inter pipeline **News Release**

Inter Pipeline Fund Announces Very Strong Second Quarter 2012 Financial and Operating Results

CALGARY, ALBERTA, AUGUST 2, 2012: 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, 2012.

Highlights

- Funds from operations* increased to $107 million, up $15 million or 17% over second quarter 2011 levels
- Low quarterly payout ratio before sustaining capital* of 65.8%
- Cash distributions to unitholders totaled $71 million or $0.2625 per unit
- Net income increased to $104 million, up $43 million or 71% over second quarter 2011 results
- Quarterly throughput volumes on Inter Pipeline's oil sands and conventional oil pipeline systems averaged 967,500 barrels per day (b/d), or 30,100 b/d higher than second quarter 2011
- Volumes averaged 171,400 b/d on Inter Pipeline's conventional oil pipeline systems, an increase of 7,400 b/d or 5% over second quarter 2011 levels
- Issued $400 million in senior medium-term notes at attractive interest rates

Subsequent Event

- Announced $2.1 billion integrated oil sands development program for Cold Lake and Polaris pipeline systems

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

Funds From Operations

Inter Pipeline generated very strong financial results in the second quarter of 2012. Funds from operations totaled $107.3 million or $0.40 per unit, an increase of $15.4 million or 17% over second quarter 2011 levels. Increased results were primarily due to incremental cash flow from the Danish bulk liquid storage terminal business acquired in the first quarter of 2012, strong throughputs in the NGL extraction business segment, and increased volumes and revenue in the conventional oil pipelines business segment.

Second quarter funds from operations from the NGL extraction, oil sands transportation, conventional oil pipelines and bulk liquid storage businesses were $48.5 million, $41.2 million, $35.3 million and $23.3 million, respectively. Corporate costs were $41 million in the quarter.

Cash Distributions

Cash distributions paid to unitholders increased to $70.6 million or $0.2625 per unit in the second quarter of 2012, compared to $62.1 million or $0.24 per unit distributed in the second quarter of 2011. Increased distributions resulted from Inter Pipeline's increase to its monthly cash distribution rate from $0.08 to $0.0875 per unit in January 2012 and from an increased number of units outstanding as a result of strong participation under Inter Pipeline's distribution reinvestment plans.

The second quarter payout ratio was a low 65.8% before sustaining capital. Including sustaining capital expenditures of $7 million, Inter Pipeline's payout ratio remained conservative at 70.4%.

Oil Sands Transportation

Throughput levels on Inter Pipeline's two active oil sands transportation systems maintained the strength shown in recent quarters. The Cold Lake and Corridor pipeline systems transported an average of 796,100 b/d in Q2 2012, up 3% from Q2 2011. The Cold Lake and Corridor systems generate stable cash flow under long term contracts with Imperial Oil, Cenovus, Canadian Natural Resources, Shell, Chevron and Marathon. Inter Pipeline's third oil sands system, the Polaris diluent transportation system, is expected to enter service later in 2012.

Subsequent to quarter end, Inter Pipeline announced a $2.1 billion development plan for the Cold Lake and Polaris pipeline systems that expands and integrates transportation services across both systems. Anchoring these developments is an arrangement to provide bitumen blend and diluent transportation services to the Foster Creek, Christina Lake and Narrows Lake projects jointly owned by ConocoPhillips and Cenovus Energy.

Inter Pipeline's integrated development plans involve the construction of approximately 840 kilometres of new pipeline and seven new pump stations. Through these planned investments, Inter Pipeline intends to provide 820,000 b/d of firm bitumen blend and diluent capacity to the three oil sands projects. Subject to the execution of a binding transportation agreement, the new facilities are expected to be in service for the Foster Creek and Christina Lake projects by mid-2014, and for the Narrows Lake project in 2016.

A $90 million expansion project on the Cold Lake system is also currently underway to install quarter-point pump stations on the mainline segment between La Corey and Edmonton. This expansion will increase system capacity from 535,000 b/d to approximately 650,000 b/d by mid 2013.

NGL Extraction

Inter Pipeline's NGL extraction business contributed very positively to results in the second quarter. Funds from operations totaled $48.5 million, an increase of $5.7 million or 13% over results generated in the second quarter of 2011.

Inter Pipeline's NGL extraction facilities at Cochrane and Empress, Alberta processed a combined 2.8 billion cubic feet of natural gas per day (bcf/d) in the quarter, roughly 0.4 bcf/d more than in the second quarter of 2011. Throughput volumes were higher at both the Empress and Cochrane NGL extraction facilities. In the second quarter, Inter Pipeline extracted 106,400 b/d of ethane and propane-plus products, up from 102,900 b/d produced in the second quarter of 2011.

Increased cash flow resulted primarily from higher propane-plus production and strong realized frac-spread prices. Margins on the sale of propane-plus products from the Cochrane extraction facility remained near historically high levels in the quarter. Average realized frac-spread prices were $1.00 US per US gallon, similar to the $1.03 US per US gallon realized in the second quarter of 2011.

Conventional Oil Pipelines

The conventional oil pipeline segment performed very well in the quarter, contributing $35.3 million to funds from operations. This represents an increase of $3.8 million or 12% over second quarter 2011 results, driven by strong throughput volumes and increased transportation tolls. Average revenue per barrel on the Bow River, Central Alberta and Mid Saskatchewan systems increased to $2.75 in the second quarter of 2012 from $2.60 in the second quarter of 2011.

Conventional oil transportation volumes averaged 171,400 b/d in the second quarter of 2012, a gain of 7,400 b/d or 5% over second quarter 2011 levels. Higher throughputs resulted from strong drilling activity in proximity to the Mid Saskatchewan and Bow River systems. These systems are benefitting from the application of new drilling and completion technologies in the Viking and Pekisko unconventional oil plays. Applications for new well licenses suggest that drilling activity will remain strong in the areas serviced by Inter Pipeline's conventional oil systems.

Bulk Liquid Storage

Inter Pipeline's bulk liquid storage operations generated significantly higher results in the quarter than in the comparable period of 2011. Funds from operations were $23.3 million, up 181% over the $8.3 million generated in the second quarter of 2011. Higher results were driven by the inclusion of the recently acquired Danish terminal business.

Tank utilization rates for the quarter averaged 94.8%, below the 97.4% realized in the second quarter of 2011 and up from the first quarter 2012 rate of 88.9%. Although weakness in the European economy and adverse market conditions continue to impact demand for the storage of certain products, Inter Pipeline's tank utilization rates have only been marginally impacted.

Financing Activity

In the second quarter, Inter Pipeline issued $400 million of ten-year medium term notes at a low interest rate of 3.776%. Over $900 million of medium term notes have been issued over the past two years at attractive rates. Inter Pipeline's outstanding debt balance was approximately $3.1 billion at June 30, resulting in a total debt to capitalization ratio of 66.4%. Excluding approximately $1.8 billion of non-recourse debt held by Inter Pipeline (Corridor) Inc., Inter Pipeline's recourse debt to capitalization ratio remained conservative at 46.1%.

In the second quarter, Inter Pipeline raised over $51 million in equity capital under its distribution reinvestment programs. During the first half of 2012, Inter Pipeline has raised $105 million under these programs, compared to $15 million in the comparable period last year.

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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 2012 financial and operating results.

To participate in the conference call, please dial 877-240-9772 or 416-340-8527. A recording of the call will be available for replay until August 9, 2012, by dialling 800-408-3053 or 905-694-9451. The pass code for the replay is 3773995.

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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	796.1	773.4	787.5	775.5
Conventional oil pipelines	171.4	164.0	175.4	167.4
Total pipeline volumes	967.5	937.4	962.9	942.9
Extraction production[1] (000 b/d)				
Ethane	67.9	70.1	73.3	77.1
Propane plus	38.5	32.8	35.8	36.5
Total extraction production	106.4	102.9	109.1	113.6
Revenue				
Oil sands transportation	$68.1	$67.7	$138.7	$140.5
NGL extraction	$106.3	$137.4	$243.0	$297.3
Conventional oil pipelines	$58.8	$42.1	$110.0	$85.8
Bulk liquid storage	$42.4	$26.1	$81.1	$52.7
Total revenue	$275.6	$273.3	$572.8	$576.3
Net income (loss)	$104.4	$61.0	$184.0	$125.5
Per unit (basic & diluted)	$0.39	$0.24	$0.69	$0.49
Funds from operations[2]	$107.3	$91.9	$215.3	$192.2
Per unit[2]	$0.40	$0.35	$0.81	$0.74
Cash distributions	$70.6	$62.1	$140.5	$124.1
Per unit	$0.2625	$0.2400	$0.5250	$0.4800
Payout ratio before sustaining capital[2]	65.8%	67.6%	65.3%	64.6%
Payout ratio after sustaining capital[2]	70.4%	71.0%	69.6%	67.1%
Capital expenditures				
Growth[2]	$66.8	$27.8	$106.4	$68.6
Sustaining[2]	$7.0	$4.4	$13.3	$7.2
Total capital expenditures	$73.8	$32.2	$119.7	$75.8

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, 2012 as compared to the three and six month periods ended June 30, 2011. 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 and Cold pipeline projects servicing the Kearl, Sunrise, Foster Creek, Christina Lake, and Narrows Lake 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.