inter pipeline

News Release

Inter Pipeline Fund Announces Record Third Quarter 2008 Results

CALGARY, ALBERTA, NOVEMBER 6, 2008: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) is pleased to announce today record financial and operating results for the three and nine month periods ended September 30, 2008.

Highlights

- Funds from operations* increased significantly to $85.7 million in the third quarter of 2008, 27% higher than the third quarter of 2007
- Payout ratios before sustaining capital* were 54.5% for the third quarter, a record low for a quarter, and 61.2% for the nine month period ended September 30, 2008
- Cash distributions to unitholders for the third quarter totalled $46.7 million or $0.21 per unit, compared to $42.7 million or $0.21 per unit in the third quarter of 2007
- Throughput volumes on Inter Pipeline's oil sands transportation and conventional oil pipeline systems averaged approximately 750,000 barrels per day (b/d) during the quarter
- Installation of the main line pipe of the Corridor capacity expansion project was successfully completed in the third quarter of 2008; the project remains on schedule and on budget
- During the quarter, 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

Funds generated from operations during the third quarter were $85.7 million, an increase of $18.1 million or 27% compared to the third quarter of 2007. Nine month year to date funds from operations increased to $228.3 million, a 36% or $60.9 million gain over the same period of last year. These gains were largely the result of favourable frac-spreads realized on sales of propane-plus extracted at the Cochrane natural gas liquids (NGL) extraction facility, and strong revenue growth in the conventional oil pipeline business segment.

By segment, contributions to funds from operations for the third quarter were oil sands transportation, $15.1 million; NGL extraction, $47.8 million; conventional oil pipelines, $30.1 million; and bulk liquid storage businesses, $10.9 million. Offsetting these funds were corporate charges including interest and general & administrative expenses that totalled $18.2 million for the quarter.

Cash Distributions

Cash distributions to unitholders during the third quarter of 2008 were $46.7 million, or $0.21 per unit, resulting in a payout ratio before sustaining capital of 54.5%. The payout ratio before sustaining capital for the nine month period was 61.2%. Including sustaining capital, Inter Pipeline's payout ratios fell to record lows of 56.9% and 63.5% for the third quarter and nine month periods of 2008, respectively. Funds generated in excess of the cash distributed to unitholders have been used primarily to reduce bank indebtedness and fund growth capital initiatives underway during the quarter.

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

Oil Sands Transportation

Inter Pipeline's oil sands transportation business segment consists of the Cold Lake and Corridor pipeline systems, which in combination gather more oil sands volume than any other oil sands gathering business in Canada. Total throughput on these systems averaged 551,300 b/d in the third quarter of 2008.

Cold Lake pipeline throughput volumes averaged 328,400 b/d during the quarter, down from 356,200 b/d that were transported during the third quarter of 2007. Volumes were impacted by weather and power related production issues at Imperial Oil's Cold Lake project and at Canadian Natural Resources' Primrose/Wolf Lake property. Average volumes transported for the nine months of 2008 were 345,200 b/d, slightly higher than the 339,500 b/d that were transported in the first nine months of 2007.

Corridor pipeline system volumes averaged 222,900 b/d in the third quarter, a decrease from the third quarter 2007 average of 242,300 b/d. Volumes declined primarily because of power outages that impacted production at the Muskeg River Mine project. However, since revenue on the Corridor system is underpinned by a 25-year cost of service contract with Shell, Chevron and Marathon, Inter Pipeline's third quarter cash flows were not impacted by the decline in volumes.

Corridor Expansion Project

Progress is continuing successfully on a $1.8 billion capacity expansion project currently underway on the Corridor pipeline system. Capacity of the Corridor pipeline system bitumen blend line will be increased from 300,000 b/d to 465,000 b/d upon completion. At the end of the third quarter of 2008, the project was on schedule and on budget.

A significant milestone in the construction phase was achieved in the third quarter as the final segments of the 42-inch and 20-inch diameter line pipe were successfully installed. Therefore, pipeline construction on 467 kilometres of 42-inch line pipe and 43 kilometres of 20-inch pipe is now complete. Work continues on remaining pipe interconnections and final construction of four new pump stations. Activity at the pump stations during the third quarter focused on piping and electrical activity as installation of the main mechanical components has been substantially completed.

This significant progress brings construction to a phase where substantially all major cost elements have been incurred and all long lead time components have been installed. In the third quarter of 2008, approximately $128 million of growth capital was expended on the Corridor expansion project for a project total of $1,063 million spent to date, or roughly 59% 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 had a strong third quarter primarily due to favourable commodity price conditions and strong liquids yields. Revenue from the NGL extraction business was $231.4 million for the third quarter, generating funds from operations of $47.8 million. This represents a gain of $9.4 million or 25% over the third quarter of 2007. Lower natural gas volumes at the Empress II and Empress V facilities, relative to the third quarter of 2007, had a minimal impact on financial results.

On a combined basis, Inter Pipeline's three NGL extraction facilities processed 3.2 billion cubic feet per day (bcf/d) of natural gas, compared to 4.1 bcf/d of natural gas processed during the same quarter in 2007. These declines were largely due to a reduction in volumes exported out of Alberta. Empress II natural gas volumes declined 0.6 bcf/d year over year, representing approximately 70% of the total decrease. However, revenues from Empress II are underpinned by cost-of-service agreements, and are not impacted by actual volumes of natural gas processed. Empress V gas volumes were somewhat lower, due to planned shut downs related to an Empress V ethane recovery improvement project. The cash flow impact of volumetric declines was more than offset by increased ethane yields.

The Empress V ethane recovery improvement project is continuing successfully, and is expected to increase ethane production capacity by 7,000 barrels per day. The project is expected to be completed by the end of the first quarter of 2009.

Cochrane propane-plus volume sales benefit from a positive frac-spread environment. Frac-spread is the difference between the weighted average price received for propane-plus products extracted and the price of natural gas purchased to make up for shrinkage. During the quarter, Inter Pipeline's realized frac-spread averaged $0.916 US/US gallon, which is 36% higher than the $0.676 US/US gallon realized in the same quarter last year. Frac-spreads continue to be strong relative to historical averages.

Conventional Oil Pipelines

Throughput volumes on Inter Pipeline's four conventional oil pipeline systems averaged 199,000 b/d in the third quarter, slightly higher than the 196,800 b/d transported in the same period of 2007. Bow River pipeline volumes were impacted by a refinery turnaround in the third quarter of 2007.

During the third quarter of 2008, revenue on Inter Pipeline's conventional oil pipeline systems increased to $2.14 per barrel, 28% higher than the $1.67 per barrel received in the same quarter in 2007. Revenue per barrel increased primarily due to scheduled mainline toll increases and additional revenue generated by the Nexen marketing agreement.

Bulk Liquid Storage

Inter Pipeline's European bulk liquid storage business contributed $10.9 million to funds from operations in the third quarter of 2008, down slightly from the $11.5 million contributed in the third quarter of 2007. Results were negatively impacted by exchange rates as operating performance remained relatively consistent period over period.

High bulk liquid tank utilization rates, averaging 95.5% during the third quarter, continue to drive strong earnings. Utilization rates are steady, with the current rate similar to the 95.8% rate realized in the same period a year ago. Demand for petroleum, petrochemical, and biofuel storage capacity in north-western Europe continues to remain high.

Financing Activity

Inter Pipeline's outstanding debt balance was $2.3 billion at September 30, resulting in a total debt to total capitalization ratio of 67.8%. Adjusting for the impact of approximately $1.5 billion of Corridor's non recourse debt, Inter Pipeline's debt to capitalization ratio was only 42.6%.

In the third quarter of 2008, 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.

Recent problems in global financial and credit markets have created a focus on the liquidity of organizations that rely on bank credit to manage their businesses. It is important for investors to understand that Inter Pipeline is very well positioned to operate and grow during this time of global credit uncertainty. This positive position results primarily from significant undrawn credit capacity, and long remaining tenure on Inter Pipeline's committed credit facilities.

Inter Pipeline's banking syndicate is well diversified with commitments from 16 major Canadian and international lending institutions. Central to Inter Pipeline's credit capacity are two fully committed credit facilities that are used to operate and grow the business. First, a $750 million revolving facility at Inter Pipeline Fund that has approximately $330 million of undrawn credit capacity as at September 30, 2008, and a term that extends to September 29, 2012. Second, Inter Pipeline (Corridor) Inc. has a $2.1 billion revolving credit facility with approximately $975 million of undrawn capacity as at quarter end, and a term that extends to August 14, 2012. This facility is primarily used to fund the Corridor capacity expansion project.

Therefore, with over $1.3 billion in undrawn credit capacity and approximately 4 years of remaining tenure on existing committed credit facilities, Inter Pipeline is well positioned to operate and grow during this period of global credit uncertainty.

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 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 November 13, 2008, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 3273170.

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, 2008	2007	Nine Months Ended September 30, 2008	2007
Extraction Production[1] (000 b/d)				
Ethane	78.6	83.6	77.5	91.1
Propane Plus	45.6	55.3	45.8	58.0
Total Extraction	124.2	138.9	123.3	149.1
Pipeline Volumes (000 b/d)				
Oil Sands Transportation[1]	551.3	598.5	552.1	433.6
Conventional Oil Pipelines	199.0	196.8	200.4	209.8
Total Pipeline	750.3	795.3	752.5	643.4
Revenue				
Oil Sands Transportation	$35.2	$39.2	$111.0	$71.0
NGL Extraction	$231.4	$176.2	$644.5	$551.5
Conventional Oil Pipelines	$39.3	$30.2	$108.6	$90.9
Bulk Liquid Storage	$34.9	$38.9	$100.7	$120.8
Net (Loss) Income	$76.8	$35.1	$147.2	$(156.0)
Per Unit (basic & diluted)	$0.34	$0.18	$0.66	$(0.77)
Funds From Operations[2]	$85.7	$67.6	$228.3	$167.4
Per Unit	$0.39	$0.34	$1.03	$0.83
Cash Distributions[2]	$46.7	$42.7	$139.8	$127.7
Per Unit	$0.21	$0.21	$0.63	$0.63
Payout Ratio before sustaining capital[2]	54.5%	63.1%	61.2%	76.2%
Payout Ratio after sustaining capital[2]	56.9%	65.5%	63.5%	79.6%
Capital Expenditures[2]				
Growth	$151.6	$164.6	$500.7	$196.3
Sustaining	$3.5	$2.4	$8.2	$7.0

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis; 2007 Corridor volumes represent 107 days of operations and have been prorated over the nine month period.*
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 nine month period ended September 30, 2008 as compared to the three and nine month period ended September 30, 2007. These documents are posted 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, 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.

Contact Information

Investor Relations:
Jeremy Roberge
Vice President, Capital Markets
Email: jroberge@interpipelinefund.com
Tel: 403-290-6015 or 1-866-716-7473

Media Relations:
Tony Mate
Director, Corporate and Investor Communications
Email: Tony.Mate@interpipelinefund.com
Tel: 403-290-6166

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. 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.