inter pipeline

News Release

Inter Pipeline Fund Announces Record 2010 Financial and Operating Results

CALGARY, ALBERTA, FEBRUARY 17, 2011: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three and twelve month periods ended December 31, 2010.

2010 Highlights

- Funds from operations* increased to a record $334 million, up $30 million or 10% from 2009
- Low annual payout ratio before sustaining capital* of 70%
- Cash distributions to unitholders totalled $233 million or $0.905 per unit, up from $202 million distributed in 2009
- Net income increased 49% to $235 million
- Annual throughput volumes on Inter Pipeline's oil sands and conventional oil pipeline systems averaged a record 802,100 barrels per day (b/d)
- Increased monthly distributions by 6.7% to $0.08 per unit, the 7th consecutive increase
- Corridor pipeline system expansion successfully constructed and entered commercial service on January 1, 2011
- Entered into a 20-year, 30,000 b/d ship-or-pay diluent transportation contract for the Sunrise oil sands project
- Completed $40 million project to increase capacity on the Cold Lake pipeline system
- Investment grade credit ratings upgraded by DBRS and Standard & Poor's
- Conservative year end recourse debt to capitalization ratio of only 41%

Fourth Quarter Highlights

- Fourth quarter funds from operations* increased $5 million, or 6%, over 2009 levels to $83 million
- Payout ratio before sustaining capital* of 72% for the quarter
- Cash distributions to unitholders were $59 million or $0.23 per unit
- Inter Pipeline's oil sands and conventional oil pipeline systems transported 874,300 b/d, a new quarterly record
- Subsequent to quarter end, Inter Pipeline successfully completed an inaugural $325 million Canadian public debt offering of senior unsecured medium-term notes

** Please refer to the "Non-GAAP Financial Measures" section of the MD&A.*

Funds From Operations

Inter Pipeline achieved record financial results in 2010, with funds from operations totalling $334 million or $1.30 per unit, an increase of 10% or $30 million over funds from operations generated in 2009. Inter Pipeline's results were driven by strong performance across all business segments, including a very positive frac-spread environment which benefited propane-plus sales in the NGL extraction business segment. The oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed $73.8 million, $177.0 million, $113.0 million and $40.7 million, respectively, to funds from operations. Corporate costs, including interest and general and administrative charges, totalled $70.8 million.

Fourth quarter 2010 funds from operations totalled $82.7 million, an increase of $4.6 million over the comparable period of 2009. Strong results from the NGL extraction and conventional oil pipelines segments contributed to increased fourth quarter 2010 results.

In the fourth quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed $17.9 million, $46.8 million, $27.0 million and $9.3 million, respectively, to funds from operations. Corporate charges totalled $18.3 million.

Cash Distributions

Cash distributions to unitholders during the year totalled $232.6 million, or $0.905 per unit, up from $202.4 million or $0.845 per unit in 2009. Total distributions paid in 2010 were higher primarily due to a $0.06 annual increase in distributions per unit beginning in December of 2009, and to an increased number of class A units outstanding. Strong financial results for the year led to a low annual payout ratio of 69.7% before sustaining capital.

During the fourth quarter, Inter Pipeline distributed $59.3 million to unitholders, or $0.230 per unit, representing a quarterly payout ratio before sustaining capital of 71.7%.

Inter Pipeline is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond, despite becoming taxable in 2011. This view is based on attractive fundamentals within each of Inter Pipeline's four business segments and projected cash flow increases from major growth projects currently under development.

Oil Sands Transportation

In 2010, total volumes transported on Inter Pipeline's oil sands pipeline systems averaged a record 637,600 b/d, an increase of 55,000 b/d, or 9% over 2009 levels. Of this total, Cold Lake system volumes averaged 447,600 b/d and Corridor system volumes averaged 190,000 b/d.

During the fourth quarter of 2010, throughput volumes on the Cold Lake system rose to 469,100 b/d and Corridor volumes increased to 237,200 b/d. Quarterly Cold Lake system volumes grew by 90,700 b/d compared to 2009 as Cenovus, Canadian Natural Resources and Imperial in-situ projects contributed to record production levels during the quarter. Corridor pipeline system volumes increased by 20,700 b/d as the Jackpine mine commenced production in the fourth quarter of 2010. Cash flow on the Corridor system is generated under a 25-year ship-or-pay contract with Shell, Chevron and Marathon. This contract includes provisions for the recovery of all operating costs, depreciation, taxes and interest, and provides a structured return on the equity component of Corridor's rate base, regardless of volumes shipped.

Construction efforts commenced in late 2010 on the Polaris pipeline system, a diluent transportation system that will serve the Athabasca oil sands region. With initial support from two major contracts, the Polaris system is expected to begin transporting diluent to the Kearl oil sands project in 2012, and to the Sunrise oil sands project in 2013. The Kearl project, being developed by Imperial Oil and ExxonMobil, has contracted for 60,000 b/d of diluent transportation service on the Polaris system under a 25 year cost of service agreement. Additionally, Inter Pipeline will provide 30,000 b/d of capacity on the Polaris system for the Sunrise project, being jointly developed by BP and Husky Energy. In total, these projects involve capital investments of $150 million, and are expected to generate $67 million in annual EBITDA once in commercial service.

Diluent capacity contracted to these two oil sands projects will utilize approximately 75% of the initial capacity of the Polaris pipeline system. Inter Pipeline is pursuing additional diluent transportation opportunities to maximize system utilization.

In 2010, Inter Pipeline completed a $40 million capacity expansion project on the Cold Lake pipeline system to accommodate growing production from the Foster Creek oil sands development, owned by Cenovus and ConocoPhillips. With the installation of 27 kilometres of new 24-inch diameter pipeline, oil gathering capacity on the Cold Lake system north of the La Corey terminal was increased by approximately 180,000 b/d. The new pipeline segment entered into commercial service in December 2010, and is expected to generate approximately $4.5 million in incremental annual EBITDA under a 20-year agreement.

Corridor Expansion Project

The capacity expansion project on the Corridor pipeline system has been successfully constructed, and entered commercial service on January 1, 2011. Bitumen blend capacity on the Corridor system has been expanded by 165,000 b/d to approximately 465,000 b/d.

Overall, the project was completed on schedule and budget, with final costs for the project estimated to be approximately $1.85 billion. The new 42-inch diameter line began transporting diluted bitumen in May of 2010. Remaining activity relates primarily to final commissioning of a 20-inch diameter products pipeline linking Shell's Scotford upgrader with the Edmonton market hub.

As at December 31, 2010, Inter Pipeline has incurred approximately $1.843 billion in capital costs related to the Corridor expansion. Costs incurred on the project to December 31, 2010 have been added to Corridor's rate base and began generating incremental revenue for Inter Pipeline on January 1, 2011. Remaining minor costs associated with the completion of the Corridor expansion will be added to the rate base once fully completed, including costs related to final commissioning of the 20-inch diameter products line.

NGL Extraction

Inter Pipeline's NGL extraction business contributed strongly to Inter Pipeline's record financial results in 2010. Funds from operations totalled $177 million, exceeding results generated in 2009 by 33%.

Inter Pipeline's NGL extraction plants at Cochrane and Empress, Alberta processed 2.9 billion cubic feet of natural gas per day on average in 2010, which yielded production of 71,100 b/d of ethane and 37,700 b/d of propane-plus products. Natural gas throughputs and NGL production volumes were similar to levels achieved in 2009, despite a major maintenance turnaround at the Cochrane extraction facility in 2010.

Propane-plus sales at the Cochrane NGL extraction plant are exposed to frac-spread, which represents the margin between prices received on the sale of propane-plus production and the cost of natural gas purchased to replace the heat content of products extracted from the natural gas stream. Frac-spread margins remained at sustained high levels throughout 2010, and continued to increase during the fourth quarter. Inter Pipeline realized an annual average frac-spread of 83 US cents per US gallon, considerably higher than the 65 US cents per US gallon received in 2009.

In the fourth quarter of 2010, average frac-spread prices reached 91 US cents per US gallon. Inter Pipeline's NGL extraction facilities processed 3.0 billion cubic feet per day of natural gas in the quarter, similar to that processed in the same period of 2009. Ethane volumes extracted increased to 71,700 b/d from fourth quarter 2009 levels of 68,300 b/d. Propane-plus volumes extracted in the quarter were marginally lower at 37,900 b/d compared to 39,000 b/d extracted in the same period of 2009.

Conventional Oil Pipelines

Inter Pipeline's conventional oil pipeline segment generated strong results in 2010. Funds from operations increased to $113.0 million, despite slightly lower throughput volumes. Higher revenues resulted from transportation toll increases and a full year of oil segregation service on the Bow River system. Average revenue per barrel on the Bow River, Central Alberta and Mid Saskatchewan systems increased by 9% in 2010 to $2.62 from $2.41 in 2009.

Conventional oil volumes averaged 164,500 b/d for the year, down 4,700 b/d from 169,200 b/d transported in 2009. Lower volumes resulted from natural reservoir declines which were partially offset by increased southbound volumes on the Bow River system relating to crude oil sourced at Hardisty, Alberta. Higher volumes on the Mid Saskatchewan system also helped offset natural declines. Certain producers serviced by the Mid Saskatchewan system have increased production through the application of new horizontal drilling and completion technologies.

In the fourth quarter, volumes averaged 168,000 b/d on Inter Pipeline's conventional pipeline systems, up 7,400 b/d over fourth quarter 2009 levels. Average revenue per barrel increased to $2.63 in the fourth quarter of 2010 compared to $2.33 for the same period in 2009 primarily due to mainline toll increases and increased revenues from the new oil segregation service on the Bow River system.

Bulk Liquid Storage

In 2010, Inter Pipeline's European bulk liquid storage business again realized strong demand for its storage and handling services. Funds from operations were $40.7 million, down from 2009 results of $51.3 million largely due to two non-routine items. First, 2009 funds from operations were revised to include $10.2 million of revenue received as an accelerated contract payment. Second, results in 2010 include a $4.1 million contribution to Simon Storage's defined benefit pension plan to ensure appropriate funding levels.

Tank utilization rates for the year averaged 96.3%, similar to that achieved in 2009. Fourth quarter tank utilization rates averaged 97.2%.

In 2010, approximately $18 million was spent in growth capital expenditures relating to numerous tank replacements and overhauls to extend useful life. Other capital expenditures included the acquisition of approximately 21,000 barrels of tank capacity at the Immingham terminal for about $1.2 million and costs related to tank modifications required to meet storage specifications under new contracts.

Financing Activity

Inter Pipeline's continuing strong financial results and operational performance was recognized by credit rating agencies in 2010. DBRS Limited increased Inter Pipeline's credit rating from BBB to BBB (high), and Standard & Poor's increased Inter Pipeline's credit rating to BBB+ from BBB. DBRS also increased the credit rating of Inter Pipeline (Corridor) Inc. to A from A (low).

At December 31, 2010, Inter Pipeline had a conservative recourse debt to capitalization ratio of 41%. At the end of 2010, Inter Pipeline had approximately $771 million of available capacity on existing bank credit facilities.

Subsequent to year end, Inter Pipeline successfully closed a Canadian public offering of $325 million in senior unsecured medium-term notes. The offering was met with very strong demand, resulting in an attractive coupon rate of 4.967%. The notes have a ten year term and will pay interest semi-annually. Net proceeds were used to pay down a portion of Inter Pipeline's existing bank indebtedness.

Conference Call & Webcast

Inter Pipeline will hold a conference call and webcast today at 2:30 p.m. (Mountain Time) / 4:30 p.m. (Eastern Time) to discuss fourth quarter and 2010 annual financial and operating results.

To participate in the conference call, please dial 800-769-8320 or 416-695-6622. A recording of the call will be available for replay until February 24, 2011, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 7535378.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipelinefund.com by selecting "Investor Relations" then "Webcasts & Conference Calls". An archived version of the webcast will be available for approximately 90 days.

Selected Financial and Operating Highlights

(millions of dollars, except where noted)	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
Pipeline volumes (000 b/d)				
Conventional oil pipelines	168.0	160.6	164.5	169.2
Oil sands transportation[1]	706.3	594.9	637.6	582.6
Total pipeline volumes	874.3	755.5	802.1	751.8
Extraction production[1] (000 b/d)				
Ethane	71.7	68.3	71.1	69.6
Propane plus	37.9	39.0	37.7	39.3
Total extraction production	109.6	107.3	108.8	108.9
Revenue				
Oil sands transportation	$36.8	$34.1	$144.5	$130.6
NGL extraction	$149.1	$160.5	$594.3	$529.1
Conventional oil pipelines	$40.7	$34.3	$157.4	$148.9
Bulk liquid storage	$25.9	$28.2	$100.9	$116.0
Total revenue	$252.5	$257.1	$997.1	$924.6
Net income (loss)	$58.6	$23.1	$234.8	$157.7
Per unit (basic & diluted)	$0.22	$0.08	$0.91	$0.66
Funds from operations[2]	$82.7	$78.1	$333.7	$304.1
Per unit[2]	$0.32	$0.31	$1.30	$1.28
Cash distributions	$59.3	$54.5	$232.6	$202.4
Per unit	$0.230	$0.215	$0.905	$0.845
Payout ratio before sustaining capital[2]	71.7%	69.8%	69.7%	66.6%
Payout ratio after sustaining capital[2]	77.1%	77.1%	73.4%	70.8%
Capital expenditures				
Growth[2]	$221.0	$53.5	$322.9	$573.4
Sustaining[2]	$5.7	$7.4	$16.7	$18.0
Total capital expenditures	$226.7	$60.9	$339.6	$591.4

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis.*
2. *Please refer to the "Non-GAAP Financial Measures" section of the MD&A.*

MD&A, Financial Statements & Notes

The Management's Discussion and Analysis ("MD&A") and consolidated financial statements provide a detailed explanation of Inter Pipeline's operating results for the three month period and year ended December 31, 2010 as compared to the three month period and year ended December 31, 2009. These documents are available at www.interpipelinefund.com and at www.sedar.com.

Inter Pipeline Fund

Inter Pipeline is a major petroleum transportation, bulk liquid storage and natural gas liquids extraction business based in Calgary, Alberta, Canada. Structured as a publicly traded limited partnership, Inter Pipeline owns and operates energy infrastructure assets in western Canada, the United Kingdom, Germany and Ireland. Additional information about Inter Pipeline can be found at www.interpipelinefund.com.

Inter Pipeline is a member of the S&P/TSX Composite Index. Class A Units trade on the Toronto Stock Exchange under the symbol IPL.UN.

Eligible Investors

Only persons who are residents of Canada, or if partnerships, are Canadian partnerships, in each case for purposes of the Income Tax Act (Canada) are entitled to purchase and own Class A Units of Inter Pipeline.

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Disclaimer

Certain information contained herein may constitute forward-looking statements that involve known and unknown risks, assumptions, uncertainties and other factors. Forward-looking statements in this news release include, but are not limited to, statements regarding timing and completion of, and EBITDA Inter Pipeline expects to generate from, the Polaris pipeline projects servicing the Kearl and Sunrise projects, statements regarding EBITDA Inter Pipeline expects to generate from the Cold Lake Foster Creek expansion project, and statements regarding Inter Pipeline's belief that it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond. Readers are cautioned not to place undue reliance on forward-looking statements, as such statements are not guarantees of future performance. Inter Pipeline in no manner represents that actual results, levels of activity and achievements will be the same in whole or in part as those set out in the forward-looking statements herein. Such information, although considered reasonable by the General Partner of Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Such assumptions, risks, uncertainties and other factors include, but are not limited to, assumptions, risks and uncertainties associated with: operations, such as loss of markets, regulatory matters, environmental matters, industry competition, potential delays and cost overruns of construction projects, including the Polaris pipeline system projects, the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its subsidiaries, and the ability to access sufficient capital from internal and external sources. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at www.sedar.com. The forward-looking statements contained in this news release are made as of the date of this document, and, except to the extent required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

All dollar values are expressed in Canadian dollars unless otherwise noted.

Non-GAAP Financial Measures

Certain financial measures referred to in this news release are not measures recognized by GAAP. These non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Investors are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.