

Polaris Pipeline System Enters Commercial Service

CALGARY, ALBERTA, AUGUST 20, 2012: Inter Pipeline Fund (“Inter Pipeline”) (TSX: IPL.UN) is pleased to announce that its Polaris pipeline system has entered commercial service for the Kearl oil sands project owned by Imperial Oil Resource Ventures Limited (“Imperial”). With the commencement of linefill and wet commissioning activities, Inter Pipeline is now generating cash flow under a 25-year diluent transportation agreement with Imperial. Construction of a new \$90 million pipeline lateral and facilities from the Polaris system to the Kearl project was completed on schedule and below budgeted cost.

Imperial has contracted for 60,000 barrels per day (b/d) of firm ship-or-pay transportation capacity on the Polaris pipeline system. Under the shipping contract, Inter Pipeline will earn approximately \$36 million of EBITDA on an annual basis for the next 25 years. Cash flow is not dependent on commodity prices or throughput levels and all operating costs flow through to Imperial. The Polaris system previously formed part of Inter Pipeline’s Corridor oil sands pipeline system. With the start-up of commissioning activities, approximately \$100 million of capital has been removed from Corridor’s rate base.

The Polaris pipeline system is currently being expanded under a \$1 billion capital program to provide diluent service to the Christina Lake, Narrows Lake and Foster Creek projects owned by Cenovus and ConocoPhillips. Upon completion, capacity on the Polaris system is expected to increase from approximately 120,000 b/d to 820,000 b/d. Inter Pipeline has announced long-term shipping arrangements representing approximately 50% of total expansion capacity and is aggressively pursuing opportunities to attract new third party shippers to the system.

Inter Pipeline Fund

Inter Pipeline is a major petroleum transportation, natural gas liquids extraction, and bulk liquid storage 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, Denmark, 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 risks and uncertainties. Forward-looking statements in this news release include, but are not limited to, timing and completion cost estimates for the Polaris projects, forward EBITDA estimates and the expectation that binding transportation service agreements for transportation services for the Foster Creek, Christina Lake and Narrows Lake projects will be executed. Readers are cautioned not to place undue reliance on forward-looking statements. 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 risks and uncertainties include, but are not limited to, risks associated with operations, such as loss of markets, regulatory matters, environmental risks, industry competition, potential delays and cost overruns of construction projects, the risk of not finalizing firm transportation arrangements with Cenovus and ConocoPhillips' FCCL Partnership, 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, namely, "EBITDA", 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.