Inter Pipeline Fund

Consolidated Balance Sheets

(unaudited) (thousands of dollars)	As at June 30 2010	As at December 31 2009
ASSETS		
Current Assets		
Cash and cash equivalents (note 15)	$ 29,116	$ 18,208
Accounts receivable	101,424	122,122
Fair value of derivative financial instruments (note 13a)	18,234	3,738
Prepaid expenses and other deposits	21,838	17,927
Total Current Assets	170,612	161,995
Fair value of derivative financial instruments (note 13a)	16,383	9,239
Intangible assets (note 3)	312,056	319,603
Property, plant and equipment (note 4)	3,770,307	3,765,930
Goodwill	210,919	215,947
Total Assets	$ 4,480,277	$ 4,472,714
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Cash distributions payable (note 5)	$ 19,270	$ 19,098
Accounts payable and accrued liabilities (note 11)	140,657	136,909
Fair value of derivative financial instruments (note 13a)	16,708	16,655
Deferred revenue	19,821	3,621
Current portion of long-term debt (note 6)	165,300	123,600
Total Current Liabilities	361,756	299,883
Long-term debt (note 6)	2,411,333	2,487,315
Long-term payable	9,448	9,212
Fair value of derivative financial instruments (note 13a)	4,449	4,081
Asset retirement obligation	5,110	5,036
Environmental liabilities	11,780	12,299
Pension liabilities	1,667	1,934
Long-term incentive plan (note 9)	3,629	5,127
Long-term deferred revenue	13,945	8,730
Future income taxes (note 7)	322,997	318,996
Total Liabilities	3,146,114	3,152,613
Commitments (note 4)		
Partners' Equity		
Partners' equity (note 8)	1,412,438	1,373,951
Accumulated other comprehensive loss	(78,275)	(53,850)
Total Partners' Equity	1,334,163	1,320,101
Total Liabilities and Partners' Equity	$ 4,480,277	$ 4,472,714

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Partners' Equity

(unaudited) (thousands of dollars)				Six Months Ended June 30 **2010**	2009
	Class A Limited Liability Partnership Units	Class B Unlimited Liability Partnership Units		Total	Total
Balance, beginning of period	$ 1,372,579	$ 1,372		**$ 1,373,951**	$ 1,161,547
Net income for the period	129,457	130		**129,587**	82,746
Cash distributions declared (note 5)	(115,272)	(116)		**(115,388)**	(95,546)
Issuance of Partnership units (note 8)					
Equity issuances, net of issue costs and future income taxes	-	-		**-**	165,770
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	24,156	24		**24,180**	17,702
Issued under Unit Incentive Option Plan	108	-		**108**	852
Balance, end of period	$ 1,411,028	$ 1,410		**$ 1,412,438**	$ 1,333,071

Consolidated Statements of Accumulated Other Comprehensive Loss

(unaudited) (thousands of dollars)	Six Months Ended June 30 **2010**	2009
Balance, beginning of period	**$ (53,850)**	$ (31,388)
Other comprehensive (loss) income	**(24,425)**	13,791
Balance, end of period	**$ (78,275)**	$ (17,597)

See accompanying notes to the interim consolidated financial statements.

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Inter Pipeline Fund

Consolidated Statements of Net Income

(unaudited) (thousands of dollars)	Three Months Ended June 30 2010	Three Months Ended June 30 2009	Six Months Ended June 30 2010	Six Months Ended June 30 2009
REVENUES				
Operating revenue	$ 241,437	$ 197,314	$ 512,970	$ 442,946
EXPENSES				
Shrinkage gas	72,785	51,871	172,219	134,959
Operating	65,639	56,999	127,253	130,519
Depreciation and amortization (note 10)	25,725	23,843	50,524	49,078
Financing charges (note 11)	9,616	8,977	18,880	19,861
General and administrative	9,463	10,379	20,316	20,262
Unrealized change in fair value of derivative financial instruments (note 13b)	(13,340)	19,555	(20,442)	41,023
Management fee to General Partner	1,884	1,738	3,906	3,352
Gain on disposal of assets	(20)	(19,867)	(37)	(19,857)
	171,752	153,495	372,619	379,197
INCOME BEFORE INCOME TAXES	69,685	43,819	140,351	63,749
Provision for (recovery of) income taxes (note 7)				
Current	467	235	1,166	736
Future	1,317	4,280	9,598	(19,733)
	1,784	4,515	10,764	(18,997)
NET INCOME	$ 67,901	$ 39,304	$ 129,587	$ 82,746
Net income per Partnership unit (note 8)				
Basic and diluted	$ 0.27	$ 0.18	$ 0.51	$ 0.37

Consolidated Statements of Comprehensive Income

(unaudited) (thousands of dollars)	Three Months Ended June 30 2010	Three Months Ended June 30 2009	Six Months Ended June 30 2010	Six Months Ended June 30 2009
NET INCOME	$ 67,901	$ 39,304	$ 129,587	$ 82,746
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	3,106	13,897	(24,829)	13,387
Foreign exchange movement associated with investments in self-sustaining subsidiaries	(242)	-	-	-
Transfer of losses on derivatives previously designated as cash flow hedges to net income (note 13b)	202	201	404	404
	3,066	14,098	(24,425)	13,791
COMPREHENSIVE INCOME	$ 70,967	$ 53,402	$ 105,162	$ 96,537

See accompanying notes to the interim consolidated financial statements.

Inter Pipeline Fund

Consolidated Statements of Cash Flows

(unaudited) (thousands of dollars)	Three Months Ended June 30 2010	Three Months Ended June 30 2009	Six Months Ended June 30 2010	Six Months Ended June 30 2009
OPERATING ACTIVITIES				
Net income	$ 67,901	$ 39,304	$ 129,587	$ 82,746
Items not involving cash:				
Depreciation and amortization	25,725	23,843	50,524	49,078
Gain on disposal of assets	(20)	(19,867)	(37)	(19,857)
Non-cash expense (recovery)	935	1,364	(1,309)	1,345
Unrealized change in fair value of derivative financial instruments	(13,340)	19,555	(20,442)	41,023
Future income tax expense (recovery)	1,317	4,280	9,598	(19,733)
Proceeds from long-term deferred revenue	5,796	-	5,796	-
Funds from operations	88,314	68,479	173,717	134,602
Net change in non-cash working capital (note 15)	(3)	(7,001)	40,778	(6,289)
Cash provided by operating activities	88,311	61,478	214,495	128,313
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	(39,456)	(49,258)	(72,734)	(108,826)
Proceeds on sale of assets	122	28,274	239	28,264
Net change in non-cash investing working capital (note 15)	(724)	(6,931)	(3,945)	(25,660)
Cash used in investing activities	(40,058)	(27,915)	(76,440)	(106,222)
FINANCING ACTIVITIES				
Cash distributions declared (note 5)	(51,074)	(34,801)	(91,208)	(77,844)
Increase (decrease) in long-term debt	8,282	(161,338)	(34,640)	(103,105)
Transaction costs on long-term debt	16	-	(840)	-
Issuance of Partnership units, net of issue costs	113	165,570	108	165,779
Net change in non-cash financing working capital (note 15)	47	1,595	172	1,638
Cash used in financing activities	(42,616)	(28,974)	(126,408)	(13,532)
Effect of foreign currency translation on foreign currency denominated cash	294	62	(739)	27
Increase in cash and cash equivalents	5,931	4,651	10,908	8,586
Cash and cash equivalents, beginning of period	23,185	17,501	18,208	13,566
Cash and cash equivalents, end of period	$ 29,116	$ 22,152	$ 29,116	$ 22,152

See accompanying notes to the interim consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles (GAAP) and have been prepared by management following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2009. The disclosures provided in these interim consolidated financial statements are incremental to those included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes in Inter Pipeline Fund's (Inter Pipeline) annual report for the year ended December 31, 2009.

Future Accounting Changes

International Financial Reporting Standards

All Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting periods for fiscal years beginning on or after January 1, 2011. Accordingly, the transition from GAAP to IFRS will be applicable to Inter Pipeline's reporting for the first quarter of 2011, for which the current and comparative 2010 information will be prepared under IFRS. Inter Pipeline expects the transition to IFRS to impact accounting, financial reporting, internal control over financial reporting, taxes, information systems and processes. Inter Pipeline is currently assessing the impact of the transition to IFRS in the above areas and has deployed additional trained resources and project management practices to ensure the timely conversion to IFRS.

Business Combinations

In January 2009, the CICA issued a new accounting standard, section 1582 "Business Combinations", which prospectively establishes principles and requirements of the acquisition method for business combinations and related disclosures that will be effective for Inter Pipeline's 2011 reporting. These recommendations are effective for business combinations occurring after January 1, 2011, although early adoption is permitted.

Consolidated Financial Statements

In January 2009, the CICA issued a new accounting standard, section 1601 "Consolidated Financial Statements", which establishes standards for the preparation of consolidated financial statements that will be effective for Inter Pipeline's 2011 reporting. The adoption of these recommendations is not expected to have a material impact on Inter Pipeline.

(tabular amounts in thousands of dollars, except per unit amounts)

2. SEGMENT REPORTING

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

Three Months Ended June 30, 2010

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 36,372	$ 143,437	$ 37,692	$ -	$ 217,501	$ 23,936	$ 241,437
Expenses							
Shrinkage gas	-	72,785	-	-	72,785	-	72,785
Operating	14,271	28,448	10,217	-	52,936	12,703	65,639
Depreciation and amortization	9,633	6,438	4,543	432	21,046	4,679	25,725
Financing charges	2,564	-	-	7,199	9,763	(147)	9,616
General and administrative	717	-	-	7,395	8,112	1,351	9,463
Unrealized change in fair value of derivative financial instruments	-	(12,945)	(282)	(113)	(13,340)	-	(13,340)
Management fee to General Partner	-	-	-	1,884	1,884	-	1,884
Gain on disposal of assets	-	(15)	(5)	-	(20)	-	(20)
Total expenses	27,185	94,711	14,473	16,797	153,166	18,586	171,752
Income (loss) before income taxes	9,187	48,726	23,219	(16,797)	64,335	5,350	69,685
Provision for (recovery of) income taxes	793	-	-	1,280	2,073	(289)	1,784
Net income (loss)	$ 8,394	$ 48,726	$ 23,219	$ (18,077)	$ 62,262	$ 5,639	$ 67,901
Expenditures on property, plant and equipment	$ 29,589	$ 874	$ 2,090	$ 2,275	$ 34,828	$ 5,007	$ 39,835
							As at June 30, 2010
Total assets	$ 2,909,667	$ 698,092	$ 474,554	$ 8,274	$ 4,090,587	$ 389,690	$ 4,480,277
Goodwill	$ 156,938	$ -	$ -	$ -	$ 156,938	$ 53,981	$ 210,919

(tabular amounts in thousands of dollars, except per unit amounts)

	Three Months Ended June 30, 2009						
	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 30,618	$ 98,098	$ 39,785	$ -	$ 168,501	$ 28,813	$ 197,314
Expenses							
Shrinkage gas	-	51,871	-	-	51,871	-	51,871
Operating	10,740	21,120	8,489	-	40,349	16,650	56,999
Depreciation and amortization	9,490	6,221	4,061	236	20,008	3,835	23,843
Financing charges	1,269	-	-	7,670	8,939	38	8,977
General and administrative	808	-	-	7,538	8,346	2,033	10,379
Unrealized change in fair value of derivative financial instruments	-	20,401	-	(846)	19,555	-	19,555
Management fee to General Partner	-	-	-	1,738	1,738	-	1,738
(Gain) loss on disposal of assets	-	(15)	(20,875)	-	(20,890)	1,023	(19,867)
Total expenses	22,307	99,598	(8,325)	16,336	129,916	23,579	153,495
Income (loss) before income taxes	8,311	(1,500)	48,110	(16,336)	38,585	5,234	43,819
Provision for income taxes	838	-	-	2,521	3,359	1,156	4,515
Net income (loss)	$ 7,473	$ (1,500)	$ 48,110	$ (18,857)	$ 35,226	$ 4,078	$ 39,304
Expenditures on property, plant and equipment	$ 27,774	$ 4,630	$ 7,616	$ 816	$ 40,836	$ 8,801	$ 49,637

	As at December 31, 2009						
Total assets	$ 2,863,230	$ 710,692	$ 480,979	$ 5,885	$ 4,060,786	$ 411,928	$ 4,472,714
Goodwill	$ 156,938	$ -	$ -	$ -	$ 156,938	$ 59,009	$ 215,947

(tabular amounts in thousands of dollars, except per unit amounts)

	Six Months Ended June 30, 2010						
	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 71,242	$ 316,511	$ 75,301	$ -	$ 463,054	$ 49,916	$ 512,970
Expenses							
Shrinkage gas	-	172,219	-	-	172,219	-	172,219
Operating	27,646	54,359	19,047	-	101,052	26,201	127,253
Depreciation and amortization	19,245	12,871	9,073	800	41,989	8,535	50,524
Financing charges	4,549	-	-	14,490	19,039	(159)	18,880
General and administrative	1,490	-	-	16,002	17,492	2,824	20,316
Unrealized change in fair value of derivative financial instruments	-	(19,695)	(165)	(582)	(20,442)	-	(20,442)
Management fee to General Partner	-	-	-	3,906	3,906	-	3,906
Gain on disposal of assets	-	(15)	(22)	-	(37)	-	(37)
Total expenses	52,930	219,739	27,933	34,616	335,218	37,401	372,619
Income (loss) before income taxes	18,312	96,772	47,368	(34,616)	127,836	12,515	140,351
Provision for income taxes	1,559	-	-	8,464	10,023	741	10,764
Net income (loss)	$ 16,753	$ 96,772	$ 47,368	$ (43,080)	$ 117,813	$ 11,774	$ 129,587
Expenditures on property, plant and equipment	$ 55,199	$ 1,878	$ 4,707	$ 3,554	$ 65,338	$ 8,153	$ 73,491

Inter Pipeline Fund
Notes to Interim Consolidated Financial Statements
(unaudited)
June 30, 2010
(tabular amounts in thousands of dollars, except per unit amounts)

Six Months Ended June 30, 2009

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 64,266	$ 241,286	$ 78,451	$ -	$ 384,003	$ 58,943	$ 442,946
Expenses							
Shrinkage gas	-	134,959	-	-	134,959	-	134,959
Operating	23,144	55,049	18,584	-	96,777	33,742	130,519
Depreciation and amortization	18,849	12,331	8,179	492	39,851	9,227	49,078
Financing charges	3,583	-	-	16,206	19,789	72	19,861
General and administrative	1,714	-	-	14,428	16,142	4,120	20,262
Unrealized change in fair value of derivative financial instruments	-	41,923	-	(900)	41,023	-	41,023
Management fee to General Partner	-	-	-	3,352	3,352	-	3,352
(Gain) loss on disposal of assets	-	(15)	(20,885)	-	(20,900)	1,043	(19,857)
Total expenses	47,290	244,247	5,878	33,578	330,993	48,204	379,197
Income (loss) before income taxes	16,976	(2,961)	72,573	(33,578)	53,010	10,739	63,749
Provision for (recovery of) income taxes	1,691	-	-	(21,963)	(20,272)	1,275	(18,997)
Net income (loss)	$ 15,285	$ (2,961)	$ 72,573	$ (11,615)	$ 73,282	$ 9,464	$ 82,746
Expenditures on property, plant and equipment	$ 72,028	$ 10,100	$ 9,356	$ 1,112	$ 92,596	$ 16,987	$ 109,583

(tabular amounts in thousands of dollars, except per unit amounts)

3. INTANGIBLE ASSETS

			June 30 2010	December 31 2009
	Cost	Accumulated Depreciation & Amortization	Net Book Value	Net Book Value
Oil sands transportation business				
Transportation Services Agreement	$ 93,548	$ (24,183)	$ 69,365	$ 70,978
NGL extraction business				
Customer contracts	287,612	(56,729)	230,883	235,676
Patent	8,727	(3,688)	5,039	5,351
	296,339	(60,417)	235,922	241,027
Bulk liquid storage business				
Customer contracts and relationships	4,375	(1,048)	3,327	3,851
Tradename	4,090	(648)	3,442	3,747
	8,465	(1,696)	6,769	7,598
	$ 398,352	$ (86,296)	$ 312,056	$ 319,603

4. PROPERTY, PLANT AND EQUIPMENT

			June 30 2010	December 31 2009
	Cost	Accumulated Depreciation & Amortization	Net Book Value	Net Book Value
Oil sands transportation business				
Facilities and equipment	$ 1,055,658	$ (152,316)	$ 903,342	$ 916,766
Construction work in progress	1,652,069	-	1,652,069	1,600,193
Pipeline linefill	74,033	(5,395)	68,638	69,524
	2,781,760	(157,711)	2,624,049	2,586,483
NGL extraction business				
Facilities and equipment	464,097	(84,282)	379,815	386,400
Construction work in progress	6,316	-	6,316	5,638
Spare parts	4,727	-	4,727	4,595
	475,140	(84,282)	390,858	396,633
Conventional oil pipelines business				
Facilities and equipment	826,986	(375,982)	451,004	401,381
Construction work in progress	1,105	-	1,105	55,103
	828,091	(375,982)	452,109	456,484
Corporate				
Office furniture and equipment	21,901	(13,775)	8,126	5,514
	21,901	(13,775)	8,126	5,514
Bulk liquid storage business				
Facilities and equipment	336,160	(49,205)	286,955	299,682
Construction work in progress	8,210	-	8,210	21,134
	344,370	(49,205)	295,165	320,816
	$ 4,451,262	$ (680,955)	$ 3,770,307	$ 3,765,930

Inter Pipeline has committed to additional expenditures on property, plant and equipment totalling approximately $415.1 million at June 30, 2010, of which $257.5 million is due in 1 year and $157.6 million is due in 1-5 years.

(tabular amounts in thousands of dollars, except per unit amounts)

5. CASH DISTRIBUTIONS

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

For the three and six months ended June 30, 2010, Inter Pipeline declared cash distributions totalling $57.8 million and $115.4 million, respectively (three and six months ended June 30, 2009 - $48.6 million and $95.5 million, respectively). Of the total cash distributions, $6.7 million and $24.2 million were settled with the issuance of Class A units under the Premium Distribution™ and Distribution Reinvestment Plan (Plan) for the three and six months ended June 30, 2010, respectively (three and six months ended June 30, 2009 - $13.8 million and $17.7 million, respectively). As at June 30, 2010, distributions of $19.3 million were payable on 256.7 million outstanding Class A units and 0.3 million outstanding Class B units at $0.075 per unit (December 31, 2009 - $19.1 million payable on 254.3 million outstanding Class A units and 0.3 million outstanding Class B units at $0.075 per unit).

6. LONG-TERM DEBT

	June 30 2010	December 31 2009
$2,142 million Unsecured Revolving Credit Facility	$ 1,753,100	$ 1,709,900
$750 million Unsecured Revolving Credit Facility	152,500	230,000
Loan Payable to General Partner (a)	379,800	379,800
Corridor Debentures (b)	300,000	300,000
Long-term debt (excluding transaction costs and discounts)	2,585,400	2,619,700
Less: Current portion of long-term debt	(165,300)	(123,600)
	2,420,100	2,496,100
Transaction costs	(13,977)	(13,137)
Accumulated amortization of transaction costs	6,677	5,479
Discount, net of accumulated amortization	(1,467)	(1,127)
Long-term debt	2,411,333	2,487,315
Current portion of long-term debt	165,300	123,600
Long-term debt (including current portion)	$ 2,576,633	$ 2,610,915

(a) In 2007, due to amendments made for the Corridor expansion, interest costs on the loan payable to the General Partner had increased by 25 basis points, effective until the end of 2009. In January, 2010, this additional interest cost is no longer applicable.

(b) On February 2, 2010, the $150 million of 4.240% Series A debentures matured. On February 2, 2010, Corridor issued $150 million of 4.897% Series C debentures due February 3, 2020. Corridor Series C debentures are unsecured obligations subject to the terms and conditions of a trust indenture dated February 1, 2005 and a supplemental indenture dated February 2, 2010. Interest is payable semi-annually in equal instalments in arrears on February 2 and August 2 of each year, except for 2020 in which case interest is payable on February 3, 2020 for interest accrued for the period from and including August 2, 2019 to and including February 2, 2020.

(c) At June 30, 2010 Cold Lake L.P. had issued letters of credit valued at $1.9 million based on Inter Pipeline's 85% proportionate interest. The Cold Lake L.P. letters of credit have been collateralized with cash held in the form of guaranteed investment certificates (note 15). The letters of credit were returned to Cold Lake L.P. and cancelled in July 2010. In addition, as at June 30, 2010, letters of credit valued at $0.3 million were issued by Corridor.

(tabular amounts in thousands of dollars, except per unit amounts)

7. INCOME TAXES

On March 4, 2009, the Government of Canada substantively enacted legislation that repealed the "provincial SIFT tax factor" and replaced it with the "provincial SIFT tax rate." The "provincial SIFT tax rate" is calculated based on the general provincial corporate income tax rate for each province in which Inter Pipeline has a permanent establishment. For Inter Pipeline, this legislation reduced the provincial income tax rate for noncorporate entities from 13.0% to approximately 10.0% effective January 1, 2011 onward, which reduced Inter Pipeline's estimated effective tax rate to 26.5% and 25.0% effective January 1, 2011 and January 1, 2012 respectively. As a result of this rate reduction, future income tax liabilities of non-corporate entities were reduced by $24.0 million in the first quarter of 2009. There was no similar rate reduction in the three and six months ended June 30, 2010.

8. PARTNERS' EQUITY

Units issued and outstanding

Authorized

Unlimited number of Class A limited liability units
Unlimited number of Class B unlimited liability units

Issued and Outstanding

	Class A Units	Class B Units	Total
Balance as at December 31, 2009	254,393,244	254,886	254,648,130
Issued under Premium Distribution™ and Distribution Reinvestment Plan (a)	2,258,824	2,264	2,261,088
Issued under Unit Incentive Option Plan	21,000	24	21,024
Balance as at June 30, 2010	**256,673,068**	**257,174**	**256,930,242**

	Class A Units	Class B Units	Total
Balance as at December 31, 2008	222,841,131	223,247	223,064,378
Issuance of units (b)	20,930,000	20,952	20,950,952
Issued under Premium Distribution™ Reinvestment and Optional Unit Purchase Plan	2,303,047	2,310	2,305,357
Issued under Unit Incentive Option Plan	164,000	176	164,176
Balance as at June 30, 2009	246,238,178	246,685	246,484,863

(a) During the three and six months ended June 30, 2010, Inter Pipeline issued 0.6 million and 2.3 million Class A units respectively to unitholders who elected to participate under the Plan. Inter Pipeline is not committed to issuing additional Class A units under the Plan at June 30, 2010.

(b) On June 18, 2009, Inter Pipeline issued 20.9 million Class A units at $8.25 per Class A unit. The proceeds of $164.8 million, net of issuance costs, were applied to reduce outstanding debt. To maintain the required 0.1% interest in Inter Pipeline, the General Partner acquired 20,952 Class B units at a price of $8.25 per Class B unit.

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(tabular amounts in thousands of dollars, except per unit amounts)

Calculation of Net Income per Partnership unit

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

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Net income attributable to unitholders – Basic and diluted	**$ 67,901**	$ 39,304	**$ 129,587**	$ 82,746
Weighted-average units outstanding – Basic	**256,619,999**	226,979,241	**256,230,126**	225,186,859
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**154,856**	459,467	**151,076**	278,431
Effect of Unit Incentive Option Plan	**14,700**	127,882	**15,552**	87,187
Weighted-average units outstanding – Diluted	**256,789,555**	227,566,590	**256,396,754**	225,552,477
Net income per Partnership unit – Basic and diluted	**$ 0.27**	$ 0.18	**$ 0.51**	$ 0.37

9. LONG-TERM INCENTIVE PLAN AND UNIT INCENTIVE OPTIONS

The following table summarizes the status of Inter Pipeline's Option Plan and Deferred Unit Rights (DURs) as at June 30, 2010 and changes during the six months then ended:

	Unit Options			DURs
	Number	Weighted-Average Exercise Price*	Weighted-Average Adjusted Exercise Price**	Number
Balance outstanding, December 31, 2009	31,500	$ 10.48	$ 5.75	1,752,744
Granted	-	$ -	$ -	832,867
Exercised	(21,000)	$ 10.48	$ 4.93	(219,322)
Cancelled	-	$ -	$ -	(40,935)
Balance outstanding, June 30, 2010	10,500	$ 10.48	$ 4.93	2,325,354

* The weighted-average exercise price based on the exercise price on the date of grant.
** The weighted-average exercise price adjusted for the incentive reduction to June 30, 2010.

For the three months ended June 30, 2010, operating expenses included $1.0 million and general and administrative expenses included $2.3 million related to DURs (three months ended June 30, 2009 - $1.2 million and $2.7 million, respectively). For the six months ended June 30, 2010, operating expenses included $2.2 million and general and administrative expenses included $5.4 million related to DURs (six months ended June 30, 2009 - $2.0 million and $4.4 million, respectively).

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(tabular amounts in thousands of dollars, except per unit amounts)

10. DEPRECIATION AND AMORTIZATION

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Depreciation of facilities and equipment	**$ 21,673**	$ 19,820	**$ 42,407**	$ 39,214
Depreciation of Corridor linefill	**444**	444	**887**	887
Amortization of intangible assets	**3,528**	3,496	**7,067**	7,007
Accretion of asset retirement obligation	**80**	83	**163**	166
Impairment of intangible assets	**-**	-	**-**	1,804
Total depreciation and amortization	**$ 25,725**	$ 23,843	**$ 50,524**	$ 49,078

11. FINANCING CHARGES

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Interest expense on credit facilities	**$ 4,844**	$ 4,842	**$ 9,644**	$ 13,444
Interest on Loan Payable to General Partner	**5,771**	6,009	**11,542**	12,017
Interest on Corridor Debentures	**2,282**	847	**3,898**	2,457
	12,897	11,698	**25,084**	27,918
Capitalized interest	**(3,496)**	(2,738)	**(6,645)**	(8,091)
Amortization of transaction costs on long-term debt	**215**	17	**441**	34
Total financing charges	**$ 9,616**	$ 8,977	**$ 18,880**	$ 19,861

At June 30, 2010, $4.1 million in interest payable was included in accounts payable and accrued liabilities related to the Loan Payable to the General Partner (December 31, 2009 - $4.3 million).

12. CAPITAL DISCLOSURES

Consistent with the year ended December 31, 2009, capital under management includes long-term debt (excluding discounts and transaction costs) and partners' equity.

At June 30, 2010, Inter Pipeline had access to committed credit facilities totalling $2,892.0 million, of which $986.4 million remains unutilized. Inter Pipeline also had access to unutilized demand facilities of $59.7 million. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

Management's objectives are to remain well below its maximum target ratio of 65% recourse debt to capitalization and maximum senior recourse debt to EBITDA* rate of 4.25 stipulated in the terms of Inter Pipeline's credit facilities. The recourse debt to capitalization and senior recourse debt to EBITDA* measures below are substantially the same as the coverage ratio terms contained in Inter Pipeline's credit facilities.

	June 30 2010	December 31 2009
Long-term debt (excluding transaction costs and discounts, per note 6)		
Recourse debt	**$ 697,600**	$ 733,400
Non-recourse debt	**1,887,800**	1,886,300
	2,585,400	2,619,700
Partners' equity	**1,334,163**	1,320,101
Total capitalization	**$ 3,919,563**	$ 3,939,801
Capitalization (excluding non-recourse debt)	**$ 2,031,763**	$ 2,053,501
Recourse debt to capitalization	**34.3%**	35.7%

(tabular amounts in thousands of dollars, except per unit amounts)

	Twelve Months Ended June 30 2010	December 31 2009
Net income	$ 204,521	$ 157,680
Add:		
Depreciation and amortization	103,675	102,229
Loss (gain) on disposal of assets	1,983	(17,837)
Financing charges	35,950	36,931
Non-cash operating and general and administrative expense	664	3,472
Unrealized change in fair value of derivative financial instruments	3,765	65,230
Provision for (recovery of) income taxes	13,873	(15,888)
Proceeds from long-term deferred revenue	15,969	10,173
EBITDA*	$ 380,400	$ 341,990
Recourse debt to EBITDA*	1.8	2.1

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

Inter Pipeline was compliant with all covenants throughout the period.

13. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at June 30, 2010 are classified as follows:

	Held For Trading	Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non Financial Asset or Liability*	Carrying Value of Asset or Liability
Assets**						
Cash and cash equivalents	$ 29,116	$ -	$ -	$ 29,116	$ -	$ 29,116
Accounts receivable	-	92,109	-	92,109	9,315	101,424
Prepaid expenses and other deposits	8,426	-	-	8,426	13,412	21,838
Derivative financial instruments***	34,617	-	-	34,617	-	34,617
Liabilities						
Cash distributions payable	-	-	19,270	19,270	-	19,270
Accounts payable and accrued liabilities	3,129	-	110,826	113,955	26,702	140,657
Derivative financial instruments***	21,157	-	-	21,157	-	21,157
Deferred revenue	-	-	14,652	14,652	19,114	33,766
Long-term debt (note 6)****	-	-	2,585,400	2,585,400	-	2,585,400
Long-term payable	9,448	-	-	9,448	-	9,448

* Not all components of assets and liabilities meet the definition of a financial asset or liability.
** Inter Pipeline does not have any assets that meet the definition of "available-for-sale" or "held-to-maturity."
*** Derivative financial instruments are recorded at fair value using a discounted cash flow methodology.
**** Carrying values include the current portion of long-term debt and exclude discounts and transaction costs with the respective accumulated amortization.

a) Fair Value of Financial Instruments

The fair value of long-term debt and derivative financial instruments are discussed in the following paragraphs. The long-term payable is carried at fair value and represents the unrealized change in fair value of interest rate swaps that are recoverable from the Corridor shippers. The carrying value of all other financial assets and liabilities approximate their fair value due to the relatively short-term maturity.

(tabular amounts in thousands of dollars, except per unit amounts)

Due to the short-term maturity of instruments under long-term variable rate revolving credit facilities, it is assumed that the carrying amounts of these financial instruments approximate their fair values. At June 30, 2010, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan Payable to General Partner	$ 379,800	$ 415,822
Corridor Debentures	$ 300,000	$ 317,959

* Carrying values exclude transaction costs, discount and accumulated amortization.

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

	June 30 2010	December 31 2009
Current asset	$ 18,234	$ 3,738
Long-term asset	16,383	9,239
Current liability	(16,708)	(16,655)
Long-term liability	(4,449)	(4,081)
	$ 13,460	$ (7,759)

Derivative financial instruments carried at fair value are as follows:

	June 30 2010	December 31 2009
Frac-spread risk management		
NGL swaps	$ 19,725	$ (9,313)
Natural gas swaps	(14,163)	(5,975)
Foreign exchange swaps	(4,284)	(854)
	1,278	(16,142)
Interest rate risk management		
Interest rate swaps	9,702	8,385
	9,702	8,385
Power price risk management		
Electricity price swaps	165	(43)
Heat rate swaps	2,315	41
	2,480	(2)
	$ 13,460	$ (7,759)

(tabular amounts in thousands of dollars, except per unit amounts)

b) Net Gains or Losses

Realized and Unrealized Gains (Losses) on Derivative Instruments - Held-for-Trading

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

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Revenues				
NGL swaps	$ 1,586	$ 16,442	$ 142	$ 35,263
Foreign exchange swaps (frac-spread)	438	(4,237)	533	(10,533)
	2,024	12,205	675	24,730
Shrinkage gas expense				
Natural gas swaps	(4,908)	(7,961)	(7,001)	(13,226)
	(4,908)	(7,961)	(7,001)	(13,226)
Operating expenses				
Electricity price swaps	281	-	210	-
Heat rate swaps	1,288	103	1,194	612
	1,569	103	1,404	612
Financing charges				
Interest rate swaps	829	2,014	2,190	3,333
	829	2,014	2,190	3,333
Net realized (loss) gain on derivative financial instruments	$ (486)	$ 6,361	$ (2,732)	$ 15,449

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

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Frac-spread risk management				
NGL swaps	$ 14,429	$ (38,307)	$ 29,038	$ (51,544)
Natural gas swaps	5,474	4,427	(8,187)	(3,727)
Foreign exchange swaps	(7,735)	14,135	(3,430)	14,746
	12,168	(19,745)	17,421	(40,525)
Interest rate risk management				
Interest rate swaps	272	1,048	943	1,304
	272	1,048	943	1,304
Power price risk management				
Electricity price swaps	324	-	208	-
Heat rate swaps	778	(657)	2,274	(1,398)
	1,102	(657)	2,482	(1,398)
Transfer of gains and losses on derivatives previously designated as cash-flow hedges from accumulated other comprehensive income	(202)	(201)	(404)	(404)
Unrealized change in fair value of derivative financial instruments	$ 13,340	$ (19,555)	$ 20,442	$ (41,023)

(tabular amounts in thousands of dollars, except per unit amounts)

The following table presents a reconciliation of the change in the fair market value of derivative financial instruments used for risk management activities during the six months ended June 30, 2010:

	Fair Market Value	Total Unrealized Gain (Loss)
Fair value of derivative financial instruments, beginning of period	$ (7,759)	$ -
Changes in fair values of contracts in place at beginning of period and contracts entered into during period attributable to market price and other market changes *	18,487	14,714
Fair value of contracts realized during period *	2,732	6,132
Changes in values attributable to other comprehensive income	-	(404)
Fair value of derivative financial instruments, end of period	$ 13,460	$ 20,442

* Gains or losses arising on the Corridor interest rate swaps are recoverable from the shippers. Therefore, the changes in fair value have been recorded as an asset or liability and are excluded from the total unrealized loss shown here.

Realized and Unrealized Gains (Losses) on Other Classes of Financial Instruments

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

14. RISK MANAGEMENT

There were no changes in Inter Pipeline's financial risk exposure as compared to its December 31, 2009 position.

a) *Market Risk*

Frac-spread Risk Management

Contracts outstanding at June 30, 2010, represented approximately 52% of forecast propane-plus volumes at the Cochrane extraction plant for the period July to December 2010 at average net prices of approximately $0.74 Cdn/US gallon and 31% of forecast volumes for the period January to December 2011 at average net prices of approximately $0.75 Cdn/US gallon. These average prices approximated $0.70 US/US gallon and $0.70 US/US gallon, respectively, based on the average US$/Cdn$ forward curve as at June 30, 2010.

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

	Fair Value of Derivative Financial Instruments	Change in Net Income Based on 10% Increase in Prices/Rates**	Change in Net Income Based on 10% Decrease in Prices/Rates**
NGL*	$ 19,725	$ (10,928)	$ 10,928
AECO natural gas	(14,163)	3,981	(3,981)
Foreign exchange	(4,284)	(12,549)	12,549
Frac-spread risk management	$ 1,278		

* Assumes that a commodity price change will impact all propane, normal butane, isobutane and pentanes plus products linearly.
** Negative amounts represent a liability increase or asset decrease. Changes related to 2011 contracts are net of tax of 26.5%.

Interest Rate Risk Management

Based on the variable rate debt obligations outstanding at June 30, 2010, a 1% change in interest rates at this date could affect interest expense on credit facilities and consequently pre-tax income by approximately $4.8 million and $9.5 million, respectively, for the three and six months ending June 30, 2010, assuming all other variables remain constant. Of this amount, $4.4 million and $8.7 million, respectively, relate to the $2.1 billion Unsecured Revolving Credit Facility (note 6) and are recoverable through the terms of the Corridor Firm Service Agreement. A 1% change in interest rates at June 30, 2010 could affect the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage interest rate risk, and consequently after-tax income, by approximately $0.5 million, assuming all other variables remain constant.

Power Price Risk Management

Based on heat rate swaps outstanding in the NGL extraction business at June 30, 2010, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.6 million. A 10% change in AECO natural gas prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.4 million.

Based on electricity price swap agreements outstanding in the conventional oil pipelines business at June 30, 2010, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk and consequently after-tax income by approximately $0.1 million.

Foreign Exchange Risk Management

Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future.

b) Credit Risk

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

At June 30, 2010, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval and ongoing monitoring procedures and historical experience.

At June 30, 2010, accounts receivable outstanding meeting the definition of past due and impaired are immaterial.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At June 30, 2010, accounts receivable associated with these two business segments were $65.8 million or 65% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business units and customers.

(tabular amounts in thousands of dollars, except per unit amounts)

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at June 30, 2010, on an undiscounted basis:

	Total	Less Than One Year	1 to 5 Years	After 5 Years
Cash distributions payable	$ 19,270	$ 19,270	$ -	$ -
Accounts payable and accrued liabilities	140,657	140,657	-	-
Deferred revenue	33,766	19,821	13,945	-
Derivative financial instruments*	21,660	17,064	4,596	-
Long-term debt	2,585,400	165,300	2,270,100	150,000
Long-term payable*	10,391	-	10,391	-
	$ 2,811,144	$ 362,112	$ 2,299,032	$ 150,000

* Derivative financial instruments are shown on a net basis. The long-term payable and derivative financial instruments represent an estimate of the fair value liability on an undiscounted basis for financially net settled derivative contracts outstanding at June 30, 2010, based upon contractual maturity dates. Fair values of the long-term payable and derivative financial instruments reported on the balance sheets are shown on a discounted basis.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Restricted Cash

At June 30, 2010, cash and cash equivalents include a restricted cash balance of $1.9 million in the form of guaranteed investment certificates held by Cold Lake L.P. as collateral for its issued letters of credit (December 31, 2009 - $2.5 million). In July 2010, the letters of credit were returned to Cold Lake L.P. and cancelled, reducing the restricted cash balance to $nil.

Changes in Non-Cash Working Capital

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Accounts receivable	**$ 6,654**	$ (4,479)	**$ 20,698**	$ 22,022
Prepaid expense and other deposits	**(5,108)**	(5,280)	**(3,911)**	(8,421)
Cash distributions payable	**47**	1,595	**172**	1,638
Accounts payable and accrued liabilities	**2,500**	(15,147)	**3,610**	(66,185)
Deferred revenue	**(4,814)**	11,152	**16,200**	20,734
Impact of foreign exchange rate differences and other	**41**	(178)	**236**	(99)
Changes in non-cash working capital	**$ (680)**	$ (12,337)	**$ 37,005**	$ (30,311)
These changes relate to the following activities:				
Operating	**$ (3)**	$ (7,001)	**$ 40,778**	$ (6,289)
Investing	**(724)**	(6,931)	**(3,945)**	(25,660)
Financing	**47**	1,595	**172**	1,638
Changes in non-cash working capital	**$ (680)**	$ (12,337)	**$ 37,005**	$ (30,311)

Other Cash Flow Information

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Cash taxes paid	**$ 237**	$ 214	**$ 562**	$ 1,072
Cash interest paid	**$ 17,056**	$ 16,906	**$ 23,250**	$ 29,233

16. COMPARATIVE FIGURES

The comparative interim consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period consolidated financial statements.