

Interim Consolidated Balance Sheets

	June 30	As at December 31
(unaudited) (millions of Canadian dollars)	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 40.2	\$ 40.3
Accounts receivable	150.0	183.1
Prepaid expenses and other deposits	17.9	26.9
Total Current Assets	208.1	250.3
Non-Current Assets		
Property, plant and equipment (note 2)	8,097.0	8,183.9
Goodwill and intangible assets	564.6	595.2
Total Assets	\$ 8,869.7	\$ 9,029.4
LIABILITIES AND EQUITY		
Current Liabilities		
Dividends payable (note 4)	\$ 43.8	\$ 43.8
Accounts payable, accrued liabilities and provisions (note 7)	181.3	220.6
Current income taxes payable	11.9	29.6
Deferred revenue	13.7	7.5
Demand facility (note 5)	5.6	26.4
Current portion of long-term debt (note 5)	399.5	-
Commercial paper (note 5)	1,357.0	1,384.4
Total Current Liabilities	2,012.8	1,712.3
Non-Current Liabilities		
Long-term debt (note 5)	3,053.2	3,421.9
Provisions (note 6)	106.8	89.6
Employee benefits (note 7)	18.9	20.3
Long-term deferred revenue and other liabilities	12.8	10.7
Deferred income taxes	638.8	618.0
Total Liabilities	5,843.3	5,872.8
Commitments (notes 2 and 11)		
Shareholders' Equity		
Shareholders' equity (note 9)	2,666.8	2,707.2
Total reserves	26.0	113.9
Total Shareholders' Equity	2,692.8	2,821.1
Non-Controlling Interest (note 10)	333.6	335.5
Total Equity	3,026.4	3,156.6
Total Liabilities and Equity	\$ 8,869.7	\$ 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.						Non-Controlling Interest (note 10)	Total Equity
	Share Capital (note 9)	Earnings / (Deficit)	Contributed Surplus	Reserves	Total Shareholders' 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	-	210.2	-	-	210.2	17.3	227.5	
Other comprehensive loss	-	-	-	(87.9)	(87.9)	-	(87.9)	
Dividends declared (note 4)	-	(262.7)	-	-	(262.7)	-	(262.7)	
Issuance of common shares (note 9)								
Issued under Premium Dividend™ and Dividend Reinvestment Plan	12.1	-	-	-	12.1	-	12.1	
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	(19.4)	(19.4)	
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	0.2	0.2	
Balance, June 30, 2016	\$ 2,901.5	\$ (237.2)	\$ 2.5	\$ 26.0	\$ 2,692.8	\$ 333.6	\$ 3,026.4	
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	-	179.0	-	-	179.0	17.6	196.6	
Other comprehensive income	-	-	-	17.2	17.2	-	17.2	
Dividends declared (note 4)	-	(244.9)	-	-	(244.9)	-	(244.9)	
Issuance of common shares (note 9)								
Issued under Premium Dividend™ and Dividend Reinvestment Plan	62.8	-	-	-	62.8	-	62.8	
Exchanged from convertible shares	170.0	-	-	-	170.0	-	170.0	
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	(16.4)	(16.4)	
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	9.6	9.6	
Balance, June 30, 2015	\$ 2,858.7	\$ (180.9)	\$ 2.5	\$ 51.9	\$ 2,732.2	\$ 337.3	\$ 3,069.5	

See accompanying condensed notes to the interim consolidated financial statements.

™ Denotes trademark of Canaccord Genuity Corp.

Interim Consolidated Statements of Net Income

(unaudited) (millions of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
REVENUES				
Operating revenues	\$ 413.0	\$ 390.6	\$ 829.4	\$ 796.4
EXPENSES				
Shrinkage gas	25.7	40.6	62.1	91.8
Midstream product purchases	18.4	12.1	35.6	27.0
Operating	92.7	92.8	182.9	179.5
Depreciation and amortization	55.2	43.5	110.1	85.9
Financing charges (note 15)	35.0	33.9	70.3	68.0
General and administrative	24.4	19.2	69.7	39.7
Unrealized change in fair value of derivative financial instruments	-	(0.4)	-	(0.3)
Loss on disposal of assets	1.6	3.7	2.1	2.5
Total Expenses	253.0	245.4	532.8	494.1
INCOME BEFORE INCOME TAXES	160.0	145.2	296.6	302.3
Income tax expense (note 8)				
Current	21.7	14.0	40.7	28.3
Deferred	15.4	57.4	28.4	77.4
Total Income Tax Expense	37.1	71.4	69.1	105.7
NET INCOME	\$ 122.9	\$ 73.8	\$ 227.5	\$ 196.6
Net income attributable to				
Shareholders of Inter Pipeline Ltd.	\$ 114.4	\$ 65.3	\$ 210.2	\$ 179.0
Non-controlling interest (note 10)	8.5	8.5	17.3	17.6
Net Income	\$ 122.9	\$ 73.8	\$ 227.5	\$ 196.6
Net income per share attributable to shareholders of Inter Pipeline Ltd. (note 9)				
Basic and diluted	\$ 0.34	\$ 0.19	\$ 0.62	\$ 0.54

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
NET INCOME	\$ 122.9	\$ 73.8	\$ 227.5	\$ 196.6
OTHER COMPREHENSIVE (LOSS) INCOME				
Item that may be reclassified subsequently to net income				
Unrealized (loss) gain on translating financial statements of foreign operations	(48.8)	21.2	(87.9)	17.2
Other Comprehensive (Loss) Income	(48.8)	21.2	(87.9)	17.2
COMPREHENSIVE INCOME	\$ 74.1	\$ 95.0	\$ 139.6	\$ 213.8
Comprehensive income attributable to				
Shareholders of Inter Pipeline Ltd.	\$ 65.6	\$ 86.5	\$ 122.3	\$ 196.2
Non-controlling interest (note 10)	8.5	8.5	17.3	17.6
Comprehensive Income	\$ 74.1	\$ 95.0	\$ 139.6	\$ 213.8

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
OPERATING ACTIVITIES				
Net income	\$ 122.9	\$ 73.8	\$ 227.5	\$ 196.6
Items not involving cash:				
Depreciation and amortization	55.2	43.5	110.1	85.9
Loss on disposal of assets	1.6	3.7	2.1	2.5
Non-cash expense (recovery)	1.6	3.0	14.6	(4.6)
Unrealized change in fair value of derivative financial instruments	-	(0.4)	-	(0.3)
Deferred income tax expense	15.4	57.4	28.4	77.4
Funds from operations	196.7	181.0	382.7	357.5
Net change in non-cash operating working capital	16.3	(17.7)	5.6	(35.6)
Cash provided by operating activities	213.0	163.3	388.3	321.9
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	(35.5)	(71.3)	(78.2)	(213.6)
Proceeds on disposal of assets	-	1.9	-	3.6
Acquisition of Inter Terminals Sweden	-	(128.8)	-	(128.8)
Assumption of cash on acquisition of Inter Terminals Sweden	-	0.9	-	0.9
Net change in non-cash investing working capital	(11.2)	(41.3)	(22.2)	(56.7)
Cash used in investing activities	(46.7)	(238.6)	(100.4)	(394.6)
FINANCING ACTIVITIES				
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 4)	(125.7)	(91.9)	(250.6)	(182.1)
Cash distributions paid by Cold Lake to non-controlling interest	(10.1)	(10.5)	(19.4)	(16.4)
Cash contributions received from Cold Lake non-controlling interest	0.1	3.2	0.2	9.6
(Decrease) increase in debt	(17.2)	184.0	(17.0)	274.1
Transaction costs on debt	-	(0.5)	-	(2.5)
Net change in non-cash financing working capital	0.1	0.7	0.1	1.7
Cash (used in) provided by financing activities	(152.8)	85.0	(286.7)	84.4
Effect of foreign currency translation on foreign currency denominated cash	(0.8)	0.4	(1.3)	0.3
Increase (decrease) in cash and cash equivalents	12.7	10.1	(0.1)	12.0
Cash and cash equivalents, beginning of period	27.5	63.0	40.3	61.1
Cash and cash equivalents, end of period	\$ 40.2	\$ 73.1	\$ 40.2	\$ 73.1
Cash taxes paid	\$ 11.8	\$ 16.5	\$ 58.4	\$ 17.1
Cash interest paid	\$ 28.9	\$ 29.7	\$ 67.6	\$ 67.2

See accompanying condensed notes to the interim consolidated financial statements.

Condensed Notes to Interim Consolidated Financial Statements

June 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.

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 August 4, 2016.

2. 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
Additions/transfers from construction ⁽¹⁾	164.7	-	96.6	261.3
Disposals/completed construction ⁽¹⁾	(6.0)	-	(164.3)	(170.3)
Foreign currency translation adjustments	(116.2)	-	(1.3)	(117.5)
Balance, June 30, 2016	\$ 9,093.8	\$ 308.6	\$ 98.9	\$ 9,501.3
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	94.2	1.5	-	95.7
Disposals	(2.5)	-	-	(2.5)
Foreign currency translation adjustments	(32.8)	-	-	(32.8)
Balance, June 30, 2016	\$ 1,382.1	\$ 22.2	\$ -	\$ 1,404.3
NET BOOK VALUE				
At December 31, 2015	\$ 7,728.1	\$ 287.9	\$ 167.9	\$ 8,183.9
At June 30, 2016	\$ 7,711.7	\$ 286.4	\$ 98.9	\$ 8,097.0

(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 June 30, 2016, Inter Pipeline expects to spend \$432.2 million on property, plant and equipment, of which \$139.3 million is due within one year, \$249.1 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.

3. SEGMENT REPORTING

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

	Three Months Ended June 30, 2016							Total Canadian and European Operations
	Canada				Europe		Total Canadian Operations	
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Extraction	Corporate	Total Canadian Operations	Bulk Liquid Storage		
REVENUES	\$ 193.3	\$ 85.6	\$ 72.8	\$ -	\$ 351.7	\$ 61.3	\$ 413.0	
EXPENSES								
Shrinkage gas	-	-	25.7	-	25.7	-	25.7	
Midstream product purchases	-	18.4	-	-	18.4	-	18.4	
Operating	31.9	19.6	16.6	-	68.1	24.6	92.7	
Depreciation and amortization	22.8	4.2	11.8	3.6	42.4	12.8	55.2	
Financing charges	6.7	0.2	-	27.8	34.7	0.3	35.0	
General and administrative	6.1	-	-	11.7	17.8	6.6	24.4	
(Gain) loss on disposal of assets	(0.2)	-	1.2	-	1.0	0.6	1.6	
TOTAL EXPENSES	67.3	42.4	55.3	43.1	208.1	44.9	253.0	
INCOME (LOSS) BEFORE INCOME TAXES	126.0	43.2	17.5	(43.1)	143.6	16.4	160.0	
Income tax expense	19.3	-	-	17.6	36.9	0.2	37.1	
NET INCOME (LOSS)	\$ 106.7	\$ 43.2	\$ 17.5	\$ (60.7)	\$ 106.7	\$ 16.2	\$ 122.9	
Items not involving cash:								
Depreciation and amortization ⁽¹⁾	22.6	4.2	13.0	3.6	43.4	13.4	56.8	
Non-cash expense (recovery)	0.3	(0.3)	-	1.5	1.5	0.1	1.6	
Deferred income tax expense (recovery)	11.8	-	-	3.7	15.5	(0.1)	15.4	
FUNDS FROM (USED IN) OPERATIONS	\$ 141.4	\$ 47.1	\$ 30.5	\$ (51.9)	\$ 167.1	\$ 29.6	\$ 196.7	
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 2.6	\$ 17.9	\$ 1.3	\$ 5.5	\$ 27.3	\$ 10.4	\$ 37.7	
	As at June 30, 2016							
Property, plant and equipment - net book value	\$ 6,128.5	\$ 665.9	\$ 391.7	\$ 51.6	\$ 7,237.7	\$ 859.3	\$ 8,097.0	
Goodwill and intangible assets - net book value	\$ 217.5	\$ -	\$ 165.0	\$ -	\$ 382.5	\$ 182.1	\$ 564.6	
Other assets	\$ 85.3	\$ 36.5	\$ 32.3	\$ 0.4	\$ 154.5	\$ 53.6	\$ 208.1	
TOTAL ASSETS	\$ 6,431.3	\$ 702.4	\$ 589.0	\$ 52.0	\$ 7,774.7	\$ 1,095.0	\$ 8,869.7	

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

Three Months Ended June 30, 2015

	Canada					Europe		Total Canadian and European Operations
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Extraction	Corporate	Total Canadian Operations	Bulk Liquid Storage		
REVENUES	\$ 182.7	\$ 74.7	\$ 88.8	\$ -	\$ 346.2	\$ 44.4	\$ 390.6	
EXPENSES								
Shrinkage gas	-	-	40.6	-	40.6	-	40.6	
Midstream product purchases	-	12.1	-	-	12.1	-	12.1	
Operating	32.6	17.0	24.9	-	74.5	20.5	95.0	
Depreciation and amortization	21.5	3.1	7.7	1.5	33.8	9.7	43.5	
Financing charges	7.1	0.2	0.1	26.2	33.6	0.3	33.9	
General and administrative	5.4	-	-	8.9	14.3	2.7	17.0	
Unrealized change in fair value of derivative financial instruments	-	(0.4)	-	-	(0.4)	-	(0.4)	
Loss on disposal of assets	2.1	-	1.5	-	3.6	0.1	3.7	
TOTAL EXPENSES	68.7	32.0	74.8	36.6	212.1	33.3	245.4	
INCOME (LOSS) BEFORE INCOME TAXES	114.0	42.7	14.0	(36.6)	134.1	11.1	145.2	
Income tax expense	30.7	-	-	39.8	70.5	0.9	71.4	
NET INCOME (LOSS)	\$ 83.3	\$ 42.7	\$ 14.0	\$ (76.4)	\$ 63.6	\$ 10.2	\$ 73.8	
Items not involving cash:								
Depreciation and amortization ⁽¹⁾	23.6	3.1	9.2	1.5	37.4	9.8	47.2	
Non-cash expense (recovery)	0.5	1.1	0.1	1.4	3.1	(0.1)	3.0	
Unrealized change in fair value of derivative financial instruments	-	(0.4)	-	-	(0.4)	-	(0.4)	
Deferred income tax expense	27.6	-	-	29.1	56.7	0.7	57.4	
FUNDS FROM (USED IN) OPERATIONS	\$ 135.0	\$ 46.5	\$ 23.3	\$ (44.4)	\$ 160.4	\$ 20.6	\$ 181.0	
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 25.7	\$ 38.2	\$ 1.3	\$ 4.1	\$ 69.3	\$ 8.5	\$ 77.8	
							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

Six Months Ended June 30, 2016

	Canada				Europe		Total Canadian and European Operations
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Extraction	Corporate	Total Canadian Operations	Bulk Liquid Storage	
REVENUES	\$ 384.9	\$ 167.1	\$ 150.3	\$ -	\$ 702.3	\$ 127.1	\$ 829.4
EXPENSES							
Shrinkage gas	-	-	62.1	-	62.1	-	62.1
Midstream product purchases	-	35.6	-	-	35.6	-	35.6
Operating	65.0	33.8	34.0	-	132.8	50.1	182.9
Depreciation and amortization	44.7	8.3	23.4	6.0	82.4	27.7	110.1
Financing charges	13.3	0.4	0.1	55.7	69.5	0.8	70.3
General and administrative	11.9	-	-	43.1	55.0	14.7	69.7
(Gain) loss on disposal of assets	(0.1)	-	1.1	-	1.0	1.1	2.1
TOTAL EXPENSES	134.8	78.1	120.7	104.8	438.4	94.4	532.8
INCOME (LOSS) BEFORE INCOME TAXES	250.1	89.0	29.6	(104.8)	263.9	32.7	296.6
Income tax expense	37.5	-	-	29.6	67.1	2.0	69.1
NET INCOME (LOSS)	\$ 212.6	\$ 89.0	\$ 29.6	\$ (134.4)	\$ 196.8	\$ 30.7	\$ 227.5
Items not involving cash:							
Depreciation and amortization ⁽¹⁾	44.6	8.3	24.5	6.0	83.4	28.8	112.2
Non-cash expense (recovery)	0.1	(0.2)	-	14.6	14.5	0.1	14.6
Deferred income tax expense	23.5	-	-	3.6	27.1	1.3	28.4
FUNDS FROM (USED IN) OPERATIONS	\$ 280.8	\$ 97.1	\$ 54.1	\$ (110.2)	\$ 321.8	\$ 60.9	\$ 382.7
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 7.7	\$ 35.2	\$ 8.0	\$ 14.9	\$ 65.8	\$ 22.1	\$ 87.9

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

Six Months Ended June 30, 2015

	Canada				Europe		Total Canadian and European Operations
	Oil Sands Transportation	Conventional Oil Pipelines	NGL Extraction	Corporate	Total Canadian Operations	Bulk Liquid Storage	
REVENUES	\$ 360.1	\$ 152.5	\$ 191.3	\$ -	\$ 703.9	\$ 92.5	\$ 796.4
EXPENSES							
Shrinkage gas	-	-	91.8	-	91.8	-	91.8
Midstream product purchases	-	27.0	-	-	27.0	-	27.0
Operating	64.2	31.8	47.2	-	143.2	40.4	183.6
Depreciation and amortization	42.6	6.0	15.3	2.8	66.7	19.2	85.9
Financing charges	14.7	0.6	0.2	51.9	67.4	0.6	68.0
General and administrative	10.1	-	-	19.6	29.7	5.9	35.6
Unrealized change in fair value of derivative financial instruments	-	(0.3)	-	-	(0.3)	-	(0.3)
Loss (gain) on disposal of assets	2.1	-	1.6	-	3.7	(1.2)	2.5
TOTAL EXPENSES	133.7	65.1	156.1	74.3	429.2	64.9	494.1
INCOME (LOSS) BEFORE INCOME TAXES	226.4	87.4	35.2	(74.3)	274.7	27.6	302.3
Income tax expense	44.1	-	-	59.3	103.4	2.3	105.7
NET INCOME (LOSS)	\$ 182.3	\$ 87.4	\$ 35.2	\$ (133.6)	\$ 171.3	\$ 25.3	\$ 196.6
Items not involving cash:							
Depreciation and amortization ⁽¹⁾	44.7	6.0	16.9	2.8	70.4	18.0	88.4
Non-cash expense (recovery)	-	0.2	(0.1)	(1.4)	(1.3)	(3.3)	(4.6)
Unrealized change in fair value of derivative financial instruments	-	(0.3)	-	-	(0.3)	-	(0.3)
Deferred income tax expense	38.2	-	-	38.1	76.3	1.1	77.4
FUNDS FROM (USED IN) OPERATIONS	\$ 265.2	\$ 93.3	\$ 52.0	\$ (94.1)	\$ 316.4	\$ 41.1	\$ 357.5
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	\$ 106.9	\$ 86.6	\$ 5.5	\$ 6.2	\$ 205.2	\$ 14.6	\$ 219.8

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

4. DIVIDENDS TO SHAREHOLDERS

<i>(millions, except per share amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Dividends declared to shareholders of Inter Pipeline	\$ 131.4	\$ 123.1	\$ 262.7	\$ 244.9
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	(5.7)	(31.2)	(12.1)	(62.8)
Cash dividends paid to shareholders of Inter Pipeline	\$ 125.7	\$ 91.9	\$ 250.6	\$ 182.1
Dividends declared per share	\$ 0.3900	\$ 0.3675	\$ 0.7800	\$ 0.7350

™ Denotes trademark of Canaccord Genuity Corp.

As at June 30, 2016, dividends of \$43.8 million were payable on 336.9 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 July 7, 2016, Inter Pipeline declared dividends of \$0.13 per share. The dividends will be paid on or about August 15, 2016, to all shareholders of record on July 22, 2016. The total declared dividends are approximately \$43.8 million.

5. FINANCIAL DEBT

	June 30 2016	December 31 2015
Corridor syndicated credit facility	\$ 1,359.0	\$ 1,386.2
Inter Pipeline syndicated credit facility	693.0	664.0
Corridor debentures	150.0	150.0
Medium-term notes	2,625.0	2,625.0
Demand facilities	5.7	26.5
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts)	4,832.7	4,851.7
Less: short-term debt and commercial paper ⁽¹⁾	(1,764.7)	(1,412.7)
Long-term debt (excluding transaction costs and discounts)	3,068.0	3,439.0
Transaction costs, net of accumulated amortization	(15.8)	(17.5)
Discount, net of accumulated amortization	(1.6)	(1.5)
Add: Current portion of transaction costs and discounts	2.6	1.9
Long-term debt	3,053.2	3,421.9
Short-term debt and current portion of long-term debt including transaction costs and discounts	405.1	26.4
Commercial paper including transaction costs and discounts ⁽¹⁾	1,357.0	1,384.4
Financial debt	\$ 4,815.3	\$ 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.

6. PROVISIONS

	June 30 2016	December 31 2015
Decommissioning obligations	\$ 75.8	\$ 69.3
Environmental liabilities	19.7	20.3
Onerous contracts	11.3	-
Provisions	\$ 106.8	\$ 89.6

In March 2016, Inter Pipeline recognized provisions of \$14.9 million related to certain onerous head office lease contracts, of which \$11.3 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.

7. EMPLOYEE BENEFITS

	June 30 2016	December 31 2015
Long-term incentive plan liability	\$ 6.8	\$ 5.7
Pension liability	12.1	14.6
Employee benefits	\$ 18.9	\$ 20.3

For the three and six months ended June 30, 2016, employee benefits expense recognized in net income was \$32.3 million and \$68.1 million, respectively (three and six months ended June 30, 2015 - \$26.7 million and \$50.4 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 June 30, 2016, and December 31, 2015:

<i>(thousands)</i>	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	634.3
Exercised	(50.9)
Forfeitures	(9.3)
Balance, June 30, 2016	1,559.9

At June 30, 2016, the current portion of the liability included in accounts payable, accrued liabilities and provisions was \$24.1 million (December 31, 2015 - \$12.8 million). At June 30, 2016, 439.8 thousand RSUs are exercisable. Inter Pipeline's five day simple average closing share price at June 30, 2016 was \$26.74.

The total intrinsic value of RSUs vested and not exercised as at June 30, 2016 was \$13.1 million (December 31, 2015 - \$12.1 million).

The weighted average remaining contractual life of the outstanding RSUs as at June 30, 2016 was 1.6 years (December 31, 2015 - 1.5 years).

For the three months ended June 30, 2016, RSU costs of \$1.6 million were included in operating expenses and \$3.3 million were included in general and administrative expenses (three months ended June 30, 2015 - \$0.5 million and \$0.5 million, respectively). For the six months ended June 30, 2016, RSU costs of \$3.7 million were included in operating expenses and \$8.6 million were included in general and administrative expenses (six months ended June 30, 2015 - \$1.1 million and \$2.1 million, respectively).

Performance Share Units

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

<i>(thousands)</i>	Number of PSUs
Balance, January 1, 2015	-
Granted	113.1
Exercised	(3.6)
Balance, December 31, 2015	109.5
Granted	142.5
Balance, June 30, 2016	252.0

Inter Pipeline's 20 trading day volume weighted average share price at June 30, 2016 was \$27.13.

The weighted average remaining contractual life of the outstanding PSUs as at June 30, 2016 was 2.1 years (December 31, 2015 – 2.0 years).

For the three and six months ended June 30, 2016, PSU costs of \$0.9 million and \$2.2 million were included in general and administrative expenses, respectively (three and six months ended June 30, 2015 - \$0.3 million and \$0.6 million, respectively).

8. INCOME TAXES

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 June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Income before income taxes per consolidated financial statements	\$ 160.0	\$ 145.2	\$ 296.6	\$ 302.3
Income before income taxes attributable to non-controlling interest	(8.6)	(8.5)	(17.4)	(17.6)
Adjusted income before income taxes	151.4	136.7	279.2	284.7
Tax rate	27.0%	26.0%	27.0%	26.0%
Income tax at statutory rate	40.9	35.5	75.4	74.0
Impact of tax rate increase	-	35.9	-	35.9
Deductible intercompany interest expense	(1.9)	(1.9)	(3.8)	(3.8)
Other	(1.9)	1.9	(2.5)	(0.4)
Income tax expense	\$ 37.1	\$ 71.4	\$ 69.1	\$ 105.7

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

9. 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

<i>(millions)</i>	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	0.5	12.1
Balance, June 30, 2016	336.9	\$ 2,901.5

Calculation of Net Income per Common Share

<i>(millions, except per share amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net income attributable to shareholders – basic and diluted	\$ 114.4	\$ 65.3	\$ 210.2	\$ 179.0
Weighted average shares outstanding – basic	336.8	334.8	336.7	333.2
Effect of Premium Dividend™ and Dividend Reinvestment Plan	0.1	0.2	0.1	0.2
Weighted average shares outstanding – diluted	336.9	335.0	336.8	333.4
Net income per common share attributable to shareholders – Basic and diluted	\$ 0.34	\$ 0.19	\$ 0.62	\$ 0.54

10. 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:

	June 30 2016	December 31 2015
Current assets	\$ 6.0	\$ 6.7
Non-current assets	329.6	331.6
Current liabilities	(1.9)	(2.7)
Non-current liabilities	(0.1)	(0.1)
Proportionate share of net assets	\$ 333.6	\$ 335.5

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenues	\$ 12.4	\$ 12.6	\$ 24.9	\$ 25.1
Expenses	(3.8)	(4.1)	(7.5)	(7.5)
Current income tax	(0.1)	-	(0.1)	-
Proportionate share of net income and comprehensive income	\$ 8.5	\$ 8.5	\$ 17.3	\$ 17.6

™ Denotes trademark of Canaccord Genuity Corp.

11. COMMITMENTS AND CONTINGENCIES

Inter Pipeline has purchase obligation commitments totaling approximately \$198.8 million at June 30, 2016. Refer to note 2 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 June 30, 2016, the future lease obligations are approximately \$339.8 million.

12. CAPITAL DISCLOSURES

Capital under management includes financial debt and shareholders' equity.

At June 30, 2016, Inter Pipeline had access to committed credit facilities totaling \$2,800.0 million, of which \$748.0 million remained unutilized. Inter Pipeline also had access to demand facilities of \$99.4 million, of which \$93.4 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.

13. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at June 30, 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	\$ 40.2	\$ -	\$ 40.2	\$ -	\$ 40.2
Accounts receivable	141.4	-	141.4	8.6	150.0
Prepaid expenses and other deposits	0.3	-	0.3	17.6	17.9
Liabilities					
Dividends payable	\$ -	\$ 43.8	\$ 43.8	\$ -	\$ 43.8
Accounts payable, accrued liabilities and provisions	-	125.0	125.0	56.3	181.3
Deferred revenue and other liabilities	-	6.5	6.5	20.0	26.5
Long-term debt, short-term debt and commercial paper (note 5) ⁽³⁾	-	4,832.7	4,832.7	-	4,832.7

(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 June 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	\$ 164.7
Medium-term notes Series 1, 2, 3, 4, 5 and 7	\$ 2,225.0	\$ 2,325.4

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

14. 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 June 30, 2016, a 1% change in interest rates at this date would have changed interest expense for the three and six months ended June 30, 2016, by approximately \$6.1 million and \$12.2 million, respectively, assuming all other variables remain constant. Of these amounts, \$3.4 million and \$6.8 million for the three and six months ended June 30, 2016, relate to the Corridor syndicated credit facility (note 5) and is recoverable through the terms of the Corridor firm service agreement; therefore, the after-tax income impact for the three and six months ended June 30, 2016, would be \$2.0 million and \$4.0 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 June 30, 2016, there were no interest rate hedges outstanding.

Inter Pipeline may 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 extraction business, respectively. Inter Pipeline may also enter into natural gas liquids, AECO natural gas, and foreign exchange swap contracts to manage frac-spread risk exposure in the NGL extraction business. As at June 30, 2016, there were no electricity price swap agreements, heat rate price swap agreements, or 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 June 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 June 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 June 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 extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At June 30, 2016, accounts receivable associated with these two business segments were \$90.9 million or 60.6% 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 June 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	181.3	181.3	-	-
Deferred revenue and other liabilities	26.5	13.7	6.2	6.6
Long-term debt, short-term debt and commercial paper ⁽¹⁾	4,832.7	1,764.7	1,868.0	1,200.0
Total	\$ 5,084.3	\$ 2,003.5	\$ 1,874.2	\$ 1,206.6

(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.

15. FINANCING CHARGES

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Interest expense on credit facilities	\$ 8.2	\$ 8.7	\$ 16.7	\$ 17.9
Interest on Corridor Debentures	1.9	1.8	3.7	3.8
Interest on medium-term notes	23.7	23.7	47.2	45.2
Total Interest	33.8	34.2	67.6	66.9
Capitalized interest	(0.3)	(1.6)	(0.3)	(1.8)
Amortization of transaction costs on financial debt	0.8	0.8	1.6	1.6
Accretion of provisions and pension plan funding charges	0.7	0.5	1.4	1.3
Financing charges	\$ 35.0	\$ 33.9	\$ 70.3	\$ 68.0