Interim Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)		September 30 2016		As at December 31 2015
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**70.4**	$	40.3
Restricted cash (note 2)		**105.0**		-
Accounts receivable		**196.2**		183.1
Prepaid expenses and other deposits		**18.7**		26.3
Inventory		**11.1**		0.6
Total Current Assets		**401.4**		250.3
Non-Current Assets				
Property, plant and equipment (note 4)		**9,010.2**		8,183.9
Goodwill and intangible assets (note 2)		**729.4**		595.2
Total Assets	**$**	**10,141.0**	$	9,029.4
LIABILITIES AND EQUITY				
Current Liabilities				
Dividends payable (note 5)	**$**	**43.8**	$	43.8
Accounts payable, accrued liabilities and provisions (note 8)		**230.4**		220.6
Current income taxes payable		**25.1**		29.6
Deferred revenue		**21.2**		7.5
Demand facility (note 6)		**-**		26.4
Current portion of long-term debt (note 6)		**399.6**		-
Commercial paper (note 6)		**1,349.5**		1,384.4
Total Current Liabilities		**2,069.6**		1,712.3
Non-Current Liabilities				
Long-term debt (note 6)		**3,828.3**		3,421.9
Provisions (note 7)		**158.0**		89.6
Employee benefits (note 8)		**20.4**		20.3
Long-term deferred revenue and other liabilities		**27.0**		10.7
Deferred income taxes (note 9)		**434.2**		618.0
Total Liabilities		**6,537.5**		5,872.8
Commitments (notes 4 and 12)				
Shareholders' Equity				
Shareholders' equity (note 10)		**3,229.9**		2,707.2
Total reserves		**40.0**		113.9
Total Shareholders' Equity		**3,269.9**		2,821.1
Non-Controlling Interest (note 11)		**333.6**		335.5
Total Equity		**3,603.5**		3,156.6
Total Liabilities and Equity	**$**	**10,141.0**	$	9,029.4

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars)

	Attributable to Shareholders of Inter Pipeline Ltd.						
	Share Capital (note 10)	Earnings / (Deficit)	Contributed Surplus	Reserves	Total Shareholders' Equity	Non-Controlling Interest (note 11)	Total Equity
Balance, January 1, 2016	$ 2,889.4	$ (184.7)	$ 2.5	$ 113.9	$ 2,821.1	$ 335.5	**$ 3,156.6**
Net income for the period	-	323.9	-	-	323.9	24.9	**348.8**
Other comprehensive loss	-	-	-	(73.9)	(73.9)	-	**(73.9)**
Dividends declared (note 5)	-	(394.1)	-	-	(394.1)	-	**(394.1)**
Issuance of common shares (note 10)							
Issued under Premium Dividend™ and Dividend Reinvestment Plan	16.3	-	-	-	16.3	-	**16.3**
Issued for cash (net of issue costs)	576.6	-	-	-	576.6	-	**576.6**
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	(27.3)	**(27.3)**
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	0.5	**0.5**
Balance, September 30, 2016	**$ 3,482.3**	**$ (254.9)**	**$ 2.5**	**$ 40.0**	**$ 3,269.9**	**$ 333.6**	**$ 3,603.5**
Balance, January 1, 2015	$ 2,625.9	$ (115.0)	$ 2.5	$ 34.7	$ 2,548.1	$ 326.5	$ 2,874.6
Net income for the period	-	297.7	-	-	297.7	27.3	325.0
Other comprehensive income	-	-	-	70.1	70.1	-	70.1
Dividends declared (note 5)	-	(368.4)	-	-	(368.4)	-	(368.4)
Issuance of common shares (note 10)							
Issued under Premium Dividend™ and Dividend Reinvestment Plan	87.9	-	-	-	87.9	-	87.9
Exchanged from convertible shares	170.0	-	-	-	170.0	-	170.0
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	(27.6)	(27.6)
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	10.8	10.8
Balance, September 30, 2015	$ 2,883.8	$ (185.7)	$ 2.5	$ 104.8	$ 2,805.4	$ 337.0	$ 3,142.4

See accompanying condensed notes to the interim consolidated financial statements.

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Interim Consolidated Statements of Net Income

(unaudited) (millions of Canadian dollars)	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
REVENUES				
Operating revenues	**$ 434.5**	$ 424.2	**$ 1,263.9**	$ 1,220.6
EXPENSES				
Shrinkage gas	**43.5**	47.9	**105.6**	139.7
Midstream product purchases	**23.4**	15.0	**59.0**	42.0
Operating	**92.2**	89.9	**275.1**	269.4
Depreciation and amortization	**54.8**	50.0	**164.9**	135.9
Financing charges (note 16)	**35.9**	35.6	**106.2**	103.6
General and administrative	**28.4**	16.0	**98.1**	55.7
Unrealized change in fair value of derivative financial instruments	**-**	0.2	**-**	(0.1)
Loss on disposal of assets	**0.1**	2.5	**2.2**	5.0
Total Expenses	**278.3**	257.1	**811.1**	751.2
INCOME BEFORE INCOME TAXES	**156.2**	167.1	**452.8**	469.4
Income tax expense (note 9)				
Current	**16.0**	16.4	**56.7**	44.7
Deferred	**18.9**	22.3	**47.3**	99.7
Total Income Tax Expense	**34.9**	38.7	**104.0**	144.4
NET INCOME	**$ 121.3**	$ 128.4	**$ 348.8**	$ 325.0
Net income attributable to				
Shareholders of Inter Pipeline Ltd.	**$ 113.7**	$ 118.7	**$ 323.9**	$ 297.7
Non-controlling interest (note 11)	**7.6**	9.7	**24.9**	27.3
Net Income	**$ 121.3**	$ 128.4	**$ 348.8**	$ 325.0
Net income per share attributable to shareholders of Inter Pipeline Ltd. (note 10)				
Basic and diluted	**$ 0.34**	$ 0.35	**$ 0.96**	$ 0.89

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
NET INCOME	**$ 121.3**	$ 128.4	**$ 348.8**	$ 325.0
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to net income				
Unrealized gain (loss) on translating financial statements of foreign operations	**14.0**	52.9	**(73.9)**	70.1
Other Comprehensive Income (Loss)	**14.0**	52.9	**(73.9)**	70.1
COMPREHENSIVE INCOME	**$ 135.3**	$ 181.3	**$ 274.9**	$ 395.1
Comprehensive income attributable to				
Shareholders of Inter Pipeline Ltd.	**$ 127.7**	$ 171.6	**$ 250.0**	$ 367.8
Non-controlling interest (note 11)	**7.6**	9.7	**24.9**	27.3
Comprehensive Income	**$ 135.3**	$ 181.3	**$ 274.9**	$ 395.1

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)	Three Months Ended September 30 2016	Three Months Ended September 30 2015	Nine Months Ended September 30 2016	Nine Months Ended September 30 2015
OPERATING ACTIVITIES				
Net income	**$ 121.3**	$ 128.4	**$ 348.8**	$ 325.0
Items not involving cash:				
Depreciation and amortization	**54.8**	50.0	**164.9**	135.9
Loss on disposal of assets	**0.1**	2.5	**2.2**	5.0
Non-cash expense (recovery)	**1.7**	1.8	**16.3**	(2.8)
Unrealized change in fair value of derivative financial instruments	**-**	0.2	**-**	(0.1)
Deferred income tax expense	**18.9**	22.3	**47.3**	99.7
Proceeds from long-term lease inducements	**14.6**	-	**14.6**	-
Funds from operations	**211.4**	205.2	**594.1**	562.7
Net change in non-cash operating working capital	**6.7**	(0.5)	**12.3**	(36.1)
Cash provided by operating activities	**218.1**	204.7	**606.4**	526.6
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	**(38.7)**	(51.5)	**(116.9)**	(265.1)
Proceeds on disposal of assets	**0.1**	0.4	**0.1**	4.0
Acquisition of Inter Terminals Sweden	**-**	0.5	**-**	(128.3)
Assumption of cash on acquisition of Inter Terminals Sweden	**-**	(0.3)	**-**	0.6
Acquisition of Williams Canada (note 2)	**(1,383.6)**	-	**(1,383.6)**	-
Assumption of cash on acquisition of Williams Canada (note 2)	**46.8**	-	**46.8**	-
Net change in non-cash investing working capital	**(9.0)**	(73.0)	**(31.2)**	(129.7)
Cash used in investing activities	**(1,384.4)**	(123.9)	**(1,484.8)**	(518.5)
FINANCING ACTIVITIES				
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 5)	**(127.2)**	(98.4)	**(377.8)**	(280.5)
Cash distributions paid by Cold Lake to non-controlling interest	**(7.9)**	(11.2)	**(27.3)**	(27.6)
Cash contributions received from Cold Lake non-controlling interest	**0.3**	1.2	**0.5**	10.8
Increase in debt	**763.7**	11.7	**746.7**	285.8
Transaction costs on debt	**(2.3)**	-	**(2.3)**	(2.5)
Issuance of common shares	**600.0**	-	**600.0**	-
Share issue costs	**(30.0)**	-	**(30.0)**	-
Net change in non-cash financing working capital	**-**	0.1	**0.1**	1.8
Cash provided by (used in) financing activities	**1,196.6**	(96.6)	**909.9**	(12.2)
Effect of foreign currency translation on foreign currency denominated cash	**(0.1)**	1.6	**(1.4)**	1.9
Increase (decrease) in cash and cash equivalents	**30.2**	(14.2)	**30.1**	(2.2)
Cash and cash equivalents, beginning of period	**40.2**	73.1	**40.3**	61.1
Cash and cash equivalents, end of period	**$ 70.4**	$ 58.9	**$ 70.4**	$ 58.9
Cash taxes paid	**$ 3.2**	$ 6.0	**$ 61.6**	$ 23.1
Cash interest paid	**$ 39.5**	$ 38.7	**$ 107.1**	$ 105.9

See accompanying condensed notes to the interim consolidated financial statements.

Condensed Notes to Interim Consolidated Financial Statements

September 30, 2016

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

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Accounting 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, 2015.

On September 23, 2016, Inter Pipeline completed the acquisition of The Williams Companies International Holdings B.V.'s and Williams Energy Canada L.P.'s Canadian natural gas liquids (NGL) midstream business (Williams Canada), whose accounting policies are aligned with Inter Pipeline's and no new policies were adopted (note 2). 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, 2015. 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 November 3, 2016.

2. ACQUISITION OF WILLIAMS CANADA

On September 23, 2016, Inter Pipeline completed the acquisition, and thereby obtained control, of Williams Canada through the purchase of 100% of its share capital. The acquisition was valued at $1.35 billion plus closing adjustments for working capital, resulting in total cash consideration transferred of $1.38 billion. The acquisition was funded through the net proceeds of a $600.0 million subscription receipt issuance, $350.0 million of new medium-term notes and the remaining balance drawn under Inter Pipeline's increased syndicated credit facility. Williams Canada is highly complementary to Inter Pipeline's existing NGL extraction business and provides a platform for material future NGL and olefin related growth opportunities.

Operating results from Williams Canada have been included in the consolidated financial statements since September 23, 2016, contributing $5.8 million to revenue and a $0.6 million loss to net income, from the date of acquisition to September 30, 2016. If the acquisition had taken place on January 1, 2016, for the nine months ended September 30, 2016, management estimates that Williams Canada would have contributed an incremental $128.7 million to pro forma revenue and a $32.9 million loss to pro forma net income. The pro forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effective on the date indicated, or of future results.

The acquisition was accounted for by the acquisition method as at the closing date of September 23, 2016. Determinations of fair value often require management to make assumptions and estimates about future events. The purchase price allocation is preliminary as Inter Pipeline is working to determine the fair value of assets acquired and liabilities assumed at the acquisition date. Changes in any of the assumptions or estimates used in determining the fair values of acquired assets and liabilities, including closing adjustments and detailed valuation procedures, could positively or negatively impact the carrying amounts assigned. The following table presents the provisional purchase price allocation based on the information available to date:

Cash	$	46.8
Restricted cash[(1)]		105.0
Property, plant and equipment (note 4)		898.6
Intangible asset [(2)]		168.6
Deferred income tax (note 9)		219.0
Non-cash working capital		(12.1)
Decommissioning obligation (note 7)		(42.3)
Purchase price	$	1,383.6

(1) On the date of acquisition, $105.0 million of the $1.38 billion cash consideration was transferred to an escrow account. This amount will be returned to Inter Pipeline if royalty credits, under the Alberta Government's Petrochemical Diversification Program, are not awarded to Williams Canada by March 31, 2017.

(2) A customer contract intangible asset has been recorded due to the off-market nature of the economic terms of an agreement for a sustained period of time. The intangible asset will be amortized over the life of the contract.

3. SEGMENT REPORTING

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

Three Months Ended September 30, 2016	Canada					Europe	
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Processing	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES	$ 192.9	$ 86.9	$ 93.7	$ -	$ 373.5	$ 61.0	$ 434.5
EXPENSES							
Shrinkage gas	-	-	43.5	-	43.5	-	43.5
Midstream product purchases	-	23.4	-	-	23.4	-	23.4
Operating	32.7	14.8	21.6	-	69.1	23.1	92.2
Depreciation and amortization	22.2	4.6	12.7	2.5	42.0	12.8	54.8
Financing charges	6.9	0.2	0.1	28.3	35.5	0.4	35.9
General and administrative	4.7	-	-	16.2	20.9	7.5	28.4
(Gain) loss on disposal of assets	-	(0.1)	-	-	(0.1)	0.2	0.1
TOTAL EXPENSES	66.5	42.9	77.9	47.0	234.3	44.0	278.3
INCOME (LOSS) BEFORE INCOME TAXES	126.4	44.0	15.8	(47.0)	139.2	17.0	156.2
Income tax expense (recovery)	18.3	-	-	17.4	35.7	(0.8)	34.9
NET INCOME (LOSS)	$ 108.1	$ 44.0	$ 15.8	$ (64.4)	$ 103.5	$ 17.8	$ 121.3
Items not involving cash:							
Depreciation and amortization[1]	22.2	4.5	12.7	2.5	41.9	13.0	54.9
Non-cash expense	0.1	0.6	0.2	0.8	1.7	-	1.7
Deferred income tax expense (recovery)	11.9	-	-	7.6	19.5	(0.6)	18.9
Proceeds from long-term lease inducements	-	-	-	14.6	14.6	-	14.6
FUNDS FROM (USED IN) OPERATIONS	$ 142.3	$ 49.1	$ 28.7	$ (38.9)	$ 181.2	$ 30.2	$ 211.4
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 4.7	$ 15.5	$ 2.3	$ 2.6	$ 25.1	$ 23.8	$ 48.9
							As at September 30, 2016
Property, plant and equipment - net book value	$ 6,112.0	$ 676.9	$ 1,289.8	$ 51.6	$ 8,130.3	$ 879.9	$ 9,010.2
Goodwill and intangible assets - net book value	$ 216.6	$ -	$ 327.2	$ -	$ 543.8	$ 185.6	$ 729.4
Other assets	$ 85.5	$ 31.1	$ 238.7	$ 0.3	$ 355.6	$ 45.8	$ 401.4
TOTAL ASSETS	$ 6,414.1	$ 708.0	$ 1,855.7	$ 51.9	$ 9,029.7	$ 1,111.3	$ 10,141.0

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

Three Months Ended September 30, 2015

	Canada					Europe	
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Processing	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES	$ 195.2	$ 80.9	$ 91.0	$ -	$ 367.1	$ 57.1	$ 424.2
EXPENSES							
Shrinkage gas	-	-	47.9	-	47.9	-	47.9
Midstream product purchases	-	15.0	-	-	15.0	-	15.0
Operating	32.6	16.4	19.6	-	68.6	21.3	89.9
Depreciation and amortization	23.3	3.9	7.6	1.7	36.5	13.5	50.0
Financing charges	6.8	0.2	-	28.2	35.2	0.4	35.6
General and administrative	4.4	-	-	5.5	9.9	6.1	16.0
Unrealized change in fair value of derivative financial instruments	-	0.2	-	-	0.2	-	0.2
Loss on disposal of assets	1.7	0.1	0.1	-	1.9	0.6	2.5
TOTAL EXPENSES	68.8	35.8	75.2	35.4	215.2	41.9	257.1
INCOME (LOSS) BEFORE INCOME TAXES	126.4	45.1	15.8	(35.4)	151.9	15.2	167.1
Income tax expense	17.5	-	-	19.7	37.2	1.5	38.7
NET INCOME (LOSS)	$ 108.9	$ 45.1	$ 15.8	$ (55.1)	$ 114.7	$ 13.7	$ 128.4
Items not involving cash:							
Depreciation and amortization[(1)]	25.0	4.0	7.7	1.7	38.4	14.1	52.5
Non-cash expense	0.3	0.5	0.1	0.9	1.8	-	1.8
Unrealized change in fair value of derivative financial instruments	-	0.2	-	-	0.2	-	0.2
Deferred income tax expense	11.9	-	-	9.2	21.1	1.2	22.3
FUNDS FROM (USED IN) OPERATIONS	$ 146.1	$ 49.8	$ 23.6	$ (43.3)	$ 176.2	$ 29.0	$ 205.2
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 20.7	$ 18.7	$ 0.9	$ 5.1	$ 45.4	$ 10.3	$ 55.7
							As at December 31, 2015
Property, plant and equipment - net book value	$ 6,163.7	$ 639.0	$ 390.0	$ 42.6	$ 7,235.3	$ 948.6	$ 8,183.9
Goodwill and intangible assets - net book value	$ 219.3	$ -	$ 177.4	$ -	$ 396.7	$ 198.5	$ 595.2
Other assets	$ 109.5	$ 38.4	$ 53.1	$ 0.7	$ 201.7	$ 48.6	$ 250.3
TOTAL ASSETS	$ 6,492.5	$ 677.4	$ 620.5	$ 43.3	$ 7,833.7	$ 1,195.7	$ 9,029.4

(1) Includes loss on disposal of assets

Nine Months Ended September 30, 2016

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

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

Nine Months Ended September 30, 2015	Canada					Europe	
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Processing	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUES	$ 555.3	$ 233.4	$ 282.3	$ -	$ 1,071.0	$ 149.6	$ 1,220.6
EXPENSES							
Shrinkage gas	-	-	139.7	-	139.7	-	139.7
Midstream product purchases	-	42.0	-	-	42.0	-	42.0
Operating	96.8	48.2	66.8	-	211.8	57.6	269.4
Depreciation and amortization	65.9	9.9	22.9	4.5	103.2	32.7	135.9
Financing charges	21.5	0.8	0.2	80.1	102.6	1.0	103.6
General and administrative	14.5	-	-	25.1	39.6	16.1	55.7
Unrealized change in fair value of derivative financial instruments	-	(0.1)	-	-	(0.1)	-	(0.1)
Loss (gain) on disposal of assets	3.8	0.1	1.7	-	5.6	(0.6)	5.0
TOTAL EXPENSES	202.5	100.9	231.3	109.7	644.4	106.8	751.2
INCOME (LOSS) BEFORE INCOME TAXES	352.8	132.5	51.0	(109.7)	426.6	42.8	469.4
Income tax expense	61.6	-	-	79.0	140.6	3.8	144.4
NET INCOME (LOSS)	$ 291.2	$ 132.5	$ 51.0	$ (188.7)	$ 286.0	$ 39.0	$ 325.0
Items not involving cash:							
Depreciation and amortization(1)	69.7	10.0	24.6	4.5	108.8	32.1	140.9
Non-cash expense (recovery)	0.3	0.7	-	(0.5)	0.5	(3.3)	(2.8)
Unrealized change in fair value of derivative financial instruments	-	(0.1)	-	-	(0.1)	-	(0.1)
Deferred income tax expense	50.1	-	-	47.3	97.4	2.3	99.7
FUNDS FROM (USED IN) OPERATIONS	$ 411.3	$ 143.1	$ 75.6	$ (137.4)	$ 492.6	$ 70.1	$ 562.7
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 127.6	$ 105.3	$ 6.4	$ 11.3	$ 250.6	$ 24.9	$ 275.5

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

4. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line Fill	Construction Work in Progress	Total
COST				
Balance, January 1, 2015	$ 7,167.4	$ 287.9	$ 1,494.9	$ 8,950.2
Acquisition of Inter Terminals Sweden	148.7	-	1.7	150.4
Additions/transfers from construction (1)	1,657.4	27.2	332.8	2,017.4
Disposals/completed construction (1)	(21.4)	(6.5)	(1,662.0)	(1,689.9)
Foreign currency translation adjustments	99.2	-	0.5	99.7
Balance, December 31, 2015	9,051.3	308.6	167.9	9,527.8
Acquisition of Williams Canada (note 2)	628.8	2.9	266.9	898.6
Additions/transfers from construction (1)	239.8	3.3	141.6	384.7
Disposals/completed construction (1)	(6.6)	-	(235.2)	(241.8)
Foreign currency translation adjustments	(105.7)	-	(1.6)	(107.3)
Balance, September 30, 2016	**$ 9,807.6**	**$ 314.8**	**$ 339.6**	**$ 10,462.0**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2015	$ 1,138.7	$ 17.8	$ -	$ 1,156.5
Depreciation	169.1	2.9	-	172.0
Disposals	(7.2)	-	-	(7.2)
Foreign currency translation adjustments	22.6	-	-	22.6
Balance, December 31, 2015	1,323.2	20.7	-	1,343.9
Depreciation	142.1	2.2	-	144.3
Disposals	(2.9)	-	-	(2.9)
Foreign currency translation adjustments	(33.5)	-	-	(33.5)
Balance, September 30, 2016	**$ 1,428.9**	**$ 22.9**	**$ -**	**$ 1,451.8**
NET BOOK VALUE				
At December 31, 2015	$ 7,728.1	$ 287.9	$ 167.9	$ 8,183.9
At September 30, 2016	**$ 8,378.7**	**$ 291.9**	**$ 339.6**	**$ 9,010.2**

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

At September 30, 2016, Inter Pipeline expects to spend $692.7 million on property, plant and equipment, of which $332.5 million is due within one year, $316.4 million is due in one to five years, and $43.8 million is due after five years. These amounts do not include capital expenditures related to the 15% non-controlling interest in Cold Lake.

5. DIVIDENDS TO SHAREHOLDERS

	Three Months Ended September 30		Nine Months Ended September 30	
(millions, except per share amounts)	**2016**	2015	**2016**	2015
Dividends declared to shareholders of Inter Pipeline	**$ 131.4**	$ 123.5	**$ 394.1**	$ 368.4
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	**(4.2)**	(25.1)	**(16.3)**	(87.9)
Cash dividends paid to shareholders of Inter Pipeline	**$ 127.2**	$ 98.4	**$ 377.8**	$ 280.5
Dividends declared per share	**$ 0.3900**	$ 0.3675	**$ 1.1700**	$ 1.1025

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As at September 30, 2016, dividends of $43.8 million were payable on 337.1 million outstanding common shares at $0.13 per share (December 31, 2015 - $43.8 million payable on 336.4 million outstanding common shares at $0.13 per share).

On October 5, 2016, Inter Pipeline declared dividends of $0.13 per share. The dividends will be paid on or about November 15, 2016, to all shareholders of record on October 21, 2016. The total declared dividends are approximately $46.7 million.

6. FINANCIAL DEBT

	September 30 2016	December 31 2015
Corridor syndicated credit facility	$ 1,351.6	$ 1,386.2
Inter Pipeline syndicated credit facility (a)	1,120.0	664.0
Corridor debentures	150.0	150.0
Medium-term notes (b)	2,975.0	2,625.0
Demand facilities	-	26.5
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts)	5,596.6	4,851.7
Less: short-term debt and commercial paper[(1)]	(1,751.6)	(1,412.7)
Long-term debt (excluding transaction costs and discounts)	3,845.0	3,439.0
Transaction costs, net of accumulated amortization	(17.3)	(17.5)
Discount, net of accumulated amortization	(1.9)	(1.5)
Add: Current portion of transaction costs and discounts	2.5	1.9
Long-term debt	3,828.3	3,421.9
Short-term debt and current portion of long-term debt including transaction costs and discounts	399.6	26.4
Commercial paper including transaction costs and discounts[(1)]	1,349.5	1,384.4
Financial debt	$ 5,577.4	$ 4,832.7

(1) Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Corridor syndicated credit facility that has no repayment requirements until December 2019.

(a) On August 30, 2016, Inter Pipeline increased the size of its syndicated credit facility from $1,250 million to $1,500 million. The term of the credit facility remains unchanged with a maturity date of December 4, 2020, which can be extended further under certain conditions. The credit facility was increased in part to fund a portion of Inter Pipeline's acquisition of Williams Canada.

(b) On September 13, 2016, Inter Pipeline issued $350 million of medium-term notes in the Canadian public debt market under Inter Pipeline's short form base shelf prospectus dated December 11, 2015, a related prospectus supplement dated September 8, 2016, and a related pricing supplement dated September 8, 2016. The $350 million Series 8 medium-term notes, due September 13, 2023, bear interest at the rate of 2.608% per annum, payable semi-annually. The net proceeds from this issuance were used to partially finance the acquisition of Williams Canada.

7. PROVISIONS

	September 30 2016	December 31 2015
Decommissioning obligations	$ 127.6	$ 69.3
Environmental liabilities	20.1	20.3
Onerous contracts	10.3	-
Provisions	$ 158.0	$ 89.6

In March 2016, Inter Pipeline recognized provisions of $14.9 million related to certain onerous head office lease contracts, of which $10.3 million is classified as long-term. The provision represents the present value of the difference between the minimum future lease payments that Inter Pipeline is obligated to make under the non-cancellable lease contracts, and estimated sublease recoveries. The onerous contract provision is estimated to be settled in periods up to February 2023.

8. EMPLOYEE BENEFITS

	September 30 2016	December 31 2015
Long-term incentive plan liability	**$ 8.6**	$ 5.7
Pension liability	**11.8**	14.6
Employee benefits	**$ 20.4**	$ 20.3

For the three and nine months ended September 30, 2016, employee benefits expense recognized in net income was $35.1 million and $103.2 million, respectively (three and nine months ended September 30, 2015 - $20.5 million and $70.9 million, respectively).

Long-Term Incentive Plan Liability

Restricted Share Units

The following table summarizes the status of Inter Pipeline's Restricted Share Units (RSUs) as at September 30, 2016, and December 31, 2015:

(thousands)	Number of RSUs
Balance, January 1, 2015	1,142.4
Granted	459.6
Exercised	(580.9)
Forfeitures	(35.3)
Balance, December 31, 2015	985.8
Granted	658.3
Exercised	(86.1)
Forfeitures	(22.7)
Balance, September 30, 2016	**1,535.3**

At September 30, 2016, the current portion of the liability included in accounts payable, accrued liabilities and provisions was $26.5 million (December 31, 2015 - $12.8 million). At September 30, 2016, 404.6 thousand RSUs are exercisable. Inter Pipeline's five day simple average closing share price at September 30, 2016 was $27.58.

The total intrinsic value of RSUs vested and not exercised as at September 30, 2016 was $12.6 million (December 31, 2015 - $12.1 million).

The weighted average remaining contractual life of the outstanding RSUs as at September 30, 2016 was 1.4 years (December 31, 2015 - 1.5 years).

For the three months ended September 30, 2016, RSU costs of $1.6 million were included in operating expenses and $3.6 million were included in general and administrative expenses (three months ended September 30, 2015 - $0.1 million and $1.5 million of cost recoveries, respectively). For the nine months ended September 30, 2016, RSU costs of $5.3 million were included in operating expenses and $12.2 million were included in general and administrative expenses (nine months ended September 30, 2015 - $1.0 million and $0.6 million, respectively).

Performance Share Units

The following table summarizes the status of Inter Pipeline's Performance Share Units (PSUs) as at September 30, 2016, and December 31, 2015:

(thousands)	Number of PSUs
Balance, January 1, 2015	-
Granted	113.1
Exercised	(3.6)
Balance, December 31, 2015	109.5
Granted	142.5
Balance, September 30, 2016	**252.0**

Inter Pipeline's 20 trading day volume weighted average share price at September 30, 2016 was $27.67.

The weighted average remaining contractual life of the outstanding PSUs as at September 30, 2016 was 1.8 years (December 31, 2015 – 2.0 years).

For the three and nine months ended September 30, 2016, PSU costs of $0.1 million and $2.3 million were included in general and administrative expenses, respectively (three and nine months ended September 30, 2015 - $0.2 million and $0.8 million, respectively).

9. INCOME TAXES

On September 15, 2016, tax legislation was substantively enacted in the United Kingdom (UK) which will reduce the statutory income tax rate from 18% to 17%, effective April 1, 2020. The effect of recognizing this UK income tax rate change was a $1.3 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 before income taxes as shown in the following table:

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Income before income taxes per consolidated financial statements	**$ 156.2**	$ 167.1	**$ 452.8**	$ 469.4
Income before income taxes attributable to non-controlling interest	**(7.6)**	(9.7)	**(25.0)**	(27.3)
Adjusted income before income taxes	**148.6**	157.4	**427.8**	442.1
Tax rate	**27.0%**	26.0%	**27.0%**	26.0%
Income tax at statutory rate	**40.1**	40.9	**115.5**	114.9
Impact of tax rate changes	**(1.3)**	-	**(1.3)**	35.9
Deductible intercompany interest expense	**(2.8)**	(2.0)	**(6.6)**	(5.9)
Other	**(1.1)**	(0.2)	**(3.6)**	(0.5)
Income tax expense	**$ 34.9**	$ 38.7	**$ 104.0**	$ 144.4

The tax rates used in the reconciliation above are the combined federal and provincial tax rates payable by Inter Pipeline in Canada.

Reconciliation of net deferred income tax liabilities:

	September 30 2016	December 31 2015
Balance, beginning of period	**$ (618.0)**	$ (481.3)
Tax expense recognized in net income	**(47.3)**	(117.4)
Tax recovery recognized in equity	**6.6**	-
Tax recovery recognized in other comprehensive income	**-**	(0.2)
Acquisition of Williams Canada (note 2)	**219.0**	-
Acquisition of Inter Terminals Sweden	**-**	(12.3)
Revaluation of foreign deferred income tax liabilities and other	**5.5**	(6.8)
Balance, end of period	**$ (434.2)**	$ (618.0)

10. 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

(millions)	Number of Common Shares	Share Capital
Balance, January 1, 2015	326.2	$ 2,625.9
Issued under Premium Dividend™ and Dividend Reinvestment Plan	3.1	93.5
Exchanged from convertible shares	7.1	170.0
Balance, December 31, 2015	336.4	2,889.4
Issued under Premium Dividend™ and Dividend Reinvestment Plan	0.7	16.3
Common shares issued, net of issue costs	22.4	576.6
Balance, September 30, 2016	**359.5**	**$ 3,482.3**

Premium Dividend™ and Dividend Reinvestment Plan

On October 5, 2016, Inter Pipeline reintroduced the Premium Dividend™ component of the Premium Dividend™ and Dividend Reinvestment Plan. Under the Dividend Reinvestment component of the plan, eligible shareholders may reinvest their cash dividends to purchase additional common shares issued from treasury at the average market price on the applicable payment date. Under the Premium Dividend™ component of the plan, eligible shareholders may elect to exchange these additional common shares for a cash payment equal to 101% of the regular cash dividend on the applicable dividend payment date.

Subscription Receipts and Common Share Issuance

On August 17, 2016, Inter Pipeline closed an equity offering, on a bought deal basis, to sell 22,430,000 subscription receipts at $26.75 per subscription receipt for gross proceeds of $600.0 million which were used to partially finance the acquisition of Williams Canada. Subscription receipt issue costs of $30.0 million were incurred and a decrease in the deferred tax liability of

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$6.6 million was recognized, resulting in net proceeds of $576.6 million. On September 23, 2016, upon the closing of the Williams Canada acquisition, 22,430,000 subscription receipts were exchanged for 22,430,000 common shares of Inter Pipeline.

Calculation of Net Income per Common Share

	Three Months Ended September 30		Nine Months Ended September 30	
(millions, except per share amounts)	**2016**	2015	**2016**	2015
Net income attributable to shareholders – basic and diluted	**$ 113.7**	$ 118.7	**$ 323.9**	$ 297.7
Weighted average shares outstanding – basic	**338.7**	335.8	**337.4**	334.1
Effect of Premium Dividend™ and Dividend Reinvestment Plan	**-**	0.2	**0.1**	0.2
Weighted average shares outstanding – diluted	**338.7**	336.0	**337.5**	334.3
Net income per common share attributable to shareholders – Basic and diluted	**$ 0.34**	$ 0.35	**$ 0.96**	$ 0.89

11. 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:

	September 30 2016	December 31 2015
Current assets	**$ 6.4**	$ 6.7
Non-current assets	**328.9**	331.6
Current liabilities	**(1.6)**	(2.7)
Non-current liabilities	**(0.1)**	(0.1)
Proportionate share of net assets	**$ 333.6**	$ 335.5

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Revenues	**$ 12.8**	$ 13.6	**$ 37.7**	$ 38.7
Expenses	**(5.2)**	(3.9)	**(12.7)**	(11.4)
Current income tax	**-**	-	**(0.1)**	-
Proportionate share of net income and comprehensive income	**$ 7.6**	$ 9.7	**$ 24.9**	$ 27.3

12. COMMITMENTS AND CONTINGENCIES

Inter Pipeline has purchase obligation commitments totaling approximately $240.8 million at September 30, 2016. Refer to note 4 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 2016 to 2094. At September 30, 2016, the future lease obligations are approximately $342.8 million.

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13. CAPITAL DISCLOSURES

Capital under management includes financial debt and shareholders' equity.

At September 30, 2016, Inter Pipeline had access to committed credit facilities totaling $3,050.0 million, of which $563.9 million remained unutilized. Inter Pipeline also had access to demand facilities of $99.0 million, of which $98.7 million remained unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

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

14. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at September 30, 2016, are classified as follows:

	Cash, Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non-Financial Asset or Liability[1]	Carrying Value of Asset or Liability
Assets[2]					
Cash and cash equivalents	$ 70.4	$ -	$ 70.4	$ -	$ 70.4
Accounts receivable	185.4	-	185.4	10.8	196.2
Prepaid expenses and other deposits	0.3	-	0.3	18.4	18.7
Liabilities					
Dividends payable	$ -	$ 43.8	$ 43.8	$ -	$ 43.8
Accounts payable, accrued liabilities and provisions	-	165.7	165.7	64.7	230.4
Deferred revenue and other liabilities	-	19.4	19.4	28.8	48.2
Long-term debt, short-term debt and commercial paper (note 6)[3]	-	5,596.6	5,596.6	-	5,596.6

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

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

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

Fair Value of Fixed Rate Debt

At September 30, 2016, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value[1]	Fair Value
Corridor debentures	$ 150.0	$ 164.9
Medium-term notes Series 1, 2, 3, 4, 5, 7 and 8	$ 2,575.0	$ 2,726.9

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

15. 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.

Market Risk

Based on the variable rate debt obligations outstanding at September 30, 2016, a 1% change in interest rates at this date would have changed interest expense for the three and nine months ended September 30, 2016, by approximately $7.2 million and $21.5 million, respectively, assuming all other variables remain constant. Of these amounts, $3.4 million and $10.1 million for the three and nine months ended September 30, 2016, relate to the Corridor syndicated credit facility (note 6) and is recoverable through the terms of the Corridor firm service agreement; therefore, the after-tax income impact for the three and nine months ended September 30, 2016, would be $2.8 million and $8.3 million, respectively. When deemed appropriate, Inter Pipeline may enter into interest rate or cross-currency swap agreements to manage its interest rate price risk exposure. As at September 30, 2016, there were no interest rate hedges outstanding.

Inter Pipeline is exposed to frac-spread risk being the difference between the selling prices for NGL and olefins products and the input cost of the natural gas required to produce the respective NGL and olefins products. Inter Pipeline may enter into natural gas liquids, AECO natural gas, and foreign exchange swap contracts to manage frac-spread risk exposure in the NGL processing business. Inter Pipeline may also enter into electricity price swap agreements and heat rate price swap agreements to manage power price risk in the conventional oil pipelines business and NGL processing business, respectively. As at September 30, 2016, there were no frac-spread positions, electricity price swap agreements, or heat rate price swap agreements outstanding.

Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future. As at September 30, 2016, there are no foreign exchange hedges outstanding.

Credit Risk

Credit risk exposure relates primarily to the non-performance of Inter Pipeline’s customers and financial counterparties. Inter Pipeline believes that the credit risk arising from cash, cash equivalents and deposits outstanding is minimal as these financial assets are predominantly held with major financial institutions or investment grade corporations.

At September 30, 2016, 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.

Accounts receivable are deemed past due if they are aged greater than 60 days and are considered to be impaired if one or more events have occurred that would impact the estimated future cash flows of that asset. At September 30, 2016, accounts receivable outstanding meeting the definition of either past due or impaired are insignificant.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL processing business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At September 30, 2016, accounts receivable associated with these two business segments were $140.8 million or 71.8% 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, 2016, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	$ 43.8	$ 43.8	$ -	$ -
Accounts payable, accrued liabilities and provisions	230.4	230.4	-	-
Deferred revenue and other liabilities	48.2	21.2	10.3	16.7
Long-term debt, short-term debt and commercial paper[(1)]	5,596.6	1,751.6	2,295.0	1,550.0
Total	$ 5,919.0	$ 2,047.0	$ 2,305.3	$ 1,566.7

(1) Commercial paper issued by Corridor is fully supported and management expects that it will continue to be supported by the Corridor syndicated credit facility that has no repayment requirements until December 2019.

16. FINANCING CHARGES

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	**2016**	2015
Interest expense on credit facilities	**$ 8.6**	$ 8.7	**$ 25.3**	$ 26.6
Interest on Corridor Debentures	**1.8**	1.9	**5.5**	5.7
Interest on medium-term notes	**24.0**	23.6	**71.2**	68.8
Total Interest	**34.4**	34.2	**102.0**	101.1
Capitalized interest	**(0.1)**	(0.1)	**(0.4)**	(1.9)
Amortization of transaction costs on financial debt	**0.9**	0.8	**2.5**	2.4
Accretion of provisions and pension plan funding charges	**0.7**	0.7	**2.1**	2.0
Financing charges	**$ 35.9**	$ 35.6	**$ 106.2**	$ 103.6