

Inter Pipeline Fund Announces Strong Third Quarter 2010 Results

CALGARY, ALBERTA, NOVEMBER 4, 2010: 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, 2010.

Highlights

- Funds from operations* totalled \$77.2 million in the third quarter
- Payout ratio before sustaining capital* of 75.0%
- Cash distributions to unitholders totalled \$57.9 million, or \$0.225 per unit
- Generated net income of \$46.6 million or \$0.18 per unit
- Throughput on Inter Pipeline’s oil sands and conventional oil pipelines averaged 797,300 barrels per day (b/d) in the third quarter, over 60,000 b/d higher than the comparable period in 2009
- Announced a \$40 million expansion of the Cold Lake pipeline system to transport increased production from the Foster Creek oil sands project
- DBRS Limited upgraded Inter Pipeline’s credit rating from BBB to BBB (high) and Inter Pipeline (Corridor) Inc.’s long-term credit rating from A (low) to A
- Subsequent to quarter end, announced major long-term agreement to transport diluent on the Polaris pipeline system to the Sunrise oil sands project

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

Funds From Operations

Third quarter 2010 funds from operations totalled \$77.2 million, down \$14.2 million from the third quarter of 2009. Results were impacted by a non routine pension plan contribution in the current quarter and a prior period reclassification, both relating to Inter Pipeline’s bulk liquid storage business segment. In the third quarter of 2010, results included a \$4.1 million special contribution to adequately fund long-term pension obligations. Additionally, third quarter 2009 funds from operations were revised to include a \$10.2 million reclassification of storage fees paid in advance. Excluding these two items, normalized funds from operations for both quarters would have been similar at approximately \$81 million.

In the third quarter of 2010, Inter Pipeline’s oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$18.4 million, \$40.3 million, \$30.1 million and \$5.9 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses, totalled \$17.5 million.

Cash Distributions

Cash distributions to unitholders during the third quarter totalled \$57.9 million, or \$0.225 per unit, resulting in an attractive payout ratio before sustaining capital of 75%. After including \$2.9 million of sustaining capital costs incurred during the quarter, the payout ratio increased to 77.9%. On a monthly basis, Inter Pipeline's current cash distributions are \$0.075 per unit or \$0.90 per unit annualized.

Oil Sands Transportation

Inter Pipeline's oil sands transportation business segment, comprised of the Cold Lake and Corridor pipeline systems, forms the largest oil sands gathering business in Canada. Total volumes transported on the Cold Lake and Corridor systems averaged 634,100 b/d in the third quarter of 2010, up 61,200 b/d from the comparable period of 2009.

The Cold Lake pipeline system transported significantly higher volumes compared to the prior year. Throughput volumes averaged 418,500 b/d, an increase of 61,600 b/d or 17% over volumes transported in the third quarter of 2009. Steady production increases at in-situ projects by Cenovus, Canadian Natural Resources, and Imperial continue to drive volume growth on the Cold Lake system.

Throughput on the Corridor system averaged 215,600 b/d during the quarter, similar to third quarter 2009 levels. Transported volumes returned to more normal levels after planned outages at the Athabasca Oil Sands Project and Shell's Scotford upgrader near Edmonton impacted volumes in the second quarter. Cash flow on the Corridor system is generated under a long-term cost of service contract with Shell, Chevron and Marathon which provides highly stable cash flow that is not dependent on throughput volumes.

In the third quarter, Inter Pipeline announced a \$40 million capacity expansion project on the Cold Lake pipeline system to accommodate growing production from the Foster Creek oil sands development, owned by Cenovus and ConocoPhillips. Inter Pipeline will install 27 kilometres of new 24-inch diameter pipeline north of the La Corey terminal, increasing oil gathering capacity by approximately 180,000 b/d. This investment is supported by a 20-year shipping agreement and is expected to generate approximately \$4.5 million in incremental EBITDA annually based on Inter Pipeline's 85% ownership interest in the Cold Lake system. In the third quarter, construction activities progressed according to schedule, with an expected in service date of early 2011.

Subsequent to quarter end, Inter Pipeline announced a long-term agreement to transport diluent to the Sunrise oil sands project, thereby strengthening Inter Pipeline's position as the owner and operator of the primary diluent transportation network for Alberta's oil sands. Starting in late 2013, Inter Pipeline will provide 30,000 b/d of capacity on the Polaris pipeline system under a 20-year ship-or-pay contract. Inter Pipeline will incur capital costs of \$15 million to build a five kilometre pipeline and associated infrastructure to connect Husky and BP's Sunrise project to the Polaris pipeline. This relatively small investment will generate long term annual EBITDA of \$27 million.

With the Sunrise contract and the previously announced diluent transportation agreement for the Kearl oil sands project, owned by Imperial Oil and ExxonMobil, approximately 75% of the Polaris system's initial capacity has now been secured under long term contracts. These two contracts are expected to generate about \$67 million of EBITDA annually once production ramps up to target levels. Inter Pipeline intends to pursue additional diluent transportation opportunities to utilize remaining capacity on the Polaris pipeline system.

Corridor Expansion Project

The capacity expansion project on the Corridor system continues to progress according to plan. When complete, bitumen blend capacity on the Corridor system is expected to increase from 300,000 b/d to approximately 465,000 b/d.

With commissioning activities nearing completion, final costs for the project are now estimated at approximately \$1.85 billion. The slight increase over previous estimates is due to higher than expected non-controllable costs such as line fill and final tank cost adjustments. During the remainder of 2010, Inter Pipeline will focus on the commissioning of a new 20-inch diameter products pipeline between Shell's Scotford upgrader and the Edmonton market hub. Inter Pipeline will begin receiving incremental revenue once all expansion components are operational and certain throughput volume thresholds have been met, or in any event by January 1, 2011.

In the third quarter of 2010, capital expenditures on the Corridor expansion project were approximately \$11 million. As of September 30, 2010, capital expenditures incurred on the project to date were approximately \$1.65 billion. Inter Pipeline has no capital risk on remaining cost components including line fill and accumulated interest on construction capital. These items will be added to Corridor's rate base at their actual cost.

NGL Extraction

Inter Pipeline's NGL extraction business segment generated strong financial results in the third quarter of 2010, due primarily to strong propane-plus prices. Funds from operations were approximately \$40.3 million in the third quarter, similar to results from the same period in 2009. Third quarter 2010 results are particularly strong considering that a scheduled nine-day shutdown at the Cochrane NGL facility for planned maintenance resulted in reduced ethane and propane-plus extraction volumes.

Propane-plus sales at the Cochrane NGL extraction facility are subject to frac-spread, which is the difference between the value of propane-plus product sold and the cost of natural gas acquired to replace the heat content of liquids removed from the gas stream through the NGL extraction process. The price of propane-plus products tends to follow the price of crude oil, and remained strong relative to natural gas prices in the third quarter. Inter Pipeline's realized frac-spread was \$0.78 US/US gallon during the third quarter, compared to \$0.74 US/US gallon in the same period in 2009. Current prices remain significantly higher than the 15-year average market frac-spread of \$0.34 US/US gallon.

Inter Pipeline's three NGL extraction facilities at Cochrane and Empress processed 2.6 billion cubic feet per day (bcf/d) of natural gas during the quarter, down slightly from the 2.8 bcf/d processed in the same period in 2009. Throughput levels at the Cochrane facility were reduced due to the planned maintenance shutdown. Partially offsetting this reduction were increases in throughput at the Empress facilities. In total, Inter Pipeline's facilities produced 100,200 b/d of NGL in the quarter, comprised of 65,800 b/d of ethane and 34,400 b/d of propane-plus.

Conventional Oil Pipelines

Throughput on Inter Pipeline's conventional oil pipeline systems averaged 163,200 b/d in the third quarter, up slightly from the same period of 2009. Higher southbound shipments from the Hardisty market hub on the Bow River pipeline system accounted for the increase, which offset volume reductions due to natural production declines.

Revenues within the conventional oil pipeline business segment were higher than in the third quarter of 2009, as higher mainline tolls and increased revenues associated

with strengthening shipments on the Hardisty south segment of the Bow River system more than offset reductions in midstream marketing revenue.

Revenue realized in the third quarter across all of Inter Pipeline's conventional oil pipeline systems averaged \$2.76 per barrel, up from \$2.42 per barrel received in the third quarter of 2009.

Bulk Liquid Storage

Inter Pipeline's European bulk liquid storage business contributed \$5.9 million to funds from operations, down \$14.8 million from the third quarter of 2009. Two non routine items account for the majority of the reduction. First, third quarter 2009 funds from operations were revised to include \$10.2 million of revenue received as an accelerated contract payment. Second, results in the third quarter of 2010 include a \$4.1 million contribution to Simon Storage's defined benefit pension plan to ensure appropriate funding levels.

In the third quarter, two tanks were acquired from a subsidiary of Pemex for \$1.2 million. The tanks provide additional capacity to the 4 million barrel Immingham storage complex.

Tank utilization rates remained high, averaging 96.5% during the quarter, similar to the 96.3% utilization rate achieved in the third quarter of 2009. Demand for petroleum and petrochemical product storage remains high despite recent economic uncertainty in Europe.

Financing Activity

At September 30, 2010, Inter Pipeline's outstanding debt balance was approximately \$2.6 billion, resulting in a total debt to total capitalization ratio of 66.0%. Adjusting for the impact of approximately \$1.9 billion of non-recourse debt held within the Inter Pipeline (Corridor) Inc. subsidiary, Inter Pipeline's recourse debt to capitalization ratio remained a conservative 34.8%. At quarter end, Inter Pipeline had access to approximately \$1.0 billion of available capacity on its existing committed credit facilities.

Inter Pipeline received a credit rating upgrade in the third quarter of 2010. DBRS Limited (DBRS) increased Inter Pipeline's credit rating to BBB (high) with a stable trend, up from BBB. DBRS also increased the credit rating of Inter Pipeline (Corridor) Inc. to A from A (low).

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 2010 financial and operating results.

To participate in the conference call, please dial 800-355-4959 or 416-695-6616. A recording of the call will be available for replay until November 11, 2010, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 2666488.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipelinefund.com by selecting "Investor Relations" then "Webcasts". 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,	
	2010	2009	2010	2009
Extraction production ¹ (000 b/d)				
Ethane	65.8	68.1	70.9	70.1
Propane-plus	<u>34.4</u>	<u>38.4</u>	<u>37.6</u>	<u>39.4</u>
Total extraction	100.2	106.5	108.5	109.5
Pipeline volumes (000 b/d)				
Oil sands transportation ¹	634.1	572.9	614.4	578.4
Conventional oil pipelines	<u>163.2</u>	<u>161.8</u>	<u>163.3</u>	<u>172.1</u>
Total pipeline	<u>797.3</u>	<u>734.7</u>	<u>777.7</u>	<u>750.5</u>
Revenue				
Oil sands transportation	\$36.4	\$32.2	\$107.7	\$96.4
NGL extraction	\$128.8	\$127.3	\$445.3	\$368.6
Conventional oil pipelines	\$41.4	\$36.1	\$116.7	\$114.5
Bulk liquid storage	\$25.1	\$28.9	\$74.9	\$87.9
Net income	\$46.6	\$51.9	\$176.1	\$134.6
Per unit (basic & diluted)	\$0.18	\$0.21	\$0.69	\$0.58
Funds from operations ²	\$77.2	\$91.4	\$251.0	\$225.9
Per unit	\$0.30	\$0.37	\$0.98	\$0.97
Cash distributions ²	\$57.9	\$52.4	\$173.3	\$147.9
Per unit	\$0.225	\$0.210	\$0.675	\$0.630
Payout ratio before sustaining capital ²	75.0%	57.3%	69.0%	65.5%
Payout ratio after sustaining capital ²	77.9%	60.0%	72.2%	68.7%
Capital expenditures ²				
Growth	\$36.5	\$417.0	\$101.9	\$520.0
Sustaining	<u>\$2.9</u>	<u>\$4.0</u>	<u>\$11.0</u>	<u>\$10.6</u>
Total capital expenditures	<u>\$39.4</u>	<u>\$421.0</u>	<u>\$112.9</u>	<u>\$530.6</u>

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 unaudited consolidated financial statements as at September 30, 2010 provide a detailed explanation of Inter Pipeline's operating results for the three and nine month periods ended September 30, 2010 as compared to the three and nine month periods ended September 30, 2009. These documents are available at www.interpipelinefund.com and 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

Only persons who are residents of Canada, or if partnerships, are Canadian partnerships, in each case for purposes of the Income Tax Act (Canada) are entitled to purchase and own Class A Units of Inter Pipeline.

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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, statements regarding Inter Pipeline's belief that it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond, and statements regarding the potential cash flow contributions from growth projects underway. 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, including the Corridor pipeline system expansion project, 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.