inter pipeline **News Release**

Inter Pipeline Fund Announces Record 2011 Financial and Operating Results

CALGARY, ALBERTA, FEBRUARY 16, 2012: 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, 2011.

2011 Highlights

- Funds from operations* increased to a record $394 million, up $62 million or 19% from 2010 levels despite becoming a taxable entity
- Low annual payout ratio before sustaining capital* of 64%
- Cash distributions to unitholders totalled $252 million or $0.9675 per unit, up from $233 million distributed in 2010
- Net income increased 5% to $248 million
- Annual throughput volumes on Inter Pipeline's oil sands and conventional oil pipeline systems averaged a record 956,200 barrels per day (b/d)
- Increased monthly cash distributions by 9.4% to $0.0875 per unit, representing Inter Pipeline's 8th consecutive and largest-ever increase
- Issued $525 million of senior medium-term notes at attractive interest rates
- Successfully refinanced $2.3 billion in credit facilities on favourable terms
- Corridor pipeline system expansion successfully constructed and entered commercial service on January 1, 2011

Fourth Quarter Highlights

- Fourth quarter funds from operations* increased to $90 million or 12% higher than fourth quarter 2010 levels
- Payout ratio before sustaining capital* of 72% for the quarter
- Cash distributions to unitholders were $65 million or $0.2475 per unit
- Inter Pipeline's oil sands and conventional oil pipeline systems transported 945,100 b/d

Subsequent Events

- Acquired four oil storage terminals in Denmark for $459 million, more than doubling European storage capacity to approximately 19 million barrels
- Announced a $246 million organic growth capital expenditure program for 2012

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

Funds From Operations

Inter Pipeline is pleased to report that it achieved record financial results in 2011. Funds from operations totalled $394 million or $1.52 per unit, an increase of $62 million or 19% over 2010. The oil sands transportation, NGL extraction and conventional oil pipeline business segments each recorded significantly higher results than in the prior year. Higher operating results more than offset increased corporate costs which were primarily driven by a new income tax burden resulting from the federal government's SIFT legislation.

By business segment, the NGL extraction, oil sands transportation, conventional oil pipelines and bulk liquid storage businesses contributed $202.5 million, $165.7 million, $133.2 million and $37.2 million, respectively, to funds from operations. Corporate costs, including interest and general and administrative charges, totalled $144.4 million.

In the fourth quarter of 2011, funds from operations were $90.1 million, an increase of $9.3 million or 12% over the comparable period of 2010. Strong results from the oil sands and conventional oil pipeline systems in the fourth quarter more than compensated for additional income tax expense.

By business segment, fourth quarter funds from operations from the NGL extraction, oil sands transportation, conventional oil pipelines and bulk liquid storage businesses were $44.1 million, $39.5 million, $33.5 million and $9.4 million, respectively. Corporate costs were $36.4 million in the quarter.

Cash Distributions

Cash distributions paid to unitholders in 2011 totalled $251.7 million, or $0.9675 per unit, up from $232.6 million or $0.905 per unit in 2010. Higher distributions in 2011 were primarily due to annual distribution increases of $0.06 per unit in December 2010 and $0.09 per unit in December 2011, and to an increased number of class A units outstanding. Despite the distribution increases, Inter Pipeline maintained a low annual payout ratio of 63.9% before sustaining capital. After sustaining capital of $19.4 million, Inter Pipeline's 2011 payout ratio was 67.2%.

In the fourth quarter, Inter Pipeline distributed $65.1 million to unitholders, or $0.2475 per unit, representing a quarterly payout ratio of 72.3% before sustaining capital and 78.5% after sustaining capital.

Oil Sands Transportation

The key event in the oil sands transportation business in 2011 was the introduction of the $1.85 billion Corridor expansion project into commercial service on January 1, 2011. The Corridor expansion and increased production from Cold Lake pipeline shippers led to record volumes on Inter Pipeline's oil sands pipeline systems in 2011. Oil sands throughput averaged 786,200 b/d for the year, an increase of 148,600 b/d or 23% over 2010 levels. Of the total, Cold Lake system volumes averaged 490,400 b/d and Corridor system volumes averaged 295,800 b/d. Both systems set records for annual throughput levels. Inter Pipeline's oil sands throughput levels have increased every year for the past ten years.

In the fourth quarter of 2011, throughput volumes on the Cold Lake system averaged 470,200 b/d and Corridor volumes increased to 299,200 b/d. Quarterly Cold Lake system volumes were similar to fourth quarter 2010 levels. Overall Cold Lake volumes continue to trend upwards despite short-term fluctuations. Inter Pipeline earns incremental revenue as volumes increase on the Cold Lake system. Corridor pipeline system volumes increased by 62,000 b/d for the quarter primarily due to the Jackpine Mine expansion that entered production in late 2010. Cash flow on the Corridor system is generated under a 25-year ship-or-pay contract with Shell, Chevron and

Marathon that includes provisions for the recovery of all operating costs, depreciation, taxes and interest. The contract provides a structured return on the equity component of Corridor's rate base that does not fluctuate with the amount of volumes shipped.

In 2011, construction continued on the Polaris pipeline system, which is being developed as a stand-alone diluent transportation system to the Athabasca oil sands region. The Polaris system is initially supported by two major contracts to transport diluent to the Imperial Kearl and Husky Sunrise oil sands projects. Together, the operators of these projects have contracted for 90,000 b/d of Polaris' capacity. Inter Pipeline expects to begin transporting diluent to the Kearl oil sands project in late 2012, and to the Sunrise oil sands project in 2013. Supported by long term cost of service agreements, these projects involve a total capital investment of $115 million, and are expected to generate $63 million in annual EBITDA once in commercial service.

Inter Pipeline is also currently engaged in design, engineering and early construction work on potential major expansions of the Cold Lake and Polaris pipeline systems. This work advances a multi-year, phased expansion program on both systems to add new receipt connections and significantly increase system transportation capacities. The first phase of development is the addition of two pump stations on the west leg of the Cold Lake system. This $90 million project will increase capacity on the west leg from 535,000 b/d to approximately 650,000 b/d and is expected to be in service in 2013. Other new investment opportunities could involve capital expenditures of up to $3 billion over the next 3 to 5 years.

DEOT Acquisition

Subsequent to quarter end, Inter Pipeline closed the acquisition of four petroleum storage terminals in Denmark from a subsidiary of Dong Energy A/S. The acquisition added 10.7 million barrels of petroleum storage at a purchase price of approximately $459 million. With closing of the transaction, Inter Pipeline has become the fourth largest provider of independent bulk liquid storage services in Europe with a total capacity of approximately 19 million barrels. The acquisition is expected to be immediately accretive to Inter Pipeline's unitholders, adding approximately $0.10 per unit annually to cash available for distribution.

With the closing of the transaction, the Danish terminals are now operating under the name Inter Terminals.

NGL Extraction

Inter Pipeline's NGL extraction business recorded very strong results in 2011. Funds from operations totalled $202.5 million, an increase of 15% over 2010 levels. Results were supported by strong commodity prices and a beneficial pricing adjustment on historical NGL sales. The one-time pricing adjustment, relating to propane-plus sales from 2007 to 2011, positively impacted funds from operations by $20.5 million.

Inter Pipeline's NGL extraction plants at Cochrane and Empress, Alberta processed a combined 2.6 billion cubic feet of natural gas per day in 2011, yielding 73,200 b/d of ethane and 33,800 b/d of propane-plus products. Natural gas throughput levels were approximately 11% lower in 2011 than in 2010 due to reduced exports of natural gas on the TransCanada pipeline system. Despite reduced throughput levels, ethane volumes produced increased by 3% largely due to the effect of recent ethane recovery enhancements.

Frac-spread margins remained high in 2011 relative to historical averages. Inter Pipeline realized an annual average frac-spread of $1.01 US per US gallon, 22% higher than the 83 US cents per US gallon received in 2010. For reference, the most recent 5 year frac-spread average is 86 US cents per US gallon.

During the fourth quarter, Inter Pipeline's NGL extraction facilities processed 2.3 billion cubic feet per day of natural gas, down 22% from fourth quarter 2010 levels, reflecting lower natural gas exports on both west and east legs of the TransCanada mainline system. Fourth quarter ethane volumes were 69,000 b/d and propane-plus volumes were 30,200 b/d. In the fourth quarter of 2011, realized average frac-spread prices were 99 US cents per US gallon.

Conventional Oil Pipelines

The conventional oil pipeline segment generated strong results again in 2011. Funds from operations increased to $133.2 million, an increase of $20 million or 18% over 2010 levels. Higher revenues resulted from transportation toll increases and strong throughput levels. Average revenue per barrel on the Bow River, Central Alberta and Mid Saskatchewan systems increased by 10% in 2011 to $2.87 from $2.62 in 2010.

Conventional oil transportation volumes averaged 170,000 b/d in 2011, an increase of 5,500 b/d from the 164,500 b/d transported in 2010, and the highest annual average since 2008. The increase is due to advances in drilling and completion technology which are increasing production from established conventional oil fields in western Canada. The gain in volumes is primarily reflected in higher throughput on the Mid Saskatchewan system where drilling activity and corresponding production from the Viking formation has increased significantly. Active drilling in the Pekisko formation in Alberta is also supporting volumes on Inter Pipeline's Bow River system.

In the fourth quarter, the growth trend continued with volumes averaging 175,700 b/d on Inter Pipeline's conventional pipeline systems, up 7,700 b/d or 5% over fourth quarter 2010 levels. Fourth quarter 2011 throughput levels mark the highest level of quarterly throughput on Inter Pipeline's conventional systems since early 2009. Average revenue per barrel increased to $2.87 in the fourth quarter of 2011 compared to $2.63 for the same period in 2010 due to mainline toll increases and increased volumes.

Bulk Liquid Storage

Inter Pipeline's European bulk liquid storage business posted strong results despite the uncertain European economic climate. Funds from operations were marginally lower in 2011, totalling $37.2 million compared to a 2010 total of $39.8 million. Prior year amounts benefitted from prepayment of certain customer storage fees, while 2011 funds from operations were impacted by costs related to the Danish terminal acquisition.

Tank utilization rates for the year averaged 97%, a slight increase over the 96.3% realized in 2010. Fourth quarter tank utilization rates averaged 94.9%.

In 2011, progress continued on a series of tank replacements, refurbishments and new tank construction required to accommodate new business developments. Additional storage capacity is required to store heavy fuel oil and gas condensate under new multi-year contracts.

Financing Activity

In 2011, Inter Pipeline advanced multiple financing initiatives that added further strength and stability to its balance sheet. With public debt markets receptive to high-quality offerings, Inter Pipeline successfully issued $525 million in senior unsecured medium-term notes at attractive interest rates. In the fourth quarter, Inter Pipeline refinanced $2.3 billion of committed credit facilities on more favourable terms that reflect Inter Pipeline's diversified asset base, increased enterprise value, and strong investment grade credit ratings. Finally, Inter Pipeline's highly successful distribution reinvestment program raised approximately $95 million in new equity capital.

Together, these initiatives further strengthened Inter Pipeline's balance sheet. As a result, Inter Pipeline was able to successfully close the Danish terminal acquisition in early January 2012 with available sources of credit.

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 2011 annual financial and operating results.

To participate in the conference call, please dial 800-396-7098 or 416-695-6616. A recording of the call will be available for replay until February 23, 2012, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 5210102.

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, 2011	2010	Year Ended December 31, 2011	2010
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	769.4	706.3	786.2	637.6
Conventional oil pipelines	175.7	168.0	170.0	164.5
Total pipeline volumes	945.1	874.3	956.2	802.1
Extraction production[1] (000 b/d)				
Ethane	69.0	71.7	73.2	71.1
Propane plus	30.2	37.9	33.8	37.7
Total extraction production	99.2	109.6	107.0	108.8
Revenue				
Oil sands transportation	$71.3	$36.8	$284.8	$144.5
NGL extraction	$129.1	$149.1	$584.6	$594.3
Conventional oil pipelines	$46.3	$40.7	$177.8	$157.4
Bulk liquid storage	$26.5	$25.9	$104.4	$100.9
Total revenue	$273.2	$252.5	$1,151.6	$997.1
Net income (loss)	$45.8	$60.1	$247.9	$236.0
Per unit (basic & diluted)	$0.17	$0.23	$0.95	$0.92
Funds from operations[2]	$90.1	$80.8	$394.2	$332.4
Per unit[2]	$0.35	$0.31	$1.52	$1.29
Cash distributions	$65.1	$59.3	$251.7	$232.6
Per unit	$0.2475	$0.2300	$0.9675	$0.9050
Payout ratio before sustaining capital[2]	72.3%	73.5%	63.9%	70.0%
Payout ratio after sustaining capital[2]	78.5%	79.1%	67.2%	73.7%
Capital expenditures				
Growth[2]	$34.2	$221.0	$132.6	$322.9
Sustaining[2]	$7.2	$5.7	$19.4	$16.7
Total capital expenditures	$41.4	$226.7	$152.0	$339.6

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, 2011 as compared to the three month period and year ended December 31, 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, 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 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, and possible future Cold Lake and Polaris pipeline expansions. 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 and Cold Lake 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.