

Inter Pipeline Fund Announces Record Third Quarter 2011 Financial and Operating Results

CALGARY, ALBERTA, NOVEMBER 3, 2011: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three and nine month periods ended September 30, 2011.

Highlights

- Funds from operations* increased to a record \$111.9 million, up \$34.5 million or 45% over third quarter 2010 results
- Record quarterly throughput volumes on Inter Pipeline's oil sands and conventional oil pipeline systems, averaging 993,300 barrels per day (b/d)
- Shipments on oil sands pipelines averaged 824,000 b/d, an increase of 190,000 b/d or 30% over third quarter 2010 levels
- Low quarterly payout ratio before sustaining capital* of 55.8%
- Conservative use of balance sheet leverage with a recourse debt to capitalization ratio of only 40.1% at quarter end
- Cash distributions to unitholders totalled \$62.5 million or \$0.24 per unit
- Successfully completed a \$200 million Canadian public debt offering of senior unsecured medium-term notes at an attractive interest rate

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

Funds From Operations

In the third quarter of 2011, Inter Pipeline generated record funds from operations of \$111.9 million or \$0.43 per unit, representing an increase of \$34.5 million or 45% over third quarter 2010 results. Inter Pipeline continues to benefit from strong NGL margins, Canadian pipeline volume growth and strong demand for storage capacity in Europe. Through the first 9 months of 2011, funds from operations are 21% higher than in the comparable period last year.

In the third quarter, strong financial performance was again driven by a strong contribution from Inter Pipeline's NGL extraction facilities in Alberta. This business segment generated funds from operations of \$62.6 million, compared to \$40.2 million in the third quarter of 2010. Results in the current quarter were positively impacted by a \$20.5 million revenue adjustment related to the pricing of historical NGL product sales.

Funds from operations in the oil sands transportation, conventional oil pipeline and bulk liquid storage business segments were \$41.8 million, \$35.6 million and \$9.0 million, respectively, in the third quarter. Corporate costs, including interest, taxes, and general and administrative charges, were \$37.1 million.

Cash Distributions

Cash distributions to unitholders during the third quarter totalled \$62.5 million, or \$0.24 per unit, up from \$57.9 million or \$0.225 per unit paid in the third quarter of 2010. Higher cash distributions are primarily the result of Inter Pipeline's decision to increase monthly cash payments from \$0.075 to \$0.08 per unit effective with the distribution payment in January 2011.

In the third quarter, Inter Pipeline's cash flow generation again significantly exceeded cash payments to unitholders. Inter Pipeline's payout ratio was a conservative 55.8% before sustaining capital, and 58.5% after sustaining capital.

Inter Pipeline believes that its current level of cash distributions to unitholders is sustainable. This view is supported by continuing strong financial performance, attractive business fundamentals and Inter Pipeline's large inventory of organic growth projects under active development.

DEOT Acquisition

In the second quarter of 2011, Inter Pipeline announced the acquisition of four petroleum storage terminals in Denmark from a subsidiary of Dong Energy A/S (the "DEOT acquisition"). The acquisition will add 10.7 million barrels of petroleum storage at a purchase price of approximately €354 million, or \$500 million. Upon closing, which is expected to occur in November, Inter Pipeline will become the fourth largest provider of independent storage services in Europe with total capacity of approximately 19 million barrels.

The DEOT acquisition is expected to be immediately accretive to Inter Pipeline's unitholders. Cash available for distribution is forecast to increase by approximately \$0.10 per unit annually due to the acquisition.

The Danish terminals are strategically located on one of the busiest petroleum shipping channels in the world. Cash flow is predominantly fixed under term storage agreements with major petroleum traders and integrated oil companies. Pricing under these contracts is not subject to commodity price fluctuations.

Oil Sands Transportation

Inter Pipeline's oil sands transportation business segment, consisting of the Cold Lake, Corridor, and Polaris systems, forms the largest oil sands gathering business in Canada. In the third quarter, volumes transported on these systems averaged 824,000 b/d, up 190,000 b/d or 30% over third quarter 2010 levels. Funds from operations totalled \$41.8 million in the third quarter, more than double the \$18.4 million generated in the third quarter of 2010.

The Cold Lake pipeline system transported 499,500 b/d in the third quarter, an increase of 81,000 b/d or 19% over third quarter 2010 volumes. The CNRL Wolf Lake, Cenovus Foster Creek, and Imperial Cold Lake in-situ oil sands developments all recorded strong production growth compared to the third quarter of 2010. Inter Pipeline continues to advance plans for the phased expansion of the Cold Lake system in light of production growth from existing shippers and opportunities to attract new third party volumes.

On the Corridor pipeline system, volumes increased to 324,500 b/d, representing an increase of 109,000 b/d or 51% over third quarter 2010 levels. Higher volumes are primarily due to incremental production from the Jackpine mine expansion, which went into service in late 2010. Cash flow on the Corridor system is generated under a 25-year ship-or-pay contract with Shell, Chevron and Marathon. Contracted revenues are not dependent on actual oil shipment levels on the Corridor system. The contract also 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.

Inter Pipeline's third oil sands transportation system, the Polaris pipeline, is currently under development. When in service, the Polaris system will transport diluent from the Edmonton market hub to the Athabasca region for subsequent blending with bitumen production. Polaris will initially transport diluent to the Imperial Kearn and Husky Sunrise oil sands projects near Fort McMurray, Alberta. Capital expenditures related to the Kearn and Sunrise connections are estimated at \$115 million. Once facilities are in commercial service, Inter Pipeline expects to earn approximately \$63 million in annual long term EBITDA. The Kearn and Sunrise contracts provide stable, long term cash flow that is not sensitive to commodity price fluctuations or throughput risks. All operating costs will be recovered from shippers on a flow through basis.

Development of the Polaris system remains on schedule to meet planned in-service dates of late 2012 for the Kearn project and late 2013 for the Sunrise project. The Polaris system can be further expanded to accommodate demand for additional diluent deliveries.

NGL Extraction Inter Pipeline's NGL extraction business generated very strong results in the third quarter of 2011. Funds from operations were \$62.6 million, an increase of \$22.4 million or 56% over third quarter 2010 results.

During the quarter, Inter Pipeline continued to benefit from strong margins on the sale of propane-plus products at the Cochrane NGL extraction plant. Average realized frac-spread prices were \$1.01 US per US gallon, considerably higher than the 5-year average of \$0.70 US per US gallon. In addition, Inter Pipeline recorded a positive one-time \$20.5 million pricing adjustment relating to propane-plus sales at the Cochrane NGL extraction plant from 2007 to 2011.

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 third quarter of 2011, down approximately 0.2 bcf/d from the comparable period of 2010. Export volumes on the western leg of the TransCanada system were lower during the quarter, resulting in lower inlet gas at the Cochrane plant. Third quarter NGL production volumes totalled 69,800 b/d of ethane and 32,200 b/d of propane-plus products. Ethane production increased relative to third quarter 2010 levels, despite lower gas flows. This is largely attributed to various efficiency projects completed in the past year at the Cochrane and Empress V facilities.

Conventional Oil Pipelines Inter Pipeline's conventional oil pipeline segment generated strong results in the third quarter. Funds from operations were \$35.6 million, up 18% or \$5.4 million from the \$30.2 million generated in the third quarter of 2010. Stronger cash flow was primarily the result of higher transportation tolls and an increase in throughput volumes due to new horizontal drilling activity in the Viking and Pekisko plays near Inter Pipeline's conventional oil gathering systems. Average revenue per barrel increased by 7% in the third quarter of 2011 to \$2.94 from \$2.76 in the third quarter of 2010.

Conventional crude oil volumes transported on the Bow River, Central Alberta and Mid Saskatchewan pipeline systems averaged 169,300 b/d in the third quarter of 2011, up 3.7% or 6,100 b/d over volumes transported in the third quarter of 2010.

Bulk Liquid Storage

Inter Pipeline's European bulk liquid storage business again benefitted from strong storage demand in the third quarter of 2011. Funds from operations were \$9.0 million in the quarter. These results include transaction expenses of approximately \$1 million related to the DEOT acquisition. Third quarter 2011 funds from operations were up substantially from the \$5.9 million realized in the comparable period last year, as third quarter 2010 results included a non-routine \$4.1 million expense related to an employee pension adjustment.

Tank utilization rates for the third quarter of 2011 averaged 97.8%, above the 96.5% achieved in the third quarter of 2010. Demand for storage services remains strong despite the uncertain economic climate in Europe.

Financing Activity

Inter Pipeline's balance sheet remains strong, supported by investment grade credit ratings. During the quarter, Inter Pipeline raised new debt and equity capital to fund growth projects and improve liquidity.

In July 2011, Inter Pipeline successfully closed a \$200 million Canadian public debt offering of senior unsecured medium-term notes at a favourable annual coupon rate of 3.839%. The notes have a seven year term and will pay interest semi-annually. Net proceeds were used to reduce existing bank indebtedness.

At September 30, 2011, Inter Pipeline had approximately \$715 million of available capacity on its existing \$750 million credit facility. Accordingly, Inter Pipeline is well positioned to close the DEOT acquisition without the need for additional debt or equity financings. Closing of the DEOT acquisition is expected to occur in November 2011.

During the third quarter, Inter Pipeline raised approximately \$32 million in equity capital through its distribution reinvestment plan.

At September 30, 2011, Inter Pipeline's outstanding debt balance was approximately \$2.7 billion, resulting in a total debt to capitalization ratio of 65.9%. 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 40.1%.

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 third 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 November 10, 2011, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 2454001.

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Pipeline volumes (000 b/d)				
Oil sands transportation ¹	824.0	634.1	791.9	614.4
Conventional oil pipelines	<u>169.3</u>	<u>163.2</u>	<u>168.0</u>	<u>163.3</u>
Total pipeline volumes	993.3	797.3	959.9	777.7
Extraction production ¹ (000 b/d)				
Ethane	69.8	65.8	74.6	70.9
Propane plus	<u>32.2</u>	<u>34.4</u>	<u>35.0</u>	<u>37.6</u>
Total extraction production	102.0	100.2	109.6	108.5
Revenue				
Oil sands transportation	\$73.0	\$36.4	\$213.5	\$107.7
NGL extraction	\$158.2	\$128.8	\$455.5	\$445.2
Conventional oil pipelines	\$45.7	\$41.4	\$131.5	\$116.7
Bulk liquid storage	<u>\$25.2</u>	<u>\$25.1</u>	<u>\$77.9</u>	<u>\$75.0</u>
Total revenue	\$302.1	\$231.7	\$878.4	\$744.6
Net income (loss)	\$76.6	\$46.5	\$202.1	\$175.9
Per unit (basic & diluted)	\$0.29	\$0.19	\$0.78	\$0.69
Funds from operations ²	\$111.9	\$77.4	\$304.1	\$251.6
Per unit ²	\$0.43	\$0.30	\$1.17	\$0.98
Cash distributions	\$62.5	\$57.9	\$186.6	\$173.3
Per unit	\$0.240	\$0.225	\$0.72	\$0.675
Payout ratio before sustaining capital ²	55.8%	74.8%	61.4%	68.9%
Payout ratio after sustaining capital ²	58.5%	77.6%	63.9%	72.0%
Capital expenditures				
Growth ²	\$29.8	\$36.5	\$98.4	\$101.9
Sustaining ²	<u>\$5.0</u>	<u>\$2.9</u>	<u>\$12.2</u>	<u>\$11.0</u>
Total capital expenditures	\$34.8	\$39.4	\$110.6	\$112.9

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 nine month periods ended September 30, 2011 as compared to the three and nine month periods ended September 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, possible expansion of the Cold Lake pipeline system, and statements regarding Inter Pipeline's belief that it is well positioned to sustain 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.