inter pipeline

News Release

Inter Pipeline Fund Announces Strong Second Quarter 2011 Financial and Operating Results

CALGARY, ALBERTA, AUGUST 4, 2011: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three and six month periods ended June 30, 2011.

Highlights

- Funds from operations* increased to $91.9 million, up $3.3 million or 4% over second quarter 2010 results despite becoming a taxable entity in 2011
- Low quarterly payout ratio before sustaining capital* of 67.6%
- Cash distributions to unitholders totalled $62.1 million or $0.24 per unit
- Announced acquisition of 11 million barrels of petroleum storage in Denmark for approximately $500 million, more than doubling European storage capacity
- Quarterly throughput volumes on Inter Pipeline's oil sands and conventional oil pipeline systems averaged 937,400 barrels per day (b/d)
- Oil sands transportation volumes averaged 773,400 b/d in the second quarter, an increase of 198,300 b/d or 35% over second quarter 2010 levels
- Conservative quarter end recourse debt to capitalization ratio of only 41.5%
- Subsequent to quarter end, successfully completed a $200 million Canadian public debt offering of senior unsecured medium-term notes
- Subsequent to quarter end, reintroduced Premium™ DRIP program to raise additional equity capital

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

Funds From Operations

Inter Pipeline generated strong funds from operations in the second quarter of 2011, totalling $91.9 million or $0.35 per unit, up $3.3 million or 4% over second quarter 2010 results. Positive results were generated in all four business segments, with the oil sands transportation segment in particular recording results that were considerably higher than those realized in the comparable period of 2010. Strong frac-spread prices also benefitted propane-plus sales in the NGL extraction business segment. Partially offsetting these results were tax expenses recorded in the quarter that reflect Inter Pipeline's change to a taxable entity in 2011.

The oil sands transportation business segment achieved strong cash flow growth compared to prior year levels. Funds from operations of $41.3 million in the second quarter were more than double the $18.9 million generated in the second quarter of 2010. The increase is attributable primarily to incremental revenue from the Corridor pipeline expansion project, which began contributing to results in January of 2011.

Inter Pipeline's three other business segments, the NGL extraction, conventional oil pipelines and bulk liquid storage businesses, contributed $42.8 million, $31.5 million and $8.3 million, respectively, to funds from operations. Corporate costs, including interest, taxes, and general and administrative charges, came to $32.0 million for the quarter.

Cash Distributions

Cash distributions to unitholders during the second quarter totalled $62.1 million, or $0.24 per unit, up from $57.8 million or $0.225 per unit paid in the second quarter of 2010. Increased cash distributions were primarily due to a $0.06 per unit annualized increase in cash distributions effective with Inter Pipeline's January 2011 payment. Despite the increased level of distributions, Inter Pipeline’s payout ratio before sustaining capital remained low at 67.6%.

Inter Pipeline believes that its current level of cash distributions to unitholders is sustainable, despite becoming taxable in 2011. This view is supported by projected cash flow increases from major organic growth projects currently under development, the accretive Danish terminal acquisition, and by attractive fundamentals in all four of Inter Pipeline's business segments.

DEOT Acquisition

In June, Inter Pipeline announced the acquisition of four petroleum storage terminals in Denmark from a subsidiary of Dong Energy A/S (the “DEOT acquisition”). The €354 million or approximately $500 million acquisition will more than double Inter Pipeline’s total bulk liquid storage capacity in Western Europe.

The DEOT acquisition will add scale and diversification to Inter Pipeline’s European bulk liquid storage business. The four terminals are strategically located on the Danish Straits, one of the busiest petroleum trade routes in the world. Strong demand from major integrated oil companies and petroleum traders has kept recent utilization rates across the four terminals at approximately 100%. In aggregate, the terminals have a total of 10.7 million barrels of storage capacity, which will increase Inter Pipeline’s total European storage capacity to nearly 19 million barrels.

Upon closing, which is currently targeted for October, the acquisition is expected to be immediately accretive to Inter Pipeline’s unitholders. Cash flow from the facilities is predominantly fixed under term storage agreements that are not subject to commodity price fluctuations. Consistent with prior Inter Pipeline acquisitions, the DEOT acquisition provides potential for growth through organic development opportunities.

Oil Sands Transportation

The oil sands transportation business segment, comprised of the Cold Lake and Corridor pipeline systems, forms the largest oil sands gathering business in Canada. In the second quarter, volumes transported on these systems averaged 773,400 b/d, up 198,300 b/d or 35% over second quarter 2010 levels. Funds from operations totalled $41.3 million in the second quarter, more than twice the $18.9 million generated in the second quarter of 2010.

On the Cold Lake system, quarterly volumes increased by 6.4% to 484,100 b/d, up from 455,100 b/d transported in the second quarter of 2010. Steady production growth at the Cenovus Foster Creek, CNRL Wolf Lake and Imperial Cold Lake in-situ oil sands developments contributed to increased throughput levels.

Substantial production growth is expected to occur in the Cold Lake region over the coming years. Inter Pipeline is currently assessing various development plans to potentially add additional mainline and gathering capacity on the Cold Lake system to meet forecast production volume increases.

Corridor pipeline system volumes increased to 289,300 b/d, more than double the 120,000 b/d transported in the second quarter of 2010. The increase is due to several factors. In late 2010, the Jackpine mine expansion entered production, adding significantly to throughput levels on the Corridor system. Additionally, throughput volumes in the second quarter of 2010 were lower than normal due to planned turnarounds at the Muskeg River mine and at the Scotford upgrader. 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. Revenues are not dependent on the level of volumes shipped.

In the second quarter, construction activities within the oil sands transportation business segment remain centred on development of the Polaris pipeline system. When in service, the Polaris system will become the only independent diluent transportation system serving the Athabasca oil sands region. Polaris will initially transport diluent to the Imperial Kearl and Husky Sunrise oil sands production sites for blending with produced bitumen.

The Polaris system is initially secured by long-term contracts for the transportation of 90,000 b/d of diluent for the Kearl and Sunrise projects. An estimated $150 million is being spent in 2011 and 2012 to reconfigure the Polaris system. This capital investment is expected to generate approximately $67 million in annual EBITDA, once new facilities are fully in commercial service. The Kearl and Sunrise contracts do not expose Inter Pipeline to commodity price or throughput risks, and all operating costs will be recovered from shippers on a flow though basis.

Inter Pipeline anticipates that the Kearl and Sunrise connection projects will begin generating revenue in late 2012 and late 2013, respectively. Further development of the Polaris system is possible through potential new third party connections.

NGL Extraction

Inter Pipeline's NGL extraction business generated strong results in the second quarter of 2011. Funds from operations were $42.8 million, similar to that realized in the second quarter of 2010. Results in the second quarter of 2011 continued to benefit from a strong frac-spread price environment.

Propane-plus sales at the Cochrane NGL extraction plant are subject to frac-spread, which is the difference between the value of propane-plus sold and the cost of natural gas acquired to replace the heat content of liquids removed from the natural gas stream through the NGL extraction process. In the second quarter of 2011, average realized frac-spread prices were very strong at $1.03 US per US gallon, which considerably exceeds the 5-year average frac-spread price of 70 US cents per US gallon.

Inter Pipeline's three NGL extraction facilities at Cochrane and Empress, Alberta together processed 2.4 billion cubic feet of natural gas per day (bcf/d) in the second quarter of 2011, down approximately 0.4 bcf/d from the comparable period of 2010. NGL volumes extracted in the second quarter of 2011 totalled 70,100 b/d of ethane and 32,800 b/d of propane-plus products. While ethane volumes extracted were lower than in the second quarter of 2010 due to lower natural gas throughput, ethane yields increased relative to 2010 due to various efficiency projects completed in the past year at the Cochrane and Empress V facilities.

Conventional Oil Pipelines

In the second quarter of 2011, Inter Pipeline's conventional oil pipeline segment generated strong results that reflect the current positive environment for conventional oil production. Funds from operations were $31.5 million, up 14% from the $27.7 million generated in the second quarter of 2010. Transportation toll increases and increased throughputs resulted in higher revenues in the quarter. Average revenue per barrel on the Bow River, Central Alberta and Mid Saskatchewan systems increased by 9% in the second quarter of 2011 to $2.81 from $2.58 in the second quarter of 2010.

Conventional crude oil volumes averaged 164,000 b/d in the second quarter of 2011, up 2.2% from the 160,400 b/d transported in the second quarter of 2010. Increased throughput from higher drilling activity more than offset natural production declines. Horizontal drilling activity, including that in the Viking and Pekisko resource plays near the Bow River, Central Alberta and Mid Saskatchewan pipeline systems, has positively impacted throughput volumes.

Bulk Liquid Storage

Inter Pipeline's European bulk liquid storage business saw continued strong demand for its storage and handling services in the second quarter of 2011. However, funds from operations were lower at $8.3 million in the quarter, down from $15.3 million realized in the second quarter of 2010 primarily due to a non routine item in 2010. Second quarter 2010 results were positively impacted by a $5.8 million prepayment of certain storage fees related to a contract at the Seal Sands terminal. In the current quarter, results were negatively impacted by $2.2 million in costs related to the DEOT acquisition.

Tank utilization rates for the second quarter reflect strong storage demand, averaging 97.4%, above the 95.8% achieved in the second quarter of 2010. New storage contracts and continuing high demand for petroleum and petrochemical product storage contributed to high utilization rates.

Financing Activity

At June 30, 2011, Inter Pipeline's outstanding debt balance was approximately $2.7 billion, resulting in a total debt to capitalization ratio of 67%. Excluding approximately $1.8 billion of non-recourse debt held by Inter Pipeline (Corridor) Inc., Inter Pipeline's recourse debt to capitalization ratio was a conservative 41.5%.

Subsequent to quarter end, Inter Pipeline successfully closed a $200 million Canadian public debt offering of senior unsecured medium-term notes. The offering was well received and issued at a favourable coupon rate of 3.839% per annum. The notes have a seven year term and will pay interest semi-annually. Net proceeds were used to reduce existing bank indebtedness. As a result of the offering, Inter Pipeline has approximately $700 million of capacity on its existing $750 million credit facility. This available credit is more than sufficient to finance the DEOT acquisition which is expected to close in October 2011.

To supplement Inter Pipeline's equity capital base, Inter Pipeline has reactivated the Premium™ DRIP component of the distribution reinvestment plan, beginning with July's distribution payable in August. In the past, this funding mechanism has been highly successful, generating approximately $10-12 million per month in new equity capital.

Inter Pipeline continues to maintain investment grade credit ratings. At the end of the second quarter, Inter Pipeline's credit was rated at BBB (high) by DBRS and BBB+ by

Standard & Poor's (S&P). Inter Pipeline (Corridor) Inc.'s credit ratings are currently A2, A-, and A as assigned by Moody's Investor Services, S&P, and DBRS, respectively. The MTN Series 2 notes issued in July 2011 were granted investment grade credit ratings of BBB (high) and BBB+ by DBRS and S&P, respectively

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 second quarter 2011 financial and operating results.

To participate in the conference call, please dial 866-226-1792 or 416-340-2216. A recording of the call will be available for replay until August 11, 2011, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 7722660.

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.

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Selected Financial and Operating Highlights

(millions of dollars, except where noted)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	773.4	575.1	775.5	604.5
Conventional oil pipelines	164.0	160.4	167.4	163.3
Total pipeline volumes	937.4	735.5	942.9	767.8
Extraction production[1] (000 b/d)				
Ethane	70.1	71.9	77.1	73.5
Propane plus	32.8	36.6	36.5	39.3
Total extraction production	102.9	108.5	113.6	112.8
Revenue				
Oil sands transportation	$67.7	$36.4	$140.5	$71.3
NGL extraction	$137.4	$143.4	$297.3	$316.5
Conventional oil pipelines	$42.1	$37.7	$85.8	$75.3
Bulk liquid storage	$26.1	$23.9	$52.7	$49.9
Total revenue	$273.3	$241.4	$576.3	$513.0
Net income (loss)	$61.0	$68.1	$125.5	$129.4
Per unit (basic & diluted)	$0.24	$0.26	$0.49	$0.50
Funds from operations[2]	$91.9	$88.6	$192.2	$174.2
Per unit[2]	$0.35	$0.35	$0.74	$0.68
Cash distributions	$62.1	$57.8	$124.1	$115.4
Per unit	$0.240	$0.225	$0.48	$0.450
Payout ratio before sustaining capital[2]	67.6%	65.2%	64.6%	66.3%
Payout ratio after sustaining capital[2]	71.0%	69.6%	67.1%	69.5%
Capital expenditures				
Growth[2]	$27.8	$34.2	$68.6	$65.4
Sustaining[2]	$4.4	$5.6	$7.2	$8.1
Total capital expenditures	$32.2	$39.8	$75.8	$73.5

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 and six month periods ended June 30, 2011 as compared to the three and six month periods ended June 30, 2010. 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

Pursuant to Inter Pipeline's limited partnership agreement dated October 9, 1997, as amended, all unitholders are required to be residents of Canada. A copy of the limited partnership agreement can be found at www.interpipelinefund.com by selecting "Corporate Governance". If a unitholder is a non-resident of Canada ("Non-Eligible Unitholder"), he will not be considered to be a member of the partnership effective the date the Class A Units were acquired. Inter Pipeline requires all Non-Eligible Unitholders to dispose of their Class A Units in accordance with the limited partnership agreement.

In most cases, a unitholder with an address outside of Canada will be a Non-Eligible Unitholder.

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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 cash flow Inter Pipeline expects to generate from, the Polaris pipeline projects servicing the Kearl and Sunrise projects, and statements regarding Inter Pipeline's belief that it is well positioned to maintain its current level of cash distributions to unitholders throughout 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.