



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

For the three and nine months ended September 30, 2008

Enbridge Income Fund Announces Increase in Monthly Distributions, Saskatchewan System Expansion and Third Quarter Earnings

Highlights

- Regular monthly distributions to increase by 11.6% in 2009
- Third quarter earnings increased 29% to \$4.9 million
- The Fund announces \$100 million expansion project on the Saskatchewan System
- Estlin and Alameda waste heat facilities began operations

Calgary, Alberta, November 3, 2008 – Enbridge Income Fund (the Fund) today announced earnings of \$4.9 million, or \$0.14 per unit, for the three months ended September 30, 2008 compared with \$3.8 million or \$0.11 per unit during the same period in the prior year. The increase reflected strong earnings in the Fund's business segments. For the three and nine months ended September 30, 2008, cash flow provided by operating activities was \$30.1 million (2007 - \$30.6 million) and \$87.6 million (2007 - \$71.1 million), respectively, while cash available for distribution was \$22.2 million (2007 - \$19.0 million) and \$68.6 million (2007 - \$55.7 million), respectively.

"I'm very pleased to announce that the Fund will increase regular monthly distributions from \$0.086 to \$0.096 per unit, effective with the distribution to be paid to unitholders of record at the end of January 2009," said Jim Schultz, President of Enbridge Management Services Inc., the Administrator of the Fund. "The distribution increase reflects the increased cash flow generated by organic growth projects, which come into service in 2008."

"The third quarter results reflected positive incremental cash flow and earnings from the completion of the Westspur expansion project on our Saskatchewan crude oil system," said Mr. Schultz. "Additionally, in July, NRGreen's Estlin waste heat facility began operations; this facility has the capacity to generate 5.1 megawatts of environmentally friendly power. In October, NRGreen also completed construction and commenced operation of its Alameda waste heat facility, the fourth waste heat facility to be completed. The Fund looks forward to additional growth in cash flows from the new NRGreen facilities and Alliance Canada's BCX expansion which is expected to be in service at the end of 2008."

Mr. Schultz continued that "the Fund is also pleased to announce further expansion of our Weyburn, Westspur and Saskatchewan crude oil pipeline systems to address the growing demands from shippers as a result of increased drilling in the Bakken formation in South East Saskatchewan. The combined expansions will increase upstream capacity from 130,000 bpd to 205,000 bpd and are expected to be in-service in the third quarter of 2010 at a cost of approximately \$100 million subject to finalization of definitive cost estimates and project budgets."

During the three months ended September 30, 2008, the Fund declared monthly cash distributions of \$0.086 per unit, and distributions in the same amount per unit were declared on the ECT preferred units. The Fund pays cash distributions on a monthly basis to unitholders of record on the last business day of each month. Distributions are payable on or about the 15th day of the month following the declaration. Cash distributions paid to ordinary and subordinated unitholders for the three and nine months ended September 30, 2008 were \$8.9 million (2007 - \$8.3 million) and \$26.8 million (2007 - \$24.9 million), respectively.


Based on current operations, the Fund estimates that approximately 90% of cash to be distributed in 2008 will be included in the income of unitholders for tax purposes. The remaining 10% of cash distributed to unitholders represents non-taxable return of capital.



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ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

On June 21, 2004, the Fund announced the commencement of a Distribution Reinvestment and Unit Purchase Plan (the "Plan"). Participants may elect, without brokerage fees, to automatically reinvest monthly distributions in additional units of the Fund, and may make optional cash payments of up to \$1,000 per month (subject to a minimum of \$100 per month) to purchase additional units of the Fund. Details of the Plan are available on the Fund's website. Investors should contact their respective investment dealer to enroll.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

Enbridge Income Fund Management's Discussion & Analysis For the three and nine months ended September 30, 2008

This management's discussion and analysis (MD&A), dated November 3, 2008 should be read in conjunction with the unaudited interim consolidated financial statements of Enbridge Income Fund (the Fund) as at and for the three and nine months ended September 30, 2008, and the audited financial statements and MD&A contained in the Fund's Annual Report for the year ended December 31, 2007. Unless otherwise noted, all financial information is in Canadian dollars and financial information pertaining to Alliance Canada and Green Power reflects the Fund's proportionate share. Additional information related to the Fund, including the Fund's Annual Information Form, is filed on SEDAR at www.sedar.com.

CONSOLIDATED EARNINGS

<i>(millions of dollars)</i>	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2008	2007	2008	2007
Alliance Canada	14.7	14.1	49.7	42.8
Saskatchewan System	3.6	3.0	12.9	9.8
Green Power	0.7	-	0.8	1.7
Corporate	(14.1)	(13.3)	(46.3)	(44.0)
Earnings	4.9	3.8	17.1	10.3

For the three months ended September 30, 2008, increased earnings of \$1.1 million from the prior year comparative period reflected growth in the Saskatchewan System, non-cash derivative gains in the Green Power segment and higher earnings in Alliance due to the change in treatment of expenditures for compressor overhaul maintenance.

Earnings, for the nine months ended September 30, 2008, increased by \$6.8 million compared with the nine months ended September 30, 2007. Increased earnings in Alliance Canada and the Saskatchewan System were partially offset by lower earnings from the Green Power segment and higher Corporate costs which resulted from the increase in the distribution rate in the second quarter of 2008. Alliance Canada earnings reflected the Fund's 50% share of the \$11.7 million payment received in the first quarter by Alliance Canada in the Calpine Energy Services Canada Partnership (CESCA) bankruptcy settlement.

FORWARD LOOKING INFORMATION

In the interest of providing the Fund's unitholders and potential investors with information about the Fund and its subsidiaries, including management's assessment of the Fund's and its subsidiaries' future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although the Fund believes that these forward-looking statements are reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements.

The Fund's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, weather, economic conditions and commodity prices, including but not limited to those risks and uncertainties discussed in this MD&A and in the Fund's other filings with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Fund's future course of action depends on management's assessment of all information available



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

at the relevant time. Except to the extent required by law, the Fund assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Fund or persons acting on the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to cash available for distribution. Cash available for distribution represents cash available to fund distributions on ordinary units, subordinated units and ECT preferred units, as well as for debt repayments and reserves. This measure is important to unitholders as the Fund's objective is to provide a predictable flow of distributable cash to unitholders. Please refer to the Cash Available for Distribution reconciliation on page 7. Cash available for distribution is not a measure that has standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

FUND DESCRIPTION AND OBJECTIVE

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund is administered by Enbridge Management Services Inc. (EMSI or Manager or Administrator), a wholly owned subsidiary of Enbridge Inc. (Enbridge). The Fund owns the Saskatchewan System, a 50% interest in Alliance Pipeline Limited Partnership (Alliance Canada) as well as a 50% interest in NRGreen Power Limited Partnership (NRGreen) and interests in three wind power projects in Western Canada (collectively known as Green Power.)

The Fund's objective is to provide a predictable flow of distributable cash through investment in energy infrastructure and to increase, where prudent, cash distributions per unit.

ALLIANCE CANADA

(millions of dollars)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Earnings	14.7	14.1	49.7	42.8

Alliance Canada is the Canadian portion of the 3,000 km Alliance System. The Alliance System is designed to transport 1,325 million cubic feet per day (mmcf/d) of natural gas from Northeastern British Columbia and Northwestern Alberta to the Chicago, Illinois area.

Alliance Canada has transportation service agreements (TSAs) with its shippers for 100% of its available firm transportation capacity. Alliance Canada's transportation service agreements are designed to provide toll revenues sufficient to recover prudently incurred costs of service, including operating and maintenance, depreciation, an allowance for income and provincial capital taxes, costs of indebtedness and an allowed return on equity of 11.26% after tax, based on a deemed 70/30 debt/equity ratio. The initial term of these agreements expires in 2015, except for 1.5% of contracted transportation capacity, which is currently contracted until March 2010.

Alliance Canada earnings for the three months ended September 30, 2008 increased over the comparable prior year period primarily due to an increase in the allowance for income taxes included in tolls. This increase was offset by the lower equity return in 2008, caused by the depreciating investment base. Earnings reflect a return on equity applied to investment base accounts. The rate used to calculate the equity return is not expected to change; however without additions to the investment base, related annual earnings will decline over time as the investment base is depreciated.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

In 2008, the treatment of expenditures for compressor overhaul maintenance and other replacement equipment was revised such that these costs are now expensed instead of capitalized as they were in prior years, increasing both operating and maintenance expense and toll revenue. Given the rapid consumption rate associated with these expenditures and that overhaul maintenance expenditures relate primarily to the replacement of worn or obsolete equipment nearing the completion of its useful life, Alliance Canada determined that it is more appropriate to expense these items. Earnings for both the three and nine months ended September 30, 2008 were positively impacted by a higher allowance for income taxes reflected in toll revenue related to this change.

Earnings for the nine months ended September 30, 2008 were \$6.9 million higher than the comparable nine month period ended September 30, 2007. This increase was primarily due to the CESCA bankruptcy settlement received in the first quarter of 2008 in respect of CESCA's repudiated capacity commitment. The final settlement and interest accrued increased earnings by \$6.1 million.

Revenue for the three and nine months ended September 30, 2008 was \$54.2 million and \$162.4 million, respectively, compared with revenue of \$51.7 million and \$155.0 million for the three and nine months ended September 30, 2007. The increase in revenue for the three and nine months ended September 30, 2008 reflected the change in treatment of overhaul maintenance expenditures discussed above.

SASKATCHEWAN SYSTEM

<i>(millions of dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Earnings	3.6	3.0	12.9	9.8

The Saskatchewan System includes four crude oil and liquids pipeline systems: the Saskatchewan Gathering, Westspur, Weyburn and Virden pipeline systems. Together, these systems include approximately 356 km of trunk line and 1,900 km of gathering pipeline with operating capacities ranging from 37,000 bpd to 255,000 bpd.

Earnings for the three and nine month periods ended September 30, 2008 increased due to growth in the rate base related to expansion of the Westspur System as well as higher allowance oil sales on the Virden and Weyburn Systems. On June 1, 2008, the Westspur expansion was brought into service. This expansion increased capacity on the Westspur System by approximately 34%.

The Saskatchewan Gathering System and the Westspur System tolling agreements are designed to provide toll revenues sufficient to recover operating costs, depreciation, deemed interest expense, deemed income tax, a return on rate base and to provide an administrative expense allowance. The rate used to calculate the equity return is not expected to change. However, the rate base upon which the equity return is calculated will change over time due to depreciation as well as maintenance and enhancement capital additions and expansions. Tolls on the Weyburn and Virden Systems are based on historical precedence and/or agreements with customers and are updated to reflect changes in market conditions when warranted. As a result, earnings from Weyburn and Virden reflect tolls less costs incurred.

For the nine months ended September 30, 2008, revenue was \$46.1 million compared with \$38.0 million for the nine months ended September 30, 2007 reflecting increased throughputs and higher cost of service recoveries on both the Westspur and Saskatchewan Systems, as well as higher allowance oil sales. Revenue for the Saskatchewan Gathering and Westspur Systems primarily reflects the cost of service recovery, whereby an increase in costs results in increased revenue. Revenue for the three months ended September 30, 2008 was \$15.7 million while revenue for the three months ended September 30, 2007 was \$12.2 million. The increase in the period reflected the same factors as the nine months ended September 30, 2008.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

GREEN POWER

(millions of dollars)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Earnings	0.7	-	0.8	1.7

Green Power includes the Fund's 33% to 50% interests in three wind power projects in Saskatchewan and Southern Alberta which, collectively, can generate a total of 71 megawatts (MW) of electricity. Green Power also includes the Fund's 50% interest in NRGreen, which develops and operates waste heat recovery facilities along the Alliance Pipeline. On November 1, 2008 NRGreen's fourth waste heat facility, Alameda, commenced operations, increasing NRGreen's total capacity to 20 MW of power. These facilities convert waste heat to electricity, which is then sold under long-term power purchase agreements. The first facility began commercial operations in late 2006 and the second and third facilities at Loreburn and Estlin, Saskatchewan began operations in late May and July 2008, respectively.


Green Power earnings for the three months ended September 30, 2008 were higher than the comparable prior year period which reflected positive incremental earnings from both the Loreburn and Estlin facilities as well as an unrealized non-cash derivative gain of \$0.6 million related to wind power.

Earnings for the nine months ended September 30, 2008 were \$0.9 million lower than the prior year comparable period. Positive earnings from NRGreen's new facilities offset lower earnings from a shutdown in the first quarter of 2008 at NRGreen's Kerrobert facility caused by a bearing and mechanical seal failure. This facility is covered by warranty under which NRGreen is pursuing the recovery of repair costs. NRGreen is also pursuing recovery of lost revenue from its insurers. Earnings also reflected interest expense on NRGreen's non-recourse credit facility drawn upon in March 2008 and an unrealized derivative loss of \$0.3 million for the nine month period. Earnings for the nine months ended September 30, 2007 reflected a future income tax recovery of \$0.2 million as a result of the enactment of Bill C-25, the Tax Fairness Plan.

The Green Power segment has entered into derivative instruments to mitigate cash-flow fluctuations associated with revenue generated on its wind power projects by fixing the price of power. A portion of the derivative instruments has not been designated as a hedge for accounting purposes. As a result, changes in the fair value of this portion are reflected in earnings each period.

In October 2008, NRGreen made progress with warranty and insurance claims originating from the 2007 shutdown. A recovery will be booked in the fourth quarter of 2008, when the \$0.2 million is received from this settlement. Insurance and warranty claims related to the Kerrobert facility shut down in the first quarter of 2008 remain outstanding.

Revenue for the three months ended September 30, 2008 was \$2.3 million compared with revenue of \$1.1 million for the three months ended September 30, 2007. The increase was primarily attributable to the revenue contributed by the Loreburn and Estlin facilities in 2008. Revenue of \$4.8 million for the nine months ended September 30, 2008 was consistent with the prior year comparable period. This reflects the increased revenue contribution from the Loreburn and Estlin facilities, offset by the non-cash derivative losses in Wind Power and the NRGreen Kerrobert facility shutdown in the first quarter of 2008.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

CORPORATE

<i>(millions of dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Costs	(14.1)	(13.3)	(46.3)	(44.0)

Corporate costs included distributions on the preferred units of Enbridge Commercial Trust (ECT), a subsidiary of the Fund, as well as interest expense, incentive fees and management and administrative costs.

Corporate costs for the three months ended September 30, 2008 were \$0.8 million higher than corporate costs for the three months ended September 30, 2007. This increase was driven by higher incentive fees and ECT preferred unit distributions resulting from the 7.5% increase in unitholders' distributions announced in May 2008.

Corporate costs for the nine months ended September 30, 2008, reflect similar factors as for the three months results, with the exception of higher current taxes primarily due to the timing of the CESCA bankruptcy settlement received by Alliance Canada in the first quarter of 2008.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2008, the Fund had \$65.0 million available on its \$150.0 million credit facility. This facility, combined with cash generated by operating activities, and supplemented by additional financing as necessary, is expected to be sufficient to fund liabilities as they come due, finance budgeted investing activity and pay monthly cash distributions.

The Fund's cash balance at September 30, 2008 of \$23.9 million included \$17.9 million held in trust by Alliance Canada, pursuant to finance arrangements within Alliance Canada.

Operating Activities

Cash provided by operating activities for three months ended September 30, 2008 of \$30.1 million was consistent with the prior year's cash provided by operating activities of \$30.6 million. Higher earnings in the third quarter of 2008 were offset by lower cash provided by changes in operating assets and liabilities.

For the nine months ended September 30, 2008, cash provided by operating activities increased by \$16.5 million from the prior year period. Cash provided by operating activities was positively impacted by the \$6.1 million CESCA bankruptcy settlement received in January 2008.

Investing Activities

Cash used for investing activities for the three months ended September 30, 2008 was \$13.1 million, a \$2.8 million decline from the prior year comparative period. This decrease in investing activities reflected the timing of the expenditures on the Westspur expansion, which began in the third quarter of 2007 and was completed on June 1, 2008.

Cash used for investing activities for the nine months ended September 30, 2008 was \$43.6 million (2007 - \$39.3 million). The increased investing activities in the current year relate primarily to the Westspur expansion project in Saskatchewan, which was brought into service on June 1, 2008, and to the British Columbia expansion project at Alliance Canada.

Financing Activities

Financing activities for the three and nine months ended September 30, 2008 included monthly distributions to unitholders, which increased as a result of the 7.5% increase in the annual distribution rate announced in May 2008. Draws on non-recourse credit facilities, payments on the Corporate credit facility and scheduled non-recourse debt repayments are also all included in financing activities.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

In March 2008, NRGreen secured new credit facilities consisting of a construction credit facility of \$52.5 million and an operating credit facility of \$5.0 million. The construction facility will convert to a two year revolving credit facility upon the earlier of December 31, 2008 and the initial date of commercial operations of the Loreburn, Estlin and Alameda (LEA) waste heat facilities. Under this agreement, NRGreen has pledged its property as collateral and assigned its material agreements, including its power purchase agreements with SaskPower, to its lender. After commencement of commercial operations of the LEA facilities and as part of any request for the extension of the term of the operating facility, NRGreen may convert all or part of the construction facility into the operating facility. The operating facility is an extendible revolving facility that matures on August 31, 2011. In March 2008, NRGreen drew on the credit facility and distributed \$20.0 million as a return of equity to the Fund. The Fund used this payment to pay down debt outstanding under its own credit facility, which had been incurred to Fund capital expansion at NRGreen. Obligations under the NRGreen credit facility are non-recourse debt to the Fund.

On February 10, 2008, the maturity date of the Fund's existing three-year credit facility was amended from February 10, 2010 to February 10, 2011.

In July 2007, Alliance Canada acquired a \$12.4 million investment in asset-backed commercial paper (ABCP), issued by a structured investment trust (the Trust). As a result of deteriorating liquidity in the ABCP market in mid 2007, Alliance Canada was unable to redeem this investment upon its maturity on August 31, 2007. In March 2008, the Pan-Canadian Investors Committee (the Committee) announced its application to the Ontario Supreme Court of Justice requesting the Court call a meeting of ABCP note-holders to vote on the Committee's proposed restructuring plan. In the second quarter of 2008, the restructuring plan was approved but the decision was appealed by various Corporate note-holders to the Ontario Court of Appeal in June. Following a dismissal of the appeal by the Ontario Court of Appeal in June, the various Corporate note-holders appealed this decision with the Supreme Court of Canada. In September 2008 the appeal to the Supreme Court of Canada was denied. The restructuring plan will involve the conversion of the asset-backed commercial paper into medium term notes; it is expected to be implemented in the fourth quarter of 2008. The ratings of the medium term notes received in exchange for the asset-backed commercial paper will vary depending on each note's underlying assets and related security.

The Fund does not anticipate that the treatment of Alliance Canada's investment in ABCP will have a significant impact on its operations or ability to meet upcoming debt obligations.

In July 2008, SemCanada Crude Company (SemCanada), a Shipper on the Saskatchewan System filed for creditor protection under the Companies' Creditors Arrangement Act in Canada. Management believes that this situation will not have a material impact on the Fund's operating or financial performance.



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ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

CASH AVAILABLE FOR DISTRIBUTION

On November 3, 2008, the Board of Trustees announced an 11.6% increase to the regular monthly distributions. Effective for 2009, the regular monthly distributions will increase from \$0.086 per unit to \$0.096 per unit. This distribution increase reflects strong results and cash flow from the Fund's core businesses, including the recently completed Westspur expansion.

In May 2008, the Board of Trustees announced a change to the Fund's distribution policy. The Fund now targets to distribute approximately 95% of cash available for distribution each calendar year. The distribution will not typically be adjusted in circumstances where a change in cash available for distribution is not considered to be recurring. Formerly, the Fund had only implemented distribution increases when the increase could be sustained for at least five years into the future, including additional 1% annual increases, at an average payout ratio of 95%. This approach is no longer practical in light of the federal Government's tax on Specified Income Flowthrough Vehicles, which will most likely reduce cash available for distribution if it is imposed, as expected, in 2011.

As set out in the following table, cash available for distribution consists of operating cash flow from the Fund's underlying businesses less deductions for maintenance capital expenditures, the Fund's administrative and operating expenses, corporate segment interest expense, applicable taxes and other reserves deemed prudent by the Manager.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

CASH AVAILABLE FOR DISTRIBUTION¹

<i>(millions of dollars)</i>	Three months ended		Nine months ended	
	2008	2007	2008	2007
Cash Provided by Operating Activities	30.1	30.6	87.6	71.1
Add/(Deduct):				
ECT preferred unit distributions ²	9.8	9.1	29.4	27.4
Alliance Canada maintenance capital expenditures ³	(0.4)	(1.2)	(2.8)	(3.8)
Alliance Canada debt repayments ⁴	-	-	(14.2)	(13.1)
Alliance Canada other cash retained ⁶	(11.1)	(9.3)	(18.9)	(19.5)
Green Power cash distributed/(retained) ⁶	0.2	0.1	0.1	(0.4)
Saskatchewan System maintenance capital expenditures ³	(1.1)	(1.4)	(2.2)	(2.3)
Change in operating assets and liabilities in the period ⁵	(5.3)	(8.9)	(10.4)	(3.7)
Cash Available for Distribution¹	22.2	19.0	68.6	55.7

Cash Available for Distribution is comprised of the following:

Alliance Canada distributions	18.0	17.7	58.6	49.6
Alliance Canada capital tax	(0.1)	(0.1)	(0.2)	(0.4)
Saskatchewan System operating income before depreciation, amortization and accretion	8.1	5.6	24.8	19.0
Saskatchewan System maintenance capital expenditures	(1.1)	(1.4)	(2.2)	(2.3)
Green Power distributions	1.2	0.7	3.0	2.9
Corporate management and administrative expense	(1.5)	(1.0)	(4.4)	(3.8)
Corporate other income	-	-	0.1	0.1
Corporate interest expense	(3.2)	(3.4)	(9.1)	(9.6)
Corporate current taxes	0.8	0.9	(2.0)	0.2
Cash Available for Distribution¹	22.2	19.0	68.6	55.7

ECT Preferred Unit Distributions Declared	9.8	9.1	29.4	27.4
Ordinary and Subordinated Units Distributions Declared	8.9	8.3	26.8	24.9
Cash Distributions Declared	18.7	17.4	56.2	52.3

¹ See Non-GAAP Measures on page 2.


² The cash available for distribution above is compared to the total distributions, including ECT preferred unit distributions. Since ECT preferred units are treated as debt under GAAP with distributions deducted from earnings, the ECT preferred unit distributions have been added back to the cash provided from operating activities.

³ Maintenance capital expenditures reduce cash available for distribution since these expenditures are funded through cash from operations.

⁴ Debt repayments in Alliance Canada are deducted from cash from operations in deriving cash available for distribution because they are funded from cash from Alliance Canada's operations.

⁵ Change in operating assets and liabilities in the period reflect changes in non-cash working capital related to operating activities. The change has been added back to cash available for distribution since fluctuations in working capital are expected each period and are not indicative of changes in cash available to be distributed.

⁶ The cash retained or distributed by Alliance Canada and Green Power reflects the cash from operations of these segments that has not been distributed to the Fund or distributions in excess of cash earnings in the period. While this cash from operations is proportionately consolidated and included in the Fund's cash provided by operating activities, it is not available for distribution by the Fund until it has been received from Alliance Canada and the Green Power segment. Cash retained by Alliance Canada and Green Power includes debt service reserves, capital expenditures and other cash needed to fund working capital or other requirements of these segments.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

Cash available for distribution represents cash available to fund distributions on ordinary units, subordinated units and ECT preferred units, as well as for debt repayments and reserves.

For the three and nine months ended September 30, 2008, distributions declared represented 84.2% (2007 – 91.6%) and 81.9% (2007 – 93.9%) of cash available for distribution, respectively. The year to date decrease in the distribution payout rate reflected the CESCA bankruptcy settlement received in the first quarter. Since the cash received represents cash in lieu of future tolls, the incremental cash available for distribution increase will be distributed to unitholders over the life of the repudiated contract. Excluding the cash received in the second quarter from the CESCA settlement, cash available for distributions to distributions declared for the nine months ended September 30, 2008 was 89.6%.

Based on current operations, the Fund estimates that approximately 90% of cash distributed in 2008 will be included in the income of unitholders for tax purposes. The remaining 10% of cash distributed represents the non-taxable return of capital.

The following table provides a comparison of cash distributions to cash provided by operating activities and to earnings.

<i>(millions of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30, 2008	2007	September 30, 2008	2007
Cash Provided by Operating Activities	30.1	30.6	87.6	71.1
Earnings	4.9	3.8	17.1	10.3
Ordinary and Subordinated Unit Cash Distributions Declared ¹	8.9	8.3	26.8	24.9
Excess of cash provided by operating activities over ordinary and subordinated cash distributions declared	21.2	22.3	60.8	46.2
Shortfall of earnings over ordinary and subordinated cash distributions	(4.0)	(4.5)	(9.7)	(14.6)

¹ ECT Preferred Unit Distributions have been excluded from this reconciliation since these distributions are reductions to earnings under GAAP.

For the three and nine months ended September 30, 2008, cash from operating activities exceeded the cash distributions paid to ordinary and subordinated unitholders by \$21.2 million (2007 - \$22.3 million) and \$60.8 million (2007 - \$46.2 million), respectively. This measure will fluctuate throughout the year to reflect the fluctuations in working capital as well as cash retained by joint ventures.

Earnings were lower than cash distributions to ordinary and subordinated unitholders for the three and nine months ended September 30, 2008. The smaller shortfall in earnings over distributions in the nine months ended September 30, 2008 when compared to the prior year comparable period was reflective of the time lag between when cash was generated and when cash was distributed. An excess of distributions over earnings is expected to continue in the future and partly represents a return of capital to unitholders (including ECT Preferred Unitholders.) Under GAAP, earnings reflect non-cash items such as amortization of deferred financing costs and depreciation as well as changes in future income taxes due to tax rate changes, all of which do not impact cash flow. Depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance may be lower than depreciation expense.

RECENT DEVELOPMENTS AND OUTLOOK

The Fund will continue to focus on managing its existing assets and seek to increase distributable cash flow through investment in low risk, predictable energy infrastructure, subject to available capital.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

Alliance Canada manages its operating assets and infrastructure with the objective of maximizing shipping capacity, excelling in operating performance and increasing the competitiveness of its tolls. Current initiatives include the British Columbia Expansion Project (BCX).

The BCX project will enhance Alliance Canada's capacity for natural gas receipts originating in northeastern British Columbia. The BCX project involves construction of a Taylor Junction compressor station that would enable increased receipt capacity on the Taylor-Aitken Creek lateral system. This project will not increase the mainline capacity but will enable existing shippers to increase gas nominations at receipt points in B.C. Construction is underway and the project is expected to be completed and in-service in December 2008.

In 2007, Alliance Canada filed its 2008 tolls with the NEB which included a toll increase of 10.7% effective January 1, 2008. A toll objection was filed by a shipper and a NEB hearing on Alliance's proposed 2008 tolls resulted. On September 23, 2008, the NEB dismissed the shipper's objection and approved the 2008 tolls, as filed, effective January 1, 2008.

The Saskatchewan System continues to focus on meeting the increased crude oil production and growing demand for pipeline capacity in the areas served by its systems through expansion and development initiatives. The recently completed Westspur expansion has been in-service since June of this year, increasing capacity by 34% for crude oil and NGL deliveries into Cromer, Manitoba. With increased drilling in the Bakken formation in South East Saskatchewan, the Fund has proposed, and received majority support from both Shippers and Producers, for an expansion of the Weyburn, Westspur and Saskatchewan systems. The combined expansions will increase upstream capacity from 130,000 bpd to 205,000 bpd. Total costs for these expansions are estimated to be approximately \$104 million (including capitalized interest), with an expected in-service date of Q3 2010.

The total forecast capital expenditures for 2008 for the Saskatchewan System was increased to \$39.2 million to account for increased customer connections on the Saskatchewan Gathering System.


In the Green Power segment, NRGreen's Loreburn waste heat facility began operations in May 2008 and the Estlin waste heat facility began operation in July 2008. NRGreen's fourth waste heat facility, the Alameda facility, was completed and began operations on November 1, 2008. Approximately \$2.5 million in project costs remains to be spent in the fourth quarter of 2008.

FUTURE ACCOUNTING POLICY CHANGES

International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in February 2008 that publicly accountable entities will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements by January 1, 2011. The Fund expects that the transition to IFRS, planned for January 1, 2011, will impact accounting policies, financial reporting and information technology systems and processes.

The Fund has begun an IFRS conversion project and has made progress on determining the impacts of transitioning to IFRS. A formal governance structure has been established by the Manager to facilitate conversion. The Manager has completed the initial diagnostic phase and has verified the differences between Canadian generally accepted accounting policies and IFRS. Alliance Canada has commenced its own IFRS project to facilitate a timely conversion in conjunction with the Fund.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

SELECTED QUARTERLY FINANCIAL INFORMATION¹

(millions of dollars, except
per unit amounts)

	2008				2007			2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	72.2	72.4	68.7	73.0	65.0	67.8	65.0	68.2
Earnings	4.9	4.6	7.6	10.8	3.8	3.0	3.5	3.2
Earnings Per Unit (basic and diluted)	0.14	0.13	0.22	0.31	0.11	0.09	0.10	0.09
Cash Distributions Declared ²	20.1	20.1	17.4	17.3	17.4	17.4	17.4	17.2

¹Selected Quarterly Financial Information has been extracted from financial statements prepared in accordance with GAAP.

²Cash distributions declared on ordinary, subordinated and ECT preferred units.

Significant items that have impacted quarterly financial information are as follows:

- The Board of Trustees approved a 7.5% increase in distributions on the Fund's ordinary and subordinated units and the ECT preferred units, effective with the distributions payable to holders of record on May 31, 2008. The Board of Trustees also approved a special distribution of \$0.024 payable to holders of record on May 31, 2008.
- Second and third quarter revenue in 2008 reflected higher revenues on Alliance Canada due to higher cost of service recoveries as well as higher allowance oil sales on the Saskatchewan System.
- First quarter earnings in 2008 reflected a \$6.1 million increase from the CESCA bankruptcy settlement in Alliance Canada.
- Revenue in the fourth quarter of 2007 was higher due to increased cost recoveries on the Saskatchewan Gathering System and Westspur System reflecting higher operating costs driven by increased labour costs. Seasonality resulting from higher wind volumes in the winter months also contributed to increased revenues.
- Fourth quarter earnings in 2007 reflected future income tax recoveries of \$7.6 million due to the substantive enactment of reductions in future tax rates during the quarter.
- Second quarter earnings in 2007 reflected future income tax expense of \$1.9 million due to the substantive enactment of the Tax Fairness Plan.

SUPPLEMENTARY INFORMATION


Outstanding Unit Data

Number of Units Outstanding

Ordinary Units	20,125,000
Subordinated Units ¹	14,500,000
ECT Preferred Units	38,023,750

¹ On July 1, 2008, the Ordinary Unit priority right with respect to distributions terminated unconditionally, in accordance with the terms of the Fund's Trust Indenture, which can be found at www.sedar.com. As a result, the Ordinary Units, which are TSX-listed, and the Subordinated Units, which are not listed and are owned entirely by Enbridge Inc., are equal in all respects, without discrimination, preference or priority and are, for the purposes of the Trust Indenture, collectively designated as "ordinary units".

Outstanding unit data information is provided as at November 3, 2008.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

SELECTED OPERATING AND FINANCIAL HIGHLIGHTS¹

<i>(millions of dollars except where otherwise noted)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Average Daily Throughput Volume				
Alliance Canada (millions of cubic feet per day)	1,546	1,535	1,618	1,606
Saskatchewan System ² (thousands of barrels per day)				
Westspur System	190.3	158.6	169.7	157.0
Saskatchewan Gathering System	128.3	109.0	119.8	108.2
Weyburn System	35.1	37.3	34.8	34.8
Virden System	22.1	23.1	27.0	22.4
Green Power ³ (thousands of megawatt hours produced)	64.7	50.2	210.4	200.7
Revenues	72.2	65.0	213.3	197.8
Earnings	4.9	3.8	17.1	10.3
Per Unit (dollars per unit)	0.14	0.11	0.49	0.30
Cash Provided by Operating Activities	30.1	30.6	87.6	71.1
Cash Available for Distribution ⁴	22.2	19.0	68.6	55.7
Cash Distributions Declared	18.7	17.4	56.2	52.3
Cash Distributions Declared Per Unit (dollars per unit)				
Ordinary Units	0.2580	0.2400	0.7740	0.7200
Subordinated Units	0.2580	0.2400	0.7740	0.7200
ECT Preferred Units	0.2580	0.2400	0.7740	0.7200
Total Long-Term Liabilities			1,506.0	1,517.4
Total Assets			1,859.4	1,866.8
ECT Preferred Units (number of units)			38,023,750	38,023,750
Ordinary Units (number of units)			20,125,000	20,125,000
Subordinated Units (number of units) ⁵			14,500,000	14,500,000
Total Number of Units			34,625,000	34,625,000

¹Financial Highlights have been extracted from financial statements prepared in accordance with GAAP.

²Totals are not presented as the same volumes can be transported through a combination of the pipelines comprising the Saskatchewan System.

³NRGreen's Loreburn and Estlin waste heat recovery facilities began operations on May 26, 2008 and July 24, 2008, respectively.

⁴See Non-GAAP Measures.

⁵On July 1, 2008, the Ordinary Unit priority right with respect to distributions terminated unconditionally, in accordance with the terms of the Fund's Trust Indenture. As a result, the Ordinary Units, which are TSX-listed, and the Subordinated Units, which are not listed and are owned entirely by Enbridge Inc., are equal in all respects, without discrimination, preference or priority and are, for the purposes of the Trust Indenture, collectively designated as "ordinary units".




THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

**ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS**

<i>(unaudited; millions of dollars, except per unit amounts)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Revenue	72.2	65.0	213.3	197.8
Expenses				
Operating and maintenance	21.2	17.9	60.8	51.8
Management and administrative	1.5	1.0	4.4	3.8
Depreciation and amortization	21.8	19.3	63.3	61.0
	44.5	38.2	128.5	116.6
	27.7	26.8	84.8	81.2
Other Income and Expense	0.3	0.2	7.2	1.1
Interest Expense	(14.8)	(15.4)	(45.2)	(45.9)
ECT Preferred Unit Distributions	(9.8)	(9.1)	(29.4)	(27.4)
	3.4	2.5	17.4	9.0
Income Tax Recovery/(Expense)	1.5	1.3	(0.3)	1.3
Earnings	4.9	3.8	17.1	10.3
Earnings per Trust Unit				
Basic and Diluted	0.14	0.11	0.49	0.30

See accompanying notes to the unaudited consolidated financial statements.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

**ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY**


<i>(unaudited; millions of dollars)</i>	Nine months ended September 30,	
	2008	2007
Trust Units	333.4	333.4
Deficit, Beginning of Period	(48.1)	(36.1)
Earnings	17.1	10.3
Distributions to unitholders	(26.8)	(24.9)
Deficit, End of Period	(57.8)	(50.7)
Accumulated Other Comprehensive Loss, Beginning of Period	(6.2)	-
Cumulative impact of change in accounting policy	-	(6.1)
Other comprehensive loss	(1.6)	(2.4)
Accumulated Other Comprehensive Loss, End of Period	(7.8)	(8.5)
Total Unitholders' Equity	267.8	274.2

See accompanying notes to the unaudited consolidated financial statements.

**ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(unaudited; millions of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Earnings	4.9	3.8	17.1	10.3
Other Comprehensive Income/(Loss)				
Change in unrealized fair value on cash flow hedges, net of tax	2.4	(0.2)	(2.4)	(2.7)
Reclassification of realized (gains)/losses on cash flow hedges to earnings	(0.1)	0.2	0.8	0.3
	2.3	-	(1.6)	(2.4)
Comprehensive Income	7.2	3.8	15.5	7.9

See accompanying notes to the unaudited consolidated financial statements.




THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

**ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(unaudited; millions of dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Cash Provided by Operating Activities				
Earnings	4.9	3.8	17.1	10.3
Charges/(credits) not affecting cash				
Depreciation and amortization	21.8	19.3	63.3	61.0
Amortization of deferred financing charges	0.2	0.3	1.0	1.1
Amortization of fair value increment on debt	(1.1)	(1.3)	(3.7)	(3.9)
Future income taxes	(0.4)	(0.4)	(1.5)	(1.1)
Other	(0.6)		1.0	-
Changes in operating assets and liabilities				
Change in accounts receivable and other	(8.0)	3.1	(7.2)	(2.2)
Change in accounts payable and accrued liabilities	15.1	10.6	20.1	13.7
Change in deferred amounts and other assets	(3.8)	(4.7)	(11.6)	(13.7)
Change in long-term liabilities	2.0	(0.1)	9.1	5.9
	30.1	30.6	87.6	71.1
Investing Activities				
Additions to property, plant and equipment	(10.4)	(18.3)	(36.3)	(37.3)
Change in construction payable	(2.7)	2.4	(7.3)	(2.0)
	(13.1)	(15.9)	(43.6)	(39.3)
Financing Activities				
Net change in long-term credit facility	5.5	8.1	(13.5)	18.1
Net change in non-recourse credit facility	(3.1)	2.2	19.5	3.4
Repayment of non-recourse long-term debt	-	-	(14.2)	(13.1)
Ordinary and subordinated trust unit distributions	(8.9)	(8.3)	(26.6)	(24.9)
	(6.5)	2.0	(34.8)	(16.5)
Increase in Cash and Cash Equivalents	10.5	16.7	9.2	15.3
Cash and Cash Equivalents at Beginning of Period	13.4	16.0	14.7	17.4
Cash and Cash Equivalents at End of Period	23.9	32.7	23.9	32.7
Cash and Cash Equivalents			6.0	11.8
Cash and Cash Equivalents in Trust			17.9	20.9
			23.9	32.7

See accompanying notes to the unaudited consolidated financial statements.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

**ENBRIDGE INCOME FUND
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(unaudited; millions of dollars)</i>	September 30, 2008	December 31, 2007
Assets		
Current Assets		
Cash and cash equivalents	23.9	14.7
Accounts receivable and other	40.0	32.8
	63.9	47.5
Property, Plant and Equipment	1,306.7	1,329.0
Intangible Assets	92.2	96.4
Goodwill	308.1	308.1
Deferred Amounts and Other Assets	85.7	75.0
Future Income Taxes	2.8	2.8
	1,859.4	1,858.8
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	52.7	39.6
Distributions payable	3.0	2.8
Current portion of non-recourse long-term debt	29.9	28.7
	85.6	71.1
Long-Term Debt	271.5	284.2
Non-Recourse Long-Term Debt	761.8	761.1
ECT Preferred Units	380.2	380.2
Long-Term Liabilities	22.4	11.0
Asset Retirement Obligations	8.3	7.9
Future Income Taxes	61.8	64.2
	1,591.6	1,579.7
Unitholders' Equity		
Trust units	333.4	333.4
Deficit	(57.8)	(48.1)
Accumulated other comprehensive loss	(7.8)	(6.2)
	267.8	279.1
	1,859.4	1,858.8

See accompanying notes to the unaudited consolidated financial statements.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

ENBRIDGE INCOME FUND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements do not include all disclosures required for annual financial statements and should; therefore, be read in conjunction with the consolidated financial statements and notes thereto included in the 2007 Annual Report of the Enbridge Income Fund (the Fund). These interim financial statements follow the same accounting policies and methods of application as those included in the Fund's 2007 Annual Report. Additional disclosures related the Fund's capital management and financial instruments have been added in accordance with CICA Handbook Section 3862 "Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation", and Section 1535 "Capital Disclosures."

Earnings for interim periods may not be indicative of results for the fiscal year due to the seasonal nature of Green Power segment.

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.


1. SEGMENTED INFORMATION

Three months ended September 30, 2008

<i>(unaudited, millions of dollars)</i>	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
Revenue	54.2	15.7	2.3	-	72.2
Operating and maintenance	(12.9)	(7.6)	(0.7)	-	(21.2)
Management and administrative	-	-	-	(1.5)	(1.5)
Depreciation and amortization	(15.6)	(5.3)	(0.9)	-	(21.8)
	25.7	2.8	0.7	(1.5)	27.7
Other income and expense	0.2	-	0.1	-	0.3
Interest expense	(11.3)	-	(0.1)	(3.4)	(14.8)
ECT preferred unit distributions	-	-	-	(9.8)	(9.8)
Income tax recovery/(expense)	0.1	0.8	-	0.6	1.5
Earnings	14.7	3.6	0.7	(14.1)	4.9
Capital expenditures	4.0	4.4	2.0	-	10.4

Three months ended September 30, 2007

<i>(unaudited, millions of dollars)</i>	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
Revenue	51.7	12.2	1.1	-	65.0
Operating and maintenance	(10.8)	(6.6)	(0.5)	-	(17.9)
Management and administrative	-	-	-	(1.0)	(1.0)
Depreciation and amortization	(15.2)	(3.4)	(0.7)	-	(19.3)
	25.7	2.2	(0.1)	(1.0)	26.8
Other income and expense	0.2	-	-	-	0.2
Interest expense	(11.7)	-	-	(3.7)	(15.4)
ECT preferred unit distributions	-	-	-	(9.1)	(9.1)
Income tax recovery/(expense)	(0.1)	0.8	0.1	0.5	1.3
Earnings	14.1	3.0	-	(13.3)	3.8
Capital expenditures	4.5	7.4	6.4	-	18.3



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

ENBRIDGE INCOME FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2008

<i>(unaudited, millions of dollars)</i>	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
Revenue	162.4	46.1	4.8	-	213.3
Operating and maintenance	(37.7)	(21.3)	(1.8)	-	(60.8)
Management and administrative	-	-	-	(4.4)	(4.4)
Depreciation and amortization	(46.8)	(14.2)	(2.3)	-	(63.3)
	77.9	10.6	0.7	(4.4)	84.8
Other income and expense	6.8	-	0.3	0.1	7.2
Interest expense	(35.1)	-	(0.2)	(9.9)	(45.2)
ECT preferred unit distributions	-	-	-	(29.4)	(29.4)
Income tax recovery/(expense)	0.1	2.3	-	(2.7)	(0.3)
Earnings	49.7	12.9	0.8	(46.3)	17.1
Capital expenditures	12.0	20.4	3.9	-	36.3

Nine months ended September 30, 2007

<i>(unaudited, millions of dollars)</i>	Alliance Canada	Saskatchewan System	Green Power	Corporate	Consolidated
Revenue	155.0	38.0	4.8	-	197.8
Operating and maintenance	(31.2)	(19.0)	(1.6)	-	(51.8)
Management and administrative	-	-	-	(3.8)	(3.8)
Depreciation and amortization	(46.5)	(12.4)	(2.1)	-	(61.0)
	77.3	6.6	1.1	(3.8)	81.2
Other income and expense	0.7	-	0.3	0.1	1.1
Interest expense	(35.4)	-	-	(10.5)	(45.9)
ECT preferred unit distributions	-	-	-	(27.4)	(27.4)
Income tax recovery/(expense)	0.2	3.2	0.3	(2.4)	1.3
Earnings	42.8	9.8	1.7	(44.0)	10.3
Capital expenditures	10.2	12.6	14.5	-	37.3

2. CAPITAL DISCLOSURES

The Fund defines capital as unitholders' equity (excluding accumulated other comprehensive loss), long-term debt (net of transaction costs), and Enbridge Commercial Trust (ECT) Preferred Units, less cash and cash equivalents (net of proportionately consolidated cash and cash equivalents). Non-recourse debt, consisting of debt proportionately consolidated from joint venture interests, is excluded from the Fund's definition of capital as it is not controlled or managed exclusively by the Fund.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

ENBRIDGE INCOME FUND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Fund's capital is calculated as follows:

<i>(unaudited; millions of dollars)</i>	September 30, 2008	December 31, 2007
Long-Term Debt	271.5	284.2
Unitholders' Equity	275.6	285.3
ECT Preferred Units	380.2	380.2
Cash and Cash Equivalents	(0.3)	(1.6)
	927.0	948.1

The Fund's objectives when managing capital are to maintain flexibility between

- enabling its businesses to operate at the highest efficiency;
- providing liquidity and access to capital for growth opportunities; and
- providing returns and generating predictable cash flow for distribution to unitholders.

To ensure access to capital and liquidity on reasonable terms in most market conditions, the Fund targets to maintain an investment grade credit rating. New capital can be raised through the issuance of short and long-term debt as well as equity securities. The draft legislation to implement Bill C52 limits the amount of additional equity that income trusts, including the Fund, can raise before 2011. The relative amount of debt and equity in the Fund's structure is managed with a view to maintaining credit metrics within parameters established by the rating agencies and lenders. One important metric is the ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The Fund's credit facility includes a covenant that limits outstanding debt to a multiple of EBITDA. As at December 31, 2007 and September 30, 2008, the Fund was in full compliance with its covenants.

3. RISK MANAGEMENT

Market Price Risk

The Fund's earnings are subject to movements in interest rates, foreign exchange rates and commodity prices (collectively, market price risk). Risk management policies, processes and systems are in place to mitigate these risks. The following summarizes the types of market price risks to which the Fund is exposed, and the risk management instruments used to mitigate them.

Interest Rate Risk

The Fund is exposed to interest rate fluctuations in the form of cash flow interest rate risk and fair value interest rate risk. Cash flows and earnings are impacted by changes in market interest rates on existing variable rate debt. The fair value of fixed rate long-term debt is also impacted by changes in market interest rates. Floating to fixed interest rate swaps are used from time to time to hedge against cash flow volatility due to the effect of future interest rate movements on existing debt instruments. As at September 30, 2008, there are no interest rate derivative financial instruments outstanding.

Based on variable rate debt balances, excluding Alliance Canada, a 1.0% change in interest rates would have resulted in a \$0.3 million and a \$0.8 million impact to earnings for the three and nine months ended September 30, 2008. Alliance Canada is not sensitive to fluctuations in interest rates under its cost of service toll methodology. The total carrying value of the Fund's variable rate debt (including Alliance Canada) was \$147.6 million at September 30, 2008.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

ENBRIDGE INCOME FUND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Commodity Price Risk

Commodity price risk is the risk of changes in cash flows or earnings due to changes in the market price of commodities. The Fund is exposed to movements in the price of power through its interest in wind power assets in Alberta. To manage this exposure, the Fund uses two fixed price power agreements that convert the floating price received when power is sold to a fixed rate.

For the three and nine months ended September 30, 2008, a \$10 change in the price of power (per MWh) would have impacted after-tax earnings by \$0.5 million and \$0.6 million, respectively, as well as other comprehensive income by \$3.0 million. In order to derive the impact of this change, the Fund assumed capacity based on the asset's underlying performance to date, used observable market inputs to derive future power prices, and discounted the expected cash flows.

Summary of Derivative Instruments used for Risk Management

The Fund uses the following cash flow hedges to manage changes in power prices.

Derivative Instruments used as Cash Flow Hedges

September 30, 2008	Notional Principal or Quantity Fair Value (MW/H) Payable ¹		Maturity	Three months ended September 30		Nine months ended September 30	
				Unrealized Gains, net of tax	Realized (Losses)/ Gains, net of tax	Unrealized Losses, net of tax	Realized Losses, net of tax
<i>(unaudited; millions of dollars, unless otherwise noted)</i>							
ChinChute Power Swap	2.0	(2.7)	2017	0.7	(0.1)	(0.9)	(0.4)
Magrath Power Swap	2.8	(6.3)	2024	1.7	0.2	(1.5)	(0.4)
	4.8	(9.0)		2.4	0.1	(2.4)	(0.8)

¹ See Note 4 Financial Instruments for a description of the methodology used in deriving the fair value of these instruments.

The current portion of the fair value payable is included in accounts payable and accrued liabilities, while the long-term portion is included in long-term liabilities. The Fund estimates that \$1.1 million of Accumulated Other Comprehensive Income (AOCI) related to cash flow hedges will be reclassified to earnings in the next 12 months.

Unrealized Gains and Losses on Non-Hedging Derivatives

The Fund does not use derivative instruments for speculative purposes. However, if a derivative instrument is not an effective hedge for accounting purposes or is not designated as a hedging item, changes in the fair value are recorded in current period earnings. The Fund recognized an unrealized derivative gain of \$0.4 million (after tax of \$0.2 million) in the third quarter and recognized an unrealized derivative loss of \$0.2 million (after tax recovery of \$0.1 million) for the nine months ended September 30, 2008 (2007 - \$nil) related to a portion of a power purchase swap agreement not designated as a hedging instrument. This instrument has a fair value payable of \$1.4 million.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

**ENBRIDGE INCOME FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

4. FINANCIAL INSTRUMENTS

<i>(unaudited; millions of dollars)</i>	September 30, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	23.9	23.9	14.7	14.7
Accounts receivable and other	38.1	38.1	32.2	32.2
Held for trading ¹	5.0	5.0	5.8	5.8
	67.0	67.0	52.7	52.7
Financial Liabilities				
Accounts payable and accrued liabilities	54.1	54.1	38.5	38.5
Long-term debt ²	1,070.5	1,092.1	1,078.2	1,124.4
ECT preferred units	380.2	385.9	380.2	389.7
Long-term liabilities	2.3	2.3	3.2	3.2
Current derivatives payable ³	1.2	1.2	0.9	0.9
Long-term derivatives payable ³	9.1	9.1	6.9	6.9
	1,517.4	1,544.7	1,507.9	1,563.6

¹ Alliance Canada acquired an investment in asset-backed commercial paper, issued by a structured trust as part of Alliance Canada's current debt service requirement.

² Long-term debt includes non-recourse debt but excludes transaction costs.

³ Derivatives payable includes those derivatives used in hedging relationships and non-hedging derivatives.

The fair value of financial instruments represents the estimated amounts that would have been received from or paid to counterparties to settle these instruments at the reporting date.

The fair value of the Fund's derivative financial instruments reflects the Fund's best estimates of market value based on generally accepted valuation techniques or models and supported by published market prices for commodities. When such prices are not available, the Fund uses discounted cash flow analysis based on models derived from observable market inputs.

The fair value of the Fund's long-term debt is based on actively quoted market prices for instruments of similar yield and term. The fair value of the ECT preferred units is derived from the closing market price of the Fund's ordinary units.

The fair value of other financial assets and liabilities approximate their cost, due to either the short period to maturity or lack of an actively quoted market.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. In order to manage this risk, the Fund forecasts its cashflow over the near and long term and ensures that sufficient funds will be available when required. The Fund's primary source of liquidity and capital resources are cash provided by operating activities and the Fund's credit facility. Cash generated by operating activities, supplemented by additional borrowings as necessary, is expected to be sufficient to meet the forecast liquidity and capital resource requirements of the Fund.

The Fund generally has no financial liabilities maturing beyond one year with the exception of its long-term debt. The following tables summarize expected cash outflows to settle both the principal and the interest payments associated with the debt.



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

ENBRIDGE INCOME FUND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Long-term Debt

<i>(unaudited, millions of dollars)</i>	Total	Less than					After 6
		1 year	2 years	3 years	4 years	5 years	years
Long-Term Debt	275.0	-	100.0	-	85.0	-	90.0
Non-recourse Debt ¹	756.0	29.9	32.4	57.6	37.6	79.4	519.1
	1,031.0	29.9	132.4	57.6	122.6	79.4	609.1

¹Non-recourse debt includes both the Alliance Canada and NRGreen credit facilities. Under the NRGreen facility agreement, NRGreen has pledged as collateral its property and assigned its material agreements including its power purchase agreements with SaskPower to its lender.

Interest Obligations

<i>(unaudited, millions of dollars)</i>	Total	Less than					After 6
		1 year	2 years	3 years	4 years	5 years	years
Interest payments on long-term debt	36.9	8.9	6.8	4.7	4.7	4.7	7.1
Interest payments on non-recourse long-term debt ²	467.2	48.0	46.0	43.8	41.4	38.9	249.1
Total interest payments	504.1	56.9	52.8	48.5	46.1	43.6	256.2

¹Excludes interest on credit facilities outstanding due to the variability in the amounts outstanding each period.

²Includes interest on Senior Notes outstanding at Alliance Canada which is recoverable through toll revenue.

Credit Risk

Credit risk arises from the possibility that a counterparty will default on its contractual obligations. Accounts receivable are subject to credit risk. The carrying values reflect Management's assessment of the associated maximum exposure to such credit risk.

Alliance Canada is exposed to credit risk since its business is concentrated in the natural gas transportation industry and its revenue is dependent upon the ability of its shippers to pay their monthly demand charges. Alliance Canada limits, to some degree, its exposure to this credit risk by requiring its shippers to provide letters of credit or other suitable security unless they maintain specified credit ratings or financial positions. As at September 30, 2008, Alliance Canada held \$37.5 million in letters of credit for these shippers.

The Saskatchewan System's trade receivables consist primarily of amounts due from companies operating in the oil and gas industry. The credit risk associated with these receivables is mitigated by credit exposure limits, contractual and collateral requirements and netting arrangements.

Green Power is exposed to credit risk since each project's primary source of fixed price revenue is a single counterparty. This risk is mitigated by requirements for counterparties to maintain specified credit ratings.

From time to time, accounts receivables and other financial assets are past due. The management and monitoring of these accounts is performed on an ongoing basis by each business. As at September 30, 2008, accounts receivable in excess of 90 days represented less than 1% of the total balance.

In 2007, Alliance Canada acquired a \$12.4 million investment in asset-backed commercial paper. As a result of the liquidity issues arising in the asset-backed commercial paper market, Alliance Canada was unable to redeem this investment upon its maturity on August 31, 2007. A restructuring plan that involves pooling the assets held by the non-bank asset-backed conduits into new asset trust vehicles has been established. The restructuring plan was approved and is expected to be implemented in the fourth quarter of 2008. The restructuring plan will involve the conversion of the



THREE SOLID BUSINESSES. ONE STABLE INVESTMENT.

ENBRIDGE INCOME FUND INTERIM REPORT TO UNITHOLDERS

ENBRIDGE INCOME FUND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

asset-backed commercial paper into medium term notes. The ratings of the medium term notes received in exchange for the asset-backed commercial paper will vary depending on each note's underlying assets and related security. Due to the uncertainty involved in estimating the amount and timing of cash flows associated with this investment, Alliance Canada has incorporated a discounted cash flow approach to estimate the investment's fair value using the best information currently available. As a result, the Fund recognized a fair value discount of \$0.4 million in 2007 and \$0.8 million in the first quarter of 2008. This estimate of fair value may differ from the actual fair value that will be realized. The carrying value of the Fund's 50% share of the investment is \$5.0 million.

5. CONTRACTUAL OBLIGATIONS

At September 30, 2008, the Fund had commitments of US\$0.6 million relating to the purchase of compressor equipment at Alliance Canada, \$1.9 million related to the completion of NRGreen's new waste facilities as well as \$1.2 million in purchase commitments on the Saskatchewan System.

On March 31, 2008, Alliance Canada signed a contractual services agreement for maintenance of its compressor equipment which expires in December 2015. Under the agreement, Alliance Canada is committed to base monthly payments of US\$498,905 and €230,491. These fees may escalate each year based on an indexed price escalation formula.

6. SUBSEQUENT EVENTS

Distribution by the Fund

On October 15, 2008, the Fund paid monthly cash distributions of \$0.086 per ordinary trust unit. A cash distribution of \$0.086 per unit was also paid on the same date on the subordinated trust units and the ECT preferred units.

On October 20, 2008, the Fund declared a monthly cash distribution of \$0.086 per ordinary trust unit to unitholders of record on October 31, 2008, which is payable on November 14, 2008. The Fund also declared a distribution of \$0.086 per unit on the same date on the subordinated trust units and the ECT preferred units.

On November 3, 2008, the Board of Trustees of the Fund approved an 11.6% increase in regular monthly distributions, on the Fund's trust units and the ECT preferred units. This increase is effective for 2009 distributions.