inter pipeline

News Release

Inter Pipeline Fund Announces Very Strong Second Quarter 2010 Results

CALGARY, ALBERTA, AUGUST 5, 2010: 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, 2010.

Highlights

- Funds from operations* totalled $88.3 million in the second quarter
- Attractive payout ratio before sustaining capital* of 65.4%
- Cash distributions to unitholders totalled $57.8 million, or $0.225 per unit
- Generated net income of $67.9 million or $0.27 per unit, an increase of 73% over the second quarter of 2009
- Throughput on Inter Pipeline's oil sands and conventional oil pipelines averaged 735,500 barrels per day (b/d) in the second quarter
- Record volumes transported on the Cold Lake pipeline system, averaging 455,100 b/d in the quarter
- Subsequent to quarter end, announced a $40 million expansion project on the Cold Lake pipeline system to increase transportation capacity for the Foster Creek oil sands project
- Subsequent to quarter end, 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

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

Funds From Operations

Funds from operations were very strong in the second quarter, totalling $88.3 million, up $19.8 million or 29% over the second quarter of 2009. Improved results were primarily due to higher production volumes and strong frac-spread prices realized on the sale of propane-plus products from the Cochrane natural gas liquids (NGL) extraction facility.

In the second quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed $18.9 million, $42.2 million, $27.7 million and $15.3 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses, totalled $15.8 million.

Cash Distributions

Cash distributions to unitholders during the second quarter totalled $57.8 million, or $0.225 per unit, resulting in a very strong payout ratio before sustaining capital of 65.4%. After including $5.6 million of sustaining capital costs incurred during the quarter, Inter Pipeline's payout ratio remained conservative at 69.9%. On a monthly basis, Inter Pipeline's current cash distributions are $0.075 per unit or $0.90 per unit annualized.

Inter Pipeline continues to believe 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 all four business segments and strong progress on organic growth projects continue to support Inter Pipeline's positive outlook regarding the sustainability of future distributions.

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. Volumes transported on the Cold Lake and Corridor systems in total averaged 575,100 b/d in the second quarter of 2010, up 5,100 b/d over the comparable period of 2009.

The Cold Lake pipeline system transported record volumes in the second quarter. Throughput volumes averaged 455,100 b/d, an increase of 96,700 b/d or 27% over volumes transported in the second quarter of 2009. Cenovus, Canadian Natural Resources, and Imperial achieved strong production growth at their in-situ bitumen production projects in the Cold Lake region.

Throughput on the Corridor system, including bitumen blend and supplemental feedstock volumes, averaged 120,000 b/d during the quarter, down 91,600 b/d from second quarter 2009 levels due to planned outages at the Athabasca Oil Sands Project. During the quarter, Shell's Scotford upgrader near Edmonton completed a major turnaround with a corresponding shutdown of integrated bitumen mining operations at the Muskeg River mine site near Fort McMurray. Inter Pipeline completed certain pipeline tie-in and commissioning activities related to the Corridor expansion project during this planned outage. Reduced throughput volumes did not impact Inter Pipeline's financial results for the quarter as cash flow on the Corridor system is generated under a long-term cost of service contract with Shell, Chevron and Marathon. This contract provides highly stable cash flow that is not dependent on throughput volumes.

Subsequent to quarter end, 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. This in-situ bitumen recovery project is owned by Cenovus and ConocoPhillips under a 50/50 joint partnership.

Inter Pipeline will install 27 kilometres of new 24" 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% interest in the Cold Lake system. The project is expected to be in service in early 2011.

Corridor Expansion Project

The $1.8 billion capacity expansion project on the Corridor system, the largest construction project in Inter Pipeline's history, 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.

In the second quarter of 2010, Inter Pipeline completed line fill operations on the new 42-inch diameter bitumen blend pipeline connecting the Muskeg River mine site near

Fort McMurray to the Shell Scotford upgrader near Edmonton. During the remainder of 2010, Inter Pipeline will complete additional facility installation and start up work, including the commissioning of a new 20" 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 achieve certain throughput volume thresholds, but in any event no later than January 1, 2011.

In the second quarter of 2010, capital expenditures on the Corridor expansion project were approximately $27 million. Through June 30, 2010, capital expenditures incurred on the project totalled approximately $1.6 billion. Inter Pipeline has no capital risk on remaining cost components including line fill and accumulated interest on construction capital. These variable cost items will be added to Corridor's rate base at their actual cost.

The Corridor expansion project has resulted in the idling of a 12-inch diameter pipeline that previously transported diluent to the Muskeg River mine site. This line, recently re-named the Polaris pipeline, has been contracted to provide diluent transportation service to the Kearl oil sands project, owned by Imperial Oil and ExxonMobil. The Polaris pipeline is expected to enter service in late 2012 under a 25 year transportation agreement. Inter Pipeline intends to pursue additional diluent transportation opportunities to utilize surplus capacity on the Polaris pipeline system.

NGL Extraction

Inter Pipeline's NGL extraction business segment generated very strong financial results in the second quarter of 2010, due primarily to strong propane-plus prices. Funds from operations were approximately $42.2 million in the second quarter, up 68% from the same period in 2009.

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, which tends to follow the price of crude oil, remained strong relative to natural gas prices in the quarter. Inter Pipeline's realized frac-spread was $0.81 US/US gallon during the second quarter, compared to $0.60 US/US gallon in the same period in 2009. Current prices are 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 2.8 billion cubic feet per day (bcf/d) of natural gas during the quarter, up approximately 0.6 bcf/d from the same period in 2009. Throughput levels at the Empress V plant rose to more typical levels following a shut down in the first half of 2009 to install higher efficiency ethane recovery equipment. Inter Pipeline's facilities produced 108,500 b/d of NGL in the quarter, comprised of 71,900 b/d of ethane and 36,600 b/d of propane-plus. Combined NGL production was higher than that achieved in the second quarter of 2009 due mainly to higher throughput volumes and improved ethane recovery rates at the Empress V facility. Inter Pipeline's financial results are not materially impacted by fluctuations in Empress volumes due to the cost of service nature of contracts governing most product sales at those facilities.

Conventional Oil Pipelines

Throughput on Inter Pipeline's conventional oil pipeline systems averaged 160,400 b/d in the second quarter, 7% lower than the same period of 2009. Lower throughput volumes resulted from natural production declines and lower truck terminal receipts. Volume losses due to these factors were partially offset by higher shipments south from the Hardisty market hub on the Bow River pipeline system.

Revenues within the conventional oil pipeline business segment were slightly lower on a year-over-year basis. Under its marketing agreement with Nexen, Inter Pipeline generated lower oil blending revenue due to a narrowing of oil stream price relationships. Toll increases on certain mainline and gathering segments helped offset revenue reductions caused by volume declines and reduced marketing activity.

Inter Pipeline realized average revenue per barrel of $2.55 across its conventional oil pipeline systems, up slightly from $2.53 per barrel in the second quarter of 2009.

Bulk Liquid Storage

In the current quarter, Inter Pipeline's European bulk liquid storage business contributed $15.3 million to funds from operations, up $5.4 million over the second quarter of 2009. This was primarily due to the early receipt of certain payment obligations under a new storage contract at the Seal Sands terminal in the second quarter of 2010. Revenues were also affected by foreign currency translations and the sale of Inter Pipeline's UK trucking division in the second quarter of 2009. Partially offsetting these impacts were higher revenues from the leasing of new storage tanks recently constructed at the Immingham terminal.

Tank utilization rates remained high, averaging 95.8% during the quarter, in line with the 95.9% utilization rate achieved in the second quarter of 2009. Despite the recent economic downturn in Europe, demand for petroleum and petrochemical product storage remains high.

Financing Activity

At June 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%. Excluding 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 very conservative 34.3%. At quarter end, Inter Pipeline had access to approximately $1.0 billion of available capacity on its credit facilities. These facilities are syndicated with a well-diversified group of 16 major lending institutions. The term of Inter Pipeline's core credit facilities extends through late 2012.

Inter Pipeline's investment grade credit profile continues to improve. Subsequent to quarter end, 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's 100% owned subsidiary, Inter Pipeline (Corridor) Inc. to A from A (low). Standard & Poor's (S&P) has assigned an investment grade corporate credit rating of BBB (with a positive outlook) to Inter Pipeline. Inter Pipeline (Corridor) Inc. has been assigned investment grade credit ratings of A3 and A- from Moody's Investor Services and S&P, respectively.

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 2010 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 12, 2010, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 6380344.

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 June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Extraction production[1] (000 b/d)				
Ethane	71.9	62.1	73.5	71.0
Propane-plus	36.6	32.9	39.3	40.0
Total extraction	108.5	95.0	112.8	111.0
Pipeline volumes (000 b/d)				
Oil sands transportation[1]	575.1	570.0	604.5	581.3
Conventional oil pipelines	160.4	172.5	163.3	177.3
Total pipeline	735.5	742.5	767.8	758.6
Revenue				
Oil sands transportation	$36.4	$30.6	$71.3	$64.3
NGL extraction	$143.4	$98.1	$316.5	$241.3
Conventional oil pipelines	$37.7	$39.8	$75.3	$78.4
Bulk liquid storage	$23.9	$28.8	$49.9	$58.9
Net income	$67.9	$39.3	$129.6	$82.7
Per unit (basic & diluted)	$0.27	$0.18	$0.51	$0.37
Funds from operations[2]	$88.3	$68.5	$173.7	$134.6
Per unit	$0.34	$0.30	$0.68	$0.60
Cash distributions[2]	$57.8	$48.6	$115.4	$95.5
Per unit	$0.225	$0.210	$0.450	$0.420
Payout ratio before sustaining capital[2]	65.4%	71.0%	66.4%	71.0%
Payout ratio after sustaining capital[2]	69.9%	75.0%	69.7%	74.6%
Capital expenditures[2]				
Growth	$34.2	$46.0	$65.4	$103.0
Sustaining	$5.6	$3.6	$8.1	$6.6
Total capital expenditures	$39.8	$49.6	$73.5	$109.6

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 June 30, 2010 provide a detailed explanation of Inter Pipeline's operating results for the three and six month periods ended June 30, 2010 as compared to the three and six month periods ended June 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.