

Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)	As at September 30 2014	As at December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents (note 19)	\$ 60,684	\$ 47,236
Accounts receivable	169,233	246,310
Derivative financial instruments (note 16)	1,755	5,051
Prepaid expenses and other deposits	42,509	41,302
Total Current Assets	274,181	339,899
Non-Current Assets		
Derivative financial instruments (note 16)	10	395
Property, plant and equipment (note 5)	7,670,796	6,699,702
Goodwill and intangible assets	603,165	617,704
Total Assets	\$ 8,548,152	\$ 7,657,700
LIABILITIES AND EQUITY		
Current Liabilities		
Dividends payable (note 6)	\$ 34,977	\$ 32,980
Accounts payable, accrued liabilities and provisions (notes 8 and 9)	517,817	578,748
Current income taxes payable	-	31,232
Derivative financial instruments (note 16)	-	1,394
Deferred revenue	24,781	6,763
Convertible shares (note 11)	170,000	-
Current portion of long-term debt (note 7)	438,546	287,983
Commercial paper (note 7)	1,290,975	1,309,452
Total Current Liabilities	2,477,096	2,248,552
Non-Current Liabilities		
Long-term debt (note 7)	2,647,516	2,345,591
Convertible shares (note 11)	-	170,000
Long-term payable	-	395
Provisions (note 8)	63,015	65,102
Employee benefits (note 9)	12,554	11,886
Long-term deferred revenue and other liabilities	13,912	16,461
Deferred income taxes	449,122	415,446
Total Liabilities	5,663,215	5,273,433
Commitments (notes 5 and 14)		
Shareholders' Equity		
Shareholders' equity (note 11)	2,524,473	2,045,954
Total reserves (note 11)	42,395	54,296
Total Shareholders' Equity	2,566,868	2,100,250
Non-Controlling Interest (note 12)	318,069	284,017
Total Equity	2,884,937	2,384,267
Total Liabilities and Equity	\$ 8,548,152	\$ 7,657,700

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd.

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 11)	Class B Unlimited Liability Partnership Units (note 11)	Share Capital (note 11)	Earnings / (Deficit)	Contributed Surplus	Reserves (note 11)	Total Shareholders' Equity	Non- Controlling Interest (note 12)	Total Equity	
Balance, January 1, 2014	\$ -	\$ -	\$ 3,096,752	\$ (1,053,255)	\$ 2,457	\$ 54,296	\$ 2,100,250	\$ 284,017	\$ 2,384,267	
Net income for the period	-	-	-	259,186	-	-	259,186	10,744	269,930	
Other comprehensive loss	-	-	-	-	-	(11,901)	(11,901)	-	(11,901)	
Dividends declared (note 6)	-	-	-	(308,185)	-	-	(308,185)	-	(308,185)	
Issuance of common shares (note 11)										
Issued under Premium Dividend™ and Dividend Reinvestment Plan	-	-	236,290	-	-	-	236,290	-	236,290	
Issued for cash (net of issue costs)	-	-	291,228	-	-	-	291,228	-	291,228	
Stated capital adjustment (note 11)	-	-	(1,026,500)	1,026,500	-	-	-	-	-	
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	-	-	(12,734)	(12,734)	
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	-	-	36,042	36,042	
Balance, September 30, 2014	\$ -	\$ -	\$ 2,597,770	\$ (75,754)	\$ 2,457	\$ 42,395	\$ 2,566,868	\$ 318,069	\$ 2,884,937	
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 6)	-	-	-	(239,601)	-	-	(239,601)	-	(239,601)	
Issuance of common shares (note 11)										
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)	-	-	178,066	-	-	-	178,066	-	178,066	
Amalgamation on Corporate Conversion	-	-	-	(218)	-	-	(218)	-	(218)	
Reclassifications	656,129	661	-	(659,247)	2,457	-	-	-	-	
Exchanged on Corporate Conversion	(2,484,485)	-	2,484,485	-	-	-	-	-	-	
Cancellation of Class B partnership units	-	(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	

See accompanying condensed notes to the interim consolidated financial statements.

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Interim Consolidated Statements of Net Income (Loss)

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
REVENUES				
Operating revenues	\$ 379,625	\$ 340,552	\$ 1,166,190	\$ 988,507
EXPENSES				
Shrinkage gas	59,123	54,335	225,679	167,575
Midstream product purchases	23,360	20,092	78,805	48,955
Operating	93,489	87,641	278,836	263,518
Depreciation and amortization	36,569	31,834	103,131	94,137
Financing charges (note 18)	27,268	23,915	66,126	70,119
General and administrative	20,227	20,524	66,216	50,975
Unrealized change in fair value of derivative financial instruments	53	6,938	(1,290)	7,848
Management and incentive fees to general partner (note 13)	-	(801)	-	7,971
General partner internalization (note 13)	-	-	-	348,584
(Gain) loss on disposal of assets	(3,272)	(65)	(5,001)	1,668
	256,817	244,413	812,502	1,061,350
INCOME (LOSS) BEFORE INCOME TAXES	122,808	96,139	353,688	(72,843)
Provision for income taxes (note 10)				
Current	17,374	14,179	47,520	42,281
Deferred	10,365	4,134	36,238	16,462
	27,739	18,313	83,758	58,743
NET INCOME (LOSS)	\$ 95,069	\$ 77,826	\$ 269,930	\$ (131,586)
Net income (loss) attributable to				
Shareholders of Inter Pipeline Ltd.	\$ 91,384	\$ 74,833	\$ 259,186	\$ (139,392)
Non-controlling interest (note 12)	3,685	2,993	10,744	7,806
	\$ 95,069	\$ 77,826	\$ 269,930	\$ (131,586)
Net income (loss) per share attributable to shareholders of Inter Pipeline Ltd. (note 11)				
Basic	\$ 0.28	\$ 0.27	\$ 0.81	\$ (0.50)
Diluted	\$ 0.28	\$ 0.26	\$ 0.80	\$ (0.50)

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
NET INCOME (LOSS)	\$ 95,069	\$ 77,826	\$ 269,930	\$ (131,586)
OTHER COMPREHENSIVE (LOSS) INCOME (note 11)				
Item that may be reclassified subsequently to net income (loss)				
Unrealized (loss) gain on translating financial statements of foreign operations	(18,750)	22,322	(11,901)	37,141
Items that will not be reclassified to net income (loss)				
Actuarial gain on defined benefit pension plan	-	-	-	322
Income tax relating to defined benefit pension reserve	-	(380)	-	(459)
	(18,750)	21,942	(11,901)	37,004
COMPREHENSIVE INCOME (LOSS)	\$ 76,319	\$ 99,768	\$ 258,029	\$ (94,582)
Comprehensive income (loss) attributable to				
Shareholders of Inter Pipeline Ltd.	\$ 72,634	\$ 96,775	\$ 247,285	\$ (102,388)
Non-controlling interest (note 12)	3,685	2,993	10,744	7,806
	\$ 76,319	\$ 99,768	\$ 258,029	\$ (94,582)

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
OPERATING ACTIVITIES				
Net income (loss)	\$ 95,069	\$ 77,826	\$ 269,930	\$ (131,586)
Items not involving cash:				
Depreciation and amortization	36,569	31,834	103,131	94,137
(Gain) loss on disposal of assets	(3,272)	(65)	(5,001)	1,668
Non-cash expense	2,160	2,718	1,263	1,028
Unrealized change in fair value of derivative financial instruments	53	6,938	(1,290)	7,848
General partner internalization (note 13)	-	-	-	348,584
Deferred income tax expense	10,365	4,134	36,238	16,462
Funds from operations	140,944	123,385	404,271	338,141
Net change in non-cash operating working capital (note 19)	(17,186)	4,708	982	20,129
Cash provided by operating activities	123,758	128,093	405,253	358,270
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	(268,214)	(573,470)	(1,075,287)	(1,390,293)
Proceeds on disposal of assets	3,893	844	6,865	852
Net change on amalgamation	-	(218)	-	(218)
Capital contributions received from Cold Lake non-controlling interest	14,437	2,302	36,042	7,685
Net change in non-cash investing working capital (note 19)	2,315	81,480	3,279	246,576
Cash used in investing activities	(247,569)	(489,062)	(1,029,101)	(1,135,398)
FINANCING ACTIVITIES				
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 6)	(27,052)	(27,011)	(71,895)	(73,044)
Cash distributions paid by Cold Lake to non-controlling interest	(4,398)	(2,653)	(12,734)	(8,482)
Increase in debt	112,302	387,511	435,699	837,126
Transaction costs on debt	(107)	(2,221)	(4,587)	(3,864)
Issuance of common shares	-	-	300,560	-
Share issue costs	183	(519)	(11,994)	(519)
Net change in non-cash financing working capital (note 19)	255	6,004	2,712	8,142
Cash provided by financing activities	81,183	361,111	637,761	759,359
Effect of foreign currency translation on foreign currency denominated cash	(682)	844	(465)	1,934
(Decrease) increase in cash and cash equivalents	(43,310)	986	13,448	(15,835)
Cash and cash equivalents, beginning of period	103,994	48,158	47,236	64,979
Cash and cash equivalents, end of period	\$ 60,684	\$ 49,144	\$ 60,684	\$ 49,144
Cash taxes paid	\$ 23,460	\$ 8,168	\$ 87,253	\$ 16,926
Cash interest paid	\$ 34,727	\$ 26,220	\$ 97,387	\$ 78,711

See accompanying condensed notes to the interim consolidated financial statements.

Inter Pipeline Ltd.

Condensed Notes to Interim Consolidated Financial Statements

(unaudited)

September 30, 2014

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

1. STRUCTURE OF THE CORPORATION

Inter Pipeline Ltd. (Inter Pipeline or the Corporation) was incorporated under the provisions of the *Business Corporations Act* (Alberta) on January 29, 2013. On May 31, 2013, the Corporation changed its name to Inter Pipeline Ltd. from 1726761 Alberta Ltd. On September 1, 2013, the Corporation carried on the business of Inter Pipeline Fund (the Fund) following the conversion from a limited partnership to a dividend paying corporation (Corporate Conversion) pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the Arrangement). The Fund was dissolved and, as a result, comparative figures in these and future financial statements reflect the history of the Fund, as previously reported, to the date of Corporate Conversion. In these unaudited condensed interim consolidated financial statements (interim financial statements), Inter Pipeline will refer to common shares, shareholders, restricted share units (RSUs) and dividends, which were formerly referred to as partnership units, unitholders, deferred unit rights and distributions under the partnership structure.

Inter Pipeline is comprised of four industry operating segments located in two geographic segments: oil sands transportation business, conventional oil pipelines business and natural gas liquids (NGL) extraction business, all operating in Canada, and the bulk liquid storage business, which operates in Europe. The head office, principal address and records office of Inter Pipeline are located at 2600, 237 – 4th Avenue SW, Calgary, Alberta, Canada.

These interim financial statements include the accounts of Inter Pipeline, its subsidiary companies, partnerships and any joint arrangements as at and for the three and nine months ended September 30, 2014.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Inter Pipeline on November 6, 2014.

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 Inter Pipeline's audited consolidated financial statements and notes thereto for the year ended December 31, 2013.

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, 2013, and the interim financial statements for the three and six months ended June 30, 2014.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations and shall be applied to annual periods beginning on or after January 1, 2017, with early adoption permitted. IFRS 15 establishes a control based revenue recognition model under which revenue is recognized when control of the underlying goods or services for the particular performance obligation is transferred to the customer. Inter Pipeline is currently assessing the impact of IFRS 15; however the extent of the impact has not yet been determined.

Inter Pipeline Ltd.

Condensed Notes to Interim Consolidated Financial Statements

(unaudited)

September 30, 2014

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

4. SEGMENT REPORTING

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

	Three Months Ended September 30, 2014						Total Canadian and European Operations
	Canada			Europe			
	Oil Sands Transportation Business	Conventional Oil Pipelines Business	NGL Extraction Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	
REVENUES	\$ 128,142	\$ 89,607	\$ 120,302	\$ -	\$ 338,051	\$ 41,574	\$ 379,625
EXPENSES							
Shrinkage gas	-	-	59,123	-	59,123	-	59,123
Midstream product purchases	-	23,360	-	-	23,360	-	23,360
Operating	31,461	17,297	26,938	-	75,696	17,793	93,489
Depreciation and amortization	15,891	2,699	7,456	940	26,986	9,583	36,569
Financing charges	8,473	51	75	18,321	26,920	348	27,268
General and administrative	2,510	-	-	15,235	17,745	2,482	20,227
Unrealized change in fair value of derivative financial instruments	-	53	-	-	53	-	53
Gain on disposal of assets	(28)	-	-	-	(28)	(3,244)	(3,272)
	58,307	43,460	93,592	34,496	229,855	26,962	256,817
INCOME (LOSS) BEFORE INCOME TAXES	69,835	46,147	26,710	(34,496)	108,196	14,612	122,808
Provision for income taxes	12,681	-	-	14,115	26,796	943	27,739
NET INCOME (LOSS)	\$ 57,154	\$ 46,147	\$ 26,710	\$ (48,611)	\$ 81,400	\$ 13,669	\$ 95,069
Items not involving cash:							
Depreciation and amortization*	15,863	2,699	7,456	940	26,958	6,339	33,297
Non-cash expense (recovery)	201	(214)	176	2,154	2,317	(157)	2,160
Unrealized change in fair value of derivative financial instruments	-	53	-	-	53	-	53
Deferred income tax expense	9,191	-	-	1,158	10,349	16	10,365
FUNDS FROM (USED IN) OPERATIONS	\$ 82,409	\$ 48,685	\$ 34,342	\$ (44,359)	\$ 121,077	\$ 19,867	\$ 140,944
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 240,090	\$ 14,613	\$ 2,547	\$ 2,599	\$ 259,849	\$ 8,419	\$ 268,268
	As at September 30, 2014						
Property, plant and equipment - net book value	\$ 6,005,617	\$ 503,403	\$ 416,136	\$ 16,440	\$ 6,941,596	\$ 729,200	\$ 7,670,796
Goodwill and intangible assets - net book value	\$ 223,554	\$ -	\$ 192,528	\$ -	\$ 416,082	\$ 187,083	\$ 603,165
Other assets	\$ 106,577	\$ 43,305	\$ 54,396	\$ 9,093	\$ 213,371	\$ 60,820	\$ 274,191
TOTAL ASSETS	\$ 6,335,748	\$ 546,708	\$ 663,060	\$ 25,533	\$ 7,571,049	\$ 977,103	\$ 8,548,152

* Includes gain on disposal of assets

Inter Pipeline Ltd.

Condensed Notes to Interim Consolidated Financial Statements

(unaudited)

September 30, 2014

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

	Three Months Ended September 30, 2013							
	<u>Canada</u>					<u>Europe</u>		Total Canadian and European Operations
	Oil Sands Transportation Business	Conventional Oil Pipelines Business	NGL Extraction Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business		
REVENUES	\$ 96,160	\$ 81,124	\$ 127,266	\$ -	\$ 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	14,328	29,777	-	71,686	15,955	87,641	
Depreciation and amortization	11,703	2,536	7,528	706	22,473	9,361	31,834	
Financing charges	8,706	157	67	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	-	31	6,907	-	6,938	-	6,938	
Management and incentive fees to general partner	-	-	-	(801)	(801)	-	(801)	
(Gain) loss on disposal of assets	-	(24)	46	-	22	(87)	(65)	
	50,301	37,120	98,660	30,521	216,602	27,811	244,413	
INCOME (LOSS) BEFORE INCOME TAXES	45,859	44,004	28,606	(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	\$ 44,004	\$ 28,606	\$ (45,958)	\$ 64,350	\$ 13,476	\$ 77,826	
Items not involving cash:								
Depreciation and amortization*	11,703	2,512	7,574	706	22,495	9,274	31,769	
Non-cash expense	124	471	148	1,868	2,611	107	2,718	
Unrealized change in fair value of derivative financial instruments	-	31	6,907	-	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	\$ 47,018	\$ 43,235	\$ (39,798)	\$ 106,127	\$ 17,258	\$ 123,385	
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 555,558	\$ 4,538	\$ 6,518	\$ 1,196	\$ 567,810	\$ 5,660	\$ 573,470	
						As at December 31, 2013		
Property, plant and equipment - net book value	\$ 5,039,268	\$ 479,761	\$ 422,890	\$ 14,546	\$ 5,956,465	\$ 743,237	\$ 6,699,702	
Goodwill and intangible assets - net book value	\$ 225,262	\$ -	\$ 200,186	\$ -	\$ 425,448	\$ 192,256	\$ 617,704	
Other assets	\$ 153,737	\$ 65,048	\$ 73,014	\$ 405	\$ 292,204	\$ 48,090	\$ 340,294	
TOTAL ASSETS	\$ 5,418,267	\$ 544,809	\$ 696,090	\$ 14,951	\$ 6,674,117	\$ 983,583	\$ 7,657,700	

* Includes (gain) loss on disposal of assets

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

September 30, 2014

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

	Nine Months Ended September 30, 2014					Europe		Total Canadian and European Operations
	Canada				Total Canadian Operations	Bulk Liquid Storage Business		
	Oil Sands Transportation Business	Conventional Oil Pipelines Business	NGL Extraction Business	Corporate				
REVENUES	\$ 336,156	\$ 276,834	\$ 425,646	\$ -	\$ 1,038,636	\$ 127,554	\$ 1,166,190	
EXPENSES								
Shrinkage gas	-	-	225,679	-	225,679	-	225,679	
Midstream product purchases	-	78,805	-	-	78,805	-	78,805	
Operating	88,847	53,019	82,455	-	224,321	54,515	278,836	
Depreciation and amortization	40,663	7,978	22,538	2,647	73,826	29,305	103,131	
Financing charges	25,394	392	225	39,219	65,230	896	66,126	
General and administrative	7,169	-	-	51,158	58,327	7,889	66,216	
Unrealized change in fair value of derivative financial instruments	-	(43)	(1,247)	-	(1,290)	-	(1,290)	
Gain on disposal of assets	(28)	(36)	-	-	(64)	(4,937)	(5,001)	
	162,045	140,115	329,650	93,024	724,834	87,668	812,502	
INCOME (LOSS) BEFORE INCOME TAXES	174,111	136,719	95,996	(93,024)	313,802	39,886	353,688	
Provision for income taxes	31,331	-	-	50,498	81,829	1,929	83,758	
NET INCOME (LOSS)	\$ 142,780	\$ 136,719	\$ 95,996	\$ (143,522)	\$ 231,973	\$ 37,957	\$ 269,930	
Items not involving cash:								
Depreciation and amortization*	40,635	7,942	22,538	2,647	73,762	24,368	98,130	
Non-cash expense (recovery)	137	(302)	270	2,774	2,879	(1,616)	1,263	
Unrealized change in fair value of derivative financial instruments	-	(43)	(1,247)	-	(1,290)	-	(1,290)	
Deferred income tax expense (recovery)	25,319	-	-	11,994	37,313	(1,075)	36,238	
FUNDS FROM (USED IN) OPERATIONS	208,871	144,316	117,557	(126,107)	344,637	59,634	404,271	
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 1,005,303	\$ 30,710	\$ 8,126	\$ 5,453	\$ 1,049,592	\$ 23,611	\$ 1,073,203	

* Includes gain on disposal of assets

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

September 30, 2014

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

	Nine Months Ended September 30, 2013							
	Canada				Europe			Total Canadian and European Operations
	Oil Sands Transportation Business	Conventional Oil Pipelines Business	NGL Extraction Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business		
REVENUES	\$ 281,095	\$ 219,898	\$ 374,115	\$ -	\$ 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	39,885	89,122	-	215,247	48,271	263,518	
Depreciation and amortization	34,114	7,484	21,044	1,935	64,577	29,560	94,137	
Financing charges	26,134	471	200	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	-	(241)	8,089	-	7,848	-	7,848	
Management fees to general partner	-	-	-	7,971	7,971	-	7,971	
General partner internalization	-	-	-	348,584	348,584	-	348,584	
(Gain) loss on disposal of assets	-	(32)	1,787	-	1,755	(87)	1,668	
	154,105	96,522	287,817	437,379	975,823	85,527	1,061,350	
INCOME (LOSS) BEFORE INCOME TAXES	126,990	123,376	86,298	(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	\$ 123,376	\$ 86,298	\$ (480,622)	\$ (165,578)	\$ 33,992	\$ (131,586)	
Items not involving cash:								
Depreciation and amortization*	34,114	7,452	22,831	1,935	66,332	29,473	95,805	
Non-cash (recovery) expense	(152)	348	137	(48)	285	743	1,028	
Unrealized change in fair value of derivative financial instruments	-	(241)	8,089	-	7,848	-	7,848	
General partner internalization	-	-	-	348,584	348,584	-	348,584	
Deferred income tax expense (recovery)	16,130	-	-	7,407	23,537	(7,075)	16,462	
FUNDS FROM (USED IN) OPERATIONS	\$ 155,462	\$ 130,935	\$ 117,355	\$ (122,744)	\$ 281,008	\$ 57,133	\$ 338,141	
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 1,320,058	\$ 9,936	\$ 30,250	\$ 4,894	\$ 1,365,138	\$ 23,414	\$ 1,388,552	

* Includes (gain) loss on disposal of assets

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5. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line Fill	Construction Work in Progress	Total
COST				
Balance, January 1, 2013	\$ 5,092,910	\$ 273,829	\$ 343,398	\$ 5,710,137
Additions/transfers from construction*	635,497	-	1,946,788	2,582,285
Disposals/completed construction*	(7,914)	-	(633,328)	(641,242)
Foreign currency translation adjustments	82,445	-	(68)	82,377
Balance, December 31, 2013	5,802,938	273,829	1,656,790	7,733,557
Additions/transfers from construction*	1,280,107	7,695	1,063,198	2,351,000
Disposals/completed construction*	(3,191)	-	(1,277,797)	(1,280,988)
Foreign currency translation adjustments	(7,844)	-	472	(7,372)
Balance, September 30, 2014	\$ 7,072,010	\$ 281,524	\$ 1,442,663	\$ 8,796,197
ACCUMULATED DEPRECIATION				
Balance, January 1, 2013	\$ 904,631	\$ 11,998	\$ -	\$ 916,629
Depreciation	102,770	2,905	-	105,675
Disposals	(1,500)	-	-	(1,500)
Foreign currency translation adjustments	13,051	-	-	13,051
Balance, December 31, 2013	1,018,952	14,903	-	1,033,855
Depreciation	89,823	2,179	-	92,002
Disposals	(1,327)	-	-	(1,327)
Foreign currency translation adjustments	871	-	-	871
Balance, September 30, 2014	\$ 1,108,319	\$ 17,082	\$ -	\$ 1,125,401
NET BOOK VALUE				
Balance, December 31, 2013	\$ 4,783,986	\$ 258,926	\$ 1,656,790	\$ 6,699,702
Balance, September 30, 2014	\$ 5,963,691	\$ 264,442	\$ 1,442,663	\$ 7,670,796

* 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, 2014, Inter Pipeline expects to spend approximately \$724.4 million on property, plant and equipment, of which \$403.3 million is due within one year and \$321.1 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.

6. DIVIDENDS TO SHAREHOLDERS

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Dividends declared to shareholders of Inter Pipeline Ltd.	\$ 104,688	\$ 84,608	\$ 308,185	\$ 239,601
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	(77,636)	(57,597)	(236,290)	(166,557)
Cash dividends paid to shareholders of Inter Pipeline Ltd.	\$ 27,052	\$ 27,011	\$ 71,895	\$ 73,044
Declared amount (\$ per share)	\$ 0.3225	\$ 0.2975	\$ 0.9675	\$ 0.8550

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As at September 30, 2014, dividends of \$35.0 million were payable on 325.4 million outstanding common shares at \$0.1075 per share (December 31, 2013 - \$33.0 million payable on 306.8 million outstanding common shares at \$0.1075 per share).

On October 8, 2014, Inter Pipeline declared dividends of \$0.1075 per share. The dividends will be paid on or about November 14, 2014, to all shareholders of record on October 22, 2014. The total estimated declared dividends are \$35.0 million.

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

	September 30 2014	December 31 2013
\$1,550 million Unsecured Revolving Credit Facility (a)	\$ 1,293,700	\$ 1,312,200
\$1,250 million Unsecured Revolving Credit Facility (b)	189,000	635,000
Loan payable to Private Placement noteholders (c)	288,648	288,648
Corridor Debentures (d)	300,000	300,000
Senior Unsecured MTN (e)	2,325,000	1,425,000
Long-term debt, short term debt and commercial paper (excluding transaction costs and discounts)	4,396,348	3,960,848
Less: current portion of long-term debt and commercial paper*	(1,732,348)	(1,600,848)
Long-term debt (excluding transaction costs and discounts)	2,664,000	2,360,000
Transaction costs, net of accumulated amortization	(17,276)	(15,588)
Discount, net of accumulated amortization	(2,035)	(2,234)
Add: Current portion of transaction costs and discounts	2,827	3,413
Long-term debt	2,647,516	2,345,591
Current portion of long-term debt including transaction costs and discounts	438,546	287,983
Commercial paper including transaction costs and discounts* (a)	1,290,975	1,309,452
	\$ 4,377,037	\$ 3,943,026

* Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the \$1,550 million Unsecured Revolving Credit Facility that has no repayment requirements until December 2017.

- (a) At September 30, 2014, letters of credit of \$0.2 million were issued by Corridor.
- (b) At September 30, 2014, letters of credit of \$0.3 million were issued by Inter Pipeline.
- (c) On October 28, 2014, the loan payable to Private Placement noteholders of \$288.6 million matured and was repaid with funds available under Inter Pipeline's \$1,250 million Unsecured Revolving Credit Facility.
- (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 May 27, 2014, Inter Pipeline issued \$500 million and \$400 million of Senior Unsecured Medium-Term Notes (MTN) in the Canadian public debt market under Inter Pipeline's short form base shelf prospectus dated December 9, 2013, a related prospectus supplement dated May 27, 2014 and related pricing supplements dated May 27, 2014. The \$500 million MTN series 5 (MTN Series 5), due May 30, 2044, bear interest at the rate of 4.637% per annum, payable semi-annually. The \$400 million floating rate MTN series 6 (MTN Series 6), due May 30, 2017, bear interest at the three month Canadian Dealer Offered Rate plus 49 basis points, payable and reset quarterly. The proceeds from these issuances were used to repay bank indebtedness incurred through funding Inter Pipeline's capital expenditure program and for other general corporate purposes.

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Senior Unsecured MTN are defined as the \$325 million 4.967% MTN Series 1 due February 2, 2021, the \$200 million 3.839% MTN Series 2 due July 30, 2018, the \$400 million 3.776% MTN Series 3 due May 30, 2022, the \$500 million 3.448% MTN Series 4 due July 20, 2020, and the MTN Series 5 and the MTN Series 6, as described above.

8. PROVISIONS

	September 30	December 31
	2014	2013
Decommissioning obligations	\$ 45,112	\$ 46,473
Environmental liabilities	17,903	18,629
Provisions	\$ 63,015	\$ 65,102

In addition to the above provisions, \$54.6 million is included in accounts payable, accrued liabilities and provisions related to construction reclamation work at September 30, 2014 (December 31, 2013 - \$41.2 million).

9. EMPLOYEE BENEFITS

	September 30	December 31
	2014	2013
Pension liability	\$ 5,729	\$ 6,254
Long-term incentive plan liability	6,825	5,632
Employee benefits	\$ 12,554	\$ 11,886

For the three and nine months ended September 30, 2014, employee benefits expense recognized in net income (loss) were \$27.9 million and \$88.7 million, respectively (three and nine months ended September 30, 2013 - \$25.6 million and \$64.8 million, respectively).

a) Long-Term Incentive Plan

The following table summarizes the status of Inter Pipeline's RSUs as at September 30, 2014, and December 31, 2013:

	Number of RSUs
Balance, January 1, 2013	1,294,485
Granted	663,635
Exercised	(794,226)
Forfeitures	(31,651)
Balance, December 31, 2013	1,132,243
Granted	613,718
Exercised	(109,057)
Forfeitures	(35,890)
Balance, September 30, 2014	1,601,014

At September 30, 2014, a current liability related to RSUs of \$37.7 million (December 31, 2013 - \$18.5 million) is included in accounts payable, accrued liabilities and provisions. At September 30, 2014, 542,661 RSUs are exercisable. Inter Pipeline's closing share price at September 30, 2014 was \$36.35.

The total intrinsic value of RSUs vested and not exercised as at September 30, 2014 was \$20.8 million (December 31, 2013 - \$17.6 million).

The weighted average remaining contractual life of the outstanding RSUs as at September 30, 2014 was 1.3 years (December 31, 2013 - 1.5 years).

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For the three months ended September 30, 2014, RSU costs of \$2.3 million were included in operating expenses and \$6.5 million were included in general and administrative expenses (three months ended September 30, 2013 - \$1.9 million and \$7.2 million, respectively). For the nine months ended September 30, 2014, RSU costs of \$6.2 million were included in operating expenses and \$18.9 million were included in general and administrative expenses (nine months ended September 30, 2013 - \$3.1 million and \$12.7 million, respectively).

10. INCOME TAXES

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	
	2014	2013	2014	2013
Income (loss) before income taxes per consolidated financial statements	\$ 122,808	\$ 96,139	\$ 353,688	\$ (72,843)
Income before income taxes attributable to non-controlling interest	(3,698)	(3,005)	(10,779)	(7,840)
Adjusted income before income taxes	119,110	93,134	342,909	(80,683)
Tax rate	25.0%	25.0%	25.0%	25.0%
	29,778	23,284	85,727	(20,171)
General partner internalization	-	-	-	87,369
Deductible intercompany interest	(2,076)	(967)	(2,294)	(3,994)
Impact of rate reductions	-	(5,038)	-	(6,295)
Other	37	1,034	325	1,834
Provision for income taxes	\$ 27,739	\$ 18,313	\$ 83,758	\$ 58,743

11. SHAREHOLDERS' EQUITY**Authorized**

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

Class A preferred shares, limited to not more than 20% of the number of issued and outstanding common shares, with no voting rights.

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, 2013	274,880,318	275,422	-	275,155,740	\$ 2,339,745
Issued under Premium Dividend™ and Dividend Reinvestment Plan	6,639,917	6,657	4,143,952	10,790,526	246,691
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, net of issue costs	-	-	7,411,683	7,411,683	178,584
Common shares issued, net of issue costs	-	-	13,719,500	13,719,500	334,221
Balance, December 31, 2013	-	-	306,795,370	306,795,370	\$ 3,096,752
Issued under Premium Dividend™ and Dividend Reinvestment Plan	-	-	8,175,262	8,175,262	\$ 236,290
Common shares issued, net of issue costs	-	-	10,400,000	10,400,000	291,228
Stated capital adjustment	-	-	-	-	(1,026,500)
Balance, September 30, 2014	-	-	325,370,632	325,370,632	\$ 2,597,770

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Common Share Issuance

On March 26, 2014, Inter Pipeline closed an equity offering to sell 10,400,000 common shares at \$28.90 per share for gross proceeds of \$300.6 million. Share issue costs (net of tax) of \$9.4 million were incurred, resulting in net proceeds of \$291.2 million.

Stated Capital Adjustment

On May 12, 2014, Inter Pipeline's Board of Directors approved a legal stated capital amount of \$1,636.6 million for Inter Pipeline's common shares on the date of Corporate Conversion pursuant to the Arrangement. As a result, Inter Pipeline's share capital was reduced by \$1,026.5 million to correspond with the revised legal stated capital amount of the common shares and Inter Pipeline's deficit on the date of Corporate Conversion was eliminated. This stated capital adjustment did not result in any changes to Inter Pipeline's total shareholders' equity, only the components therein.

Premium Dividend™ and Dividend Reinvestment Plan

Effective September 16, 2014, Inter Pipeline suspended the premium dividend component of the Premium Dividend™ and Dividend Reinvestment Plan. Concurrently, the dividend reinvestment discount was reduced from 5% to 2%.

Calculation of Net Income (Loss) per Common Share

Basic net income (loss) per common share attributable to shareholders 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	
	2014	2013	2014	2013
Net income (loss) attributable to shareholders – basic and diluted	\$ 91,384	\$ 74,833	\$ 259,186	\$ (139,392)
Weighted average shares outstanding – basic	324,220,370	283,591,572	318,337,651	279,627,289
Effect of Premium Dividend™ and Dividend Reinvestment Plan *	621,784	684,339	655,548	-
Effect of convertible shares *	7,055,406	2,223,987	7,055,406	-
Weighted average shares outstanding – diluted	331,897,560	286,499,898	326,048,605	279,627,289
Net income (loss) per common share attributable to shareholders –				
basic	\$ 0.28	\$ 0.27	\$ 0.81	\$ (0.50)
diluted	\$ 0.28	\$ 0.26	\$ 0.80	\$ (0.50)

* 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.

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Convertible Shares

The convertible shares issued on September 1, 2013 following Corporate Conversion are partially contingent on the outcome of certain organic growth projects in the Foster Creek and Christina Lake areas currently under development. These convertible shares will be converted to common shares of 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 shares will be exchanged on a 70/170th basis and their value will be reduced to \$70 million. The convertible shares are classified as a current liability as the new diluent delivery service to the Foster Creek and Christina Lake projects was placed into commercial service in July 2014, while the new bitumen blend facilities in support of the Foster Creek project are expected to be in service and generating revenue in early 2015.

Reserves

Reserves are summarized as follows:

		Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Total Reserves
Balance, January 1, 2013	\$	(13,437)	\$ (10,067)	\$ (23,504)
Other comprehensive income (loss)		37,141	(137)	37,004
Balance, September 30, 2013	\$	23,704	\$ (10,204)	\$ 13,500
Balance, January 1, 2014	\$	67,541	\$ (13,245)	\$ 54,296
Other comprehensive loss		(11,901)	-	(11,901)
Balance, September 30, 2014	\$	55,640	\$ (13,245)	\$ 42,395

12. NON-CONTROLLING INTEREST

Summarized information on the balance sheets and results of operations relating to the 15% non-controlling interest in Cold Lake, which has its principal place of business in Calgary, Alberta, are:

	September 30 2014	December 31 2013
Current assets	\$ 7,971	\$ 21,703
Non-current assets	326,031	273,229
Current liabilities	(15,915)	(10,884)
Non-current liabilities	(18)	(31)
Proportionate share of net assets	\$ 318,069	\$ 284,017

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Revenues	\$ 6,473	\$ 5,486	\$ 19,298	\$ 15,346
Expenses	(2,775)	(2,481)	(8,519)	(7,506)
Current income tax	(13)	(12)	(35)	(34)
Proportionate share of net income and comprehensive income	\$ 3,685	\$ 2,993	\$ 10,744	\$ 7,806

13. RELATED PARTY TRANSACTIONS

No revenue was earned from related parties for the three and nine months ended September 30, 2014 and 2013.

Following Corporate Conversion on September 1, 2013, Inter Pipeline is no longer required to pay management, acquisition, divestiture and incentive fees to a general partner, which were previously required under the Fund's Limited Partnership Agreement (LPA). In the three and nine months ended September 30, 2013, the Fund's general partner earned \$2.0 million and \$8.0 million, respectively, in

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management fees. As the annual distributable cash threshold of the LPA was not met prior to Corporate Conversion, incentive fees of \$2.8 million previously accrued were reversed when the LPA was terminated on September 1, 2013. Prior to Corporate Conversion, on June 1, 2013, Inter Pipeline recognized a one-time, non-cash, general partner internalization expense of \$348.6 million related to the indirect purchase of its general partner.

Certain key management personnel contracts were renegotiated effective January 1, 2014, resulting in recognition of additional employee benefits expense of \$nil and \$5.0 million for the three and nine months ended September 30, 2014, respectively (three and nine months ended September 30, 2013 – \$nil and \$nil, respectively).

14. COMMITMENTS AND CONTINGENCIES

Inter Pipeline has purchase obligation commitments totaling approximately \$189.4 million at September 30, 2014. Inter Pipeline is also committed to investing capital in the bulk liquid storage business to comply with the United Kingdom's post Buncefield regulations. Potential solutions are being evaluated and expenditures are estimated to be in the range of \$5.0 million to \$7.0 million over the next seven years. Refer to note 5 for expected property, plant and equipment expenditures.

Inter Pipeline has lease agreements for office space, storage, property, plant and equipment and land for periods ranging from 2014 to 2090. At September 30, 2014, the future lease obligations are approximately \$242.0 million.

15. CAPITAL DISCLOSURES

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

At September 30, 2014, Inter Pipeline had access to committed credit facilities totaling \$2,800.0 million, of which \$1,317.3 million remained unutilized. Inter Pipeline also had access to demand facilities of \$65.0 million, of which \$64.5 million remained unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

Management's long-term objective is to remain well below its maximum permitted ratio of 65% recourse debt to capitalization*. The recourse debt to capitalization* measure below is similar to the coverage ratio terms contained in Inter Pipeline's credit agreement.

	September 30 2014	December 31 2013
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts, per note 7)		
Recourse debt	\$ 2,802,648	\$ 2,348,648
Non-recourse debt	1,593,700	1,612,200
	4,396,348	3,960,848
Total shareholders' equity	2,566,868	2,100,250
Total capitalization	\$ 6,963,216	\$ 6,061,098
Capitalization (excluding non-recourse debt)	\$ 5,369,516	\$ 4,448,898
Recourse debt to capitalization*	52.2%	52.8%

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.

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16. FINANCIAL INSTRUMENTS**a) Classification of Financial Assets and Financial Liabilities**

The carrying value of Inter Pipeline's financial assets and liabilities recorded at September 30, 2014, 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	\$ -	\$ 60,684	\$ -	\$ 60,684	\$ -	\$ 60,684
Accounts receivable	-	151,898	-	151,898	17,335	169,233
Derivative financial instruments***	1,765	-	-	1,765	-	1,765
Prepaid expenses and other deposits	-	22,420	-	22,420	20,089	42,509
Liabilities						
Dividends payable	\$ -	\$ -	\$ 34,977	\$ 34,977	\$ -	\$ 34,977
Accounts payable, accrued liabilities and provisions	1,630	-	398,982	400,612	117,205	517,817
Deferred revenue and other liabilities	-	-	14,019	14,019	24,674	38,693
Convertible shares (note 11)	-	-	170,000	170,000	-	170,000
Long-term debt, short-term debt and commercial paper (note 7)****	-	-	4,396,348	4,396,348	-	4,396,348

* 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 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.

b) Fair Value of Financial Instruments

The fair value of long-term debt, convertible shares and derivative financial instruments are included in the following tables.

At September 30, 2014, the carrying values of fixed rate debt and convertible shares compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan payable to Private Placement noteholders	\$ 288,648	\$ 289,610
Corridor Debentures	\$ 300,000	\$ 317,831
Senior Unsecured MTN Series 1 to 5	\$ 1,925,000	\$ 2,001,851
Convertible shares	\$ 170,000	\$ 263,096

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

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

	September 30 2014	December 31 2013
Current asset	\$ 1,755	\$ 5,051
Non-current asset	10	395
Current liability	-	(1,394)
	\$ 1,765	\$ 4,052

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Derivative financial instruments carried at fair value are as follows:

	September 30	December 31
	2014	2013
Frac-spread risk management		
NGL swaps	\$ -	\$ (1,287)
AECO natural gas swaps	-	147
Foreign exchange swaps	-	(107)
	-	(1,247)
Interest rate risk management		
Interest rate swaps	1,630	5,206
	1,630	5,206
Power price risk management		
Electricity price swaps	135	93
	135	93
	\$ 1,765	\$ 4,052

17. 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, interest rates and foreign currency exchange rates, credit risk and liquidity risk.

a) Market Risk**Frac-spread Risk Management**

Inter Pipeline may enter into NGL, AECO natural gas, and foreign exchange swap contracts to manage frac-spread risk exposure in the NGL extraction business. As at September 30, 2014, there are no frac-spread hedges outstanding, however, Inter Pipeline may decide to hedge this risk in the future.

Power Price Risk Management

Inter Pipeline enters into electricity price swap contracts to manage power price risk exposure in the conventional oil pipelines business. During the nine months ended September 30, 2014, Inter Pipeline entered into an electricity price swap agreement in addition to the existing electricity price swap agreement entered into in 2013. 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, 2014, there are no heat rate price swap agreements outstanding.

At September 30, 2014, 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.

Interest Rate Risk Management

Based on the variable rate debt obligations outstanding at September 30, 2014, a 1% change in interest rates at this date would have changed interest expense for the three and nine months ended September 30, 2014, by approximately \$4.7 million and \$12.4 million, respectively, assuming all other variables remain constant. Of these amounts, \$3.3 million and \$9.7 million for the three and nine months ended September 30, 2014, respectively, relate to the \$1,550 million Unsecured Revolving Credit Facility (note 7) and are recoverable through the terms of Corridor's firm service agreement, therefore the after-tax income impact for the three and nine months ended September 30, 2014 would be \$1.1 million and \$2.1 million, respectively.

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Foreign Exchange Risk Management

Inter Pipeline is exposed to currency risk resulting from the translation of assets and liabilities of its European bulk liquid storage operations and transactional currency exposures arising from purchases in currencies other than Inter Pipeline's functional currency, the Canadian dollar. Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future. As at September 30, 2014, there are no foreign exchange hedges outstanding.

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, 2014, 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, 2014, 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, 2014, accounts receivable associated with these two business segments were \$117.1 million or 69.2% 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.

Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at September 30, 2014, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	\$ 34,977	\$ 34,977	\$ -	\$ -
Accounts payable, accrued liabilities and provisions	517,817	517,817	-	-
Deferred revenue and other liabilities	38,693	24,781	8,388	5,524
Convertible shares*	170,000	170,000	-	-
Long-term debt, short-term debt and commercial paper**	4,396,348	1,732,348	789,000	1,875,000
	<u>\$ 5,157,835</u>	<u>\$ 2,479,923</u>	<u>\$ 797,388</u>	<u>\$ 1,880,524</u>

* Convertible shares are expected to be converted to equity and will not be settled in cash (note 11).

** Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the \$1,550 million Unsecured Revolving Credit Facility that has no repayment requirements until December 2017.

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

September 30, 2014

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

18. FINANCING CHARGES

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Interest expense on credit facilities	\$ 7,262	\$ 10,025	\$ 27,710	\$ 27,995
Interest on loan payable to				
Private Placement noteholders	4,402	4,426	13,219	13,302
Interest on Corridor Debentures	2,532	2,538	7,541	7,540
Interest on Senior Unsecured MTN	21,581	13,131	52,341	32,593
Total interest	35,777	30,120	100,811	81,430
Capitalized interest	(10,114)	(7,590)	(39,186)	(15,674)
Amortization of transaction costs on long-term debt, short-term debt and commercial paper	1,094	879	2,898	2,548
Accretion of provisions and pension plan funding charges	511	506	1,603	1,815
Financing charges	\$ 27,268	\$ 23,915	\$ 66,126	\$ 70,119

19. SUPPLEMENTAL CASH FLOW INFORMATION***Changes in Non-Cash Working Capital***

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Accounts receivable	\$ (21,304)	\$ (15,078)	\$ 77,077	\$ (7,552)
Prepaid expense and other deposits	6,340	4,914	(1,207)	(3,806)
Dividends payable	255	4,547	1,997	5,697
Accounts payable, accrued liabilities and provisions	361	96,278	(57,750)	251,475
Current income taxes payable	-	6,600	(31,232)	25,977
Deferred revenue	(385)	(5,121)	18,018	3,271
Impact of foreign exchange rate differences and other	117	52	70	(215)
Changes in non-cash working capital	\$ (14,616)	\$ 92,192	\$ 6,973	\$ 274,847
These changes relate to the following activities:				
Operating	\$ (17,186)	\$ 4,708	\$ 982	\$ 20,129
Investing	2,315	81,480	3,279	246,576
Financing	255	6,004	2,712	8,142
Changes in non-cash working capital	\$ (14,616)	\$ 92,192	\$ 6,973	\$ 274,847

Cash and Cash Equivalents

	September 30	December 31
	2014	2013
Cash on hand and at banks	\$ 43,339	\$ 36,984
Short-term deposits	17,345	10,252
	\$ 60,684	\$ 47,236