Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Balance Sheets

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

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)

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

See accompanying condensed notes to the interim consolidated financial statements.

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Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Net Income (Loss)

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

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Comprehensive Income (Loss)

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

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd. (Formerly Inter Pipeline Fund)

Interim Consolidated Statements of Cash Flows

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

Cash taxes paid	**$ 8,168**	$ 48,719	**$ 16,926**	$ 98,073
Cash interest paid	**$ 26,220**	$ 24,095	**$ 78,711**	$ 70,201

See accompanying condensed notes to the interim consolidated financial statements.

1. STRUCTURE OF THE CORPORATION

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

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

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

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

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

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of Consolidation*

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

Subsidiaries

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

Non-controlling interest

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

b) *Accounting Policies Adopted in 2013*

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

IFRS 10 Consolidated Financial Statements *(IFRS 10)*

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements (IAS 27) and Standing Interpretations Committee (SIC) 12 Consolidation-Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. Management has evaluated Inter Pipeline's investment in Cold Lake and determined that Inter Pipeline controls the relevant activities of this investment in accordance with IFRS 10 (see note 3 (c)). As a result, Inter Pipeline consolidates 100% of Cold Lake under IFRS 10, compared to proportionate consolidation of 85%

of Cold Lake under IAS 31 Interests in Joint Ventures (IAS 31). A non-controlling interest is recorded to represent the 15% equity investment in Cold Lake that is not attributable to Inter Pipeline (refer to note 22 for a reconciliation of the changes).

IFRS 11 Joint Arrangements *(IFRS 11)*

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

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

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

IFRS 13 Fair Value Measurement *(IFRS 13)*

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

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

IAS 19 amends certain accounting requirements for defined benefit pension plans. The amendments included fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets. Effective January 1, 2013, the expected return on Inter Pipeline's pension plan assets is calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The impact of the amended standard on Inter Pipeline's results was insignificant to prior periods and resulted in increased financing charges of approximately $0.3 million for the nine months ended September 30, 2013.

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

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

c) *Critical Accounting Estimates and Judgments*

Consolidation of non-controlling interest

On January 2, 2003 Inter Pipeline acquired an additional 70% interest in Cold Lake which, combined with its initial 15% investment acquired on October 5, 2000, resulted in Inter Pipeline owning an 85% interest in Cold Lake. The remaining 15% is owned by an unrelated third party.

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

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

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

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

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

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

In 2013, Inter Pipeline adopted IFRS 10, which revised the definition of control from IAS 27. Under IFRS 10, a single control model was established that focused on relevant activities, which are defined as "activities of an investee that significantly affect the investee's returns" (Relevant Activities), and specifically an investor's power to direct those activities, exposure to variable returns and the ability to use power to affect the amount of an investor's returns. Compared with the requirements of IAS 27, IFRS 10 requires management to exercise significant judgment in its assessment of control including, but not limited to, the determination of the investee's Relevant Activities, the investor's ability to direct those Relevant Activities, the investor's exposure to returns of the investee, as well as rights of other parties. IFRS 10 also requires management to continuously assess control over an investee.

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

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

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

4. CORPORATE RESTRUCTURING

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

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

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

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

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

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

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

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

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

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

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

5. SEGMENT REPORTING

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

Three Months Ended September 30, 2013

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

* Includes loss (gain) on disposal of assets

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

Three Months Ended September 30, 2012 (restated)

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 82,458	$ 123,443	$ 59,154	$ -	$ 265,055	$ 35,671	$ 300,726
Expenses							
Shrinkage gas	-	49,021	-	-	49,021	-	49,021
Midstream product purchases	-	-	8,927	-	8,927	-	8,927
Operating	24,856	23,986	11,930	-	60,772	15,316	76,088
Depreciation and amortization	10,815	6,674	2,851	670	21,010	9,828	30,838
Financing charges	9,179	63	162	15,222	24,626	211	24,837
General and administrative	1,591	-	-	11,689	13,280	2,327	15,607
Unrealized change in fair value of derivative financial instruments	-	5,560	-	79	5,639	-	5,639
Management and incentive fees to General Partner	-	-	-	3,450	3,450	-	3,450
Loss (gain) on disposal of assets	-	305	(5)	-	300	(237)	63
Total expenses	46,441	85,609	23,865	31,110	187,025	27,445	214,470
Income (loss) before income taxes	36,017	37,834	35,289	(31,110)	78,030	8,226	86,256
Provision for (recovery of) income taxes	5,823	-	-	14,248	20,071	(2,176)	17,895
Net income (loss)	$ 30,194	$ 37,834	$ 35,289	$ (45,358)	$ 57,959	$ 10,402	$ 68,361
Items not involving cash:							
Depreciation and amortization *	10,815	6,979	2,846	670	21,310	9,591	30,901
Non-cash expense (recovery)	170	132	736	1,637	2,675	(30)	2,645
Unrealized change in fair value of derivative financial instruments	-	5,560	-	79	5,639	-	5,639
Deferred income tax expense (recovery)	5,755	-	-	(1,660)	4,095	(2,366)	1,729
Funds from (used in) operations	$ 46,934	$ 50,505	$ 38,871	$ (44,632)	$ 91,678	$ 17,597	$ 109,275
Property, plant and equipment additions	$ 97,733	$ 10,711	$ 1,713	$ 1,213	$ 111,370	$ 8,582	$ 119,952
							As at December 31, 2012
Property, plant and equipment - net book value	$ 3,228,340	$ 406,313	$ 473,192	$ 9,251	$ 4,117,096	$ 676,412	$ 4,793,508
Goodwill and intangible assets - net book value	$ 229,057	$ 210,396	$ -	$ -	$ 439,453	$ 180,749	$ 620,202
Other assets	$ 68,451	$ 85,341	$ 51,811	$ 389	$ 205,992	$ 62,693	$ 268,685
Total assets	$ 3,525,848	$ 702,050	$ 525,003	$ 9,640	$ 4,762,541	$ 919,854	$ 5,682,395

* Includes loss (gain) on disposal of assets

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

Nine Months Ended September 30, 2013

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

* Includes loss (gain) on disposal of assets

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

Nine Months Ended September 30, 2012 (restated)

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

* Includes (gain) loss on disposal of assets

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

6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

7. GOODWILL AND INTANGIBLE ASSETS

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

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

8. DIVIDENDS TO SHAREHOLDERS

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

As at September 30, 2013, dividends of $31.1 million were payable on 289.8 million outstanding common shares at $0.1075 per share (December 31, 2012 - $25.5 million payable on 274.9 million outstanding Class A units and 0.3 million outstanding Class B units at $0.0925 per unit).

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

Reinvestment of Dividends

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

9. LONG-TERM DEBT AND COMMERCIAL PAPER

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

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

(a) At September 30, 2013, letters of credit of $0.2 million were issued by Corridor.

(b) On April 19, 2013, Inter Pipeline increased the size of its Unsecured Revolving Credit Facility from $750 million to $1,250 million. The term of the credit facility remains unchanged with a maturity date of December 5, 2017, which can be extended further upon certain conditions. On September 2, 2013, as a result of Corporate Conversion, Inter Pipeline restated its $1.25 billion Unsecured Revolving Credit Facility on terms similar to the previous facility.

[TM] Denotes trademark of Canaccord Genuity Corp.

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

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

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

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

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

On this date, the General Partner had received $379.8 million by way of a Private Placement note issuance and immediately loaned the funds to the Fund. This loan to the Fund had the identical repayment terms and commitments as the notes payable by the General Partner to the institutional note holders, except for an interest rate increase of 5 basis points over the rates payable on the notes issued by the General Partner.

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

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

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

Senior Unsecured Medium-Term Notes are defined as the $325 million 4.967% Series 1 notes due February 2, 2021, the $200 million 3.839% Series 2 notes due July 30, 2018, the $400 million 3.776% Series 3 notes due May 30, 2022, and the $500 million 3.448% series 4 notes due July 20, 2020.

10. PROVISIONS

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

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

11. EMPLOYEE BENEFITS

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

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

Long-Term Incentive Plan

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

	RSUs Number
Balance, January 1, 2012	1,370,679
Granted	682,476
Exercised	(723,922)
Forfeitures	(34,748)
Balance, December 31, 2012	1,294,485
Granted	640,043
Exercised	(72,382)
Forfeitures	(24,709)
Balance, September 30, 2013	**1,837,437**

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

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

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

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

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

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

12. INCOME TAXES

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

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

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

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

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

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

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

13. SHAREHOLDERS' EQUITY

Common Shares Issued, Fully Paid and Outstanding

Authorized

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

Issued, Fully Paid and Outstanding

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

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

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

Contributed Surplus

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

Deficit

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

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

Calculation of Net Income (Loss) per Common Share

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

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

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

Reserves

Reserves are summarized as follows:

	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Total Reserves
Balance, January 1, 2012	$ (23,923)	$ (8,357)	$ (32,280)
Other comprehensive loss	(18,378)	(1,461)	(19,839)
Balance, September 30, 2012	$ (42,301)	$ (9,818)	$ (52,119)
Balance, January 1, 2013	$ (13,437)	$ (10,067)	$ (23,504)
Other comprehensive income	37,141	(137)	37,004
Balance, September 30, 2013	**$ 23,704**	**$ (10,204)**	**$ 13,500**

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

14. NON-CONTROLLING INTEREST

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

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

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

15. RELATED PARTY TRANSACTIONS

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

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

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

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

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

16. COMMITMENTS AND CONTINGENCIES

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

Inter Pipeline has entered into lease agreements for office space, storage, land and property, plant and equipment for periods ranging from 2013 to 2090. At September 30, 2013, the future minimum lease obligations are approximately $227.1 million.

Inter Pipeline has committed to purchase obligations totaling approximately $171.2 million at September 30, 2013 (refer to note 6 for expected property, plant and equipment expenditures). Inter Pipeline is also committed to investing capital in the bulk liquid storage business to comply with the UK's post Buncefield regulations. Potential solutions are being evaluated and expenditures are estimated to be in the range of $5.0 million to $7.0 million over the next eight years.

17. CAPITAL DISCLOSURES

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

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

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

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

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

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

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

	Twelve Months Ended	
	September 30 2013	December 31 2012
Net (loss) income	**$ (71,919)**	$ 316,982
Add:		
Depreciation and amortization	**125,366**	124,593
Loss on disposal of assets	**1,875**	175
Financing charges	**94,630**	97,604
Non-cash recovery	**(2,033)**	(234)
Unrealized change in fair value of derivative financial instruments	**13,066**	(44,363)
Provision for income taxes	**74,882**	89,295
General Partner internalization	**348,584**	-
EBITDA**	**$ 584,451**	$ 584,052
Recourse debt to EBITDA**	**4.0**	2.5

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

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

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

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

18. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at September 30, 2013, are classified as follows:

	Fair Value Through Profit or Loss	Cash, Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non-Financial Asset or Liability*	Carrying Value of Asset or Liability
Assets**						
Cash and cash equivalents	$ -	$ 49,144	$ -	$ 49,144	$ -	$ 49,144
Accounts receivable	-	128,082	-	128,082	26,216	154,298
Prepaid expenses and other deposits	-	24,704	-	24,704	10,381	35,085
Derivative financial instruments***	9,351	-	-	9,351	-	9,351
Liabilities						
Dividends payable	-	-	31,149	31,149	-	31,149
Accounts payable and accrued liabilities	4,757	-	488,380	493,137	51,524	544,661
Derivative financial instruments***	2,976	-	-	2,976	-	2,976
Deferred revenue and other liabilities	-	-	2,569	2,569	22,612	25,181
Long-term debt and commercial paper (note 9)****	-	-	3,964,548	3,964,548	-	3,964,548
Long-term payable	1,556	-	-	1,556	-	1,556
Convertible common shares (note 4)	-	-	170,000	170,000	-	170,000

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

a) Fair Value of Financial Instruments

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

Due to the short-term maturity of instruments under long-term variable rate revolving credit facilities, it is assumed that the carrying amounts of these financial instruments approximate their fair values. At September 30, 2013, the carrying values of fixed rate debt and convertible common shares compared to fair values are as follows:

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

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

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

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

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

Derivative financial instruments carried at fair value are as follows:

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

Net Gains or Losses

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

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

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

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

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

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

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

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

19. RISK MANAGEMENT

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

a) Market Risk

Frac-Spread Risk Management

Contracts outstanding at September 30, 2013, represented approximately 30.5% of forecast propane-plus volumes at the Cochrane extraction facility for the period October 1, 2013 to December 31, 2013, at an average frac-spread price of approximately $0.97 CAD/US gallon and 3.0% of forecast volumes for the period January 1, 2014 to December 31, 2014 at average frac-spread prices of approximately $0.79 CAD/US gallon. These average prices approximated $0.94 USD/US gallon and $0.76 USD/US gallon, respectively, based on the average USD/CAD forward curve as at September 30, 2013.

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

	Fair Value of Derivative Financial Instruments	Change in Net Income Based on 10% Increase in Prices/Rates**	Change in Net Income Based on 10% Decrease in Prices/Rates**
NGL*	$ 2,822	$ (1,953)	$ 1,953
AECO natural gas	(1,832)	443	(443)
Foreign exchange	(1,144)	(2,169)	2,169
Frac-spread risk management	$ (154)		

* Assumes that a commodity price change will impact all propane, normal butane, isobutane and pentanes-plus products linearly.

** Negative amounts represent a liability increase or asset decrease.

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

Power Price Risk Management
Inter Pipeline may enter into electricity price swap contracts to manage power price risk exposure in the conventional oil pipelines business. During the nine months ended September 30, 2013, Inter Pipeline entered into an electricity price swap agreement in the conventional oil pipelines business in addition to the existing electricity price swap agreement entered into in 2012. Inter Pipeline may also enter into financial heat rate swap contracts to manage power price risk exposure in the NGL extraction business. As at September 30, 2013, there are no heat rate price swap agreements outstanding.

At September 30, 2013, a 10% change in Alberta power pool commodity prices in isolation with all other variables held constant would have changed the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.1 million.

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

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

At September 30, 2013, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval, ongoing monitoring procedures and historical experience.

At September 30, 2013, accounts receivable outstanding meeting the definition of past due and impaired are insignificant.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At September 30, 2013, accounts receivable associated with these two business segments were $94.4 million or 61.2% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business segments and customers.

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

c) *Liquidity Risk*

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

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

* Derivative financial instruments are shown on a net basis. Derivative financial instruments and the long-term payable represent an estimate of the fair value liability on an undiscounted basis for financially net settled derivative contracts outstanding at September 30, 2013, based upon contractual maturity dates. Fair values of derivative financial instruments and the long-term payable reported on the consolidated balance sheets are shown on a discounted basis.

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

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

20. FINANCING CHARGES

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

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

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

Cash and Cash Equivalents

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

22. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS 10

Inter Pipeline has re-assessed its consolidation conclusions at January 1, 2013, in accordance with IFRS 10 and concluded that it has controlled Cold Lake since the acquisition of its additional 70% ownership interest on January 2, 2003, and that 100% of Cold Lake should be consolidated. The 15% ownership interest in Cold Lake that is not attributable to Inter Pipeline is presented in the consolidated financial statements as activities and balances attributable to a non-controlling interest. Inter Pipeline's 85% ownership interest in Cold Lake was previously accounted for as a joint venture and was consolidated in a manner that reflected Inter Pipeline's 85% ownership interest in the individual income, expenses, assets, liabilities and cash flows of Cold Lake on a line by line basis in its consolidated results. Inter Pipeline has accounted for this change in accounting policy using the relevant transitional provisions of IFRS 10 by accounting for its acquisition of Cold Lake using IFRS 3 *Business Combinations*, as at the acquisition date of January 2, 2003, and consolidating Cold Lake since the acquisition date. The adjustments for each financial statement line item affected are presented in the following tables:

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

Reconciliation of Consolidated Balance Sheet at September 30, 2012

	September 30, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 43,029**	$ 831	**$ 43,860**
Accounts receivable	**136,176**	662	**136,838**
Derivative financial instruments	**23,422**	-	**23,422**
Prepaid expenses and other deposits	**27,340**	974	**28,314**
Total Current Assets	**229,967**	2,467	**232,434**
Derivative financial instruments	**10,234**	-	**10,234**
Property, plant and equipment	**4,574,707**	76,454	**4,651,161**
Goodwill and intangible assets	**608,192**	10,961	**619,153**
Total Assets	**$ 5,423,100**	$ 89,882	**$ 5,512,982**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Dividends payable	**$ 23,858**	$ -	**$ 23,858**
Accounts payable and accrued liabilities	**216,783**	(1,041)	**215,742**
Derivative financial instruments	**8,082**	-	**8,082**
Deferred revenue	**15,165**	150	**15,315**
Current portion of long-term debt	**91,137**	-	**91,137**
Commercial paper	**1,364,558**	-	**1,364,558**
Total Current Liabilities	**1,719,583**	(891)	**1,718,692**
Long-term debt	**1,643,670**	-	**1,643,670**
Long-term payable	**6,150**	-	**6,150**
Derivative financial instruments	**1,574**	-	**1,574**
Provisions	**56,909**	7	**56,916**
Employee benefits	**7,627**	-	**7,627**
Long-term deferred revenue and other liabilities	**15,370**	-	**15,370**
Deferred income taxes	**377,457**	-	**377,457**
Total Liabilities	**3,828,340**	(884)	**3,827,456**
Shareholders' Equity			
Shareholders' equity	**1,646,879**	-	**1,646,879**
Total reserves	**(52,119)**	-	**(52,119)**
Total Shareholders' Equity	**1,594,760**	-	**1,594,760**
Non-controlling Interest	**-**	90,766	**90,766**
Total Equity	**1,594,760**	90,766	**1,685,526**
Total Liabilities and Equity	**$ 5,423,100**	$ 89,882	**$ 5,512,982**

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

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

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

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

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

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

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	As Previously Reported	IFRS 10 Adjustment	**As Restated**	**As Previously Reported**	IFRS 10 Adjustment	**As Restated**
OPERATING ACTIVITIES						
Net income	**$ 65,920**	$ 2,441	**$ 68,361**	**$ 249,932**	$ 7,383	**$ 257,315**
Items not involving cash:						
Depreciation and amortization	**30,474**	364	**30,838**	**92,269**	1,095	**93,364**
Loss (gain) on disposal of assets	**63**	-	**63**	**(28)**	(4)	**(32)**
Non-cash expense	**2,645**	-	**2,645**	**2,170**	-	**2,170**
Unrealized change in fair value of derivative financial instruments	**5,639**	-	**5,639**	**(49,581)**	-	**(49,581)**
Deferred income tax expense	**1,729**	-	**1,729**	**26,969**	-	**26,969**
Funds from operations	**106,470**	2,805	**109,275**	**321,731**	8,474	**330,205**
Net change in non-cash operating working capital	**(47,665)**	147	**(47,518)**	**(67,987)**	(1,086)	**(69,073)**
Cash provided by operating activities	**58,805**	2,952	**61,757**	**253,744**	7,388	**261,132**
INVESTING ACTIVITIES						
Expenditures on property, plant and equipment	**(118,604)**	(1,348)	**(119,952)**	**(238,344)**	(3,835)	**(242,179)**
Proceeds on sale of assets	**242**	-	**242**	**333**	4	**337**
Acquisition of Inter Terminals	**(300)**	-	**(300)**	**(509,713)**	-	**(509,713)**
Assumption of cash on acquisition of Inter Terminals	**-**	-	**-**	**48,293**	-	**48,293**
Capital contribution received from Cold Lake non-controlling interest	**-**	1,890	**1,890**	**-**	4,617	**4,617**
Net change in non-cash investing working capital	**56,337**	(648)	**55,689**	**54,851**	(829)	**54,022**
Cash used in investing activities	**(62,325)**	(106)	**(62,431)**	**(644,580)**	(43)	**(644,623)**
FINANCING ACTIVITIES						
Cash dividends paid to shareholders of Inter Pipeline Ltd.	**(19,613)**	-	**(19,613)**	**(55,119)**	-	**(55,119)**
Cash distributions paid by Cold Lake to non-controlling interest	**-**	(2,640)	**(2,640)**	**-**	(7,310)	**(7,310)**
Increase in debt	**31,071**	-	**31,071**	**441,461**	-	**441,461**
Transaction costs on debt	**105**	-	**105**	**(2,350)**	-	**(2,350)**
Net change in non-cash financing working capital	**236**	-	**236**	**744**	-	**744**
Cash provided by (used in) financing activities	**11,799**	(2,640)	**9,159**	**384,736**	(7,310)	**377,426**
Effect of foreign currency translation on foreign currency denominated cash	**(72)**	-	**(72)**	**(892)**	-	**(892)**
Increase (decrease) in cash and cash equivalents	**8,207**	206	**8,413**	**(6,992)**	35	**(6,957)**
Cash and cash equivalents, beginning of period	**34,822**	625	**35,447**	**50,021**	796	**50,817**
Cash and cash equivalents, end of period	**$ 43,029**	$ 831	**$ 43,860**	**$ 43,029**	$ 831	**$ 43,860**