

## **Inter Pipeline Fund Announces Record 2007 Financial and Operating Results**

**CALGARY, ALBERTA, FEBRUARY 21, 2008:** Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three and twelve month period ended December 31, 2007.

- 2007 Highlights**
- Announced Inter Pipeline is well positioned to maintain cash distributions to unitholders through 2010 and beyond, despite becoming taxable in 2011
  - Record funds from operations\* of \$246.9 million, up \$41.5 million or 20% over 2006
  - Lowest ever annual payout ratio before sustaining capital\* of 69.5%
  - Cash distributions to unitholders totalled \$171.7 million, or \$0.84 per unit during the year
  - Successfully completed the acquisition of the Corridor pipeline system for approximately \$1.1 billion, including the assumption of debt; making Inter Pipeline Canada's largest oil sands gathering business
  - Financed the expansion and development of the Corridor pipeline system by closing a \$2.2 billion syndicated credit facility in August 2007
  - Volumes on the oil sands transportation and conventional oil pipeline systems averaged 666,600 barrels per day (b/d) during the year, or 124,800 b/d higher than in 2006
  - Shell Canada Energy's Orion oil sands project was successfully connected to the Cold Lake pipeline system

- Fourth Quarter Highlights**
- Highest ever quarterly funds from operations\* of \$79.5 million, representing a 68% increase compared to the same quarter in 2006
  - Record low quarterly payout ratio before sustaining capital\* of 55.4%
  - Cash distributions to unitholders totalled \$44.0 million, or \$0.21 per unit during the quarter
  - Oil sands transportation and conventional oil pipeline systems transported 731,100 b/d during the quarter, or 170,400 b/d more than in Q4 2006
  - Raised \$150 million through successful Class A unit equity offering
  - Announced largest capital expenditure program of approximately \$1 billion for 2008

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

## **Funds From Operations**

Inter Pipeline had record financial results in 2007. Funds from operations during the year totalled \$246.9 million, or \$1.21 per unit. This represents an increase of 20% or \$41.5 million over funds from operations generated in 2006. This record performance was achieved primarily due to all-time high frac-spread prices on propane plus sales within the NGL extraction business segment, and the successful acquisition of the Corridor pipeline system. Other elements of the business met expectations and continue to produce stable and predictable cash flows.

In 2007, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$58.7 million, \$145.7 million, \$86.5 million and \$44.0 million, respectively, to funds from operations. Corporate costs, including interest and general and administrative charges, totalled \$88.0 million.

During the fourth quarter of 2007, Inter Pipeline generated record funds from operations of \$79.5 million, representing an increase of \$32.3 million or 68% higher than the comparable period in 2006. Favourable commodity prices and volume increases in the NGL extraction business and the addition of Corridor operations accounted for the majority of the increase.

In the fourth quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$20.2 million, \$50.7 million, \$22.3 million and \$9.0 million, respectively, to funds from operations. Corporate charges totalled \$22.7 million.

## **Cash Distributions**

Cash distributions to unitholders during the year totalled \$171.7 million, or \$0.84 per unit. These record high cash distributions still resulted in the lowest ever annual payout ratio before sustaining capital of 69.5%, due to the strong financial results. This payout ratio compares favourably with the 78.3% payout ratio before sustaining capital realized in 2006.

On November 8, 2007, Inter Pipeline announced that it was well positioned to maintain the current level of cash distributions to unitholders through 2010 and beyond, despite becoming a taxable entity in 2011. Attractive fundamentals within each of Inter Pipeline's four business segments combined with a large inventory of organic growth opportunities support this positive outlook.

During the fourth quarter, Inter Pipeline distributed \$44.0 million to unitholders, or \$0.21 per unit, representing a record low quarterly payout ratio before sustaining capital of 55.4%. Additional cash flow earned during the quarter was applied to reduce bank indebtedness.

## **Oil Sands Transportation**

Throughput volumes within the oil sands transportation business unit averaged 457,700 b/d during the year, or 127,800 b/d higher than in 2006. 2007 transportation volumes include 347,300 b/d on the Cold Lake pipeline and 110,400 b/d on the Corridor system. Corridor's transportation volumes represent 199 days of operations and have been prorated over the twelve month period. Since completing the Corridor acquisition on June 15, 2007, volumes on this system have averaged 202,300 b/d.

During the fourth quarter, throughput volumes on the Cold Lake system averaged 370,700 b/d, while Corridor volumes averaged 154,200 b/d for total transportation of 524,900 b/d of oil sands product. Cold Lake volumes increased 33,100 b/d compared to the same period in 2006 as a result of higher founding shipper volumes and the introduction of transportation services to Shell's Orion oil sands project in October 2007.

Volumes on the Corridor system were impacted by a fire in 2007 at Shell's Scotford upgrader. However, cash flow on Corridor is determined by 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 and provides a structured return on the equity component of Corridor's rate base. Corridor's cash flow is therefore not dependant on transportation volumes or commodity prices.

### **Corridor Expansion Project**

The \$1.8 billion Corridor expansion is the largest organic capital project in Inter Pipeline's history. In 2008, approximately \$864 million will be directed toward this expansion which has been designed to initially increase bitumen blend capacity of the Corridor system by 165,000 b/d to 465,000 b/d in 2010. The expansion remains on schedule and on budget with approximately 53% or 244 kilometres of 42-inch diameter pipe installed as at December 31, 2007. Currently, an extremely active winter construction season is underway whereby approximately 187 km of additional 42-inch pipe is scheduled to be installed. This will leave approximately 33 km of 42-inch and 43 km of 20-inch pipe remaining to be placed during the summer of 2008. Facility, engineering and additional construction work at the new pump stations continues to be advanced on schedule.

As at December 31, 2007, Inter Pipeline has incurred approximately \$622 million in capital costs related to the Corridor expansion, representing over 35% of the estimated total project cost. Approximately, 80% of pipeline and facility costs have either been expended or committed. Inter Pipeline is not exposed to capital cost escalation risk on certain other project items, including line fill, interest during construction and storage tank costs as these items will be added to Corridor's rate base at their actual cost.

### **NGL Extraction**

Inter Pipeline's NGL extraction business generated record financial results, contributing over \$757 million to revenue and \$146 million to funds from operations during the year. These results were underpinned by favourable commodity prices and strong natural gas volumes.

Energy commodity markets during 2007 were characterized by rising crude oil prices and low natural gas prices. This market environment is highly beneficial to the NGL extraction business as propane plus sales at the Cochrane extraction facility are exposed to frac-spread, or the difference between the price of propane plus products and natural gas. During the year, Inter Pipeline's realized frac-spread was \$0.59 US cents per US gallon, which is 29% higher than the frac-spread realized in 2006. In addition, Inter Pipeline's three NGL extraction facilities processed 4.3 billion cubic feet per day of natural gas during 2007, 3.5% higher than 2006. This resulted in average NGL production of 147,500 b/d, which is 4% higher than 142,100 b/d of NGL produced in 2006.

In the fourth quarter, frac-spread prices continued to escalate to record levels enabling the NGL extraction business segment to produce its best quarterly financial results since being acquired by Inter Pipeline in June 2004. For the three month period, the NGL extraction business contributed over \$205 million in revenue and more than \$50 million to funds from operations. Inter Pipeline's realized frac-spread during the quarter was \$0.76 US cents per US gallon, or 93% higher than in the comparable period in 2006. Inter Pipeline's NGL extraction facilities processed 4.2 billion cubic feet per day of natural gas, producing an average of 142,600 b/d of NGL, comprised of 86,800 b/d of ethane and 55,800 b/d of propane plus. These volumes are consistent with Q4 2006 NGL volumes that averaged 142,500 b/d.

**Conventional Oil Pipelines**

Throughput volumes on Inter Pipeline's Bow River, Central Alberta, Mid Saskatchewan and Valley conventional oil pipeline systems remained consistent year-over-year. In 2007, gathering volumes averaged 208,900 b/d, compared to 211,900 b/d during the previous year. The average revenue per barrel realized on Inter Pipeline's conventional oil pipelines during 2007 increased to \$1.61, up from \$1.51 in 2006.

During the fourth quarter, conventional oil volumes of 206,200 b/d declined by approximately 8% compared to the same period in 2006. The decrease is primarily the result of natural declines and new oil blending practises on the Bow River system which resulted in heavier, more viscous oil blends being shipped from Hardisty, Alberta to refining markets in the northwest United States. New connections and increased truck terminal activity resulted in an increase in volumes on the other conventional oil pipeline systems. The reduction in throughput volumes was offset by tariff increases and mainline toll increases averaging 6% and 3% effective January 1 and July 1, 2007, respectively. The average revenue per barrel realized during the fourth quarter was \$1.68 compared to \$1.49 for the same quarter in 2006.

**Bulk Liquid Storage**

Inter Pipeline's bulk liquid storage business segment is comprised of approximately 600 individual storage tanks located throughout the U.K., Germany and Ireland with a combined storage capacity of 7.9 million barrels. In 2007, the bulk liquid storage business continued to benefit from strong demand for its services, particularly from the emerging biofuels sector in Europe. This resulted in a very positive tank utilization rate in 2007 of 96.2%, compared to 95.3% in 2006.

In the fourth quarter, utilization rates remained strong averaging 95.5%; consistent with 96.8% achieved in the comparable period in 2006. During the quarter construction continued on the development of new storage facilities at the Immingham West terminal, which will increase capacity by 318,000 barrels. These new storage tanks are expected to be ready for service in 2009.

**Financing Activity**

In 2007 financing activity was focused primarily in support of the acquisition of the Corridor pipeline system. In August, Inter Pipeline (Corridor) Inc. successfully closed a \$2.2 billion credit facility required primarily to provide funding for the Corridor expansion project. Inter Pipeline also expanded the size of its existing revolving credit facility by \$250 million to \$750 million to partially finance the Corridor acquisition.

In December, Inter Pipeline successfully undertook a public equity financing and raised gross proceeds of \$150 million by issuing 15.3 million Class A units. Net proceeds were used to reduce bank indebtedness associated with the acquisition of the Corridor pipeline system.

As at December 31, 2007, Inter Pipeline's debt balance was \$1,888 million, resulting in a consolidated debt to capitalization ratio of 64%. Adjusting for Corridor's non-recourse debt, Inter Pipeline's debt to capitalization ratio was 44%.

**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 2007 annual financial and operating results.

To participate in the conference call, please dial 800-537-9608 or 403-537-9608. A recording of the call will be available for replay until February 29, 2008, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 3250898.

A webcast of the conference call can be accessed on Inter Pipeline's website at [www.interpipelinefund.com](http://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<br>December 31, |               | Year Ended<br>December 31, |                |
|---|------------------------------------|---------------|----------------------------|----------------|
|   | 2007                               | 2006          | 2007                       | 2006           |
| Extraction production (000 b/d)                     |                                    |               |                            |                |
| Ethane  | 86.8                               | 88.9          | 90.0                       | 89.2           |
| Propane plus  | <u>55.8</u>                        | <u>53.6</u>   | <u>57.5</u>                | <u>52.9</u>    |
| Total extraction                                    | 142.6                              | 142.5         | 147.5                      | 142.1          |
| Pipeline volumes (000 b/d)                          |                                    |               |                            |                |
| Conventional oil pipelines                          | 206.2                              | 223.1         | 208.9                      | 211.9          |
| Oil sands transportation <sup>1</sup>               | <u>524.9</u>                       | <u>337.6</u>  | <u>457.7</u>               | <u>329.9</u>   |
| Total pipeline                                      | 731.1                              | 560.7         | 666.6                      | 541.8          |
| Revenue   |                                    |               |                            |                |
| Oil sands transportation                            | \$38.0                             | \$14.7        | \$109.0                    | \$58.8         |
| NGL extraction                                      | \$205.2                            | \$186.1       | \$756.7                    | \$691.8        |
| Conventional oil pipelines                          | \$31.9                             | \$30.7        | \$122.8                    | \$116.7        |
| Bulk liquid storage                                 | <u>\$35.7</u>                      | <u>\$43.7</u> | <u>\$156.5</u>             | <u>\$143.7</u> |
| Total revenue                                       | \$310.8                            | \$275.2       | \$1,145.0                  | \$1,011.0      |
| Net income (loss)                                   | \$75.9                             | \$28.3        | \$(80.0)                   | \$130.6        |
| Per unit (basic & diluted)                          | \$0.37                             | \$0.14        | \$(0.39)                   | \$0.65         |
| Funds From Operations <sup>2</sup>                  | \$79.5                             | \$47.2        | \$246.9                    | \$205.4        |
| Per unit  | \$0.39                             | \$0.24        | \$1.21                     | \$1.03         |
| Cash Distributions <sup>2</sup>                     | \$44.0                             | \$42.3        | \$171.7                    | \$160.8        |
| Per unit  | \$0.21                             | \$0.21        | \$0.84                     | \$0.80         |
| Payout ratio before sustaining capital <sup>2</sup> | 55.4%                              | 89.7%         | 69.5%                      | 78.3%          |
| Payout ratio after sustaining capital <sup>2</sup>  | 59.3%                              | 101.7%        | 73.2%                      | 83.8%          |
| Capital expenditures <sup>2</sup>                   |                                    |               |                            |                |
| Growth  | \$167.6                            | \$14.8        | \$363.9                    | \$52.0         |
| Sustaining  | <u>\$5.2</u>                       | <u>\$5.6</u>  | <u>\$12.2</u>              | <u>\$13.6</u>  |
| Total capital expenditures                          | \$172.8                            | \$20.4        | \$376.1                    | \$65.6         |

1. Cold Lake volumes reported on a 100% basis. Corridor was acquired on June 15<sup>th</sup>, 2007. Corridor volumes represent 199 days of operations and have been prorated over the twelve month period.

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

### MD&A, Financial Statements & Notes

The Management, Discussion and Analysis (MD&A), consolidated financial statements and notes provide a detailed explanation of Inter Pipeline's operating results for the three month period and year ended December 31, 2007 as compared to the three month period and year ended December 31, 2006. These documents are posted at [www.interpipelinefund.com](http://www.interpipelinefund.com) and at [www.sedar.com](http://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](http://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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All dollar values are expressed in Canadian dollars unless otherwise noted.