

## Inter Pipeline Fund Announces Strong Second Quarter 2008 Results

**CALGARY, ALBERTA, AUGUST 7, 2008:** 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, 2008.

### Highlights

- Funds from operations\* increased 48.7% to \$66.9 million in the second quarter of 2008, compared to the same quarter a year ago
- Payout ratios before sustaining capital\* for the three and six month periods ended June 30, 2008 were 69.7%, and 65.2%, respectively
- Cash distributions to unitholders totalled \$46.6 million, or \$0.21 per unit during the quarter compared to \$42.6 million or \$0.21 per unit in Q2 2007
- Transportation volumes on Inter Pipeline's oil sands transportation and conventional oil pipeline systems averaged approximately 732,000 barrels per day (b/d) during the quarter, 142,000 b/d higher than the same period in 2007
- The Corridor capacity expansion project remains on schedule and on budget, with the completion of line pipe construction planned for the third quarter of 2008
- Subsequent to quarter end, Standard & Poor's upgraded the outlook on Inter Pipeline's BBB long-term corporate credit rating to positive from negative

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

### Funds From Operations

During the second quarter of 2008, Inter Pipeline generated funds from operations of \$66.9 million, representing an increase of \$21.9 million or 49% over the comparable period in 2007. For the six month period ending June 30, 2008, funds from operations increased to \$142.7 million, 43% or \$42.9 million higher than the same period last year. These increases are primarily due to strong frac-spread prices realized on propane-plus sales at the Cochrane natural gas liquids (NGL) extraction facility, and contributions from the Corridor pipeline system which Inter Pipeline acquired in June, 2007.

In the second quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines, and bulk liquid storage businesses contributed \$19.0 million, \$29.9 million, \$25.6 million and \$10.1 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses totalled \$17.7million.

### Cash Distributions

Cash distributions to unitholders during the second quarter totalled \$46.6 million, or \$0.21 per unit, resulting in a payout ratio before sustaining capital of 69.7%. For the six month period ended June 30, 2008, Inter Pipeline's payout ratio before sustaining capital was 65.2%. After sustaining capital, Inter Pipeline achieved attractive payout ratios of 73.1% and 67.5% for the second quarter and six month periods, respectively. The majority of additional funds generated over the cash distributed to unitholders in the quarter, have been applied to reduce bank indebtedness and fund growth capital initiatives.

On a monthly basis, Inter Pipeline's current cash distributions are \$0.07 per unit, or \$0.84 per unit on an annualized basis.

## **Oil Sands Transportation**

Inter Pipeline's oil sands transportation business, comprised of the Cold Lake and Corridor pipeline systems, is the largest oil sands gathering business in Canada. In the second quarter, total volumes transported on the Cold Lake and Corridor systems averaged 535,400 b/d.

Cold Lake pipeline volumes averaged 335,300 b/d during the quarter, and were consistent with 336,900 b/d transported during the second quarter last year. Throughput volumes during the quarter would have been higher if not for scheduled turnarounds at Imperial Oil's Cold Lake project and EnCana's Foster Creek project. Volumes for the six month period ending June 30, 2008 were 353,800 b/d, which was 22,800 b/d higher than throughput levels achieved in the same period in 2007.

During the second quarter of 2008, Corridor pipeline system volumes averaged 200,100 b/d. This compares to 252,800 b/d transported during the 15-day period in Q2 2007 that Inter Pipeline owned the Corridor pipeline system. Corridor's volumes in the second quarter of 2008 were primarily impacted by maintenance at both the Muskeg River mine and the Scotford Upgrader. However, since cash flow on the Corridor system is underpinned by a 25-year ship-or-pay contract with Shell, Chevron and Marathon, Inter Pipeline does not have throughput volume or commodity price exposure.

## **Corridor Expansion Project**

Inter Pipeline continues to make excellent progress on a major capacity expansion project currently underway on the Corridor pipeline system. This \$1.8 billion project will increase bitumen blend capacity from 300,000 b/d to 465,000 b/d upon completion. This project remains on schedule and on budget, with approximately 93% or 431 kilometres (km) of the 42-inch diameter line pipe successfully installed.

During the second quarter, construction commenced on the remaining 33 km of 42-inch diameter line pipe and 43 km of 20-inch line pipe. Pipeline construction is expected to be completed during the third quarter of this year. Facilities construction at four new pump stations also continued to progress well. During the quarter, facilities construction focused on foundation work and the erection of pump station buildings.

As at June 30, 2008, approximately \$935 million has been expended on the Corridor capacity expansion project, representing roughly 52% of total estimated project costs. Approximately 88% of pipeline and facility costs have now either been expended or committed. As a result, Inter Pipeline's capital cost overrun risk on the project has largely been mitigated. Certain other project items, such as line fill, interest during construction and storage tank costs will be added to Corridor's rate base at their actual cost.

## **NGL Extraction**

Inter Pipeline's NGL extraction business continued to generate solid results during the second quarter primarily as a result of strong commodity prices. The NGL extraction business contributed \$198.4 million to revenue and \$29.9 million to funds from operations in the quarter, despite lower natural gas volumes at Inter Pipeline's Cochrane, Empress II, and Empress V facilities.

On a combined basis, Inter Pipeline's three NGL extraction facilities processed 2.5 billion cubic feet per day of natural gas (bcf/d), compared to 4.3 bcf/d of natural gas processed during the same quarter in 2007. Factors that contributed to this decline include scheduled maintenance at all three Inter Pipeline NGL extraction facilities, and lower natural gas demand in eastern Canada and northeast United States. Additionally, in the second quarter of 2007, maintenance at third party extraction facilities in the Empress area resulted in elevated levels of natural gas processed at Inter Pipeline's Empress II facility. As a result, Empress II gas volumes

declined 1.3 bcf/d year over year. However, revenues from Empress II are underpinned by cost-of-service agreements, and are not impacted by actual volumes of natural gas processed.

Propane-plus sales at the Cochrane extraction facility are exposed to frac-spread, or the difference between the weighted average price of propane-plus products extracted and the price of AECO natural gas purchased for shrinkage makeup. During the quarter, Inter Pipeline's realized frac-spread averaged \$0.725 US/US gallon, which is 37% higher than the \$0.530 US/US gallon realized in the same quarter last year. Inter Pipeline's NGL extraction business is expected to continue to benefit from a strong frac-spread pricing environment.

### **Conventional Oil Pipelines**

During the second quarter, throughput volumes on Inter Pipeline's four conventional oil pipeline systems averaged 196,600 b/d, representing a decrease of approximately 14,800 b/d from the same period in 2007. This decline is primarily due to natural production declines and the delivery of more viscous heavy crude oil blends on the Bow River system. In addition, on June 15, 2008, Inter Pipeline was required to shut-in its Valley pipeline system as a result of a leak on Pembina Pipeline's Cremona system. The Valley pipeline delivers approximately 4,500 b/d of condensate into the Cremona system, which is not expected to be in-service until late 2008.

Offsetting the impact of volume declines was an increase in average realized revenue per barrel shipped. During the second quarter of 2008, Inter Pipeline's conventional oil pipeline systems realized \$1.98 per barrel compared to \$1.55 per barrel in the same quarter in 2007. Revenue was positively impacted by enhanced marketing activities and scheduled toll increases.

### **Bulk Liquid Storage**

In the second quarter of 2008, Inter Pipeline's European bulk liquid storage business contributed \$10.1 million to funds from operations, which was \$1.3 million lower than the second quarter of 2007. This is primarily due to foreign exchange rate differences.

During the second quarter, Inter Pipeline divested a non-core bulk liquid storage terminal in Cumbria, located on the northwest coast of the United Kingdom. Following this divestiture, Inter Pipeline has approximately 7.7 million barrels of storage capacity in eight terminals located throughout the U.K., Germany and Ireland.

Bulk liquid tank utilization rates remained strong averaging 94% during the second quarter compared to 96% the same period a year ago. Strong demand for petroleum, petrochemical, and biofuel storage capacity in western Europe continue to support high utilization rates in this business.

### **Financing Activity**

As at June 30, 2008, Inter Pipeline's outstanding debt balance was \$2.1 billion, resulting in a total debt to total capitalization ratio of 66.8%. Adjusting for the impact of approximately \$1.4 billion of Corridor's non recourse debt, Inter Pipeline's debt to capitalization ratio was 42.7%.

Subsequent to quarter end, Standard & Poor's revised the outlook on Inter Pipeline's BBB long-term corporate credit rating to positive from negative. Standard & Poor's based their outlook upgrade on the solid progress made by Inter Pipeline on the Corridor expansion project and the \$150 million equity issuance in December, 2007 which reduced leverage and capital market access concerns.

### **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 2008 financial and operating results.

To participate in the conference call, please dial 800-952-4972 or 403-537-9608. A recording of the call will be available for replay until August 14, 2008, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 3265755.

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		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Extraction Production <sup>1</sup> (000 b/d)				
Ethane	63.1	93.1	77.0	94.9
Propane Plus	<u>36.0</u>	<u>57.3</u>	<u>45.9</u>	<u>59.4</u>
Total Extraction	99.1	150.4	122.9	154.3
Pipeline Volumes (000 b/d)				
Oil Sands Transportation <sup>1</sup>	535.4	378.6	552.5	352.0
Conventional Oil Pipelines	<u>196.6</u>	<u>211.4</u>	<u>201.1</u>	<u>216.3</u>
Total Pipeline	732.0	590.0	753.6	568.3
Revenue				
Oil Sands Transportation	\$38.5	\$17.8	\$75.8	\$31.8
NGL Extraction	\$198.4	\$178.5	\$413.2	\$375.3
Conventional Oil Pipelines	\$35.4	\$29.9	\$69.3	\$60.8
Bulk Liquid Storage	\$33.8	\$39.4	\$65.8	\$81.9
Net (Loss) Income	\$10.3	\$(215.6)	\$70.4	\$(191.1)
Per Unit (basic & diluted)	\$0.05	\$(1.07)	\$0.32	\$(0.95)
Funds From Operations <sup>2</sup>	\$66.9	\$45.0	\$142.7	\$99.8
Per Unit	\$0.30	\$0.22	\$0.64	\$0.49
Cash Distributions <sup>2</sup>	\$46.6	\$42.6	\$93.1	\$85.0
Per Unit	\$0.21	\$0.21	\$0.42	\$0.42
Payout Ratio before sustaining capital <sup>2</sup>	69.7%	94.5%	65.2%	85.1%
Payout Ratio after sustaining capital <sup>2</sup>	73.1%	101.5%	67.5%	89.3%
Capital Expenditures <sup>2</sup>				
Growth	\$118.7	\$16.1	\$349.1	\$31.8
Sustaining	\$3.1	\$3.1	\$4.7	\$4.5

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis; 2007 Corridor volumes represent 15 days of operations and have been prorated over the three and six month periods.*

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), consolidated financial statements and notes provide a detailed explanation of Inter Pipeline's operating results for the three and six month period ended June 30, 2008 as compared to the three and six month period ended June 30, 2007. 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.

## **Contact Information**

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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. 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](http://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.