents owned by an unrestricted subsidiary or attributable to any non-controlling interest, provided that the use or application of such cash and cash equivalents is not encumbered or restricted by contract or regulatory requirements.

(2) Inter Pipeline (Corridor) Inc. is not considered a restricted subsidiary under Inter Pipeline's syndicated credit facility or medium-term note indenture and, as a result, its debt and assets are excluded from all financial covenant calculations under those agreements.

(3) "Total Capitalization" for Inter Pipeline's syndicated credit facility covenant is the sum of debt, but excluding non-recourse debt, debt attributable to unrestricted subsidiaries or any non-controlling interest, plus convertible debentures, plus consolidated shareholders' equity of the borrower, but excluding any shareholders' equity from or attributable to non-recourse assets, unrestricted subsidiaries or any non-controlling interest, plus a $243.8 million adjustment related to Canadian SIFT legislation.

(4) Please refer to the NON-GAAP FINANCIAL MEASURES section.

(5) "Funded Debt" includes long-term debt of the issuer and its restricted subsidiaries, but excluding non-recourse debt, subordinated debt and any obligations of the issuer to a restricted subsidiary or of a restricted subsidiary to the issuer or another restricted subsidiary.

(6) "Total Capitalization" for Inter Pipeline's medium-term notes covenant is the sum of Funded Debt plus subordinated debt, plus consolidated equity, plus the amount of any minority interests in restricted subsidiaries, plus a $243.8 million adjustment related to Canadian SIFT legislation.

(7) "Rate Base Debt" includes all Corridor debt excluding debt incurred in connection with financing additions to the rate base prior to the time those additions form part of the rate base, debt incurred to fund recoverable expenditures under the Corridor Firm Service Agreement (FSA) and subordinated debt.

(8) "Rate Base" includes the invested capital to bring the asset to service pursuant to the Corridor FSA.

The Corridor pipeline system is operated under the Corridor FSA, which is a long-term cost-of-service contract that provides for the recovery of debt financing costs, substantially all operating costs, rate base depreciation and taxes, in addition to providing a return on equity. As a result, Corridor's FFO is not impacted by throughput volumes or commodity price fluctuations. Inter Pipeline actively manages Corridor's debt level to ensure the actual rate base debt to rate base ratio is very close to the benchmark criteria (i.e. not more than 75%) to optimize its defined capital structure.

At September 30, 2017, approximately $1,915.0 million or 34.3% of Inter Pipeline's total debt outstanding was exposed to variable interest rates. Of this amount $1,305.0 million or 68.1% relates to Corridor debt outstanding and its financing costs are directly recoverable through the terms of the Corridor FSA. Recourse debt subject to variable interest at September 30, 2017 was $610.0 million or 10.9% of Inter Pipeline's total debt outstanding. When deemed appropriate, Inter Pipeline may enter into interest rate swap agreements to manage its interest rate risk exposure.

The following interest coverage* ratio is calculated on a consolidated basis for the twelve month periods ended September 30, 2017 and December 31, 2016.

	Twelve Months Ended	
	September 30	December 31
(times)	**2017**	2016
Interest coverage[1][2]	**5.0**	5.1

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

(2) Net 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.

Credit Ratings

The following investment grade, long-term corporate credit ratings or senior unsecured debt ratings are maintained by Inter Pipeline and by Inter Pipeline (Corridor) Inc. as at September 30, 2017.

	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 (low)	Stable
Moody's	Baa1	Stable

Inter Pipeline (Corridor) Inc.'s rating was downgraded by S&P from A to A-, by DBRS from A to A (low) and by Moody's from A2 to Baa1, following Shell Canada's sale of its majority stake in the AOSP to Canadian Natural. The downgrades reflect the change in average credit quality of the shippers on the Corridor pipeline system as a result of the ownership change.

* Please refer to the NON-GAAP FINANCIAL MEASURES section

Contractual Obligations, Commitments and Guarantees

The following table summarizes Inter Pipeline's expected capital spending profile and future contractual obligations at September 30, 2017. Management intends to finance short-term commitments either through existing or renegotiated credit facilities and FFO in excess of dividends. Longer term commitments will be funded through Inter Pipeline's capital management policies as discussed earlier in the **LIQUIDITY AND CAPITAL RESOURCES** section.

(millions)	Total	Less than one year	One to five years	After five years
Capital expenditure projects[1]				
Oil sands transportation	$ 476.3	$ 28.4	$ 447.9	$ -
NGL processing	102.9	102.9	-	-
Conventional oil pipelines	16.0	16.0	-	-
Bulk liquid storage	13.9	13.9	-	-
Growth capital funded by Inter Pipeline[2]	609.1	161.2	447.9	-
Sustaining capital funded by Inter Pipeline[2]	23.5	23.5	-	-
	632.6	184.7	447.9	-
Total debt[3][4]				
Corridor syndicated credit facility[4]	1,305.0	1,305.0	-	-
Inter Pipeline syndicated credit facility	610.0	-	610.0	-
Corridor Debentures	150.0	-	150.0	-
Medium-Term Notes	3,525.0	200.0	1,225.0	2,100.0
Inter Terminals demand facility	-	-	-	-
	5,590.0	1,505.0	1,985.0	2,100.0
Other obligations				
Operating leases	320.2	7.3	104.8	208.1
Purchase obligations	272.8	71.2	91.3	110.3
Long-term portion of incentive plan	10.1	-	10.1	-
Adjusted working capital deficit[2]	70.1	70.1	-	-
	$ 6,895.8	$ 1,838.3	$ 2,639.1	$ 2,418.4

(1) Capital expenditures classified as "less than one year" represent expected spending for the remaining months in 2017.

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

(3) At September 30, 2017, outstanding Inter Pipeline letters of credit of approximately $3.6 million were not included in total debt outstanding. Financial debt reported in the September 30, 2017 consolidated financial statements of $5,568.3 million, includes long-term debt, short-term debt and commercial paper of $5,590.0 million less discounts and debt transaction costs of $21.7 million.

(4) 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 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) Operating leases and purchase obligations represent minimum payment obligations associated with leases and normal operating agreements for periods up to 2094.

(ii) Working capital deficiencies* arise primarily from capital expenditures outstanding in accounts payable and accrued liabilities at the end of a period.

* Please refer to the NON-GAAP FINANCIAL MEASURES section

(iii) Inter Pipeline has obligations of $37.2 million under its employee long-term incentive plan, of which $27.1 million is included in the working capital deficit*.

(iv) Present value of estimated expenditures expected to be incurred in the longer term on decommissioning of active pipeline systems, NGL processing facilities and leased bulk liquid storage sites and remediation of known environmental liabilities is $166.8 million at September 30, 2017. Due to the uncertainty of timing for payment of these obligations, they were excluded from the table above.

DIVIDENDS TO SHAREHOLDERS

	Three Months Ended September 30		Nine Months Ended September 30	
(millions, except per share and % amounts)	**2017**	2016	**2017**	2016
Cash provided by operating activities	**$ 250.2**	$ 218.1	**$ 725.8**	$ 606.4
Net change in non-cash operating working capital	**18.7**	(6.7)	**(3.0)**	(12.3)
Less funds from operations attributable to non-controlling interest[2]	**-**	(8.7)	**-**	(28.5)
Funds from operations attributable to shareholders	**$ 268.9**	$ 202.7	**$ 722.8**	$ 565.6
Dividends to shareholders	**$ 152.1**	$ 131.4	**$ 452.7**	$ 394.1
Dividends per share[3]	**$ 0.4050**	$ 0.3900	**$ 1.2150**	$ 1.1700
Payout ratio[1]	**56.6%**	64.8%	**62.6%**	69.7%

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

(2) Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

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

Inter Pipeline's objective is to provide shareholders with stable dividends over economic and industry cycles. As a result, not all FFO 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.

FFO is a 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 FFO attributable to shareholders as cash provided by operating activities less net changes in non-cash working capital and FFO attributable to non-controlling interest. The impact of net change in non-cash working capital is excluded in the calculation of FFO 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 recognised and cash exchanged. Inter Pipeline therefore excludes the net change in non-cash working capital in its calculation of FFO 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.

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* Please refer to the NON-GAAP FINANCIAL MEASURES section

The tables below show Inter Pipeline's dividends declared relative to cash provided by operating activities and net income 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	
(millions)	**2017**	2016	**2017**	2016
Cash provided by operating activities	**$ 250.2**	$ 218.1	**$ 725.8**	$ 606.4
Less cash provided by operating activities attributable to non-controlling interest(1)	**-**	(8.2)	**-**	(28.3)
Dividends to shareholders	**(152.1)**	(131.4)	**(452.7)**	(394.1)
Excess	**$ 98.1**	$ 78.5	**$ 273.1**	$ 184.0

(1) Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

	Three Months Ended September 30		Nine Months Ended September 30	
(millions)	**2017**	2016	**2017**	2016
Net income attributable to shareholders	**$ 142.5**	$ 113.7	**$ 384.8**	$ 323.9
Dividends to shareholders	**(152.1)**	(131.4)	**(452.7)**	(394.1)
Shortfall	**$ (9.6)**	$ (17.7)	**$ (67.9)**	$ (70.2)

Cash provided by operating activities was greater than dividends to shareholders plus cash provided by operating activities attributable to non-controlling interest. Dividends to shareholders were greater than net income attributable to shareholders, as net income also includes certain non-cash expenses such as depreciation and amortization, and deferred income taxes.

OUTSTANDING SHARE DATA

Inter Pipeline's outstanding common shares at September 30, 2017 are as follows:

(millions)	Total
Common shares outstanding	376.7

At November 7, 2017, Inter Pipeline had 377.8 million common shares outstanding.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Market Risk Management

Inter Pipeline may utilize derivative financial instruments to manage liquidity and market risk exposure to changes in commodity prices, foreign exchange and interest rates. Market risk management strategies 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 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 market risk management policy.

Inter Pipeline may enter 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 recognised 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 long-term debt, short-term debt and commercial paper outstanding at September 30, 2017. 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.

FRAC-SPREAD RISK MANAGEMENT

Inter Pipeline is exposed to frac-spread risk being the difference between the selling prices for certain NGL products and the input cost of the natural gas required to produce the respective products, including shrinkage gas. Various frac-spreads are as defined in the **Frac-spread** section of the **NGL Processing Business Segment**. Inter Pipeline may enter into natural gas liquids, AECO natural gas and foreign exchange swap contracts to manage frac-spread risk exposure in the NGL processing business. As at September 30, 2017, there were no frac-spread hedges outstanding.

POWER PRICE RISK MANAGEMENT

Inter Pipeline may use derivative financial instruments to manage power price risk in its NGL processing 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, 2017, there were no electricity price swap or heat rate price swap agreements outstanding.

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. As at September 30, 2017, there were no foreign currency exchange hedges outstanding.

Corporate

INTEREST RATE RISK MANAGEMENT

Inter Pipeline's exposure to interest rate risk primarily relates to its long-term debt obligations. 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 may enter into interest rate or cross-currency swap agreements to manage its interest rate price risk exposure. As at September 30, 2017, there were no interest rate or cross-currency swap agreements outstanding.

Based on the variable rate obligations outstanding at September 30, 2017, a 1% change in interest rates at this date would have changed interest expense for the three and nine months ended September 30, 2017, by approximately $4.8 million and $14.3 million, respectively, assuming all other variables remain constant. Of this amount, $3.3 million and $9.8 million for the three and nine months ended September 30, 2017, respectively, relates to Corridor's syndicated credit facility and

is recoverable through the terms of the Corridor FSA. The after-tax income impact for the three and nine months ended September 30, 2017 would be $1.1 million and $3.3 million, respectively.

Credit Risk

Inter Pipeline's credit risk exposure relates primarily to the non-performance of its customers and financial counterparties holding cash, accounts receivable, and prepaid expenses and other deposits. Credit risk is managed through Inter Pipeline's credit management policy, which establishes guidelines for defining and measuring credit risk, determining credit risk thresholds and monitoring credit risk exposures to counterparties and vendors. 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, letters of credit, prepayments or some other form of 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 rely on indemnification provisions, a 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 processing business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At September 30, 2017, accounts receivable associated with these two business segments were $133.4 million or 66.6% 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, and derivative financial instruments, Inter Pipeline believes the risk of non-performance of counterparties is minimal as cash is predominantly held with major financial institutions.

Inter Pipeline actively monitors the risk of non-performance of its customers and financial counterparties. Accounts receivable are deemed past due if they are aged greater than 60 days and are considered to be impaired if one or more events have occurred that would impact the estimated future cash flows of that asset. At September 30, 2017, accounts receivable outstanding meeting the definition of either past due or impaired are insignificant.

TRANSACTIONS WITH RELATED PARTIES

No revenue was earned from related parties in the three and nine months ended September 30, 2017 or 2016.

CONTROLS AND PROCEDURES

There have been no significant changes in Inter Pipeline's internal control over financial reporting (ICFR) during the period June 30, 2017 to September 30, 2017 that have materially affected, or are reasonably likely to materially affect, Inter Pipeline's ICFR.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Inter Pipeline's interim 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 3 *Summary of Significant Accounting Policies* of the December 31, 2016 audited consolidated financial statements for a list of Inter Pipeline's significant accounting policies.

The amounts recorded for business combinations, non-financial asset impairment, property, plant and equipment, provisions, deferred income 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.

Inter Pipeline's interim financial statements for the three and nine months ended September 30, 2017 have been presented in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting* and have been prepared by management following the same accounting policies and methods of computation as disclosed in the audited consolidated financial statements for the year ended December 31, 2016.

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods with early adoption permitted. The standards impacted are as follows:

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations and will be applied to annual periods beginning on January 1, 2018. IFRS 15 establishes a control based revenue recognition model under which revenue is recognised when control of the underlying goods or services for the particular performance obligation is transferred to the customer. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when, or as, the entity satisfies a performance obligation.

IFRS 15 is required to be applied retrospectively to all revenue contracts using either: (i) a full retrospective approach with restatement of all prior periods presented; or (ii) a modified retrospective approach where the cumulative effect of initially applying the new standard is recognised as an adjustment to opening retained earnings in the period of adoption. Inter Pipeline will adopt the standard using the full retrospective method.

The new standard is expected to most significantly impact the Corridor pipeline system in the oil sands transportation business segment. Inter Pipeline is in the process of assessing the impact of a material right within the Corridor FSA which may result in revenue being deferred or accelerated from the associated contractual cash flows. However, the total revenue recognised over the term of the Corridor FSA will not be significantly impacted. As further analysis is completed, Inter Pipeline will continue to make changes to processes and systems, collect new data requirements, and quantify the impact, if any, on prior period revenues.

Inter Pipeline has completed its assessment of all other businesses and does not expect the adoption of IFRS 15 to materially affect the timing or amount of revenue recognised by these businesses.

IFRS 9 *Financial Instruments* (IFRS 9)

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and will be applied to annual periods beginning on January 1, 2018. IFRS 9 addresses the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. Inter Pipeline has completed its assessment of IFRS 9 and does not expect the adoption of this standard to affect the consolidated financial statements.

IFRS 16 *Leases* (IFRS 16)

IFRS 16 replaces IAS 17 *Leases* and shall be applied to annual periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 establishes a single, on-balance sheet accounting model for lessees which will result in the recognition of a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Inter Pipeline is currently assessing the impact of IFRS 16; however, the extent of the impact has not yet been determined.

RISK FACTORS

During the third quarter of 2017, there were no significant changes to Inter Pipeline's operating activities that would affect the disclosure of risk factors as discussed in its 2016 annual MD&A.

NON-GAAP FINANCIAL MEASURES

Certain non-GAAP financial measures referred to in this MD&A, namely "adjusted working capital deficiency", "EBITDA", "adjusted EBITDA", "Consolidated Net Debt to Total Capitalization", "enterprise value", "funds from operations per share", "growth capital expenditures", "sustaining capital expenditures", "interest coverage", and "payout ratio" are not measures recognised by GAAP. These non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.

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, commercial paper and current portion of long-term debt. This financial measure is used by Inter Pipeline in the Contractual Obligations, Commitments and Guarantees table in the **LIQUIDITY AND CAPITAL RESOURCES** section of this MD&A to capture other working capital items not specifically included in the table.

(millions)	September 30 **2017**	December 31 2016
Current assets		
Cash and cash equivalents	**$ 27.5**	$ 21.4
Accounts receivable	**200.4**	226.1
Prepaid expenses and other deposits	**18.9**	20.1
Inventory	**9.2**	13.3
Current liabilities		
Dividends payable	**(50.9)**	(49.7)
Accounts payable, accrued liabilities and provisions	**(245.5)**	(277.3)
Current income taxes payable	**(2.1)**	(18.7)
Deferred revenue	**(27.6)**	(10.1)
Adjusted working capital deficiency	**$ (70.1)**	$ (74.9)

EBITDA and adjusted EBITDA are reconciled from the components of net income as noted below. EBITDA is expressed as net income before total interest less capitalized interest, income taxes, depreciation and amortization; adjusted EBITDA also includes additional adjustments for loss (gain) on disposal of assets, non-cash expense (recovery), non-cash financing charges and unrealized change in fair value of derivative financial instruments. These additional adjustments are made to exclude various non-cash items, or items of an unusual nature that are not reflective of ongoing operations. These adjustments are also made to better reflect the historical measurement of EBITDA used in the investment community as an approximate measure of an entity's operating cash flow based on data from its income statement.

	Three Months Ended September 30		Nine Months Ended September 30	
(millions)	**2017**	2016	**2017**	2016
Net income	**$ 142.5**	$ 121.3	**$ 384.8**	$ 348.8
Financing charges	**43.1**	35.9	**126.8**	106.2
Current income tax (recovery) expense	**(6.3)**	16.0	**(5.2)**	56.7
Deferred income tax expense	**55.5**	18.9	**138.0**	47.3
Depreciation and amortization	**63.9**	54.8	**189.6**	164.9
EBITDA	**$ 298.7**	$ 246.9	**$ 834.0**	$ 723.9
Loss on disposal of assets	**0.5**	0.1	**5.1**	2.2
Non-cash financing charges	**(2.1)**	(1.6)	**(6.4)**	(4.6)
Non-cash expense (recovery)	**2.2**	1.7	**(1.0)**	16.3
Proceeds from long-term deferred revenue	**4.3**	-	**6.3**	-
Proceeds from long-term lease inducements	**-**	14.6	**-**	14.6
Adjusted EBITDA	**$ 303.6**	$ 261.7	**$ 838.0**	$ 752.4
Less adjusted EBITDA attributable to non-controlling interest[1]	**-**	(8.8)	**-**	(28.6)
Adjusted EBITDA attributable to shareholders	**$ 303.6**	$ 252.9	**$ 838.0**	$ 723.8

(1) Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

(millions)	Three Months Ended September 30 2017	2016	Nine Months Ended September 30 2017	2016
Funds from Operations	**$ 268.9**	$ 211.4	**$ 722.8**	$ 594.1
Total interest less capitalized interest	**41.0**	34.3	**120.4**	101.6
Current income tax (recovery) expense	**(6.3)**	16.0	**(5.2)**	56.7
Adjusted EBITDA	**$ 303.6**	$ 261.7	**$ 838.0**	$ 752.4
Less adjusted EBITDA attributable to non-controlling interest[1]	**-**	(8.8)	**-**	(28.6)
Adjusted EBITDA attributable to shareholders	**$ 303.6**	$ 252.9	**$ 838.0**	$ 723.8

(1) Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

Adjusted EBITDA by contract type is a percentage of adjusted EBITDA, reconciled in the table above, based on (i) cost-of-service contracts which generally provide for a return on invested capital and recovery of substantially all operating costs. This includes both cost-of-service contracts (agreements that are not impacted by throughput volume or commodity price fluctuations) and modified cost-of-service contracts (agreements that may have throughput volume exposure in certain circumstances) collectively referred to as cost-of-service contracts, (ii) fee-based contracts are generally subject to throughput volume and operating cost exposure, but not commodity price fluctuations, and (iii) commodity-based contracts are generally subject to throughput volume, operating cost and commodity price fluctuations. This measure, in combination with other measures, is used by the investment community to assess the overall stability and predictability of the business.

	Nine Months Ended September 30 2017	2016
Adjusted EBITDA by contract type		
Cost-of-service	**54%**	61%
Fee-based	**26%**	30%
Commodity-based	**20%**	9%

	Cost-of-service	Fee-based	Commodity-based
Contract type by business segment			
Oil sands transportation	√	-	-
NGL processing	√	√	√
Conventional oil pipelines	-	√	√
Bulk liquid storage	-	√	-

Consolidated Net Debt to Total Capitalization is disclosed and discussed in the Financial Covenant table of the **LIQUIDITY AND CAPITAL RESOURCES** section of this report. This measure in combination with other measures, are used by the investment community to assess the financial strength of the business.

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:

(millions, except per share amounts)	September 30 **2017**	December 31 2016
Closing share price	**$ 25.85**	$ 29.64
Total closing number of common shares outstanding	**376.7**	367.9
	9,738.8	10,903.9
Total debt	**5,590.0**	5,828.6
Enterprise value	**$ 15,328.8**	$ 16,732.5

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

Growth capital expenditures are generally defined as expenditures which are recoverable or 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			
			2017	2016
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 10.1**	**$ 0.6**	**$ 10.7**	$ 4.7
NGL processing	**45.9**	**5.4**	**51.3**	2.3
Conventional oil pipelines	**9.2**	**1.1**	**10.3**	15.5
Bulk liquid storage	**7.4**	**4.3**	**11.7**	23.8
Corporate[2]	**-**	**7.3**	**7.3**	2.6
Capital expenditures	**$ 72.6**	**$ 18.7**	**$ 91.3**	$ 48.9
Capital expenditures funded by Inter Pipeline[1]	**$ 72.6**	**$ 18.7**	**$ 91.3**	$ 48.3

	Nine Months Ended September 30			
			2017	2016
(millions)	Growth	Sustaining	Total	Total
Oil sands transportation	**$ 28.0**	**$ 0.9**	**$ 28.9**	$ 12.4
NGL processing	**137.3**	**17.0**	**154.3**	10.3
Conventional oil pipelines	**17.9**	**2.7**	**20.6**	50.7
Bulk liquid storage	**36.6**	**10.4**	**47.0**	45.9
Corporate[2]	**-**	**15.3**	**15.3**	17.5
Capital expenditures	**$ 219.8**	**$ 46.3**	**$ 266.1**	$ 136.8
Capital expenditures funded by Inter Pipeline[1]	**$ 219.8**	**$ 46.3**	**$ 266.1**	$ 135.8

(1) Capital expenditures funded by Inter Pipeline exclude the 15% non-controlling interest in the Cold Lake pipeline system. Effective November 1, 2016, Inter Pipeline acquired the remaining 15% ownership interest in the Cold Lake pipeline system.

(2) Corporate sustaining capital, in 2017, primarily relates to upgrades to Inter Pipeline's financial systems.

Interest coverage is calculated as net 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.

ADDITIONAL INFORMATION

Additional information relating to Inter Pipeline, including Inter Pipeline's **Annual Information Form** is available on SEDAR at www.sedar.com

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 9th day of November, 2017

Interim Consolidated Balance Sheets

(unaudited)(millions of Canadian dollars)		September 30 2017		As at December 31 2016
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**27.5**	$	21.4
Accounts receivable		**200.4**		226.1
Prepaid expenses and other deposits		**18.9**		20.1
Inventory		**9.2**		13.3
Total Current Assets		**256.0**		280.9
Non-Current Assets				
Property, plant and equipment (note 3)		**9,309.1**		9,186.0
Goodwill and intangible assets		**664.1**		684.7
Total Assets	**$**	**10,229.2**	$	10,151.6
LIABILITIES AND EQUITY				
Current Liabilities				
Dividends payable (note 5)	**$**	**50.9**	$	49.7
Accounts payable, accrued liabilities and provisions (note 7)		**245.5**		277.3
Current income taxes payable		**2.1**		18.7
Deferred revenue		**27.6**		10.1
Current portion of long-term debt (note 6)		**199.8**		399.7
Commercial paper (note 6)		**1,302.7**		1,338.8
Total Current Liabilities		**1,828.6**		2,094.3
Non-Current Liabilities				
Long-term debt (note 6)		**4,065.8**		4,067.8
Provisions		**173.1**		162.6
Employee benefits (note 7)		**30.4**		32.4
Long-term deferred revenue and other liabilities		**54.8**		51.1
Deferred income taxes		**695.5**		555.5
Total Liabilities		**6,848.2**		6,963.7
Commitments (notes 3 and 9)				
Equity				
Shareholders' equity (note 8)		**3,351.4**		3,184.5
Total reserves		**29.6**		3.4
Total Equity		**3,381.0**		3,187.9
Total Liabilities and Equity	**$**	**10,229.2**	$	10,151.6

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)(millions of Canadian dollars)

	Attributable to Shareholders of Inter Pipeline Ltd.						
	Share Capital (note 8)	Earnings / (Deficit)	Contributed Surplus	Reserves	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2017	$ 3,712.3	$ (530.3)	$ 2.5	$ 3.4	$ 3,187.9	$ -	**$ 3,187.9**
Net income for the period	-	384.8	-	-	384.8	-	**384.8**
Other comprehensive income	-	-	-	26.2	26.2	-	**26.2**
Dividends declared (note 5)	-	(452.7)	-	-	(452.7)	-	**(452.7)**
Issuance of common shares (note 8)							
Issued under Premium Dividend™							
and Dividend Reinvestment Plan	229.8	-	-	-	229.8	-	**229.8**
Income tax recovery on long-term payable	-	5.0	-	-	5.0	-	**5.0**
Balance, September 30, 2017	$ 3,942.1	$ (593.2)	$ 2.5	$ 29.6	$ 3,381.0	$ -	**$ 3,381.0**
Balance, January 1, 2016	$ 2,889.4	$ (184.7)	$ 2.5	$ 113.9	$ 2,821.1	$ 335.5	$ 3,156.6
Net income for the period	-	323.9	-	-	323.9	24.9	348.8
Other comprehensive loss	-	-	-	(73.9)	(73.9)	-	(73.9)
Dividends declared (note 5)	-	(394.1)	-	-	(394.1)	-	(394.1)
Issuance of common shares (note 8)							
Issued under Premium Dividend™							
and Dividend Reinvestment Plan	16.3	-	-	-	16.3	-	16.3
Issued for cash (net of issue costs)	576.6	-	-	-	576.6	-	576.6
Cash distributions paid by Cold Lake							
to non-controlling interest	-	-	-	-	-	(27.3)	(27.3)
Capital contributions received from							
Cold Lake non-controlling interest	-	-	-	-	-	0.5	0.5
Balance, September 30, 2016	$ 3,482.3	$ (254.9)	$ 2.5	$ 40.0	$ 3,269.9	$ 333.6	$ 3,603.5

See accompanying condensed notes to the interim consolidated financial statements.

™ Denotes trademark of Canaccord Genuity Corp.

Interim Consolidated Statements of Net Income

(unaudited)(millions of Canadian dollars)	Three Months Ended September 30 2017	Three Months Ended September 30 2016	Nine Months Ended September 30 2017	Nine Months Ended September 30 2016
REVENUES				
Operating revenues	**$ 547.6**	$ 434.5	**$ 1,642.3**	$ 1,263.9
EXPENSES				
Shrinkage gas	**55.3**	43.5	**205.4**	105.6
Midstream product purchases	**47.5**	23.4	**150.0**	59.0
Operating	**115.8**	92.2	**352.7**	275.1
Depreciation and amortization	**63.9**	54.8	**189.6**	164.9
Financing charges (note 13)	**43.1**	35.9	**126.8**	106.2
General and administrative	**29.8**	28.4	**95.1**	98.1
Loss on disposal of assets	**0.5**	0.1	**5.1**	2.2
Total Expenses	**355.9**	278.3	**1,124.7**	811.1
INCOME BEFORE INCOME TAXES	**191.7**	156.2	**517.6**	452.8
Income tax (recovery) expense				
Current	**(6.3)**	16.0	**(5.2)**	56.7
Deferred	**55.5**	18.9	**138.0**	47.3
Total Income Tax Expense	**49.2**	34.9	**132.8**	104.0
NET INCOME	**$ 142.5**	$ 121.3	**$ 384.8**	$ 348.8
Net income attributable to				
Shareholders of Inter Pipeline Ltd.	**$ 142.5**	$ 113.7	**$ 384.8**	$ 323.9
Non-controlling interest	**-**	7.6	**-**	24.9
Net Income	**$ 142.5**	$ 121.3	**$ 384.8**	$ 348.8
Net income per share attributable to shareholders of Inter Pipeline Ltd. (note 8)				
Basic and diluted	**$ 0.38**	$ 0.34	**$ 1.03**	$ 0.96

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited)(millions of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	**2017**	2016
NET INCOME	**$ 142.5**	$ 121.3	**$ 384.8**	$ 348.8
OTHER COMPREHENSIVE (LOSS) INCOME				
Item that may be reclassified subsequently to net income				
Unrealized (loss) gain on translating financial statements of foreign operations	**(5.7)**	14.0	**26.2**	(73.9)
Other Comprehensive (Loss) Income	**(5.7)**	14.0	**26.2**	(73.9)
COMPREHENSIVE INCOME	**$ 136.8**	$ 135.3	**$ 411.0**	$ 274.9
Comprehensive income attributable to				
Shareholders of Inter Pipeline Ltd.	**$ 136.8**	$ 127.7	**$ 411.0**	$ 250.0
Non-controlling interest	**-**	7.6	**-**	24.9
Comprehensive Income	**$ 136.8**	$ 135.3	**$ 411.0**	$ 274.9

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

	Three Months Ended September 30		Nine Months Ended September 30	
(unaudited)(millions of Canadian dollars)	**2017**	2016	**2017**	2016
OPERATING ACTIVITIES				
Net income	**$ 142.5**	$ 121.3	**$ 384.8**	$ 348.8
Items not involving cash:				
Depreciation and amortization	**63.9**	54.8	**189.6**	164.9
Loss on disposal of assets	**0.5**	0.1	**5.1**	2.2
Non-cash expense (recovery)	**2.2**	1.7	**(1.0)**	16.3
Deferred income tax expense	**55.5**	18.9	**138.0**	47.3
Proceeds from long-term deferred revenue	**4.3**	-	**6.3**	-
Proceeds from long-term lease inducements	**-**	14.6	**-**	14.6
Funds from operations	**268.9**	211.4	**722.8**	594.1
Net change in non-cash operating working capital	**(18.7)**	6.7	**3.0**	12.3
Cash provided by operating activities	**250.2**	218.1	**725.8**	606.4
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	**(91.4)**	(38.7)	**(258.4)**	(116.9)
Proceeds on disposal of assets	**-**	0.1	**0.1**	0.1
Acquisition of offgas processing	**-**	(1,383.6)	**-**	(1,383.6)
Assumption of cash on acquisition of offgas processing	**-**	46.8	**-**	46.8
Net change in non-cash investing working capital	**(5.5)**	(9.0)	**0.3**	(31.2)
Cash used in investing activities	**(96.9)**	(1,384.4)	**(258.0)**	(1,484.8)
FINANCING ACTIVITIES				
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 5)	**(76.3)**	(127.2)	**(222.9)**	(377.8)
Cash distributions paid by Cold Lake to non-controlling interest	**-**	(7.9)	**-**	(27.3)
Cash contributions received from Cold Lake non-controlling interest	**-**	0.3	**-**	0.5
(Decrease) increase in debt	**(74.0)**	763.7	**(238.7)**	746.7
Transaction costs on debt	**-**	(2.3)	**(2.5)**	(2.3)
Issuance of common shares	**-**	600.0	**-**	600.0
Share issue costs	**-**	(30.0)	**-**	(30.0)
Net change in non-cash financing working capital	**0.3**	-	**2.0**	0.1
Cash (used in) provided by financing activities	**(150.0)**	1,196.6	**(462.1)**	909.9
Effect of foreign currency translation on foreign currency denominated cash	**(0.1)**	(0.1)	**0.4**	(1.4)
Increase in cash and cash equivalents	**3.2**	30.2	**6.1**	30.1
Cash and cash equivalents, beginning of period	**24.3**	40.2	**21.4**	40.3
Cash and cash equivalents, end of period	**$ 27.5**	$ 70.4	**$ 27.5**	$ 70.4
Cash taxes (recovered) paid	**$ (14.7)**	$ 3.2	**$ 6.2**	$ 61.6
Cash interest paid	**$ 43.0**	$ 39.5	**$ 123.2**	$ 107.1

See accompanying condensed notes to the interim consolidated financial statements.

Condensed Notes to Interim Consolidated Financial Statements

September 30, 2017

(unaudited)(millions of Canadian dollars, except as otherwise indicated)

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Ltd.'s (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2016.

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, 2016.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Inter Pipeline on November 9, 2017.

2. FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations and will be applied to annual periods beginning on January 1, 2018. IFRS 15 establishes a control based revenue recognition model under which revenue is recognized when control of the underlying goods or services for the particular performance obligation is transferred to the customer. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when, or as, the entity satisfies a performance obligation.

IFRS 15 is required to be applied retrospectively to all revenue contracts using either: (i) a full retrospective approach with restatement of all prior periods presented; or (ii) a modified retrospective approach where the cumulative effect of initially applying the new standard is recognised as an adjustment to opening retained earnings in the period of adoption. Inter Pipeline will adopt the standard using the full retrospective method.

The new standard is expected to most significantly impact the Corridor pipeline system in the oil sands transportation business segment. Inter Pipeline is in the process of assessing the impact of a material right within the Corridor Firm Service Agreement (Corridor FSA) which may result in revenue being deferred or accelerated from the associated cash flows. However, the total revenue recognized over the term of the Corridor FSA will not be significantly impacted. As further analysis is completed, Inter Pipeline will continue to make changes to processes and systems, collect new data requirements, and quantify the impact, if any, on prior period revenues.

Inter Pipeline has completed its assessment of all other businesses and does not expect the adoption of IFRS 15 to materially affect the timing or amount of revenue recognized in these businesses.

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and will be applied to annual periods beginning on January 1, 2018. IFRS 9 addresses the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. Inter Pipeline has completed its assessment of IFRS 9 and does not expect the adoption of this standard to affect the consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line Fill	Construction Work in Progress	Total
COST				
Balance, January 1, 2016	$ 9,051.3	$ 308.6	$ 167.9	$ 9,527.8
Acquisition of offgas processing	875.1	2.9	206.2	1,084.2
Additions/transfers from construction[(1)]	277.1	3.3	216.6	497.0
Disposals/completed construction[(1)]	(13.5)	(0.6)	(269.3)	(283.4)
Foreign currency translation adjustments	(139.8)	-	(2.5)	(142.3)
Balance, December 31, 2016	10,050.2	314.2	318.9	10,683.3
Additions/transfers from construction[(1)]	78.7	1.2	260.2	340.1
Disposals/completed construction[(1)]	(5.1)	-	(76.0)	(81.1)
Foreign currency translation adjustments	30.3	-	(0.4)	29.9
Balance, September 30, 2017	**$ 10,154.1**	**$ 315.4**	**$ 502.7**	**$ 10,972.2**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2016	$ 1,323.2	$ 20.7	$ -	$ 1,343.9
Depreciation	196.0	2.9	-	198.9
Disposals	(5.5)	-	-	(5.5)
Foreign currency translation adjustments	(40.0)	-	-	(40.0)
Balance, December 31, 2016	1,473.7	23.6	-	1,497.3
Depreciation	161.3	2.2	-	163.5
Disposals	(3.3)	-	-	(3.3)
Foreign currency translation adjustments	5.6	-	-	5.6
Balance, September 30, 2017	**$ 1,637.3**	**$ 25.8**	**$ -**	**$ 1,663.1**
NET BOOK VALUE				
At December 31, 2016	$ 8,576.5	$ 290.6	$ 318.9	$ 9,186.0
At September 30, 2017	**$ 8,516.8**	**$ 289.6**	**$ 502.7**	**$ 9,309.1**

(1) 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, 2017, Inter Pipeline expects to spend $632.6 million on property, plant and equipment, of which $204.9 million is due within one year and $427.7 million is due in one to five years.

4. SEGMENT REPORTING

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

Three Months Ended September 30, 2017	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES[1]	$ 203.5	$ 171.5	$ 117.8	$ -	$ 492.8	$ 54.8	$ 547.6
EXPENSES							
Shrinkage gas	-	55.3	-	-	55.3	-	55.3
Midstream product purchases	-	-	47.5	-	47.5	-	47.5
Operating	39.6	38.2	16.3	-	94.1	21.7	115.8
Depreciation and amortization	22.1	21.2	4.7	2.6	50.6	13.3	63.9
Financing charges	7.6	0.4	0.1	34.2	42.3	0.8	43.1
General and administrative	5.3	-	-	17.7	23.0	6.8	29.8
Loss on disposal of assets	-	-	0.3	-	0.3	0.2	0.5
TOTAL EXPENSES	74.6	115.1	68.9	54.5	313.1	42.8	355.9
INCOME (LOSS) BEFORE INCOME TAXES	128.9	56.4	48.9	(54.5)	179.7	12.0	191.7
Income tax expense	20.6	2.2	-	25.5	48.3	0.9	49.2
NET INCOME (LOSS)	$ 108.3	$ 54.2	$ 48.9	$ (80.0)	$ 131.4	$ 11.1	$ 142.5
Items not involving cash:							
Depreciation and amortization[2]	22.1	21.2	5.0	2.6	50.9	13.5	64.4
Non-cash expense	0.1	0.5	0.6	0.9	2.1	0.1	2.2
Deferred income tax expense	25.8	2.2	-	27.0	55.0	0.5	55.5
Proceeds from long-term deferred revenue	4.3	-	-	-	4.3	-	4.3
FUNDS FROM (USED IN) OPERATIONS	$ 160.6	$ 78.1	$ 54.5	$ (49.5)	$ 243.7	$ 25.2	$ 268.9
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 10.7	$ 51.3	$ 10.3	$ 7.3	$ 79.6	$ 11.7	$ 91.3
							As at September 30, 2017
Property, plant and equipment - net book value	$ 6,062.0	$ 1,606.3	$ 681.1	$ 70.3	$ 8,419.7	$ 889.4	$ 9,309.1
Goodwill and intangible assets - net book value	$ 212.9	$ 266.8	$ -	$ -	$ 479.7	$ 184.4	$ 664.1
Other assets	$ 73.8	$ 85.6	$ 49.3	$ 0.2	$ 208.9	$ 47.1	$ 256.0
TOTAL ASSETS	$ 6,348.7	$ 1,958.7	$ 730.4	$ 70.5	$ 9,108.3	$ 1,120.9	$ 10,229.2

(1) NGL Processing revenues includes $38.1 million of sales to external customers located in the United States.

(2) Includes loss on disposal of assets.

Three Months Ended September 30, 2016	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES	$ 192.9	$ 93.7	$ 86.9	$ -	$ 373.5	$ 61.0	$ 434.5
EXPENSES							
Shrinkage gas	-	43.5	-	-	43.5	-	43.5
Midstream product purchases	-	-	23.4	-	23.4	-	23.4
Operating	32.7	21.6	14.8	-	69.1	23.1	92.2
Depreciation and amortization	22.2	12.7	4.6	2.5	42.0	12.8	54.8
Financing charges	6.9	0.1	0.2	28.3	35.5	0.4	35.9
General and administrative	4.7	-	-	16.2	20.9	7.5	28.4
(Gain) loss on disposal of assets	-	-	(0.1)	-	(0.1)	0.2	0.1
TOTAL EXPENSES	66.5	77.9	42.9	47.0	234.3	44.0	278.3
INCOME (LOSS) BEFORE INCOME TAXES	126.4	15.8	44.0	(47.0)	139.2	17.0	156.2
Income tax expense (recovery)	18.3	-	-	17.4	35.7	(0.8)	34.9
NET INCOME (LOSS)	$ 108.1	$ 15.8	$ 44.0	$ (64.4)	$ 103.5	$ 17.8	$ 121.3
Items not involving cash:							
Depreciation and amortization [1]	22.2	12.7	4.5	2.5	41.9	13.0	54.9
Non-cash expense	0.1	0.2	0.6	0.8	1.7	-	1.7
Deferred income tax expense (recovery)	11.9	-	-	7.6	19.5	(0.6)	18.9
Proceeds from long-term lease inducements	-	-	-	14.6	14.6	-	14.6
FUNDS FROM (USED IN) OPERATIONS	$ 142.3	$ 28.7	$ 49.1	$ (38.9)	$ 181.2	$ 30.2	$ 211.4
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 4.7	$ 2.3	$ 15.5	$ 2.6	$ 25.1	$ 23.8	$ 48.9
							As at December 31, 2016
Property, plant and equipment - net book value	$ 6,096.7	$ 1,490.9	$ 677.8	$ 62.9	$ 8,328.3	$ 857.7	$ 9,186.0
Goodwill and intangible assets - net book value	$ 215.7	$ 289.9	$ -	$ -	$ 505.6	$ 179.1	$ 684.7
Other assets	$ 72.1	$ 110.4	$ 52.1	$ 0.7	$ 235.3	$ 45.6	$ 280.9
TOTAL ASSETS	$ 6,384.5	$ 1,891.2	$ 729.9	$ 63.6	$ 9,069.2	$ 1,082.4	$ 10,151.6

(1) Includes (gain) loss on disposal of assets.

Nine Months Ended September 30, 2017							
	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES[1]	$ 593.6	$ 523.8	$ 358.1	$ -	$ 1,475.5	$ 166.8	$ 1,642.3
EXPENSES							
Shrinkage gas	-	205.4	-	-	205.4	-	205.4
Midstream product purchases	-	-	150.0	-	150.0	-	150.0
Operating	108.2	130.0	47.0	-	285.2	67.5	352.7
Depreciation and amortization	66.1	63.4	14.1	7.9	151.5	38.1	189.6
Financing charges	21.2	1.3	0.5	102.2	125.2	1.6	126.8
General and administrative	17.1	-	-	57.5	74.6	20.5	95.1
Loss (gain) on disposal of assets	0.2	-	3.2	(0.1)	3.3	1.8	5.1
TOTAL EXPENSES	212.8	400.1	214.8	167.5	995.2	129.5	1,124.7
INCOME (LOSS) BEFORE INCOME TAXES	380.8	123.7	143.3	(167.5)	480.3	37.3	517.6
Income tax expense	53.5	8.5	-	67.8	129.8	3.0	132.8
NET INCOME (LOSS)	$ 327.3	$ 115.2	$ 143.3	$ (235.3)	$ 350.5	$ 34.3	$ 384.8
Items not involving cash:							
Depreciation and amortization[2]	66.3	63.4	17.3	7.8	154.8	39.9	194.7
Non-cash expense (recovery)	-	1.3	-	(2.8)	(1.5)	0.5	(1.0)
Deferred income tax expense	58.4	8.5	-	69.1	136.0	2.0	138.0
Proceeds from long-term deferred revenue	6.3	-	-	-	6.3	-	6.3
FUNDS FROM (USED IN) OPERATIONS	$ 458.3	$ 188.4	$ 160.6	$ (161.2)	$ 646.1	$ 76.7	$ 722.8
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 28.9	$ 154.3	$ 20.6	$ 15.3	$ 219.1	$ 47.0	$ 266.1

(1) NGL Processing revenues includes $102.3 million of sales to external customers located in the United States.

(2) Includes loss (gain) on disposal of assets.

Nine Months Ended September 30, 2016	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES	$ 577.8	$ 244.0	$ 254.0	$ -	$ 1,075.8	$ 188.1	$ 1,263.9
EXPENSES							
Shrinkage gas	-	105.6	-	-	105.6	-	105.6
Midstream product purchases	-	-	59.0	-	59.0	-	59.0
Operating	97.7	55.6	48.6	-	201.9	73.2	275.1
Depreciation and amortization	66.9	36.1	12.9	8.5	124.4	40.5	164.9
Financing charges	20.2	0.2	0.6	84.0	105.0	1.2	106.2
General and administrative	16.6	-	-	59.3	75.9	22.2	98.1
(Gain) loss on disposal of assets	(0.1)	1.1	(0.1)	-	0.9	1.3	2.2
TOTAL EXPENSES	201.3	198.6	121.0	151.8	672.7	138.4	811.1
INCOME (LOSS) BEFORE INCOME TAXES	376.5	45.4	133.0	(151.8)	403.1	49.7	452.8
Income tax expense	55.8	-	-	47.0	102.8	1.2	104.0
NET INCOME (LOSS)	$ 320.7	$ 45.4	$ 133.0	$ (198.8)	$ 300.3	$ 48.5	$ 348.8
Items not involving cash:							
Depreciation and amortization(1)	66.8	37.2	12.8	8.5	125.3	41.8	167.1
Non-cash expense	0.2	0.2	0.4	15.4	16.2	0.1	16.3
Deferred income tax expense	35.4	-	-	11.2	46.6	0.7	47.3
Proceeds from long-term lease inducements	-	-	-	14.6	14.6	-	14.6
FUNDS FROM (USED IN) OPERATIONS	$ 423.1	$ 82.8	$ 146.2	$ (149.1)	$ 503.0	$ 91.1	$ 594.1
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 12.4	$ 10.3	$ 50.7	$ 17.5	$ 90.9	$ 45.9	$ 136.8

(1) Includes (gain) loss on disposal of assets.

5. DIVIDENDS TO SHAREHOLDERS

(millions, except per share amounts)	Three Months Ended September 30 **2017**	2016	Nine Months Ended September 30 **2017**	2016
Dividends declared to shareholders of Inter Pipeline	**$ 152.1**	$ 131.4	**$ 452.7**	$ 394.1
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	**(75.8)**	(4.2)	**(229.8)**	(16.3)
Cash dividends paid to shareholders of Inter Pipeline	**$ 76.3**	$ 127.2	**$ 222.9**	$ 377.8
Dividends declared per share	**$ 0.405**	$ 0.390	**$ 1.215**	$ 1.170

As at September 30, 2017, dividends of $50.9 million were payable on 376.7 million outstanding common shares at $0.135 per share (December 31, 2016 - $49.7 million payable on 367.9 million outstanding common shares at $0.135 per share).

On October 2, 2017, Inter Pipeline declared dividends of $0.135 per share. The dividends will be paid on or about November 15, 2017, to shareholders of record on October 23, 2017. The total declared dividends are approximately $51.0 million.

6. FINANCIAL DEBT

	September 30 2017	December 31 2016
Corridor syndicated credit facility	**$ 1,305.0**	$ 1,340.6
Inter Pipeline syndicated credit facility	**610.0**	913.0
Corridor debentures	**150.0**	150.0
Medium-term notes	**3,525.0**	3,425.0
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts)	**5,590.0**	5,828.6
Less: short-term debt, current portion of long-term debt and commercial paper[(1)]	**(1,505.0)**	(1,740.6)
Long-term debt (excluding transaction costs and discounts)	**4,085.0**	4,088.0
Transaction costs, net of accumulated amortization	**(20.2)**	(20.8)
Discount, net of accumulated amortization	**(1.5)**	(1.5)
Add: Current portion of transaction costs and discounts	**2.5**	2.1
Long-term debt	**4,065.8**	4,067.8
Short-term debt and current portion of long-term debt including transaction costs and discounts	**199.8**	399.7
Commercial paper including transaction costs and discounts[(1)]	**1,302.7**	1,338.8
Financial debt	**$ 5,568.3**	$ 5,806.3

(1) Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Corridor syndicated credit facility that has no repayment requirements until December 2020.

On April 18, 2017, Inter Pipeline issued $500 million of medium-term notes in the Canadian public debt market. The $500 million Series 10 medium-term notes, due April 18, 2024, bear interest at the rate of 2.734% per annum, payable semi-annually in arrears. The net proceeds from this issuance were used to repay indebtedness under Inter Pipeline's syndicated credit facility and for other general corporate purposes.

On May 30, 2017, the $400 million floating rate Series 6 medium-term notes matured and were repaid with funds available under Inter Pipeline's syndicated credit facility.

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On August 30, 2017, Inter Pipeline replaced its $40 million demand facility with a new $75 million demand facility to allow for greater cash management flexibility. Similar to the previous $40 million facility, fees on amounts borrowed under the $75 million demand facility are based on the prime rate plus 20 basis points, while unborrowed amounts are not charged standby fees.

7. EMPLOYEE BENEFITS

	September 30 2017	December 31 2016
Long-term incentive plan liability	**$ 10.1**	$ 12.5
Pension liability	**20.3**	19.9
Employee benefits	**$ 30.4**	$ 32.4

For the three and nine months ended September 30, 2017, employee benefits expense recognized in net income was $36.9 million and $114.1 million, respectively (three and nine months ended September 30, 2016 - $35.1 million and $103.2 million, respectively).

Long-Term Incentive Plan Liability

Restricted Share Units

The following table summarizes the status of Inter Pipeline's Restricted Share Units (RSUs) as at September 30, 2017, and December 31, 2016:

(thousands)	Number of RSUs
Balance, January 1, 2016	985.8
Granted	683.9
Exercised	(565.7)
Forfeitures	(38.8)
Balance, December 31, 2016	1,065.2
Granted	608.5
Exercised	(82.5)
Forfeitures	(25.0)
Balance, September 30, 2017	**1,566.2**

At September 30, 2017, the current portion of the liability included in accounts payable, accrued liabilities and provisions was $24.2 million (December 31, 2016 - $16.4 million). At September 30, 2017, 396.4 thousand RSUs were exercisable. Inter Pipeline's five day simple average closing share price at September 30, 2017 was $25.46 (December 31, 2016 - $29.75).

The total intrinsic value of RSUs vested and not exercised as at September 30, 2017 was $11.5 million (December 31, 2016 - $14.9 million).

The weighted average remaining contractual life of the outstanding RSUs as at September 30, 2017 was 1.4 years (December 31, 2016 – 1.6 years).

For the three months ended September 30, 2017, RSU costs of $1.3 million were included in operating expenses and $2.8 million were included in general and administrative expenses (three months ended September 30, 2016 - $1.6 million and $3.6 million, respectively). For the nine months ended September 30, 2017, RSU costs of $3.2 million were included in operating expenses and $6.8 million were included in general and administrative expenses (nine months ended September 30, 2016 - $5.3 million and $12.2 million, respectively).

Performance Share Units

The following table summarizes the status of Inter Pipeline's Performance Share Units (PSUs) as at September 30, 2017, and December 31, 2016:

(thousands)	Number of PSUs
Balance, January 1, 2016	109.5
Granted	144.5
Balance, December 31, 2016	254.0
Granted	112.8
Balance, September 30, 2017	**366.8**

At September 30, 2017, the current portion of the liability included in accounts payable, accrued liabilities and provisions was $2.9 million (December 31, 2016 - $nil). At September 30, 2017, no PSUs were exercisable. Inter Pipeline's 20 trading day volume weighted average share price at September 30, 2017 was $23.69 (December 31, 2016 - $28.89).

The weighted average remaining contractual life of the outstanding PSUs as at September 30, 2017 was 1.3 years (December 31, 2016 – 1.6 years).

For the three and nine months ended September 30, 2017, PSU costs of $0.5 million and $2.2 million were included in general and administrative expenses, respectively (three and nine months ended September 30, 2016 - $0.1 million and $2.3 million, respectively).

8. SHAREHOLDERS' EQUITY

a) Issued, Fully Paid and Outstanding

(millions)	Number of Common Shares		Share Capital
Balance, January 1, 2016	336.4	$	2,889.4
Issued under Premium Dividend™ and Dividend Reinvestment Plan	2.7		68.8
Common shares issued for cash, net of issue costs	22.4		576.6
Issued on acquisition of Cold Lake non-controlling interest	6.4		177.5
Balance, December 31, 2016	367.9		3,712.3
Issued under Premium Dividend™ and Dividend Reinvestment Plan	8.8		229.8
Balance, September 30, 2017	**376.7**	**$**	**3,942.1**

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b) Calculation of Net Income per Common Share

(millions, except per share amounts)	Three Months Ended September 30				Nine Months Ended September 30			
		2017		2016		**2017**		2016
Net income attributable to shareholders – basic and diluted	**$**	**142.5**	$	113.7	**$**	**384.8**	$	323.9
Weighted average shares outstanding – basic		**375.1**		338.7		**372.2**		337.4
Effect of Premium Dividend™ and Dividend Reinvestment Plan		**0.8**		-		**0.7**		0.1
Weighted average shares outstanding – diluted		**375.9**		338.7		**372.9**		337.5
Net income per common share attributable to shareholders – basic and diluted	**$**	**0.38**	$	0.34	**$**	**1.03**	$	0.96

9. COMMITMENTS AND CONTINGENCIES

Inter Pipeline has purchase obligation commitments totaling approximately $272.8 million at September 30, 2017. Refer to note 3 for expected property, plant and equipment expenditures.

Inter Pipeline has lease agreements for office space, storage, property, plant and equipment and land for periods ranging from 2017 to 2094. At September 30, 2017, the future lease obligations are approximately $320.2 million.

10. CAPITAL DISCLOSURES

Capital under management includes financial debt and shareholders' equity.

At September 30, 2017, Inter Pipeline had access to committed credit facilities totaling $3,050.0 million, of which $1,135.0 million remained unutilized. Inter Pipeline also had access to demand facilities of $133.4 million, of which $129.8 million remained unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

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

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11. FINANCIAL INSTRUMENTS

a) Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at September 30, 2017, are classified as follows:

	Cash, Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non-Financial Asset or Liability[1]	Carrying Value of Asset or Liability
Assets[2]					
Cash and cash equivalents	$ 27.5	$ -	$ 27.5	$ -	$ 27.5
Accounts receivable	193.7	-	193.7	6.7	200.4
Prepaid expenses and other deposits	0.4	-	0.4	18.5	18.9
Liabilities					
Dividends payable	$ -	$ 50.9	$ 50.9	$ -	$ 50.9
Accounts payable, accrued liabilities and provisions	-	189.0	189.0	56.5	245.5
Deferred revenue and other liabilities	-	15.2	15.2	67.2	82.4
Long-term debt, short-term debt and commercial paper (note 6)[3]	-	5,590.0	5,590.0	-	5,590.0

(1) Not all components of assets and liabilities meet the definition of a financial asset or liability.

(2) Inter Pipeline does not have any assets that meet the definition of "fair value through profit or loss", "available-for-sale" or "held-to-maturity".

(3) Carrying values include commercial paper and exclude discounts and transaction costs with the respective accumulated amortization.

b) Fair Value of Fixed Rate Debt

At September 30, 2017, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value[1]	Fair Value
Corridor debentures	$ 150.0	$ 158.7
Medium-term notes	$ 3,525.0	$ 3,545.4

(1) Carrying value excludes transaction costs, discount and accumulated amortization.

12. RISK MANAGEMENT

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

a) Market Risk

Based on the variable rate debt obligations outstanding at September 30, 2017, a 1% change in interest rates at this date would have changed interest expense for the three and nine months ended September 30, 2017, by approximately $4.8 million and $14.3 million, respectively, assuming all other variables remain constant. Of this amount, $3.3 million and $9.8 million for the three and nine months ended September 30, 2017, relates to the Corridor syndicated credit facility (note 6) and is recoverable through the terms of the Corridor FSA; therefore, the after-tax income impact for the three and nine months ended September 30, 2017, would be $1.1 million and $3.3 million, respectively. When deemed appropriate, Inter Pipeline may enter into interest rate or cross-currency swap agreements to manage its interest rate price risk exposure. As at September 30, 2017, there were no interest rate or cross-currency swap agreements outstanding.

Inter Pipeline is exposed to frac-spread risk being the difference between the selling prices for NGL, parafinic and olefin products and the input cost of the natural gas required to produce the respective products, including shrinkage gas. Inter Pipeline may enter into natural gas liquids, AECO natural gas, and foreign exchange swap contracts to manage frac-spread risk exposure in the NGL processing business. Inter Pipeline may also enter into electricity price swap agreements and heat rate price swap agreements to manage power price risk in the conventional oil pipelines business and NGL processing business, respectively. As at September 30, 2017, there were no frac-spread hedges, electricity price swap agreements, or heat rate price swap agreements outstanding.

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. As at September 30, 2017, there were no foreign exchange hedges outstanding.

b) Credit Risk

Credit risk exposure relates primarily to the non-performance of Inter Pipeline's customers and financial counterparties. Inter Pipeline believes that the credit risk arising from cash and cash equivalents is minimal as these financial assets are predominantly held with major financial institutions. At September 30, 2017, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval process, ongoing monitoring procedures and historical experience.

Accounts receivable are deemed past due if they are aged greater than 60 days and are considered to be impaired if one or more events have occurred that would impact the estimated future cash flows of that asset. At September 30, 2017, accounts receivable outstanding meeting the definition of either past due or 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 processing business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At September 30, 2017, accounts receivable associated with these two business segments were $133.4 million or 66.6% 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.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at September 30, 2017, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	$ 50.9	$ 50.9	$ -	$ -
Accounts payable, accrued liabilities and provisions	245.5	245.5	-	-
Deferred revenue and other liabilities	82.4	27.6	27.5	27.3
Long-term debt, short-term debt and commercial paper(1)	5,590.0	1,505.0	1,985.0	2,100.0
Total	$ 5,968.8	$ 1,829.0	$ 2,012.5	$ 2,127.3

(1) Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Corridor syndicated credit facility that has no repayment requirements until December 2020.

13. FINANCING CHARGES

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	**2017**	2016
Interest expense on credit facilities	**$ 9.9**	$ 8.6	**$ 27.2**	$ 25.3
Interest on Corridor debentures	**1.9**	1.8	**5.5**	5.5
Interest on medium-term notes	**31.9**	24.0	**93.8**	71.2
Total Interest	**43.7**	34.4	**126.5**	102.0
Capitalized interest	**(2.6)**	(0.1)	**(6.1)**	(0.4)
Amortization of transaction costs on financial debt	**1.0**	0.9	**3.1**	2.5
Accretion of provisions and pension plan funding charges	**1.0**	0.7	**3.3**	2.1
Financing charges	**$ 43.1**	$ 35.9	**$ 126.8**	$ 106.2