Interim Consolidated Balance Sheets

(unaudited) (thousands of Canadian dollars)		**March 31 2015**		As at December 31 2014
ASSETS				
Current Assets				
Cash and cash equivalents (note 15)	**$**	**62,948**	$	61,098
Accounts receivable		**159,679**		156,827
Current income taxes receivable		**-**		11,474
Derivative financial instruments (note 12)		**-**		424
Prepaid expenses and other deposits		**24,161**		27,007
Total Current Assets		**246,788**		256,830
Non-Current Assets				
Property, plant and equipment (note 3)		**7,895,574**		7,793,693
Goodwill and intangible assets		**591,467**		596,663
Total Assets	**$**	**8,733,829**	$	8,647,186
LIABILITIES AND EQUITY				
Current Liabilities				
Dividends payable (note 4)	**$**	**40,945**	$	39,961
Accounts payable, accrued liabilities and provisions (notes 6 and 7)		**344,886**		390,228
Current income taxes payable		**2,413**		-
Derivative financial instruments (note 12)		**233**		169
Deferred revenue		**16,760**		18,762
Convertible shares (note 8)		**-**		170,000
Current portion of long-term debt (note 5)		**-**		149,990
Commercial paper (note 5)		**1,416,377**		1,277,530
Total Current Liabilities		**1,821,614**		2,046,640
Non-Current Liabilities				
Long-term debt (note 5)		**3,244,058**		3,143,941
Provisions (note 6)		**66,616**		66,702
Employee benefits (note 7)		**15,206**		20,088
Long-term deferred revenue and other liabilities		**10,631**		13,848
Deferred income taxes		**501,995**		481,333
Total Liabilities		**5,660,120**		5,772,552
Commitments (notes 3 and 10)				
Shareholders' Equity				
Shareholders' equity (note 8)		**2,706,872**		2,513,408
Total reserves (note 8)		**30,748**		34,731
Total Shareholders' Equity		**2,737,620**		2,548,139
Non-Controlling Interest (note 9)		**336,089**		326,495
Total Equity		**3,073,709**		2,874,634
Total Liabilities and Equity	**$**	**8,733,829**	$	8,647,186

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)

	Attributable to Shareholders of Inter Pipeline Ltd.						
	Share Capital *(note 8)*	Earnings / (Deficit)	Contributed Surplus	Reserves *(note 8)*	Total Shareholders' Equity	Non-Controlling Interest *(note 9)*	Total Equity
Balance, January 1, 2015	$ 2,625,942	$ (114,991)	$ 2,457	$ 34,731	$ 2,548,139	$ 326,495	**$ 2,874,634**
Net income for the period	-	113,738	-	-	113,738	9,056	**122,794**
Other comprehensive loss	-	-	-	(3,983)	(3,983)	-	**(3,983)**
Dividends declared (note 4)	-	(121,846)	-	-	(121,846)	-	**(121,846)**
Issuance of common shares (note 8)							
Issued under Premium Dividend™ and Dividend Reinvestment Plan	31,572	-	-	-	31,572	-	**31,572**
Exchanged from convertible shares	170,000	-	-	-	170,000	-	**170,000**
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	(5,868)	**(5,868)**
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	6,406	**6,406**
Balance, March 31, 2015	**$ 2,827,514**	**$ (123,099)**	**$ 2,457**	**$ 30,748**	**$ 2,737,620**	**$ 336,089**	**$ 3,073,709**
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	-	86,124	-	-	86,124	3,498	89,622
Other comprehensive income	-	-	-	32,552	32,552	-	32,552
Dividends declared (note 4)	-	(99,617)	-	-	(99,617)	-	(99,617)
Issuance of common shares (note 8)							
Issued under Premium Dividend™ and Dividend Reinvestment Plan	80,093	-	-	-	80,093	-	80,093
Issued for cash (net of issue costs)	291,043	-	-	-	291,043	-	291,043
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	(4,091)	(4,091)
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	12,892	12,892
Balance, March 31, 2014	$ 3,467,888	$ (1,066,748)	$ 2,457	$ 86,848	$ 2,490,445	$ 296,316	$ 2,786,761

See accompanying condensed notes to the interim consolidated financial statements.

™ Denotes trademark of Canaccord Genuity Corp.

Interim Consolidated Statements of Net Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 2015	2014
REVENUES		
Operating revenues	**$ 405,792**	$ 410,738
EXPENSES		
Shrinkage gas	**51,203**	90,455
Midstream product purchases	**14,941**	30,888
Operating	**88,647**	92,001
Depreciation and amortization	**42,288**	33,266
Financing charges (note 14)	**34,100**	20,833
General and administrative	**18,637**	25,421
Unrealized change in fair value of derivative financial instruments	**64**	(1,214)
Gain on disposal of assets	**(1,219)**	(860)
	248,661	290,790
INCOME BEFORE INCOME TAXES	**157,131**	119,948
Provision for income taxes		
Current	**14,286**	16,963
Deferred	**20,051**	13,363
	34,337	30,326
NET INCOME	**$ 122,794**	$ 89,622
Net income attributable to		
Shareholders of Inter Pipeline Ltd.	**$ 113,738**	$ 86,124
Non-controlling interest (note 9)	**9,056**	3,498
	$ 122,794	$ 89,622
Net income per share attributable to shareholders of Inter Pipeline Ltd. (note 8)		
Basic	**$ 0.34**	$ 0.28
Diluted	**$ 0.34**	$ 0.27

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 2015	2014
NET INCOME	**$ 122,794**	$ 89,622
OTHER COMPREHENSIVE (LOSS) INCOME (note 8)		
Item that may be reclassified subsequently to net income		
Unrealized (loss) gain on translating financial statements of foreign operations	**(3,983)**	32,552
	(3,983)	32,552
COMPREHENSIVE INCOME	**$ 118,811**	$ 122,174
Comprehensive income attributable to		
Shareholders of Inter Pipeline Ltd.	**$ 109,755**	$ 118,676
Non-controlling interest (note 9)	**9,056**	3,498
	$ 118,811	$ 122,174

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited) (thousands of Canadian dollars)	Three Months Ended March 31 2015	2014
OPERATING ACTIVITIES		
Net income	**$ 122,794**	$ 89,622
Items not involving cash:		
Depreciation and amortization	**42,288**	33,266
Gain on disposal of assets	**(1,219)**	(860)
Non-cash recovery	**(7,469)**	(2,447)
Unrealized change in fair value of derivative financial instruments	**64**	(1,214)
Deferred income tax expense	**20,051**	13,363
Funds from operations	**176,509**	131,730
Net change in non-cash operating working capital (note 15)	**(17,926)**	2,482
Cash provided by operating activities	**158,583**	134,212
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	**(142,307)**	(553,550)
Proceeds on disposal of assets	**1,686**	1,386
Net change in non-cash investing working capital (note 15)	**(15,390)**	123,219
Cash used in investing activities	**(156,011)**	(428,945)
FINANCING ACTIVITIES		
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 4)	**(90,274)**	(19,524)
Cash distributions paid by Cold Lake to non-controlling interest	**(5,868)**	(4,091)
Cash contributions received from Cold Lake non-controlling interest	**6,406**	12,892
Increase in debt	**90,154**	194,827
Transaction costs on debt	**(1,970)**	10
Issuance of common shares	**-**	300,560
Share issue costs	**-**	(12,519)
Net change in non-cash financing working capital (note 15)	**953**	330
Cash (used in) provided by financing activities	**(599)**	472,485
Effect of foreign currency translation on foreign currency denominated cash	**(123)**	1,101
Increase in cash and cash equivalents	**1,850**	178,853
Cash and cash equivalents, beginning of period	**61,098**	47,236
Cash and cash equivalents, end of period	**$ 62,948**	$ 226,089
Cash taxes paid	**$ 601**	$ 48,292
Cash interest paid	**$ 37,476**	$ 36,818

See accompanying condensed notes to the interim consolidated financial statements.

Condensed Notes to Interim Consolidated Financial Statements

March 31, 2015

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

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting Standards 34 – *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Ltd.'s (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

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, 2014. Certain prior period balances have been reclassified to match the current period presentation.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Inter Pipeline on May 11, 2015.

2. SEGMENT REPORTING

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

Three Months Ended March 31, 2015

	Canada					Europe	
	Oil Sands Transportation Business	Conventional Oil Pipelines Business	NGL Extraction Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
REVENUES	$ 177,367	$ 77,808	$ 102,543	$ -	$ 357,718	$ 48,074	$ 405,792
EXPENSES							
Shrinkage gas	-	-	51,203	-	51,203	-	51,203
Midstream product purchases	-	14,941	-	-	14,941	-	14,941
Operating	31,525	14,848	22,335	-	68,708	19,939	88,647
Depreciation and amortization	21,149	2,920	7,568	1,261	32,898	9,390	42,288
Financing charges	7,603	404	73	25,732	33,812	288	34,100
General and administrative	4,739	-	-	10,692	15,431	3,206	18,637
Unrealized change in fair value of derivative financial instruments	-	64	-	-	64	-	64
(Gain) loss on disposal of assets	-	(28)	94	-	66	(1,285)	(1,219)
	65,016	33,149	81,273	37,685	217,123	31,538	248,661
INCOME (LOSS) BEFORE INCOME TAXES	112,351	44,659	21,270	(37,685)	140,595	16,536	157,131
Provision for income taxes	13,416	-	-	19,530	32,946	1,391	34,337
NET INCOME (LOSS)	$ 98,935	$ 44,659	$ 21,270	$ (57,215)	$ 107,649	$ 15,145	$ 122,794
Items not involving cash:							
Depreciation and amortization[(1)]	21,149	2,892	7,662	1,261	32,964	8,105	41,069
Non-cash recovery	(405)	(832)	(197)	(2,838)	(4,272)	(3,197)	(7,469)
Unrealized change in fair value of derivative financial instruments	-	64	-	-	64	-	64
Deferred income tax expense	10,564	-	-	9,054	19,618	433	20,051
FUNDS FROM (USED IN) OPERATIONS	$ 130,243	$ 46,783	$ 28,735	$ (49,738)	$ 156,023	$ 20,486	$ 176,509
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 81,211	$ 48,377	$ 4,231	$ 2,074	$ 135,893	$ 6,060	$ 141,953
							As at March 31, 2015
Property, plant and equipment - net book value	$ 6,173,945	$ 568,300	$ 411,395	$ 19,553	$ 7,173,193	$ 722,381	$ 7,895,574
Goodwill and intangible assets - net book value	$ 222,068	$ -	$ 187,423	$ -	$ 409,491	$ 181,976	$ 591,467
Other assets	$ 122,062	$ 39,112	$ 39,985	$ 715	$ 201,874	$ 44,914	$ 246,788
TOTAL ASSETS	$ 6,518,075	$ 607,412	$ 638,803	$ 20,268	$ 7,784,558	$ 949,271	$ 8,733,829

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

Three Months Ended March 31, 2014

	Canada					Europe	
	Oil Sands Transportation Business	Conventional Oil Pipelines Business	NGL Extraction Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
REVENUES	$ 105,172	$ 91,185	$ 168,385	$ -	$ 364,742	$ 45,996	$ 410,738
EXPENSES							
Shrinkage gas	-	-	90,455	-	90,455	-	90,455
Midstream product purchases	-	30,888	-	-	30,888	-	30,888
Operating	29,416	13,570	29,300	-	72,286	19,715	92,001
Depreciation and amortization	12,352	2,613	7,640	773	23,378	9,888	33,266
Financing charges	8,464	170	75	11,834	20,543	290	20,833
General and administrative	2,497	-	-	20,598	23,095	2,326	25,421
Unrealized change in fair value of derivative financial instruments	-	33	(1,247)	-	(1,214)	-	(1,214)
Gain on disposal of assets	-	(7)	-	-	(7)	(853)	(860)
	52,729	47,267	126,223	33,205	259,424	31,366	290,790
INCOME (LOSS) BEFORE INCOME TAXES	52,443	43,918	42,162	(33,205)	105,318	14,630	119,948
Provision for income taxes	9,139	-	-	20,141	29,280	1,046	30,326
NET INCOME (LOSS)	$ 43,304	$ 43,918	$ 42,162	$ (53,346)	$ 76,038	$ 13,584	$ 89,622
Items not involving cash:							
Depreciation and amortization(1)	12,352	2,606	7,640	773	23,371	9,035	32,406
Non-cash recovery	(232)	(556)	(74)	(1,283)	(2,145)	(302)	(2,447)
Unrealized change in fair value of derivative financial instruments	-	33	(1,247)	-	(1,214)	-	(1,214)
Deferred income tax expense (recovery)	7,966	-	-	6,087	14,053	(690)	13,363
FUNDS FROM (USED IN) OPERATIONS	$ 63,390	$ 46,001	$ 48,481	$ (47,769)	$ 110,103	$ 21,627	$ 131,730
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 536,857	$ 6,700	$ 1,763	$ 1,176	$ 546,496	$ 4,416	$ 550,912
							As at December 31, 2014
Property, plant and equipment - net book value	$ 6,112,960	$ 522,587	$ 412,179	$ 19,003	$ 7,066,729	$ 726,964	$ 7,793,693
Goodwill and intangible assets - net book value	$ 222,985	$ -	$ 189,975	$ -	$ 412,960	$ 183,703	$ 596,663
Other assets	$ 101,638	$ 43,649	$ 49,394	$ 13,042	$ 207,723	$ 49,107	$ 256,830
TOTAL ASSETS	$ 6,437,583	$ 566,236	$ 651,548	$ 32,045	$ 7,687,412	$ 959,774	$ 8,647,186

(1) Includes gain on disposal of assets

3. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line Fill	Construction Work in Progress	Total
COST				
Balance, January 1, 2014	$ 5,802,938	$ 273,829	$ 1,656,790	$ 7,733,557
Additions/transfers from construction[1]	1,384,382	14,141	1,220,291	2,618,814
Disposals/completed construction[1]	(8,661)	-	(1,382,662)	(1,391,323)
Foreign currency translation adjustments	(11,218)	-	383	(10,835)
Balance, December 31, 2014	7,167,441	287,970	1,494,802	8,950,213
Additions/transfers from construction[1]	1,395,542	20,208	121,446	1,537,196
Disposals/completed construction[1]	(1,094)	-	(1,395,234)	(1,396,328)
Foreign currency translation adjustments	2,118	-	269	2,387
Balance, March 31, 2015	**$ 8,564,007**	**$ 308,178**	**$ 221,283**	**$ 9,093,468**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2014	$ 1,018,952	$ 14,903	$ -	$ 1,033,855
Depreciation	122,931	2,905	-	125,836
Disposals	(3,318)	-	-	(3,318)
Foreign currency translation adjustments	147	-	-	147
Balance, December 31, 2014	1,138,712	17,808	-	1,156,520
Depreciation	38,053	735	-	38,788
Disposals	(720)	-	-	(720)
Foreign currency translation adjustments	3,306	-	-	3,306
Balance, March 31, 2015	**$ 1,179,351**	**$ 18,543**	**$ -**	**$ 1,197,894**
NET BOOK VALUE				
At December 31, 2014	$ 6,028,729	$ 270,162	$ 1,494,802	$ 7,793,693
At March 31, 2015	**$ 7,384,656**	**$ 289,635**	**$ 221,283**	**$ 7,895,574**

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

At March 31, 2015, Inter Pipeline expects to spend $605.9 million on property, plant and equipment, of which $296.4 million is due within one year and $309.5 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.

4. DIVIDENDS TO SHAREHOLDERS

	Three Months Ended March 31	
	2015	2014
Dividends declared to shareholders of Inter Pipeline	**$ 121,846**	$ 99,617
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	**(31,572)**	(80,093)
Cash dividends paid to shareholders of Inter Pipeline	**$ 90,274**	$ 19,524
Dividends declared ($ per share)	**$ 0.3675**	$ 0.3225

TM Denotes trademark of Canaccord Genuity Corp.

As at March 31, 2015, dividends of $40.9 million were payable on 334.2 million outstanding common shares at $0.1225 per share (December 31, 2014 - $40.0 million payable on 326.2 million outstanding common shares at $0.1225 per share).

On April 9, 2015, Inter Pipeline declared dividends of $0.1225 per share. The dividends will be paid on or about May 15, 2015, to all shareholders of record on April 22, 2015. The total estimated declared dividends are approximately $41.0 million. On May 11, 2015, Inter Pipeline declared dividends of $0.1225 per share. The dividends will be paid on or about June 15, 2015, to all shareholders of record on May 25, 2015. The total estimated declared dividends are approximately $41.0 million.

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

	March 31 2015	December 31 2014
$1,550 million Unsecured Revolving Credit Facility (a)	$ 1,418,700	$ 1,279,700
$1,250 million Unsecured Revolving Credit Facility (b)	487,000	686,000
Corridor Debentures (c)	150,000	300,000
Senior Unsecured MTN (d)	2,625,000	2,325,000
Long-term debt, short term debt and commercial paper (excluding transaction costs and discounts)	4,680,700	4,590,700
Less: current portion of long-term debt and commercial paper(1)	(1,418,700)	(1,429,700)
Long-term debt (excluding transaction costs and discounts)	3,262,000	3,161,000
Transaction costs, net of accumulated amortization	(18,202)	(17,022)
Discount, net of accumulated amortization	(2,063)	(2,217)
Add: Current portion of transaction costs and discounts	2,323	2,180
Long-term debt	3,244,058	3,143,941
Current portion of long-term debt including transaction costs and discounts	-	149,990
Commercial paper including transaction costs and discounts(1) (a)	1,416,377	1,277,530
	$ 4,660,435	$ 4,571,461

(1) 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 2018.

a) At March 31, 2015, letters of credit of $0.2 million were issued by Inter Pipeline (Corridor) Inc. (Corridor).

b) At March 31, 2015, letters of credit of $0.4 million were issued by Inter Pipeline.

c) Corridor Debentures are defined as the $150 million 5.033% Series B debentures and the $150 million 4.897% Series C debentures. On February 2, 2015, the $150 million 5.033% Series B debentures matured and were repaid with funds available under Corridor's $1,550 million Unsecured Revolving Credit Facility.

d) On March 23, 2015, Inter Pipeline issued $300 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 a related pricing supplement dated March 18, 2015. The $300 million MTN Series 7, due March 24, 2025, bear interest at the rate of 3.173% per annum, payable semi-annually. The proceeds from this issuance were used to repay bank indebtedness incurred through funding Inter Pipeline's capital expenditure program and for other general corporate purposes.

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, the $500 million 4.637% MTN Series 5 due May 30, 2044, the $400 million floating rate MTN Series 6 due May 30, 2017, and the MTN Series 7 as described above.

6. PROVISIONS

	March 31 2015	December 31 2014
Decommissioning obligations	**$ 47,997**	$ 48,089
Environmental liabilities	**18,619**	18,613
Provisions	**$ 66,616**	$ 66,702

In addition to the above provisions, $31.9 million is included in accounts payable, accrued liabilities and provisions related to construction reclamation work at March 31, 2015 (December 31, 2014 - $50.1 million).

7. EMPLOYEE BENEFITS

	March 31 2015	December 31 2014
Long-term incentive plan liability	**$ 3,517**	$ 8,541
Pension liability	**11,689**	11,547
Employee benefits	**$ 15,206**	$ 20,088

For the three months ended March 31, 2015, employee benefits expense recognized in net income was $23.7 million (three months ended March 31, 2014 - $30.2 million).

Long-Term Incentive Plan Liability

Restricted Share Units

The following table summarizes the status of Inter Pipeline's Restricted Share Units (RSUs) as at March 31, 2015, and December 31, 2014:

	Number of RSUs
Balance, January 1, 2014	1,132,243
Granted	637,164
Exercised	(580,099)
Forfeitures	(46,955)
Balance, December 31, 2014	1,142,353
Granted	426,105
Exercised	(38,505)
Forfeitures	(6,525)
Balance, March 31, 2015	**1,523,428**

At March 31, 2015, the current portion of the liability included in accounts payable, accrued liabilities and provisions was $29.0 million (December 31, 2014 - $22.9 million). At March 31, 2015, 535,479 RSUs are exercisable. Inter Pipeline's five trading day simple average closing share price at March 31, 2015, was $32.14.

The total intrinsic value of RSUs vested and not exercised as at March 31, 2015, was $18.5 million (December 31, 2014 - $21.1 million).

The weighted average remaining contractual life of the outstanding RSUs as at March 31, 2015, was 1.7 years (December 31, 2014 - 1.5 years).

For the three months ended March 31, 2015, RSU costs of $0.6 million were included in operating expenses and $1.6 million were included in general and administrative expenses (three months ended March 31, 2014 - $1.8 million and $5.5 million, respectively).

Performance Share Units

Effective January 1, 2015, Inter Pipeline implemented a Performance Share Unit Plan (PSUP) for its officers. The PSUP is governed by a PSUP document that defines how Performance Share Unit (PSU) awards will be determined and administered.

A PSU is valued based on the 20 trading day volume weighted average price of Inter Pipeline's common shares, plus an amount equivalent to cash dividends paid to date, and a performance multiplier. The performance multiplier is determined based on the achievement of two equally weighted, pre-determined, Board approved performance criteria as follows:

a) Total relative shareholder return which is measured by Inter Pipeline's share price performance, including dividends paid to shareholders, relative to the performance of Inter Pipeline's Canadian infrastructure peer group; and

b) Funds from operations attributable to shareholders after sustaining capital per share which is measured based on Inter Pipeline's performance relative to a pre-determined target.

The PSUP has been structured to allow payouts of up to two times the initial grant value in the event of extraordinary performance. Conversely, a payout ratio of zero will result if certain thresholds are not met during the three year performance period.

The PSUs will cliff vest at the end of a three year performance period. Upon vesting of a PSU, the amount owing will be paid out in cash net of applicable withholding taxes.

On January 1, 2015, 113,070 PSUs were granted and all PSUs remain outstanding at March 31, 2015.

At March 31, 2015, no PSUs have vested. Inter Pipeline's 20 trading day volume weighted average share price at March 31, 2015, was $31.85.

The weighted average remaining contractual life of the outstanding PSUs as at March 31, 2015, was 2.7 years.

For the three months ended March 31, 2015, PSU costs of $0.3 million were included in general and administrative expenses.

8. 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 Common Shares		Share Capital
Balance, January 1, 2014	306,795,370	$	3,096,752
Issued under Premium Dividend™ and Dividend Reinvestment Plan	9,016,871		264,472
Common shares issued, net of issue costs	10,400,000		291,218
Stated capital adjustment	-		(1,026,500)
Balance, December 31, 2014	326,212,241	$	2,625,942
Issued under Premium Dividend™ and Dividend Reinvestment Plan	974,998		31,572
Exchanged from convertible shares	7,055,406		170,000
Balance, March 31, 2015	**334,242,645**	**$**	**2,827,514**

Convertible Shares

In January 2015, as a result of successful completion of transportation infrastructure related to the Foster Creek and Christina Lake expansion projects, the $170 million second instalment, recorded as a current liability at December 31, 2014, and consisting of 7,055,406 convertible shares, was satisfied when the convertible shares were converted on a one-for-one basis into common shares of Inter Pipeline. The common shares were recorded as shareholders' equity in January 2015.

Calculation of Net Income per Common Share

	Three Months Ended March 31			
		2015		2014
Net income attributable to shareholders – basic and diluted	**$**	**113,738**	$	86,124
Weighted average shares outstanding – basic		**331,537,671**		308,977,186
Effect of Premium Dividend™ and Dividend Reinvestment Plan		**251,324**		737,257
Effect of convertible shares		**-**		7,055,406
Weighted average shares outstanding – diluted		**331,788,995**		316,769,849
Net income per common share attributable to shareholders –				
Basic	**$**	**0.34**	$	0.28
Diluted	**$**	**0.34**	$	0.27

Reserves

Reserves are summarized as follows:

		Foreign Currency Translation Reserve		Defined Benefit Pension Reserve		Total Reserves
Balance, January 1, 2014	$	67,541	$	(13,245)	$	54,296
Other comprehensive income		32,552		-		32,552
Balance, March 31, 2014	$	100,093	$	(13,245)	$	86,848
Balance, January 1, 2015	$	52,362	$	(17,631)	$	34,731
Other comprehensive loss		(3,983)		-		(3,983)
Balance, March 31, 2015	**$**	**48,379**	**$**	**(17,631)**	**$**	**30,748**

TM Denotes trademark of Canaccord Genuity Corp.

9. NON-CONTROLLING INTEREST

Summarized information on the consolidated 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 as follows:

	March 31 2015	December 31 2014
Current assets	**$ 11,131**	$ 7,023
Non-current assets	**332,989**	328,734
Current liabilities	**(7,975)**	(9,220)
Non-current liabilities	**(56)**	(42)
Proportionate share of net assets	**$ 336,089**	$ 326,495

	Three Months Ended March 31	
	2015	2014
Revenues	**$ 12,530**	$ 6,405
Expenses	**(3,449)**	(2,896)
Current income tax	**(25)**	(11)
Proportionate share of net income and comprehensive income	**$ 9,056**	$ 3,498

10. COMMITMENTS AND CONTINGENCIES

Inter Pipeline has purchase obligation commitments totaling approximately $227.3 million at March 31, 2015. Inter Pipeline is also committed to investing capital in the bulk liquid storage business to comply with the United Kingdom's Containment Policy. 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 3 for expected property, plant and equipment expenditures.

Inter Pipeline has lease agreements for office space, storage, property, plant and equipment and land for periods ranging from 2015 to 2094. At March 31, 2015, the future lease obligations are approximately $301.1 million.

11. CAPITAL DISCLOSURES

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

At March 31, 2015, Inter Pipeline had access to committed credit facilities totaling $2,800.0 million, of which $894.3 million remained unutilized. Inter Pipeline also had access to demand facilities of $102.6 million, of which $102.0 million remained unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

On March 10, 2015, Inter Pipeline's subsidiaries Inter Terminals Limited and Inter Terminals EOT ApS entered into a Pound Sterling 20 million demand facility for general corporate and working capital purposes.

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.

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[*] 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.

	March 31 2015	December 31 2014
Long-term debt, short-term debt and commercial paper		
(excluding transaction costs and discounts, per note 5)		
Recourse debt	**$ 3,112,000**	$ 3,011,000
Non-recourse debt	**1,568,700**	1,579,700
	4,680,700	4,590,700
Total shareholders' equity	**2,737,620**	2,548,139
Total capitalization	**$ 7,418,320**	$ 7,138,839
Capitalization (excluding non-recourse debt)	**$ 5,849,620**	$ 5,559,139
Recourse debt to capitalization[1]	**53.2%**	54.2%

(1) 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.

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

12. FINANCIAL INSTRUMENTS

a) Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at March 31, 2015, 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[1]	Carrying Value of Asset or Liability
Assets[2]						
Cash and cash equivalents	$ -	$ 62,948	$ -	$ 62,948	$ -	$ 62,948
Accounts receivable	-	148,463	-	148,463	11,216	159,679
Prepaid expenses and other deposits	-	1,739	-	1,739	22,422	24,161
Liabilities						
Dividends payable	$ -	$ -	$ 40,945	$ 40,945	$ -	$ 40,945
Accounts payable, accrued liabilities and provisions	-	-	258,664	258,664	86,222	344,886
Derivative financial instruments[3]	233	-	-	233	-	233
Deferred revenue and other liabilities	-	-	7,342	7,342	20,049	27,391
Long-term debt, short-term debt and commercial paper (note 5)[4]	-	-	4,680,700	4,680,700	-	4,680,700

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

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

(3) Financial instruments measured at fair value through profit and loss are recorded at fair value using a discounted cash flow methodology.

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

b) Fair Value of Fixed Rate Debt

At March 31, 2015, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value[1]	Fair Value
Corridor Series C debentures	$ 150,000	$ 171,144
Senior Unsecured MTN Series 1, 2, 3, 4, 5 and 7	$ 2,225,000	$ 2,389,144

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

13. RISK MANAGEMENT

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

a) Market Risk

Based on the variable rate debt obligations outstanding at March 31, 2015, a 1% change in interest rates at this date would have changed interest expense for the three months ended March 31, 2015, by approximately $5.7 million assuming all other variables remain constant. Of this amount, $3.5 million for the period ended March 31, 2015, relates to the $1,550 million Unsecured Revolving Credit Facility (note 5) and is recoverable through the terms of the Corridor firm service agreement; therefore, the after-tax income impact for the period ended March 31, 2015, would be $1.6 million.

Inter Pipeline has an existing electricity price swap agreement to manage power price risk exposure in the conventional oil pipelines business. Inter Pipeline may also enter into financial heat rate swap contracts to manage power price risk exposure in the NGL extraction business. As at March 31, 2015, there were no heat rate price swap agreements outstanding.

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 March 31, 2015, there were no frac-spread positions outstanding.

Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future. As at March 31, 2015, 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 March 31, 2015, 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 March 31, 2015, 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 March 31, 2015, accounts receivable associated with these two business segments were $111.7 million or 70.0% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business segments and customers.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at March 31, 2015, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	$ 40,945	$ 40,945	$ -	$ -
Accounts payable, accrued liabilities and provisions	344,886	344,886	-	-
Derivative financial instruments (1)	235	235	-	-
Deferred revenue and other liabilities	27,391	16,760	6,066	4,565
Long-term debt, short-term debt and commercial paper (2)	4,680,700	1,418,700	1,237,000	2,025,000
	$ 5,094,157	$ 1,821,526	$ 1,243,066	$ 2,029,565

(1) Derivative financial instruments are shown on a net basis. Derivative financial instruments represent an estimate of the fair value liability on an undiscounted basis for financially net settled derivative contracts outstanding at March 31, 2015, based upon contractual maturity dates. Fair values of derivative financial instruments reported on the consolidated balance sheets are shown on a discounted basis.

(2) 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 2018.

14. FINANCING CHARGES

	Three Months Ended March 31 2015	2014
Interest expense on credit facilities	**$ 9,210**	$ 10,705
Interest on loan payable to Private Placement noteholders	**-**	4,414
Interest on Corridor Debentures	**2,024**	2,493
Interest on Senior Unsecured MTN	**21,524**	14,041
Total Interest	**32,758**	31,653
Capitalized interest	**(218)**	(12,305)
Amortization of transaction costs on long-term debt, short- term debt and commercial paper	**790**	929
Accretion of provisions and pension plan funding charges	**770**	556
Financing charges	**$ 34,100**	$ 20,833

15. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-Cash Working Capital

	Three Months Ended March 31 2015	2014
Accounts receivable	**$ (2,852)**	$ 67,112
Current income taxes receivable	**11,474**	-
Prepaid expense and other deposits	**2,846**	13,783
Dividends payable	**984**	330
Accounts payable, accrued liabilities and provisions	**(44,917)**	52,821
Current income taxes payable	**2,413**	(31,232)
Deferred revenue	**(2,002)**	23,294
Impact of foreign exchange rate differences and other	**(309)**	(77)
Changes in non-cash working capital	**$ (32,363)**	$ 126,031
These changes relate to the following activities:		
Operating	**$ (17,926)**	$ 2,482
Investing	**(15,390)**	123,219
Financing	**953**	330
Changes in non-cash working capital	**$ (32,363)**	$ 126,031

Cash and Cash Equivalents

		March 31 2015		December 31 2014
Cash on hand and at banks	**$**	**57,903**	$	56,537
Short-term deposits		**5,045**		4,561
	$	**62,948**	$	61,098