inter pipeline

News Release

Inter Pipeline Fund Announces Acquisition of Petroleum Storage Business in Denmark

CALGARY, ALBERTA, JUNE 20, 2011: Inter Pipeline Fund ("Inter Pipeline") (TSX: IPL.UN) announced today that it has entered into an agreement to acquire four petroleum storage terminals in Denmark from a subsidiary of DONG Energy A/S, one of the largest energy groups in Northern Europe. The transaction will involve a cash consideration of €354 million, or approximately $500 million Canadian dollars, and is expected to close in October 2011. Certain closing conditions and customary purchase price adjustments apply to the transaction.

Inter Pipeline will fund the final purchase price with available sources of credit.

"This acquisition more than doubles our storage capacity in Western Europe, while complementing Inter Pipeline's existing storage operations in the United Kingdom, Ireland and Germany," commented David Fesyk, President and Chief Executive Officer.

"From an investor perspective, this is an immediately accretive transaction that adds new long-life energy infrastructure assets with stable cash flow characteristics to our portfolio."

The acquisition will increase Inter Pipeline's total storage capacity in Western Europe to approximately 19 million barrels. It will establish Inter Pipeline as the 4th largest independent storage business in Europe.

Transaction Overview

Inter Pipeline has entered into an agreement to acquire the Asnaes, Ensted, Stigsnaes and Gulfhavn storage terminals from a subsidiary of DONG Energy A/S. Collectively, these terminals represent a discrete business unit known as DONG Energy Oil Terminals ("DEOT").

Key investment highlights related to the DEOT acquisition are described below:

- Terminals are strategically located along the Danish Straits, a major petroleum trade route for marine transport vessels.
- Combined storage capacity of 10.7 million barrels across 51 well maintained tanks.
- Provide deep water loading and unloading access to large shipping vessels including Suezmax and Aframax class marine tankers.
- Historically high utilization rates; existing tank capacity is 100% contracted.
- Well diversified customer base including integrated oil companies and major petroleum traders.
- Approximately 90% of revenue is fixed under term storage contracts.

- Remaining 10% of revenue is generated from throughput fees, blending activities and harbour fees.

- No direct exposure to commodity price fluctuations.

- Substantial lands are available for future capacity expansions, primarily at the Gulfhavn oil terminal.

- Attractive purchase price providing approximately $0.10 per unit in annual accretion to Inter Pipeline's unitholders.

Business Fundamentals

DEOT operates competitively positioned assets with strong business fundamentals. The terminals are located along the Danish Straits, the 3rd most active petroleum transit channel in the world. Only the Strait of Hormuz in the Middle East and the Strait of Malacca in southeast Asia see higher marine traffic for petroleum products. The DEOT terminals are the first high draft locations on the main shipping route between the Baltic Sea and Western Europe.

The business primarily functions as a strategic storage hub for the transshipment of petroleum products within Northern Europe. Significant trade imbalances currently exist between refinery supply and demand locations, particularly with respect to fuel oil, vacuum gas oil, jet fuel and diesel. These structural imbalances are expected to continue, if not amplify, in the future. The DEOT terminals are well positioned to facilitate the regional movement of petroleum products to and from Russia, the Baltic Rim and Western Europe.

DEOT also provides product storage services to major trading customers seeking to capture market arbitrage opportunities. These counterparties are active in trade flows within Northern Europe and occasionally aggregate volumes for shipment to North America and Asia. The DEOT terminals offer build bulk and break bulk logistics for the international movement of petroleum products.

The Asnaes terminal provides further diversification as the primary third party product storage and redistribution site for the adjacent Statoil refinery on the west coast of Sealand, Denmark.

DEOT's cash flow is supported by contracts with 10 major integrated oil companies and oil trading customers. Initial terms typically range from three to five years. The business has historically experienced a very high renewal rate with its customers, and existing storage facilities are 100% utilized. The top five customers account for approximately 60% of annual revenue.

In terms of growth potential, DEOT is well positioned to capture additional revenue through higher demand for product blending services and the potential expansion of the Gulfhavn terminal. Approximately 10 million barrels of additional tankage can be constructed at the deep water Gulfhavn site within existing lands.

Financial Performance and Accretion

In recent years, DEOT has delivered strong growth and impressive financial performance. Since 2008, DEOT's EBITDA has increased by 24%. Growth in cash flow has been primarily driven by escalating storage rates and recent capacity expansions.

2011 EBITDA is forecast to be approximately €38 million, or $52 million Canadian.

Inter Pipeline expects to acquire the DEOT business at a purchase price multiple of 9.3 times forecast EBITDA for 2011. The transaction is expected to be immediately accretive to unitholders. Cash available for distribution is forecast to increase by approximately $0.10 per unit annually.

Acquisition Funding

Inter Pipeline's strong balance sheet, available sources of credit and strong equity capital currency afford several options to finance the DEOT acquisition.

At present, Inter Pipeline anticipates that the full acquisition price will be funded with available sources of credit. Inter Pipeline will continue to monitor credit markets with an objective of potentially terming out a portion of existing debt to create flexibility under its $750 million revolving credit facility.

In addition, Inter Pipeline expects to re-introduce its Premium DRIP™ program in July 2011. Historically this program has been successful raising $10 - $12 million in new equity capital per month. Inter Pipeline does not anticipate the need to issue additional equity beyond the proceeds from the Premium DRIP™ program to fund the acquisition.

No third party debt will be assumed under the financial terms of the transaction.

"This acquisition is an important step forward in our European growth strategy," commented David Fesyk. "It's an attractive opportunity to add scale, scope and diversification to our bulk liquid storage business in Northern Europe."

"The Danish oil terminals represent a new platform for organic growth, although we expect future capital investments to remain primarily focused on the strong development potential within Inter Pipeline's core pipeline business in Canada."

DEOT Presentation

For further information on the DEOT acquisition, please refer to a slide presentation available on Inter Pipeline's website at www.interpipelinefund.com.

TM Denotes trademark of Canaccord Capital Corporation

Inter Pipeline Fund

Inter Pipeline is a major petroleum transportation, natural gas liquids extraction, and bulk liquid storage 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

Pursuant to Inter Pipeline's limited partnership agreement dated October 9, 1997, as amended, all unitholders are required to be residents of Canada. A copy of the limited partnership agreement can be found at www.interpipelinefund.com by selecting "Corporate Governance". If a unitholder is a non-resident of Canada ("Non-Eligible Unitholder"), he will not be considered to be a member of the partnership effective the date the Class A Units were acquired. Inter Pipeline requires all Non-Eligible Unitholders to dispose of their Class A Units in accordance with the limited partnership agreement.

In most cases, a unitholder with an address outside of Canada will be a Non-Eligible Unitholder.

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: tmate@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, forward EBITDA estimates and future accretion estimates. 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, the risk of not completing the DEOT acquisition by the anticipated closing date, or at all, 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, namely, "EBITDA" and "cash flow" 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.