

LETTER TO UNITHOLDERS

GORDON G. TALLMAN

CHAIR, BOARD
OF TRUSTEES



JAMES A. SCHULTZ

PRESIDENT,
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SERVICES INC.



In 2008, Enbridge Income Fund proved the value of its low risk business model, delivering a total unitholder return of over 11% in a year of economic downturn and financial market turmoil. We also completed a number of expansion projects that further strengthens our portfolio of strategically positioned energy infrastructure assets.

Normalized cash available for distribution in 2008, after adjusting for one-time settlements, rose by 15.8% to \$85.1 million, compared to \$73.5 million in 2007. The increase in distributable cash reflected strong operating performance in the Fund's core business segments—the Alliance Canada natural gas pipeline, the Saskatchewan crude oil and liquids pipelines system and Green Power electricity generation.

In June 2008, we increased monthly distributions to unitholders by 7.5% in keeping with our desire to have unitholders benefit directly from increased cash flow generated by our businesses. Over the year, the Fund declared total cash distributions of \$74.9 million, about 88% of normalized cash available for distribution, and slightly under our payout target of 95%.

For the full year, the Fund generated a positive total unitholder return of 11.4%, which made us the top performer among Canadian energy infrastructure trusts in 2008. The Fund also outperformed both the S&P/TSX Income Trust Index and the S&P/TSX Composite Index, where total returns declined 26% and 33%, respectively.

Entering 2009, we have increased regular monthly distributions by a further 11.6% on the strength of increased cash flow that will be generated by the projects that we completed in 2008.

We believe the Fund can continue to increase cash generated from operations. Our confidence is based on the organic growth opportunities we foresee for our core businesses, particularly in the growing shale gas regions in northeastern British Columbia and light oil fields of southeastern Saskatchewan.

CORE BUSINESS ASSETS

*NATURAL GAS TRANSPORTATION:
50% interest in the Alliance Canada pipeline*

*CRUDE OIL and LIQUIDS TRANSPORTATION:
100% interest in the Saskatchewan System*

*GREEN POWER GENERATION:
50% interest in NRGreen, a generator of
electric power from waste heat, and interests in
three wind power projects in Western Canada*

ALLIANCE CANADA

In 2008, Alliance Canada delivered an average of 1.609 billion cubic feet per day (bcf/d) of natural gas for its shippers, up from 1.598 bcf/d delivered in 2007. This growth reflects Alliance's continued focus on improving efficiencies on its system, which provides a high-pressure, liquids-rich pipeline service from Western Canada to the Chicago market hub.

Alliance completed construction of the BCX Expansion Project in December 2008 on schedule and within budget. The facilities commenced operation in January 2009. This expansion has enhanced receipt capacity for natural gas receipts originating in northeastern British Columbia.

Alliance Canada has the strategic positioning, flexibility and agility to take full advantage of the excellent development opportunities in this region, where the Montney and Horn River formations combined have an estimated 50 to 75 trillion cubic feet of natural gas reserves. Alliance is also well positioned to provide the infrastructure to transport Northern gas should those pipeline developments come to fruition.

SASKATCHEWAN SYSTEM

We are also optimistic about growth prospects for the Fund's crude oil system in Saskatchewan and Manitoba.

The \$34-million expansion of the Westspur pipeline went into service on schedule in June 2008, increasing capacity by 34%. As forecast, the expanded pipeline is already running at full capacity.

In November, we announced a further \$100-million expansion to increase the combined upstream capacity of our Weyburn, Westspur and Saskatchewan pipelines by approximately 129,000 barrels per day in 2010.

These expansions address growing demands from shippers in the Bakken Formation in southeastern Saskatchewan, which is estimated to have a substantial reserve of over 2.5 billion barrels of recoverable oil. We plan to take full advantage of the growth opportunities in this region.

WELL-POSITIONED ASSETS

OUR CONFIDENCE IS BASED ON THE ORGANIC GROWTH OPPORTUNITIES WE FORESEE FOR OUR CORE BUSINESSES, PARTICULARLY IN THE GROWING SHALE GAS REGIONS IN NORTHEASTERN BRITISH COLUMBIA AND LIGHT OIL FIELDS OF SOUTHEASTERN SASKATCHEWAN.

GREEN POWER

In 2008, NRGreen brought into service three waste heat electricity generating stations in addition to Kerrobert. The facilities at Kerrobert, Loreburn, Estlin and Alameda, Saskatchewan, have the combined capacity to generate approximately 20 megawatts of greenhouse-gas-free electricity using exhaust heat from Alliance Pipeline compressor stations. The electricity is sold to SaskPower through 10-year power purchase agreements, which can be extended at NRGreen's option for up to an additional 10 years.

The Fund's three wind power assets in Alberta and Saskatchewan, which are also supported by long-term contracts, performed well but generated less energy than in 2007 due to lower than anticipated wind resource.

We will continue to examine additional green opportunities that fit with the Fund's goal of producing electricity via alternative energy sources and work to optimize current assets.

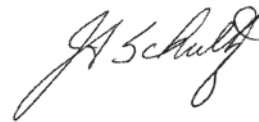
We believe the Fund has a winning value proposition for unitholders seeking strength and stability in their investment portfolios—high-quality, long-life assets; predictable operating cash flows; low-risk, attractive returns; significant organic growth opportunities; and the sponsorship of and strategic alignment with Enbridge Inc., which has one of the strongest track records for developing and managing energy infrastructure.

We look forward to 2009 and beyond with confidence as we seek to grow our asset base and maximize long-term value for unitholders.



Gordon G. Tallman

Chair, Board of Trustees



James A. Schultz

President, Enbridge Management Services Inc.

March 2, 2009