Interim Consolidated Balance Sheets

(unaudited)(millions of Canadian dollars)		June 30 2018		As at December 31 2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	**24.3**	$	26.9
Accounts receivable		**222.3**		245.7
Prepaid expenses and other deposits		**33.2**		22.4
Inventory		**10.5**		12.6
Total Current Assets		**290.3**		307.6
Non-Current Assets				
Property, plant and equipment (note 5)		**9,634.2**		9,394.8
Goodwill and intangible assets		**645.8**		659.3
Total Assets	$	**10,570.3**	$	10,361.7
LIABILITIES AND EQUITY				
Current Liabilities				
Dividends payable (note 6)	$	**54.1**	$	53.2
Accounts payable, accrued liabilities and provisions		**362.9**		334.0
Current income taxes payable		**0.9**		3.1
Deferred revenue		**75.0**		52.1
Current portion of long-term debt (note 7)		**205.7**		204.1
Commercial paper (note 7)		**1,265.9**		1,288.6
Total Current Liabilities		**1,964.5**		1,935.1
Non-Current Liabilities				
Long-term debt (note 7)		**3,895.7**		3,942.8
Provisions		**194.1**		188.1
Employee benefits (note 8)		**23.1**		30.1
Long-term deferred revenue and other liabilities		**54.2**		54.5
Deferred income taxes		**846.3**		747.3
Total Liabilities		**6,977.9**		6,897.9
Commitments (notes 5 and 10)				
Equity				
Shareholders' equity		**3,529.5**		3,413.7
Total reserves		**62.9**		50.1
Total Equity		**3,592.4**		3,463.8
Total Liabilities and Equity	$	**10,570.3**	$	10,361.7

See accompanying condensed notes to the interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited)(millions of Canadian dollars)

	Share Capital (note 9)	Earnings / (Deficit)	Contributed Surplus	Reserves	Total Equity
Balance, January 1, 2018	$ 4,019.7	$ (608.5)	$ 2.5	$ 50.1	**$ 3,463.8**
Net income for the period	-	278.8	-	-	**278.8**
Other comprehensive income	-	-	-	12.8	**12.8**
Dividends declared (note 6)	-	(322.4)	-	-	**(322.4)**
Issuance of common shares (note 9)					
Issued under Premium Dividend™ and Dividend Reinvestment Plan	159.4	-	-	-	**159.4**
Balance, June 30, 2018	$ 4,179.1	$ (652.1)	$ 2.5	$ 62.9	**$ 3,592.4**
Balance, January 1, 2017	$ 3,712.3	$ (530.3)	$ 2.5	$ 3.4	$ 3,187.9
Net income for the period	-	242.3	-	-	242.3
Other comprehensive income	-	-	-	31.9	31.9
Dividends declared (note 6)	-	(300.6)	-	-	(300.6)
Issuance of common shares (note 9)					
Issued under Premium Dividend™ and Dividend Reinvestment Plan	154.0	-	-	-	154.0
Income tax recovery on long-term payable	-	4.9	-	-	4.9
Balance, June 30, 2017	$ 3,866.3	$ (583.7)	$ 2.5	$ 35.3	$ 3,320.4

See accompanying condensed notes to the interim consolidated financial statements.

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Interim Consolidated Statements of Net Income

	Three Months Ended June 30		Six Months Ended June 30	
(unaudited)(millions of Canadian dollars)	**2018**	2017	**2018**	2017
REVENUE				
Operating revenue	**$ 631.0**	$ 516.0	**$ 1,277.0**	$ 1,094.7
EXPENSES				
Cost of sales	**161.9**	116.6	**344.6**	252.6
Operating	**133.5**	124.1	**256.9**	236.9
Depreciation and amortization	**69.7**	63.0	**138.5**	125.7
Financing charges (note 14)	**42.7**	42.2	**85.5**	83.7
General and administrative	**37.7**	31.9	**71.4**	65.3
Loss on disposal of assets	**0.2**	0.5	**1.5**	4.6
Total Expenses	**445.7**	378.3	**898.4**	768.8
INCOME BEFORE INCOME TAXES	**185.3**	137.7	**378.6**	325.9
Income tax expense (recovery)				
Current	**0.7**	(2.3)	**1.3**	1.1
Deferred	**48.5**	37.7	**98.5**	82.5
Total Income Tax Expense	**49.2**	35.4	**99.8**	83.6
NET INCOME	**$ 136.1**	$ 102.3	**$ 278.8**	$ 242.3
Net income per share (note 9)				
Basic and diluted	**$ 0.35**	$ 0.27	**$ 0.73**	$ 0.65

Interim Consolidated Statements of Comprehensive Income

	Three Months Ended June 30		Six Months Ended June 30	
(unaudited)(millions of Canadian dollars)	**2018**	2017	**2018**	2017
NET INCOME	**$ 136.1**	$ 102.3	**$ 278.8**	$ 242.3
OTHER COMPREHENSIVE (LOSS) INCOME				
Item that may be reclassified subsequently to net income				
Unrealized (loss) gain on translating financial statements of foreign operations	**(38.3)**	26.7	**12.8**	31.9
Other Comprehensive (Loss) Income	**(38.3)**	26.7	**12.8**	31.9
COMPREHENSIVE INCOME	**$ 97.8**	$ 129.0	**$ 291.6**	$ 274.2

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 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
OPERATING ACTIVITIES				
Net income	**$ 136.1**	$ 102.3	**$ 278.8**	$ 242.3
Items not involving cash:				
Depreciation and amortization	**69.7**	63.0	**138.5**	125.7
Loss on disposal of assets	**0.2**	0.5	**1.5**	4.6
Non-cash expense (recovery)	**7.0**	3.5	**(1.6)**	(1.2)
Deferred income tax expense	**48.5**	37.7	**98.5**	82.5
Funds from operations	**261.5**	207.0	**515.7**	453.9
Net change in non-cash operating working capital	**18.0**	25.2	**28.7**	21.7
Cash provided by operating activities	**279.5**	232.2	**544.4**	475.6
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment	**(196.0)**	(104.0)	**(351.8)**	(167.0)
Proceeds on disposal of assets	**0.3**	0.1	**0.3**	0.1
Net change in non-cash investing working capital	**7.5**	12.7	**37.5**	5.8
Cash used in investing activities	**(188.2)**	(91.2)	**(314.0)**	(161.1)
FINANCING ACTIVITIES				
Cash dividends paid on common shares (note 6)	**(81.4)**	(74.9)	**(163.0)**	(146.6)
Decrease in debt	**(8.7)**	(68.0)	**(70.4)**	(164.7)
Transaction costs on debt	**-**	(2.5)	**-**	(2.5)
Net change in non-cash financing working capital	**0.6**	1.3	**1.0**	1.7
Cash used in financing activities	**(89.5)**	(144.1)	**(232.4)**	(312.1)
Effect of foreign currency translation on foreign currency denominated cash	**(0.8)**	0.3	**(0.6)**	0.5
Increase (decrease) in cash and cash equivalents	**1.0**	(2.8)	**(2.6)**	2.9
Cash and cash equivalents, beginning of period	**23.3**	27.1	**26.9**	21.4
Cash and cash equivalents, end of period	**$ 24.3**	$ 24.3	**$ 24.3**	$ 24.3
Cash taxes paid (recovered)	**$ 1.0**	$ (0.3)	**$ 4.0**	$ 20.9
Cash interest paid	**$ 43.8**	$ 35.7	**$ 88.0**	$ 80.2

See accompanying condensed notes to the interim consolidated financial statements.

Condensed Notes to Interim Consolidated Financial Statements

June 30, 2018

(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 Standard 34 *Interim Financial Reporting*. These interim financial statements do not contain all disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and accordingly, should be read in conjunction with Inter Pipeline Ltd.'s (Inter Pipeline) audited consolidated financial statements and notes thereto for the year ended December 31, 2017.

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, 2017, except as described in note 2 below. The accounting policies in note 2 have been applied consistently in preparing the interim financial statements for the three and six months ended June 30, 2018 and June 30, 2017, and the consolidated balance sheets as at June 30, 2018 and December 31, 2017. 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 9, 2018.

2. ACCOUNTING POLICIES ADOPTED IN 2018

Inter Pipeline has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 replaces IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations. IFRS 15 establishes a control based revenue recognition model under which revenue is recognized when control of the underlying goods or services for the particular performance obligation is transferred to the customer. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when, or as, the entity satisfies a performance obligation.

Inter Pipeline adopted the standard using the full retrospective approach. The adoption of IFRS 15 did not materially affect the timing or amount of revenue previously recognized; therefore, prior periods presented have not been restated.

IFRS 15 requires revenue to be disaggregated into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors. To meet this requirement, Inter Pipeline has categorized its revenue into the following contract types: (i) cost-of-service contracts generally are not impacted by throughput volumes or commodity price fluctuations. This includes take-or-pay contracts with dedicated volume or revenue commitments, modified cost-of-service contracts that may have throughput volume exposure in certain circumstances, as well as contracts which generally provide for a return on invested capital and recovery of substantially all operating costs; (ii) fee-based contracts are generally subject to fluctuations in throughput volume but not commodity prices; (iii) commodity-based contracts are generally subject to throughput volume and commodity price fluctuations; and (iv) product margin contracts, which relate to midstream marketing activities on Inter Pipeline's conventional oil pipeline assets.

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 requires all financial assets to be classified and measured at amortized cost or fair value, based on how Inter Pipeline manages its financial instruments and their contractual cash flow characteristics. Requirements for the classification and measurement of financial liabilities are largely unchanged from IAS 39. IFRS 9 also establishes a forward-looking expected credit loss impairment model to be applied to certain financial assets.

The retrospective adoption of IFRS 9 did not affect Inter Pipeline's consolidated financial statements on the date of initial adoption or comparative periods. All financial assets and liabilities recorded at January 1, 2018 continue to be classified and measured at amortized cost, consistent with previous measurement under IAS 39.

3. FUTURE ACCOUNTING PRONOUNCEMENT

IFRS 16 Leases (IFRS 16)

IFRS 16 replaces IAS 17 *Leases* and related interpretations and will be applied to annual periods beginning on January 1, 2019. IFRS 16 establishes a single, on-balance sheet accounting model for lessees which will result in the recognition of a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Lessors will continue with a dual lease classification model. Classification as a finance or operating lease will determine how and when a lessor will recognize lease revenue, and the type of assets to be recorded.

Inter Pipeline has identified all contracts that are within the scope of IFRS 16 and anticipates that the adoption of IFRS 16 will have a material impact on the consolidated balance sheets due to material operating lease commitments. Inter Pipeline will adopt IFRS 16 using the modified retrospective approach which does not require the restatement of prior period financial information. The cumulative financial effect of the adoption will be recognized as an adjustment to opening retained earnings, with the standard applied prospectively. As further analysis is completed, Inter Pipeline will make changes to processes and systems, collect new data requirements, and quantify the impact on its financial statements. Therefore, it is not possible to make a reliable estimate of the impact of the new standard at this time.

4. SEGMENT REPORTING

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

Three Months Ended June 30, 2018	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUE							
Cost-of-service	$ 200.3	$ 14.9	$ 15.0	$ -	$ 230.2	$ 37.8	$ 268.0
Fee-based	-	37.9	41.2	-	79.1	12.9	92.0
Commodity-based	-	142.5	-	-	142.5	-	142.5
Product margin	-	-	128.5	-	128.5	-	128.5
TOTAL REVENUE[(1)]	200.3	195.3	184.7	-	580.3	50.7	631.0
EXPENSES							
Cost of sales	-	47.9	114.0	-	161.9	-	161.9
Operating	36.6	46.3	26.0	-	108.9	24.6	133.5
Depreciation and amortization	22.7	22.7	4.7	6.2	56.3	13.4	69.7
Financing charges	8.5	0.4	0.2	33.2	42.3	0.4	42.7
General and administrative	6.0	-	-	23.9	29.9	7.8	37.7
Loss on disposal of assets	-	-	-	-	-	0.2	0.2
TOTAL EXPENSES	73.8	117.3	144.9	63.3	399.3	46.4	445.7
INCOME (LOSS) BEFORE INCOME TAXES	126.5	78.0	39.8	(63.3)	181.0	4.3	185.3
Income tax expense (recovery)[(2)]	-	-	-	49.8	49.8	(0.6)	49.2
NET INCOME (LOSS)	$ 126.5	$ 78.0	$ 39.8	$ (113.1)	$ 131.2	$ 4.9	$ 136.1
Items not involving cash:							
Depreciation and amortization[(3)]	22.7	22.7	4.7	6.2	56.3	13.6	69.9
Non-cash expense	0.8	0.6	3.7	1.9	7.0	-	7.0
Deferred income tax expense (recovery)[(2)]	-	-	-	49.6	49.6	(1.1)	48.5
FUNDS FROM (USED IN) OPERATIONS	$ 150.0	$ 101.3	$ 48.2	$ (55.4)	$ 244.1	$ 17.4	$ 261.5
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 11.0	$ 163.9	$ 7.3	$ 4.4	$ 186.6	$ 13.7	$ 200.3
							As at June 30, 2018
Property, plant and equipment - net book value	$ 6,036.4	$ 1,928.0	$ 688.8	$ 70.5	$ 8,723.7	$ 910.5	$ 9,634.2
Goodwill and intangible assets - net book value	$ 210.1	$ 243.7	$ -	$ -	$ 453.8	$ 192.0	$ 645.8
Other assets	$ 78.5	$ 90.4	$ 68.9	$ 0.4	$ 238.2	$ 52.1	$ 290.3
TOTAL ASSETS	$ 6,325.0	$ 2,262.1	$ 757.7	$ 70.9	$ 9,415.7	$ 1,154.6	$ 10,570.3

(1) NGL Processing revenue includes $50.1 million of sales to external customers located in the United States.

(2) From January 1, 2018, all income tax expense for Canadian operations has been allocated to the Corporate segment.

(3) Includes loss on disposal of assets.

Three Months Ended June 30, 2017

	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUE							
Cost-of-service	$ 199.0	$ 10.0	$ 15.1	$ -	$ 224.1	$ 43.5	$ 267.6
Fee-based	-	53.7	41.2	-	94.9	13.0	107.9
Commodity-based	-	75.2	-	-	75.2	-	75.2
Product margin	-	-	65.3	-	65.3	-	65.3
TOTAL REVENUE[1]	199.0	138.9	121.6	-	459.5	56.5	516.0
EXPENSES							
Cost of sales	-	63.1	53.5	-	116.6	-	116.6
Operating	37.8	47.5	15.6	-	100.9	23.2	124.1
Depreciation and amortization	21.9	21.1	4.7	2.6	50.3	12.7	63.0
Financing charges	6.9	0.5	0.2	34.2	41.8	0.4	42.2
General and administrative	6.0	-	-	18.6	24.6	7.3	31.9
Loss (gain) on disposal of assets	0.2	-	0.1	(0.1)	0.2	0.3	0.5
TOTAL EXPENSES	72.8	132.2	74.1	55.3	334.4	43.9	378.3
INCOME (LOSS) BEFORE INCOME TAXES	126.2	6.7	47.5	(55.3)	125.1	12.6	137.7
Income tax expense[2]	-	-	-	34.4	34.4	1.0	35.4
NET INCOME (LOSS)	$ 126.2	$ 6.7	$ 47.5	$ (89.7)	$ 90.7	$ 11.6	$ 102.3
Items not involving cash:							
Depreciation and amortization[3]	22.1	21.1	4.8	2.5	50.5	13.0	63.5
Non-cash expense	1.3	0.6	0.4	1.1	3.4	0.1	3.5
Deferred income tax expense[2]	-	-	-	37.1	37.1	0.6	37.7
FUNDS FROM (USED IN) OPERATIONS	$ 149.6	$ 28.4	$ 52.7	$ (49.0)	$ 181.7	$ 25.3	$ 207.0
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 13.4	$ 69.4	$ 4.9	$ 5.6	$ 93.3	$ 18.5	$ 111.8
							As at December 31, 2017
Property, plant and equipment - net book value	$ 6,061.0	$ 1,659.1	$ 687.9	$ 75.4	$ 8,483.4	$ 911.4	$ 9,394.8
Goodwill and intangible assets - net book value	$ 212.0	$ 259.1	$ -	$ -	$ 471.1	$ 188.2	$ 659.3
Other assets	$ 76.3	$ 108.7	$ 72.7	$ 0.6	$ 258.3	$ 49.3	$ 307.6
TOTAL ASSETS	$ 6,349.3	$ 2,026.9	$ 760.6	$ 76.0	$ 9,212.8	$ 1,148.9	$ 10,361.7

(1) NGL Processing revenue includes $22.6 million of sales to external customers located in the United States.

(2) From January 1, 2018, all income tax expense for Canadian operations has been allocated to the Corporate segment. Comparative amounts have been reclassified to match the current period presentation.

(3) Includes loss (gain) on disposal of assets.

Six Months Ended June 30, 2018

	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUE							
Cost-of-service	$ 400.4	$ 26.9	$ 30.1	$ -	$ 457.4	$ 73.9	$ 531.3
Fee-based	-	86.8	82.4	-	169.2	28.0	197.2
Commodity-based	-	295.7	-	-	295.7	-	295.7
Product margin	-	-	252.8	-	252.8	-	252.8
TOTAL REVENUE[(1)]	$ 400.4	$ 409.4	$ 365.3	$ -	$ 1,175.1	$ 101.9	$ 1,277.0
EXPENSES							
Cost of sales	-	118.4	226.2	-	344.6	-	344.6
Operating	72.8	90.7	43.5	-	207.0	49.9	256.9
Depreciation and amortization	45.4	44.2	10.6	10.3	110.5	28.0	138.5
Financing charges	16.6	0.9	0.4	66.6	84.5	1.0	85.5
General and administrative	12.5	-	-	44.6	57.1	14.3	71.4
Loss on disposal of assets	-	-	0.1	-	0.1	1.4	1.5
TOTAL EXPENSES	147.3	254.2	280.8	121.5	803.8	94.6	898.4
INCOME (LOSS) BEFORE INCOME TAXES	253.1	155.2	84.5	(121.5)	371.3	7.3	378.6
Income tax expense (recovery) [(2)]	-	-	-	100.8	100.8	(1.0)	99.8
NET INCOME (LOSS)	$ 253.1	$ 155.2	$ 84.5	$ (222.3)	$ 270.5	$ 8.3	$ 278.8
Items not involving cash:							
Depreciation and amortization[(3)]	45.4	44.2	10.7	10.3	110.6	29.4	140.0
Non-cash expense (recovery)	0.4	0.5	3.7	(6.6)	(2.0)	0.4	(1.6)
Deferred income tax expense (recovery) [(2)]	-	-	-	100.5	100.5	(2.0)	98.5
FUNDS FROM (USED IN) OPERATIONS	$ 298.9	$ 199.9	$ 98.9	$ (118.1)	$ 479.6	$ 36.1	$ 515.7
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 19.0	$ 297.5	$ 11.7	$ 5.7	$ 333.9	$ 18.6	$ 352.5

(1) NGL Processing revenues includes $96.0 million of sales to external customers located in the United States.

(2) From January 1, 2018, all income tax expense for Canadian operations has been allocated to the Corporate segment.

(3) Includes loss on disposal of assets.

Six Months Ended June 30, 2017	Canada					Europe	
	Oil Sands Transportation	NGL Processing	Conventional Oil Pipelines	Corporate	Total Canadian Operations	Bulk Liquid Storage	Total Canadian and European Operations
REVENUE							
Cost-of-service	$ 390.1	$ 20.5	$ 30.1	$ -	$ 440.7	$ 85.0	$ 525.7
Fee-based	-	110.1	81.5	-	191.6	27.0	218.6
Commodity-based	-	221.7	-	-	221.7	-	221.7
Product margin	-	-	128.7	-	128.7	-	128.7
TOTAL REVENUE(1)	390.1	352.3	240.3	-	982.7	112.0	1,094.7
EXPENSES							
Cost of sales	-	150.1	102.5	-	252.6	-	252.6
Operating	68.6	91.8	30.7	-	191.1	45.8	236.9
Depreciation and amortization	44.0	42.2	9.4	5.3	100.9	24.8	125.7
Financing charges	13.6	0.9	0.4	68.0	82.9	0.8	83.7
General and administrative	11.8	-	-	39.8	51.6	13.7	65.3
Loss (gain) on disposal of assets	0.2	-	2.9	(0.1)	3.0	1.6	4.6
TOTAL EXPENSES	138.2	285.0	145.9	113.0	682.1	86.7	768.8
INCOME (LOSS) BEFORE INCOME TAXES	251.9	67.3	94.4	(113.0)	300.6	25.3	325.9
Income tax expense (2)	-	-	-	81.5	81.5	2.1	83.6
NET INCOME (LOSS)	$ 251.9	$ 67.3	$ 94.4	$ (194.5)	$ 219.1	$ 23.2	$ 242.3
Items not involving cash:							
Depreciation and amortization(3)	44.2	42.2	12.3	5.2	103.9	26.4	130.3
Non-cash expense (recovery)	1.9	0.8	(0.6)	(3.7)	(1.6)	0.4	(1.2)
Deferred income tax expense (2)	-	-	-	81.0	81.0	1.5	82.5
FUNDS FROM (USED IN) OPERATIONS	$ 298.0	$ 110.3	$ 106.1	$ (112.0)	$ 402.4	$ 51.5	$ 453.9
PROPERTY, PLANT AND EQUIPMENT ADDITIONS	$ 18.2	$ 103.0	$ 10.3	$ 8.0	$ 139.5	$ 35.3	$ 174.8

(1) NGL Processing revenues includes $64.2 million of sales to external customers located in the United States.

(2) From January 1, 2018, all income tax expense for Canadian operations has been allocated to the Corporate segment. Comparative amounts have been reclassified to match the current period presentation.

(3) Includes loss (gain) on disposal of assets.

5. PROPERTY, PLANT AND EQUIPMENT

	Pipelines, Facilities and Equipment	Pipeline Line Fill	Construction Work in Progress	Total
COST				
Balance, January 1, 2017	$ 10,050.2	$ 314.2	$ 318.9	$ 10,683.3
Additions/transfers from construction[(1)]	193.4	1.2	394.8	589.4
Disposals/completed construction[(1)]	(15.6)	-	(190.7)	(206.3)
Foreign currency translation adjustments	50.3	-	(0.7)	49.6
Balance, December 31, 2017	10,278.3	315.4	522.3	11,116.0
Additions/transfers from construction[(1)]	39.2	-	352.1	391.3
Disposals/completed construction[(1)]	(2.8)	-	(38.7)	(41.5)
Foreign currency translation adjustments	14.1	-	0.1	14.2
Balance, June 30, 2018	**$ 10,328.8**	**$ 315.4**	**$ 835.8**	**$ 11,480.0**
ACCUMULATED DEPRECIATION				
Balance, January 1, 2017	$ 1,473.7	$ 23.6	$ -	$ 1,497.3
Depreciation	218.1	2.9	-	221.0
Disposals	(7.8)	-	-	(7.8)
Foreign currency translation adjustments	10.7	-	-	10.7
Balance, December 31, 2017	1,694.7	26.5	-	1,721.2
Depreciation	119.6	1.5	-	121.1
Disposals	(1.4)	-	-	(1.4)
Foreign currency translation adjustments	4.9	-	-	4.9
Balance, June 30, 2018	**$ 1,817.8**	**$ 28.0**	**$ -**	**$ 1,845.8**
NET BOOK VALUE				
At December 31, 2017	$ 8,583.6	$ 288.9	$ 522.3	$ 9,394.8
At June 30, 2018	**$ 8,511.0**	**$ 287.4**	**$ 835.8**	**$ 9,634.2**

(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 June 30, 2018, Inter Pipeline expects to spend $3,492.5 million on property, plant and equipment.

6. DIVIDENDS TO SHAREHOLDERS

	Three Months Ended June 30		Six Months Ended June 30	
(millions, except per share amounts)	**2018**	2017	**2018**	2017
Dividends declared on common shares	**$ 162.0**	$ 150.9	**$ 322.4**	$ 300.6
Dividends settled with the issuance of shares under the Premium Dividend™ and Dividend Reinvestment Plan	**(80.6)**	(76.0)	**(159.4)**	(154.0)
Cash dividends paid on common shares	**$ 81.4**	$ 74.9	**$ 163.0**	$ 146.6
Dividends declared per share	**$ 0.420**	$ 0.405	**$ 0.840**	$ 0.810

As at June 30, 2018, dividends of $54.1 million were payable on 386.7 million outstanding common shares at $0.14 per share (December 31, 2017 - $53.2 million payable on 379.8 million outstanding common shares at $0.14 per share).

On July 9, 2018, Inter Pipeline declared dividends of $0.14 per share. The dividends will be paid on or about August 15, 2018, to shareholders of record on July 23, 2018. The total declared dividends were $54.3 million.

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7. FINANCIAL DEBT

The following table summarizes Inter Pipeline's financial debt as at June 30, 2018 and December 31, 2017:

	June 30 2018	December 31 2017
Corridor syndicated credit facility	**$ 1,268.5**	$ 1,291.0
Inter Pipeline syndicated credit facility	**438.0**	487.0
Corridor debentures	**150.0**	150.0
Medium-term notes	**3,525.0**	3,525.0
Demand facilities[1]	**5.7**	4.2
Long-term debt, short-term debt and commercial paper (excluding transaction costs and discounts)	**5,387.2**	5,457.2
Less: short-term debt, current portion of long-term debt and commercial paper[2]	**(1,474.2)**	(1,495.2)
Long-term debt (excluding transaction costs and discounts)	**3,913.0**	3,962.0
Transaction costs, net of accumulated amortization	**(17.9)**	(20.0)
Discount, net of accumulated amortization	**(2.0)**	(1.7)
Add: Current portion of transaction costs and discounts	**2.6**	2.5
Long-term debt	**3,895.7**	3,942.8
Short-term debt and current portion of long-term debt including transaction costs and discounts	**205.7**	204.1
Commercial paper including transaction costs and discounts[2]	**1,265.9**	1,288.6
Financial debt	**$ 5,367.3**	$ 5,435.5

(1) At June 30, 2018, letters of credit totaling $2.7 million (December 31, 2017 - $2.9 million) have been issued under Inter Pipeline's demand facility; however no amounts have been borrowed against the facility at June 30, 2018 (December 31, 2017 - $nil).

(2) 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 2020.

On July 30, 2018, the $200 million senior unsecured 3.839% Series 2 medium-term notes matured and were repaid with funds available under Inter Pipeline's syndicated credit facility.

8. EMPLOYEE BENEFITS

	June 30 2018	December 31 2017
Long-term incentive plan liability	**$ 6.8**	$ 14.0
Pension liability	**16.3**	16.1
Employee benefits	**$ 23.1**	$ 30.1

For the three and six months ended June 30, 2018, employee benefits expense recognized in net income was $44.4 million and $82.8 million, respectively (three and six months ended June 30, 2017 - $37.2 million and $77.2 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, 2018, and December 31, 2017:

(thousands)	Number of RSUs
Balance, January 1, 2017	1,065.2
Granted	615.9
Exercised	(453.3)
Forfeitures	(33.5)
Balance, December 31, 2017	1,194.3
Granted	727.5
Exercised	(99.6)
Forfeitures	(47.6)
Balance, June 30, 2018	**1,774.6**

At June 30, 2018, the current portion of the liability included in accounts payable, accrued liabilities and provisions was $24.9 million (December 31, 2017 - $25.4 million). At June 30, 2018, 480.4 thousand RSUs were exercisable (December 31, 2017 – 580.1 thousand). Inter Pipeline's five day simple average closing share price at June 30, 2018, was $24.73 (December 31, 2017 - $25.76).

The total intrinsic value of RSUs vested and not exercised as at June 30, 2018 was $13.4 million (December 31, 2017 - $16.2 million). The weighted average remaining contractual life of the outstanding RSUs as at June 30, 2018, was 1.6 years (December 31, 2017 - 1.5 years).

For the three months ended June 30, 2018, RSU costs of $2.1 million were included in operating expenses and $4.8 million were included in general and administrative expenses (three months ended June 30, 2017 - $0.7 million and $1.2 million, respectively). For the six months ended June 30, 2018, RSU costs of $2.4 million were included in operating expenses and $6.1 million were included in general and administrative expenses (six months ended June 30, 2017 - $1.9 million and $4.0 million, respectively).

Performance Share Units

The following table summarizes the status of Inter Pipeline's Performance Share Units (PSUs) as at June 30, 2018, and December 31, 2017:

(thousands)	Number of PSUs
Balance, January 1, 2017	254.0
Granted	112.8
Exercised	(109.5)
Balance, December 31, 2017	257.3
Granted	131.1
Balance, June 30, 2018	**388.4**

At June 30, 2018, the current portion of the liability included in accounts payable, accrued liabilities and provisions was $5.7 million (December 31, 2017 - $4.0 million). Inter Pipeline's 20 trading day volume weighted average share price at June 30, 2018, was $24.66 (December 31, 2017 - $26.81).

The weighted average remaining contractual life of the outstanding PSUs as at June 30, 2018, was 1.5 years (December 31, 2017 – 1.4 years).

For the three and six months ended June 30, 2018, PSU costs of $1.5 million and $0.5 million were included in general and administrative expenses, respectively (three and six months ended June 30, 2017 – $1.0 million and $1.7 million, respectively).

9. SHAREHOLDERS' EQUITY

a) Issued, Fully Paid and Outstanding

(millions)	Number of Common Shares		Share Capital
Balance, January 1, 2017	367.9	$	3,712.3
Issued under Premium Dividend™ and Dividend Reinvestment Plan	11.9		307.4
Balance, December 31, 2017	379.8		4,019.7
Issued under Premium Dividend™ and Dividend Reinvestment Plan	6.9		159.4
Balance, June 30, 2018	**386.7**	**$**	**4,179.1**

b) Calculation of Net Income per Common Share

	Three Months Ended June 30		Six Months Ended June 30	
(millions, except per share amounts)	**2018**	2017	**2018**	2017
Net income – basic and diluted	**$ 136.1**	$ 102.3	**$ 278.8**	$ 242.3
Weighted average shares outstanding – basic	**384.9**	372.1	**383.2**	370.7
Effect of Premium Dividend™ and Dividend Reinvestment Plan	**0.9**	0.7	**0.9**	0.7
Weighted average shares outstanding – diluted	**385.8**	372.8	**384.1**	371.4
Net income per common share – basic and diluted	**$ 0.35**	$ 0.27	**$ 0.73**	$ 0.65

10. COMMITMENTS AND CONTINGENCIES

Inter Pipeline had purchase obligations totaling approximately $249.0 million at June 30, 2018. Refer to note 5 for expected property, plant and equipment expenditures.

Inter Pipeline has lease agreements for office space, storage, property, plant and equipment and land for periods ranging from 2018 to 2094. At June 30, 2018, the future lease obligations were approximately $284.9 million.

11. CAPITAL DISCLOSURES

Capital under management includes financial debt and shareholders' equity.

At June 30, 2018, Inter Pipeline had access to committed credit facilities totaling $3,050.0 million, of which $1,343.5 million remained unutilized. Inter Pipeline also had access to demand facilities of $134.7 million, of which $126.3 million remained unutilized. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

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

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12. FINANCIAL INSTRUMENTS

a) Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at June 30, 2018, are classified as follows:

	Amortized Cost	Non-Financial Asset or Liability[1]	Carrying Value of Asset or Liability
Assets[2]			
Cash and cash equivalents	$ 24.3	$ -	$ 24.3
Accounts receivable	215.7	6.6	222.3
Prepaid expenses and other deposits	-	33.2	33.2
Liabilities			
Dividends payable	$ 54.1	$ -	$ 54.1
Accounts payable, accrued liabilities and provisions	301.6	61.3	362.9
Deferred revenue and other liabilities	65.4	63.8	129.2
Long-term debt, short-term debt and commercial paper[3]	5,387.2	-	5,387.2

(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" or "fair value through other comprehensive income".

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

b) Fair Value of Fixed Rate Debt

At June 30, 2018, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value[1]	Fair Value
Corridor debentures	$ 150.0	$ 155.0
Medium-term notes	$ 3,525.0	$ 3,509.1

(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 June 30, 2018, a 1% change in interest rates at this date would have changed interest expense for the three and six months ended June 30, 2018, by approximately $4.3 million and $8.5 million, respectively, assuming all other variables remain constant. Of this amount, $3.2 million and $6.3 million for the three and six months ended June 30, 2018, relates to the Corridor syndicated credit facility (note 7) 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, 2018, would be $0.8 million and $1.6 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, 2018, there were no interest rate or cross-currency swap agreements outstanding.

Inter Pipeline is exposed to frac-spread risk being the difference between the selling prices for NGL, parafinic and olefin products and the input cost of the natural gas required to produce the respective products, including shrinkage gas. 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 exposure in the conventional oil pipelines business and NGL processing business, respectively. As at June 30, 2018, there were no frac-spread hedges, 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 June 30, 2018, there were no foreign exchange hedges outstanding.

b) Credit Risk

Credit risk exposure relates primarily to the non-performance of Inter Pipeline's customer and financial counterparties. Inter Pipeline believes that the credit risk arising from cash and cash equivalents is minimal as these financial assets are predominantly held with major financial institutions. At June 30, 2018, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval process, ongoing monitoring procedures and historical experience.

Inter Pipeline assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward looking information to determine the appropriate expected credit losses. At June 30, 2018, lifetime expected credit losses for accounts receivable outstanding were 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 June 30, 2018, accounts receivable associated with these two business segments were $133.9 million or 60.2% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business segments and customers.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at June 30, 2018, on an undiscounted basis:

	Total	Less Than One Year	One to Five Years	After Five Years
Dividends payable	$ 54.1	$ 54.1	$ -	$ -
Accounts payable, accrued liabilities and provisions	362.9	362.9	-	-
Deferred revenue and other liabilities	129.2	75.0	31.5	22.7
Long-term debt, short-term debt and commercial paper(1)	5,387.2	1,474.2	1,813.0	2,100.0
Total	$ 5,933.4	$ 1,966.2	$ 1,844.5	$ 2,122.7

(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 2020.

14. FINANCING CHARGES

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	**2018**	2017
Interest expense on credit facilities	**$ 9.8**	$ 8.0	**$ 19.5**	$ 17.3
Interest on Corridor debentures	**1.8**	1.8	**3.6**	3.6
Interest on medium-term notes	**31.9**	32.1	**63.7**	61.9
Total Interest	**43.5**	41.9	**86.8**	82.8
Capitalized interest	**(3.1)**	(1.9)	**(6.0)**	(3.5)
Amortization of transaction costs on financial debt	**1.0**	1.0	**2.0**	2.1
Accretion of provisions and pension plan funding charges	**1.3**	1.2	**2.7**	2.3
Financing charges	**$ 42.7**	$ 42.2	**$ 85.5**	$ 83.7