

## Inter Pipeline Fund Announces Strong Second Quarter 2009 Results

**CALGARY, ALBERTA, AUGUST 6, 2009:** 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, 2009.

### Highlights

- Funds from operations\* totalled \$68.5 million in the second quarter
- Attractive payout ratio before sustaining capital\* of 71.0%
- Cash distributions to unitholders totalled \$48.6 million, or \$0.21 per unit during the quarter
- Throughput on Inter Pipeline's oil sands transportation and conventional oil pipeline systems averaged 742,500 barrels per day (b/d)
- Announced a 25-year cost-of-service agreement to provide diluent transportation service to Imperial Oil's Kearl oil sands mining project
- Announced a \$72 million expansion project on the Bow River system to allow shipment of segregated crude oil streams from the Hardisty oil storage hub
- Successfully completed \$173 million public equity financing
- Implemented a Premium Distribution™ and Distribution Reinvestment Plan with strong initial results
- Construction of the Corridor capacity expansion project is substantially complete; Inter Pipeline's exposure to major cost overrun risk has been eliminated
- Subsequent to quarter end extended Nexen storage and marketing agreement for 3 years
- Subsequent to quarter end, DBRS upgraded the trend outlook on Inter Pipeline and Corridor debt from stable to positive, and Standard & Poor's increased the outlook on Corridor from stable to positive

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

™ Denotes trademark of Canaccord Capital Corporation

### Funds From Operations

Funds from operations during the quarter totalled \$68.5 million, up \$1.6 million from the same period in 2008. Strong results in the conventional oil pipelines segment more than offset slight reductions in Inter Pipeline's other three business segments.

In the second quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$17.9 million, \$25.2 million, \$31.8 million and \$9.9 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses totalled \$16.3 million, 8% lower than in the second quarter of 2008.

**Cash Distributions**

Inter Pipeline distributed \$48.6 million, or \$0.21 per unit, to unitholders in the second quarter, resulting in a payout ratio before sustaining capital of 71.0%. After including \$3.6 million of sustaining capital costs incurred during the quarter, Inter Pipeline's payout ratio remained strong at 75.0%.

Current cash distributions are \$0.07 per unit monthly or \$0.84 per unit on an annualized basis.

Inter Pipeline believes that it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond, despite becoming a taxable entity in 2011. Attractive fundamentals within each of Inter Pipeline's four business segments combined with a strong inventory of organic growth opportunities continue to support this positive outlook.

**Oil Sands Transportation**

The oil sands transportation business segment, consisting of the Cold Lake and Corridor pipeline systems, is the largest oil sands gathering business in Canada. In the second quarter, volumes transported on the two systems averaged 570,000 b/d, up 6.5% over the same quarter of 2008.

Cold Lake pipeline volumes were very strong during the quarter, averaging 358,400 b/d, an increase of 23,100 b/d over the same period of 2008. Volumes on the Cold Lake system fluctuate with the timing of steam injection cycles. Overall production growth from producers continues to be strong.

Corridor pipeline volumes, including bitumen blend and supplemental feedstock, averaged 211,600 b/d during the quarter, a 6% improvement over the second quarter of 2008. Production volumes from the Athabasca Oil Sands Project were adversely affected by maintenance and production issues during the second quarter of last year. Cash flow on the Corridor system is generated under a 25-year cost of service contract with Shell, Chevron and Marathon, providing highly stable cash flow which is not dependent on throughput volumes or commodity prices.

In the second quarter, Inter Pipeline announced it had entered into an agreement to supply diluent delivery service to Imperial's Kearl oil sands project. Deliveries will utilize an existing 12-inch line on the Corridor system that will become available for service once the Corridor expansion goes into service. The Kearl agreement, a 25-year ship-or-pay contract, has an initial volume commitment of 60,000 b/d and is expected to generate approximately \$40 million per year to cash flows. Diluent deliveries are expected to begin late in 2012.

**Corridor Expansion Project**

Progress continued on the \$1.8 billion capacity expansion of the Corridor system in the second quarter. The project is substantially complete, on schedule and on budget. Activity through the rest of the year will be focused on remaining clean up efforts. When completed, bitumen blend capacity on Corridor is expected to initially increase from 300,000 b/d to 465,000 b/d.

Capital expenditures on the Corridor expansion project were approximately \$25 million in the second quarter. As of June 30, 2009, total capital of roughly \$1.2 billion has been spent on the project. With pipeline installation and facility construction substantially complete, Inter Pipeline's exposure to major cost overruns has been eliminated. Inter Pipeline has no capital risk on certain remaining cost components, including line fill, interest during construction and storage tank costs. These cost items will be added to Corridor's rate base at their actual cost. The expansion is expected to be in service in late 2010.

**NGL Extraction** Financial results from Inter Pipeline's NGL extraction business segment were lower than the comparable period in 2008 due largely to reductions in throughput and lower NGL prices.

Inter Pipeline's three NGL extraction facilities processed 2.2 billion cubic feet per day (bcf/d) of natural gas during the quarter, a reduction of 11% from the second quarter of 2008. These throughput volumes produced an average of 95,000 b/d of NGL, comprised of 62,100 b/d of ethane and 32,900 b/d of propane-plus. Combined NGL production was 4,100 b/d lower than production levels achieved in the second quarter of 2008, mainly due to a construction-related shutdown at the Empress V extraction facility.

The Empress V ethane recovery enhancement project was successfully completed in the second quarter. The project required the facility to be taken out of service for an extended period. In mid-June the facility was back in service, generating positive results as testing continues. Indications are that the enhancement project will meet design targets of increasing ethane production by 7,000 b/d.

Propane-plus sales from the Cochrane NGL extraction facility are exposed to frac-spread, which is the difference between the price of propane-plus product sales and the cost of natural gas acquired to replace heat content removed through NGL extraction. Frac-spreads decreased quarter over quarter from record high levels in 2008, but have continually strengthened since the latter part of 2008. Inter Pipeline's realized frac-spread was \$0.60 USD/US gallon in the quarter, 18% lower than the \$0.73 USD/US gallon realized in the same period in 2008. Current prices are significantly higher than the 15-year average market frac-spread as of December 31, 2008 of \$0.32 USD/US gallon.

**Conventional Oil Pipelines** Throughput on Inter Pipeline's conventional oil pipeline systems averaged 172,500 b/d in the second quarter, a decrease of 12% from the same period in 2008. Several factors contributed to the decline, including the sale of the Valley pipeline in April and natural production declines. Additionally, crude oil pricing relationships created an incentive for certain producers to temporarily direct volumes away from truck terminal facilities located on the Central Alberta system. Pipeline toll increases offset revenue declines from reduced volumes. Activity under the Nexen storage and marketing agreement contributed strongly to revenue growth in the quarter.

Revenue realized on conventional oil pipelines was \$2.53 per barrel in the second quarter, an increase of 28% over the \$1.98 per barrel realized in the same quarter of 2008.

In the second quarter, Inter Pipeline announced plans to develop a \$72 million expansion of the Bow River pipeline system. This project will allow customers to ship segregated oil streams from the Hardisty oil storage hub to refining customers in Montana. Inter Pipeline's investment is backed by firm shipping commitments of 30,000 b/d for an initial term of 7 years. Construction activities are scheduled to be complete in the first quarter of 2010. As a result of this investment, Inter Pipeline expects to generate approximately \$16.5 million per year in incremental cash flow.

Subsequent to quarter end, Inter Pipeline renewed its storage and marketing agreement with Nexen Marketing, the marketing arm of Nexen Inc., to April 2012. Terms are materially similar to those in the existing agreement with Nexen. The strategic marketing relationship with Nexen allows Inter Pipeline to share in profits generated from marketing-related activities associated with its oil storage and terminalling facilities. There is no downside marketing risk for Inter Pipeline under the Nexen agreement.

## **Bulk Liquid Storage**

Inter Pipeline's European bulk liquid storage business generated funds from operations in the second quarter of \$9.9 million. This represents a slight decrease of 2% from second quarter 2008 results. Over the past year, the European storage business has strategically shifted its focus away from non-core lines of business such as product hauling, engineering services and third party facility management. This has resulted in lower revenues on a year-over-year basis, with a corresponding reduction in operating expenses and administration costs.

Tank utilization rates remained at high levels once again in the second quarter, averaging 95.9%, up from the 94.3% utilization rate achieved in the second quarter of 2008. Strong demand for oil and petrochemical product storage in Europe continues to support high utilization rates in this business. Tank capacity increased by 96,000 barrels as new tanks were added at the Immingham terminal located on the east coast of England.

## **Financing Activity**

Inter Pipeline completed a successful public equity capital unit offering in the second quarter of 2009. Gross proceeds of \$173 million were raised by issuing 20.9 million Class A units. Net proceeds were used to reduce bank indebtedness, and ultimately will be used to help fund Inter Pipeline's inventory of growth projects.

A Premium Distribution<sup>TM</sup> and Distribution Reinvestment Plan (Plan) implemented in the second quarter has been very successful to date. Unitholder participation rates have averaged more than 60% enabling Inter Pipeline to issue approximately \$22 million of equity in the first two months that the plan was implemented.

At June 30, 2009, Inter Pipeline's outstanding debt balance was \$2.2 billion, resulting in a consolidated debt to total capitalization ratio of 63.1%. Adjusting for the impact of approximately \$1.6 billion of Corridor's non-recourse debt, Inter Pipeline's recourse debt to capitalization ratio was a very favourable 32.3%, down significantly from the year end 2008 recourse ratio of 41.6%. At quarter end, Inter Pipeline had access to approximately \$1.3 billion of available capacity on its credit facilities. These facilities have been syndicated with a well-diversified group of 16 major lending institutions. The term of Inter Pipeline's core credit facilities extend through late 2012.

Inter Pipeline continues to maintain investment grade credit ratings. Both Standard & Poor's and DBRS have assigned an investment grade long-term credit rating of BBB to Inter Pipeline. In 2009, subsequent to quarter end, DBRS issued a revised outlook on both Inter Pipeline and Corridor, raising the trend outlook from stable to positive for each entity. Also subsequent to quarter end, Standard & Poor's increased the outlook on Corridor from stable to positive.

**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 2009 financial and operating results.

To participate in the conference call, please dial 866-225-0198 or 416-340-8061. A recording of the call will be available for replay until August 13, 2009, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 4046846.

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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Extraction production <sup>1</sup> (000 b/d)				
Ethane	62.1	63.1	71.0	77.0
Propane plus	<u>32.9</u>	<u>36.0</u>	<u>40.0</u>	<u>45.9</u>
Total extraction	95.0	99.1	111.0	122.9
Pipeline volumes (000 b/d)				
Oil sands transportation <sup>1</sup>	570.0	535.4	581.3	552.5
Conventional oil pipelines	<u>172.5</u>	<u>196.6</u>	<u>177.3</u>	<u>201.1</u>
Total pipeline	<u>742.5</u>	<u>732.0</u>	<u>758.6</u>	<u>753.6</u>
Revenue				
Oil sands transportation	\$30.6	\$38.5	\$64.3	\$75.8
NGL extraction	\$98.1	\$198.4	\$241.3	\$413.2
Conventional oil pipelines	\$39.8	\$35.4	\$78.4	\$69.3
Bulk liquid storage	\$28.8	\$33.8	\$58.9	\$65.8
Net (loss) income	\$39.3	\$10.3	\$82.7	\$70.4
Per unit (basic & diluted)	\$0.18	\$0.05	\$0.37	\$0.32
Funds from operations <sup>2</sup>	\$68.5	\$66.9	\$134.6	\$142.7
Per unit	\$0.30	\$0.30	\$0.60	\$0.64
Cash distributions <sup>2</sup>	\$48.6	\$46.6	\$95.5	\$93.1
Per unit	\$0.21	\$0.21	\$0.42	\$0.42
Payout ratio before sustaining capital <sup>2</sup>	71.0%	69.7%	71.0%	65.2%
Payout ratio after sustaining capital <sup>2</sup>	75.0%	73.1%	74.6%	67.5%
Capital expenditures <sup>2</sup>				
Growth	\$46.0	\$118.7	\$103.0	\$349.1
Sustaining	<u>\$3.6</u>	<u>\$3.1</u>	<u>\$6.6</u>	<u>\$4.7</u>
Total capital expenditures	<u>\$49.6</u>	<u>\$121.8</u>	<u>\$109.6</u>	<u>\$353.8</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

Management's discussion and analysis (MD&A) and unaudited consolidated financial statements as at June 30, 2009 provide additional information about Inter Pipeline's operating results for the three and six month periods ended June 30, 2009 as compared to the three and six month periods ended June 30, 2008. These documents are available at [www.interpipelinefund.com](http://www.interpipelinefund.com) and [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**

### **Investor Relations:**

Jeremy Roberge  
Vice President, Capital Markets  
Email: [jroberge@interpipelinefund.com](mailto: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](mailto: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, statements regarding the potential cash flow contributions from the Kearl Diluent project and the Bow River segregation project, and timing and completion of its Corridor, Cold Lake, Bow River and Kearl projects. 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.

## **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.