

Consolidated Balance Sheets

	As at	
	December 31	December 31
(thousands of Canadian dollars)	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (note 22)	\$ 61,098	\$ 47,236
Accounts receivable	156,827	246,310
Current income taxes receivable (note 12)	11,474	-
Derivative financial instruments (note 18)	424	5,051
Prepaid expenses and other deposits	27,007	41,302
Total Current Assets	256,830	339,899
Non-Current Assets		
Derivative financial instruments (note 18)	-	395
Property, plant and equipment (note 6)	7,793,693	6,699,702
Goodwill and intangible assets (note 7)	596,663	617,704
Total Assets	\$ 8,647,186	\$ 7,657,700
LIABILITIES AND EQUITY		
Current Liabilities		
Dividends payable (note 8)	\$ 39,961	\$ 32,980
Accounts payable, accrued liabilities and provisions (notes 10 and 11)	390,228	578,748
Current income taxes payable (note 12)	-	31,232
Derivative financial instruments (note 18)	169	1,394
Deferred revenue	18,762	6,763
Convertible shares (notes 13 and 25)	170,000	-
Current portion of long-term debt (note 9)	149,990	287,983
Commercial paper (note 9)	1,277,530	1,309,452
Total Current Liabilities	2,046,640	2,248,552
Non-Current Liabilities		
Long-term debt (note 9)	3,143,941	2,345,591
Convertible shares (notes 13 and 25)	-	170,000
Long-term payable	-	395
Provisions (note 10)	66,702	65,102
Employee benefits (note 11)	20,088	11,886
Long-term deferred revenue and other liabilities	13,848	16,461
Deferred income taxes (note 12)	481,333	415,446
Total Liabilities	5,772,552	5,273,433
Commitments (notes 6 and 16)		
Shareholders' Equity		
Shareholders' equity (note 13)	2,513,408	2,045,954
Total reserves (note 13)	34,731	54,296
Total Shareholders' Equity	2,548,139	2,100,250
Non-Controlling Interest (note 14)	326,495	284,017
Total Equity	2,874,634	2,384,267
Total Liabilities and Equity	\$ 8,647,186	\$ 7,657,700

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors of Inter Pipeline Ltd.:

(Signed) Richard A. Shaw
Director

(Signed) William D. Robertson
Director

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars)

	Attributable to Shareholders of Inter Pipeline Ltd.								
	Class A Limited Liability Partnership Units (note 13)	Class B Unlimited Liability Partnership Units (note 13)	Share Capital (note 13)	Earnings / (Deficit) (note 13)	Contributed Surplus (note 13)	Reserves (note 13)	Shareholders' Equity	Total Equity	Non- Controlling Interest (note 14)
Balance, January 1, 2014	\$ -	\$ -	\$ 3,096,752	\$ (1,053,255)	\$ 2,457	\$ 54,296	\$ 2,100,250	\$ 284,017	\$ 2,384,267
Net income for the year	-	-	-	334,834	-	-	334,834	14,647	349,481
Other comprehensive loss	-	-	-	-	-	(19,565)	(19,565)	-	(19,565)
Dividends declared (note 8)	-	-	-	(423,070)	-	-	(423,070)	-	(423,070)
Issuance of common shares (note 13)	-	-	-	-	-	-	-	-	-
Issued under Premium Dividend™ and Dividend Reinvestment Plan	-	-	264,472	-	-	-	264,472	-	264,472
Issued for cash (net of issue costs)	-	-	291,218	-	-	-	291,218	-	291,218
Stated capital adjustment (note 13)	-	-	(1,026,500)	1,026,500	-	-	-	-	-
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	-	-	(16,509)	(16,509)
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	-	-	44,340	44,340
Balance, December 31, 2014	\$ -	\$ -	\$ 2,625,942	\$ (114,991)	\$ 2,457	\$ 34,731	\$ 2,548,139	\$ 326,495	\$ 2,874,634
Balance, January 1, 2013	\$ 1,681,274	\$ 1,681	\$ -	\$ -	\$ -	\$ (23,504)	\$ 1,659,451	\$ 93,357	\$ 1,752,808
Net (loss) income for the year	-	-	-	(58,095)	-	-	(58,095)	11,100	(46,995)
Other comprehensive income	-	-	-	-	-	77,800	77,800	-	77,800
Dividends declared (note 8)	-	-	-	(338,184)	-	-	(338,184)	-	(338,184)
Issuance of common shares (note 13)	-	-	-	-	-	-	-	-	-
Issued under Premium Dividend™ and Dividend Reinvestment Plan	147,082	147	99,462	-	-	-	246,691	-	246,691
Issued for cash (net of issue costs)	-	-	334,221	-	-	-	334,221	-	334,221
Cash distributions paid by Cold Lake to non-controlling interest	-	-	-	-	-	-	-	(11,865)	(11,865)
Capital contributions received from Cold Lake non-controlling interest	-	-	-	-	-	-	-	191,425	191,425
Transactions due to Corporate Conversion:									
Issuance of common shares (notes 13 and 25)	-	-	178,584	-	-	-	178,584	-	178,584
Amalgamation on Corporate Conversion (note 25)	-	-	-	(218)	-	-	(218)	-	(218)
Reclassifications (note 13)	656,129	661	-	(659,247)	2,457	-	-	-	-
Exchanged on Corporate Conversion (notes 13 and 25)	(2,484,485)	-	2,484,485	-	-	-	-	-	-
Cancellation of Class B partnership units (notes 13 and 25)	-	(2,489)	-	2,489	-	-	-	-	-
Balance, December 31, 2013	\$ -	\$ -	\$ 3,096,752	\$ (1,053,255)	\$ 2,457	\$ 54,296	\$ 2,100,250	\$ 284,017	\$ 2,384,267

See accompanying notes to the consolidated financial statements.

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Consolidated Statements of Net Income (Loss)

	Years Ended December 31	
(thousands of Canadian dollars)	2014	2013
REVENUES		
Operating revenues (note 23)	\$ 1,556,261	\$ 1,362,713
EXPENSES		
Shrinkage gas	296,987	235,652
Midstream product purchases	107,319	75,820
Operating (note 21)	368,324	346,652
Depreciation and amortization	142,777	126,686
Financing charges (note 20)	93,630	91,882
General and administrative (note 21)	85,875	77,070
Unrealized change in fair value of derivative financial instruments (note 18)	(985)	9,065
Management and incentive fees to general partner (note 15)	-	7,971
General partner internalization (note 25)	-	348,584
(Gain) loss on disposal of assets	(2,126)	3,729
	1,091,801	1,323,111
INCOME BEFORE INCOME TAXES	464,460	39,602
Provision for income taxes (note 12)		
Current	45,352	57,114
Deferred	69,627	29,483
	114,979	86,597
NET INCOME (LOSS)	\$ 349,481	\$ (46,995)
Net income (loss) attributable to		
Shareholders of Inter Pipeline Ltd.	\$ 334,834	\$ (58,095)
Non-controlling interest (note 14)	14,647	11,100
	\$ 349,481	\$ (46,995)
Net income (loss) per share attributable to shareholders of Inter Pipeline Ltd. (note 13)		
Basic	\$ 1.05	\$ (0.20)
Diluted	\$ 1.02	\$ (0.20)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

(thousands of Canadian dollars)	Years Ended December 31	
	2014	2013
NET INCOME (LOSS)	\$ 349,481	\$ (46,995)
OTHER COMPREHENSIVE (LOSS) INCOME (note 13)		
Item that may be reclassified subsequently to net income (loss)		
Unrealized (loss) gain on translating financial statements of foreign operations	(15,179)	80,978
Items that will not be reclassified to net income (loss)		
Actuarial loss on defined benefit pension plan (note 11)	(5,495)	(3,492)
Income tax relating to defined benefit pension reserve (note 12)	1,109	314
	(19,565)	77,800
COMPREHENSIVE INCOME	\$ 329,916	\$ 30,805
Comprehensive income attributable to		
Shareholders of Inter Pipeline Ltd.	\$ 315,269	\$ 19,705
Non-controlling interest (note 14)	14,647	11,100
	\$ 329,916	\$ 30,805

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Years Ended December 31	
(thousands of Canadian dollars)	2014	2013
OPERATING ACTIVITIES		
Net income (loss)	\$ 349,481	\$ (46,995)
Items not involving cash:		
Depreciation and amortization	142,777	126,686
(Gain) loss on disposal of assets	(2,126)	3,729
Non-cash expense	5,250	2,004
Unrealized change in fair value of derivative financial instruments	(985)	9,065
General partner internalization (note 25)	-	348,584
Deferred income tax expense	69,627	29,483
Funds from operations	564,024	472,556
Net change in non-cash operating working capital (note 22)	7,650	(3,882)
Cash provided by operating activities	571,674	468,674
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	(1,236,085)	(1,948,471)
Proceeds on disposal of assets	7,469	1,790
Net change on amalgamation (note 25)	-	(218)
Net change in non-cash investing working capital (note 22)	(118,797)	201,385
Cash used in investing activities	(1,347,413)	(1,745,514)
FINANCING ACTIVITIES		
Cash dividends paid to shareholders of Inter Pipeline Ltd. (note 8)	(158,598)	(91,493)
Cash contributions received from Cold Lake non-controlling interest	44,340	191,425
Cash distributions paid by Cold Lake to non-controlling interest	(16,509)	(11,865)
Increase in debt	629,869	833,119
Transaction costs on debt	(4,614)	(4,894)
Issuance of common shares	300,560	345,045
Share issue costs	(11,849)	(14,356)
Net change in non-cash financing working capital (note 22)	7,067	8,739
Cash provided by financing activities	790,266	1,255,720
Effect of foreign currency translation on foreign currency denominated cash	(665)	3,377
Increase (decrease) in cash and cash equivalents	13,862	(17,743)
Cash and cash equivalents, beginning of year	47,236	64,979
Cash and cash equivalents, end of year	\$ 61,098	\$ 47,236
Cash taxes paid	\$ 87,441	\$ 35,146
Cash interest paid	\$ 137,802	\$ 105,517

See accompanying notes to the consolidated financial statements.