

ENBRIDGE INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2011

This management's discussion and analysis (MD&A) dated May 9, 2011 should be read in conjunction with the unaudited interim consolidated financial statements of Enbridge Income Fund (the Fund) as at and for the three months ended March 31, 2011, which are prepared in accordance with Part V – Pre-changeover Accounting Standards of the Canadian Institute of Chartered Accountants (CICA) Handbook (Canadian GAAP or Part V). It should be read in conjunction with the audited financial statements and MD&A contained in the Fund's Annual Report for the year ended December 31, 2010. Unless otherwise noted, all financial information is presented in Canadian dollars and financial information pertaining to Alliance Canada and Green Power reflects the Fund's proportionate share of the entities within these segments. Additional information related to the Fund, including the Fund's Annual Information Form, is filed on SEDAR at www.sedar.com.

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. Enbridge Management Services Inc. (EMSI or the Manager), a wholly owned subsidiary of Enbridge Inc. (Enbridge), administers the Fund. EMSI also serves as the manager of Enbridge Commercial Trust (ECT), a subsidiary of the Fund and Enbridge Income Fund Holdings Inc. (ENF), a unit holder of the Fund.

The Fund has investments in businesses that own and operate crude oil and natural gas pipelines as well as waste heat recovery and wind power facilities. 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 referred to as Green Power).

The Fund's objectives are to provide a predictable flow of distributable cash and to increase, where prudent, cash distributions per trust unit. During 2010, the Fund completed a restructuring whereby all of the publicly held trust units of the Fund, as well as 5,000,000 trust units held by Enbridge, were exchanged on a one-for-one basis for shares of ENF. The restructuring has not altered the Fund's objective to distribute a high proportion of available cash flow to its unit holders.

FINANCIAL OVERVIEW

| | Three months ended March 31, | |
|--|---------------------------------|--------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Earnings | | |
| Alliance Canada | 13.3 | 14.5 |
| Saskatchewan System | 9.9 | 4.9 |
| Green Power | 0.9 | 0.9 |
| Corporate | (11.6) | (16.7) |
| | 12.5 | 3.6 |
| Cash Available for Distribution | | |
| Alliance Canada | 19.6 | 18.0 |
| Saskatchewan System | 18.9 | 9.0 |
| Green Power | 1.4 | 1.7 |
| Corporate | (8.2) | (4.7) |
| | 31.7 | 24.0 |

Earnings for the three months ended March 31, 2011 were \$12.5 million and included a full quarter of contributions from the Saskatchewan System Phase II expansion assets placed in service in December

2010. The Phase II Expansion Project increased crude oil capacity across the gathering systems by approximately 125,000 barrels per day (bpd), providing a competitive transportation solution for growing production volumes from the Bakken region in southeastern Saskatchewan. Partially offsetting earnings growth from the Saskatchewan System were increased interest and tax expenses in the Corporate segment as well as a quarter-over-quarter decline in earnings from Alliance Canada. While performing as expected and delivering stable financial results, Alliance Canada earnings decreased in the first quarter of 2011 due to a reduced return on equity on its depreciating investment base.

The Fund's cash available for distribution (CAFD) totaled \$31.7 million for the three months ended March 31, 2011 compared with \$24.0 million for the three months ended March 31, 2010, an increase of 32.1%. The most significant contributor to the Fund's growing cash flows was the Saskatchewan System on the strength of its Phase II Expansion Project and resultant increase in rate base related to the Phase II project. Corporate costs included increased interest expense on higher debt balances used to finance the project and higher cash taxes. Cash distributions from Alliance Canada contributed \$1.6 million to the quarter-over-quarter CAFD growth, mainly due to a one-time distribution paid in the first quarter of 2011 following a favourable legal claim settlement with a third-party vendor.

Effective the first quarter of 2011, following a modification to the terms of the ECT preferred units in December 2010, distributions on ECT preferred units are charged to equity and are no longer reflected as a corporate cost. ECT preferred unit distributions of \$11.0 million were included in Corporate for the three months ended March 31, 2010.

FORWARD-LOOKING INFORMATION

In the interest of providing the Fund's unit holders and potential investors with information about the Fund, its subsidiaries and joint ventures, including management's assessment of the Fund, its subsidiaries' and joint ventures' future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). This information may not be appropriate for other purposes. 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. In particular, forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected future levels of demand for the Fund's services;*
- *expected future earnings and cash flows;*
- *expected future actions of regulators;*
- *expected future distributions to unit holders and the taxability thereof; and*
- *expected cash available for distribution.*

Although the Fund believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, 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. Material assumptions include assumptions about: the expected supply and demand for crude oil, natural gas and natural gas liquids; prices of crude oil, natural gas and natural gas liquids; expected exchange rates; inflation; interest rates; the availability and price of labour and pipeline construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approval for the Fund's projects; anticipated in-service dates and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas and natural gas liquids, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund operates, may impact levels of demand for the Fund's services and cost of inputs, and are therefore inherent in all forward-looking statements. Due to the interdependencies and correlation of these macroeconomic factors, the impact of any one assumption on a forward-looking statement cannot be determined with certainty, particularly with respect to expected earnings and associated

per unit amounts, or estimated future distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates, and expected capital expenditures include: the availability and price of labour and pipeline construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather and customer and regulatory approvals on construction schedules.

The Fund's forward-looking statements are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, exchange rates, interest rates, commodity prices and supply and demand for commodities, 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 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 trust units and ECT preferred units, as well as for debt repayments and reserves. This measure is important to unit holders as the Fund's objective is to provide a predictable flow of distributable cash to unit holders. Please refer to the Cash Available for Distribution reconciliation on page 8. Cash available for distribution is not a measure that has standardized meaning prescribed by Canadian GAAP and is not considered a GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

ALLIANCE CANADA

| | Three months ended March 31, | |
|---------------------------------------|---------------------------------|------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Revenues | 53.5 | 56.1 |
| Earnings | 13.3 | 14.5 |

The Alliance System is a 3,000 kilometre (km) pipeline system 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. The Fund owns 50% of Alliance Canada, which is the Canadian portion of the Alliance System and consists of approximately 1,560 km of the Alliance System's mainline beginning near Gordondale, Alberta and connecting to Alliance US at the Canada/United States border at Carnduff, Saskatchewan. Alliance Canada also includes the Alliance System's lateral pipelines in Alberta and British Columbia and related facilities.

Alliance Canada has transportation service agreements (TSAs) with its shippers for nearly 100% of its available firm transportation capacity. Alliance Canada's TSAs are designed to provide toll revenues sufficient to recover prudently incurred costs of service, including operating and maintenance, depreciation, an allowance for income tax, 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 capacity which has been re-contracted on a short-term basis.

In December 2010, shippers representing approximately 8% of the original firm transportation capacity elected to extend their existing contracts to December 1, 2016 and also retained the option to continue to extend their capacity commitments on an annual basis. Remaining shippers, representing the balance of originally contracted capacity, elected not to extend their commitments beyond 2015 under the terms of the original contracts. Alliance Canada expects to continue to be competitive with other export pipelines beyond 2015 given its geographic positioning and high pressure operating capability to move liquids-rich gas to market.

Alliance Canada revenues for the first quarter of 2011 reflected an increase in transportation tolls from \$0.894 per million cubic feet (mcf) to \$0.914/mcf effective January 1, 2011. For the three months ended March 31, 2011, increased revenues were more than offset by a decline in investment base and lower than expected cost of service expenses compared with the same period of 2010.

Alliance Canada earnings for the three months ended March 31, 2011 decreased \$1.2 million to \$13.3 compared with the same period of 2010, resulting from a decline in Alliance Canada's depreciating investment base. The rate used to calculate the equity return is not expected to change; however, the investment base upon which the return is calculated will change over time with depreciation and capital enhancements.

SASKATCHEWAN SYSTEM

| | Three months ended March 31, | |
|---------------------------------------|---------------------------------|------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Revenues | 29.5 | 18.6 |
| Earnings | 9.9 | 4.9 |

The Saskatchewan System is comprised of the Saskatchewan Gathering, Westspur, Weyburn and Virden pipeline systems. Collectively referred to as the Saskatchewan System, these crude oil and liquids pipeline systems include approximately 388 kilometres of trunk line, 1,941 kilometres of gathering pipeline and related terminals and tankage facilities. The capacity of each of the Saskatchewan Gathering and the Westspur Systems is 255,000 barrels per day (bpd) and the capacity of the Weyburn and Virden Systems is approximately 47,000 bpd and 37,000 bpd, respectively. The Saskatchewan System Phase II expansion, which included three separate projects and served to reduce capacity constraints at a variety of locations, was substantially completed and declared in-service in December 2010. Collectively, the expansion increased capacity across the gathering systems by approximately 125,000 bpd.

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 an administrative expense allowance. 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 precedent and agreements with customers, and are updated to reflect changes in market conditions when warranted. As a result, earnings from the Weyburn and Virden systems reflect toll revenue less costs incurred.

Revenue for the three months ended March 31, 2011 increased \$10.9 million compared with the first quarter of 2010. Higher revenues were primarily the result of the Phase II expansion that was completed in December 2010 and the resultant increase in rate base and other cost of service recoveries. As well, the period-over-period increase in revenue reflected toll increases on the Weyburn and Virden Systems effective June 2010 and April 2010, respectively.

Saskatchewan System earnings for the three months ended March 31, 2011 were \$9.9 million, an increase of \$5.0 million compared with the first quarter of 2010. The earnings growth was attributable to the Saskatchewan Gathering and Westspur pipeline systems, both of which have a higher rate base compared with the prior period owing to the Phase II Expansion Project.

GREEN POWER

| | Three months ended March 31, | |
|---------------------------------------|---------------------------------|------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Revenues | 2.8 | 2.6 |
| Earnings | 0.9 | 0.9 |

Green Power includes the Fund's interest in three wind power projects including a 50% interest in the Sunbridge project at Gull Lake, Saskatchewan and a 33% interest in each of the Magrath and Chin Chute projects in southern Alberta. Collectively referred to as Wind Power, the Sunbridge, Magrath and Chin Chute wind power projects have a combined electricity capacity of 71 megawatts (MW). Green Power also includes the Fund's 50% interest in NRGreen, which operates four non-regulated waste heat recovery facilities along the Alliance Pipeline. These facilities harness waste heat produced by gas turbines at Alliance Canada's compressor stations that is converted to electrical energy and sold under long-term power purchase arrangements.

Green Power revenues increased by \$0.2 million in the first quarter of 2011 compared with the first quarter of 2010, while earnings remained constant. Increased revenue in the Green Power segment was attributable to slightly higher wind power production due to more favourable wind resource. Higher revenue for the first quarter of 2011 was offset by higher interest costs incurred by NRGreen following renewal of its credit facility in November 2010.

CORPORATE

| | Three months ended March 31, | |
|---------------------------------------|---------------------------------|--------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Corporate costs | (11.6) | (16.7) |

Corporate costs include corporate financing costs, incentive fees, current and future income taxes and management and administrative costs.

Corporate costs for the first quarter of 2011 reflected higher interest expense due to a greater proportion of long-term debt outstanding at higher rates compared with the first quarter of 2010. The Fund issued \$200.0 million unsecured medium-term notes in separate issuances of \$100.0 million each in June and November of 2010, the proceeds of which were used primarily to finance the expansion of the Saskatchewan System. In addition, tax expense increased for the three months ended March 31, 2011 compared with the three months ended March 31, 2010.

Following a modification to the terms of the ECT preferred units in December 2010, distributions on such units are recorded as a charge to equity whereas previously ECT preferred unit distributions were presented as interest expense. For the three months ended March 31, 2011, ECT preferred unit distributions declared and charged to equity totaled \$13.2 million, or \$0.346 per unit, compared with interest expense of \$11.0 million, or \$0.288 per unit, in the comparable period of 2010. The liability component of the ECT preferred units is accreted over time to its ultimate redemption value. Accretion for the three months ended March 31, 2011 totaled \$1.2 million (2010: \$nil) and was included as interest expense within Corporate costs.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, the Fund had \$161.6 million of available standby credit capacity. The Fund maintains a current shelf prospectus with the Canadian securities regulator, which enables ready access to Canadian public capital markets, subject to market conditions. Cash from operations in combination with available committed standby credit facilities is expected to be sufficient to meet currently forecast liquidity and capital resource requirements of the Fund.

The Fund's current liabilities routinely exceed current assets; however, the Fund maintains sufficient short-term credit facilities to meet its obligations as they come due. The Fund's cash balance at March 31, 2011 of \$35.8 million included \$33.1 million held in trust by Alliance Canada, pursuant to finance arrangements within Alliance Canada.

OPERATING ACTIVITIES

Cash provided by operating activities was \$47.3 million for the three months ended March 31, 2011, an increase of \$23.7 million from the same period of 2010. Of the increase, \$11.0 million related to the modification to the ECT preferred units which resulted in distributions being recorded as a charge to equity and presented within financing activities in 2011, whereas distributions were previously recorded as an expense and included within operating activities. The remaining increase in cash provided by operating activities was due to strong operating results from the Saskatchewan System and contributions from expansion assets declared in service in the fourth quarter of 2010, as well as variations in working capital requirements.

INVESTING ACTIVITIES

Cash used in investing activities of \$37.1 million increased \$23.6 million over the corresponding period of the prior year. Current period capital expenditures were primarily directed to the completion of remaining seasonal and restorative work on the Saskatchewan System Phase II expansion and development costs in connection with the Bakken Expansion Program, a project announced in 2010 that will accommodate growing production from the Bakken region in Montana, North Dakota, Manitoba and Saskatchewan.

FINANCING ACTIVITIES

Financing activities for the three months ended March 31, 2011 included an increase in outstanding indebtedness under credit facilities and the payment of distributions on the ECT preferred units and the trust units in respect of December 2010. On March 15, 2011, the Fund declared a quarterly distribution of \$0.346 per unit to ECT preferred unit and trust unit holders and paid such distribution on April 15, 2011.

On May 9, 2011, the Fund declared a second quarter distribution of \$0.346 per unit to ECT preferred unit and trust unit holders. The distribution is payable on July 15, 2011. The Fund also announced amendment of its distribution payment frequency from quarterly to monthly. The monthly payment frequency is expected to take effect with the July 2011 monthly distribution, which would be payable on August 15, 2011.

CASH AVAILABLE FOR DISTRIBUTION¹

| | Three months ended March 31, | |
|---|---------------------------------|--------------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Cash provided by operating activities | 47.3 | 23.6 |
| Add/(deduct): | | |
| ECT preferred unit distributions ² | - | 11.0 |
| Alliance Canada maintenance capital expenditures ³ | (0.4) | (0.6) |
| Alliance Canada other cash retained ⁴ | (8.7) | (10.7) |
| Green Power cash retained ⁴ | (0.4) | (0.3) |
| Saskatchewan System maintenance capital expenditures ³ | (0.7) | (1.0) |
| Change in operating assets and liabilities in the period ⁵ | (5.4) | 2.0 |
| Cash available for distribution | 31.7 | 24.0 |
| Cash available for distribution is comprised of the following: | | |
| Alliance Canada distributions | 19.6 | 18.0 |
| Saskatchewan System operating income before depreciation and amortization | 19.6 | 10.0 |
| Saskatchewan System maintenance capital expenditures | (0.7) | (1.0) |
| Green Power distributions | 1.4 | 1.7 |
| Corporate management and administrative expense | (2.3) | (2.3) |
| Corporate interest expense | (4.9) | (2.5) |
| Corporate current income taxes | (1.0) | 0.1 |
| Cash available for distribution | 31.7 | 24.0 |
| ECT preferred unit distributions declared | 13.17 | 10.95 |
| Trust unit distributions declared | 11.98 | 9.97 |
| Cash distributions declared | 25.15 | 20.92 |

¹ See Non-GAAP measures on page 4.

² The cash available for distribution above is compared with total distributions, including the ECT preferred unit distributions. Since ECT preferred units were previously treated as debt in 2010 under Canadian GAAP, with distributions deducted from earnings, the ECT preferred unit distributions have been added back to cash provided from operating activities for the three months ended March 31, 2010.

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

⁴ 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.

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.

As set out in the above 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 determined by the Manager.

CAFD represents cash available to fund distributions on trust units and ECT preferred units, as well as for debt repayments and reserves.

For the three months ended March 31, 2011, cash distributions declared represented 79.3% of cash available for distribution compared with 87.2% for the three months ended March 31, 2010.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

| | Three months ended March 31, | |
|--|---------------------------------|-------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars)</i> | | |
| Cash provided by operating activities | 47.3 | 23.6 |
| Earnings | 12.5 | 3.6 |
| Cash distributions declared ¹ | 25.1 | 10.0 |
| Excess of cash provided by operating activities over cash distributions declared | 22.2 | 13.6 |
| Shortfall of earnings over cash distributions declared | (12.6) | (6.4) |

¹ In 2010, ECT preferred unit distributions were excluded from this reconciliation since these distributions were reductions in determining earnings and cash provided by operating activities.

For the three months ended March 31, 2011, cash provided by operating activities in the period exceeded cash distributions paid declared by \$22.2 million (2010: \$13.6 million). This excess represented cash reserved for debt repayments, working capital requirements and maintenance capital expenditures, as well as cash retained by joint ventures.

Earnings were \$12.6 million lower than cash distributions for the three months ended March 31, 2011 (2010: \$6.4 million). Earnings reflect non-cash items such as amortization of deferred financing costs, depreciation and future income taxes, all of which do not impact cash flow. Depreciation does not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance is generally lower than depreciation expense.

RECENT DEVELOPMENTS AND OUTLOOK

Renewable Energy Proposal

In April 2011, the Fund and ENF received a proposal from Enbridge, pursuant to which Enbridge would transfer three renewable energy assets to the Fund. The proposal contemplates that the Ontario Wind, Sarnia Solar and Talbot Wind energy projects would be transferred for an aggregate value of \$1.3 billion, to be paid in part by the issuance of additional ordinary trust units of the Fund to both ENF and Enbridge on a pro rata basis in accordance with their present holdings in the Fund. Under the proposal, Enbridge would provide bridge debt financing to the Fund for the balance of the price. Enbridge would also grant an option to ENF to acquire some or all of the units to which Enbridge would be entitled to subscribe.

The proposal contemplates that ENF would undertake a public equity offering to fund its subscription of units and that Enbridge will concurrently subscribe for equity of ENF in order to maintain its current interest in ENF. The proposed transfer is subject to all necessary approvals, including approval by the Boards of the Fund and ENF and regulatory approval. The Fund and ENF have formed a joint special committee comprised of independent trustees and directors, to review the proposal and make recommendations to the respective Boards of the Fund and ENF. Shareholders will be advised of next steps upon completion of this process.

Saskatchewan System Capacity Expansion

Phase II of the Saskatchewan System expansion, which included three separate projects that served to reduce capacity constraints at a variety of locations, was substantially completed and new project assets declared in-service in December 2010. Remaining seasonal and restoration work will be completed in 2011. Collectively, the projects comprising the Phase II expansion increased crude oil capacity across the gathering systems by approximately 125,000 bpd.

Bakken Expansion Program

In August 2010, the Fund and Enbridge Energy Partners L.P. (EEP), a party related to the Fund, announced an agreement to undertake, subject to customary regulatory approvals, a joint project to further expand crude oil pipeline capacity to accommodate growing production from the Bakken and Three Forks formations located in Montana, North Dakota, Manitoba and Saskatchewan. The Bakken Expansion Program will increase takeaway capacity from the Bakken area by an initial 145,000 bpd, which can be readily expanded to 325,000 bpd.

The Bakken Expansion Program involves construction of new pipelines and related facilities which will be undertaken by the Fund at a cost of approximately \$190.0 million. The expansion program will originate in North Dakota, in the heart of the Bakken, and will follow EEP's and the Fund's existing rights of way, delivering crude oil to the Enbridge mainline terminal at Cromer, Manitoba. The Fund and EEP have received sufficient long-term shipping commitments from anchor shippers to enable the Bakken Expansion Program to proceed. The Bakken Expansion Program is expected to be completed by the first quarter of 2013.

As a first step to providing immediate capacity to growing Bakken production, the Company has undertaken the Portal Reversal Expansion Project (PREP), which will provide capacity to deliver an initial 25,000 bpd of North Dakota production, pending completion of the Bakken Expansion Program. The PREP facilities are expected to be placed in service in the second quarter of 2011.

Regulatory Matters

On December 17, 2010, the Saskatchewan System filed amended Westspur tariffs with the NEB with an effective date of February 1, 2011. In January 2011, a shipper on the Westspur system requested the NEB make the tolls "interim" effective February 1, 2011 pending discussions between the shipper and the Saskatchewan System on information requests put forward by the shipper. Subsequently, the shipper filed a complaint with the NEB on the basis that the information provided by the Fund was not adequate to allow an assessment to be made of the reasonableness of the tolls. The NEB issued a response setting deadlines for further comment from shippers and other interested parties. Six parties have filed letters with the NEB supporting the shipper's complaint. As of May 9, 2011, the NEB has taken no further action on this matter.

CRITICAL ACCOUNTING ESTIMATES

Asset Retirement Obligations

In May 2009, the NEB released a report on the financial issues associated with pipeline abandonment and established a goal for pipelines regulated under the NEB Act to begin setting aside funds for abandonment no later than January 1, 2015. Since then, the NEB has issued several revised "base case assumptions" based on feedback from member companies. Companies have the option to follow the base case assumptions or to submit pipeline specific applications.

The NEB is requiring both Group 1 and Group 2 companies to file for approval estimates of abandonment costs by November 30, 2011. The NEB is also requiring large pipeline companies to file a proposed process for collecting and setting aside the funds for abandonment by November 30, 2012 for Group 1 companies (including Alliance Canada).

Both of the required submissions will require NEB approval and will result in increases to transportation tolls, the amount of which is uncertain at this time. Currently, for certain of the Company's assets, it is not practical to make a reasonable estimate of asset retirement obligations for accounting purposes due to the indeterminate timing and the scope of the asset retirements.

CHANGE IN ACCOUNTING POLICIES

Business Combinations

Effective January 1, 2011, the Fund adopted Part V Section 1582, *Business*, which replaces Section 1581. The new standard requires assets and liabilities acquired in a business combination to be measured at fair value at the acquisition date and if applicable, any original equity interest in the investee to be re-measured to fair value through earnings on the date control is obtained. The standard also requires that acquisition-related costs, such as advisory or legal fees, incurred to effect a business combination be expensed in the period in which they are incurred. In accordance with the transitional provisions of this standard, Section 1582 was adopted prospectively and accordingly, assets and liabilities that arose from business combinations occurring before January 1, 2011 were not restated. The adoption of this standard has not impacted the Fund's earnings or cash flows for the three month period ended March 31, 2011.

Future Accounting Policies

First-time adoption of Part I – International Financial Reporting Standards (Part I) of the CICA Handbook is mandatory for Canadian publicly accountable enterprises on January 1, 2011, with the exception of certain qualifying entities. Part I is mandatory for qualifying entities, including those with operations subject to rate regulation, for periods beginning on or after January 1, 2012. The Fund is a qualifying entity for purposes of this deferral and will continue to present its financial statements in accordance with pre-changeover accounting standards, Part V of the CICA Handbook, during the 2011 deferral period.

While the Fund's IFRS conversion project was on track to meet the original conversion deadline, the Fund has elected to use the one year deferral offered by the AcSB. This decision was made given the continuing uncertainty with respect to the application of IFRS to the rate regulated operations of the Fund, which are pervasive and central to its business model and performance measurement. The International Accounting Standards Board (IASB) originally issued an exposure draft on rate regulated activities in 2009 but has since failed to finalize the accounting standard or provide definitive guidance on the direction of the project.

During the deferral period, the Fund will present its financial statements in accordance with Part V of the CICA Handbook, will continue to closely monitor developments of the IASB, and will evaluate its alternatives to determine which course of action will provide the most useful and reliable presentation of its financial results for 2012 and future periods.

SELECTED QUARTERLY FINANCIAL INFORMATION

| | 2011 | | 2010 | | 2009 | | | |
|--|------|------|------|------|------|------|------|------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| <i>(millions of Canadian dollars, except per unit amounts)</i> | | | | | | | | |
| Revenue | 85.8 | 89.4 | 81.1 | 80.3 | 77.3 | 83.4 | 79.4 | 77.3 |
| Earnings | 12.5 | 4.1 | 3.4 | 1.5 | 3.6 | 3.6 | 2.7 | 3.4 |
| Cash distributions declared ¹ | 25.2 | 20.9 | 20.9 | 20.9 | 20.9 | 20.9 | 20.9 | 20.9 |

¹ Cash distributions declared on trust units and ECT preferred units.

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

- ECT preferred unit distributions are recorded as a charge to equity following a modification of the terms in December 2010, whereas previously ECT preferred unit distributions were presented as interest expense. For the three months ended March 31, 2011, ECT preferred unit distributions declared totaled \$13.2 million, compared with \$11.0 million, in the same period of 2010.
- Increased cash distributions declared in the first quarter of 2011 reflected an increase in the distribution from \$0.288 per unit to \$0.346 per unit.
- Phase II of the Saskatchewan System expansion was substantially completed and placed in service in December 2010.
- Earnings in the second quarter of 2010 were negatively impacted by higher operating costs related to one-time occurrences, including the Virden crude oil release and costs associated with

- restructuring the Fund.
- Fourth quarter revenues from the Fund's regulated entities, including Alliance Canada, the Westspur System and the Saskatchewan Gathering System, are typically higher than other quarters due to higher cost of service recoveries. The maintenance schedules of both Alliance Canada and the Saskatchewan System have some seasonal variance which generally results in more maintenance projects being undertaken in the latter half of the year.

SUPPLEMENTARY INFORMATION

| Outstanding Unit Data | Number of Units Outstanding |
|------------------------------|------------------------------------|
| Trust units | 34,625,000 |
| ECT preferred units | 38,023,750 |

Outstanding unit information is provided as at May 9, 2011.

SELECTED OPERATING AND FINANCIAL HIGHLIGHTS¹

| | Three months ended March 31, | |
|---|---------------------------------|------------|
| | 2011 | 2010 |
| <i>(millions of Canadian dollars, except where otherwise noted)</i> | | |
| Average daily throughput volume | | |
| Alliance Canada ² (millions of cubic feet per day) | 1,677.0 | 1,680.0 |
| Saskatchewan System ³ (thousands of barrels per day) | | |
| Westspur System | 200.6 | 193.2 |
| Saskatchewan Gathering System | 140.0 | 132.7 |
| Weyburn System | 31.6 | 35.0 |
| Virden System | 15.8 | 19.2 |
| Green Power ² (thousands of megawatt hours produced) | 104.8 | 95.8 |
| Earnings | | |
| Alliance Canada | 13.3 | 14.5 |
| Saskatchewan System | 9.9 | 4.9 |
| Green Power | 0.9 | 0.9 |
| Corporate | (11.6) | (16.7) |
| | 12.5 | 3.6 |
| Cash provided by operating activities | 47.3 | 23.6 |
| Cash distributions declared | 25.2 | 20.9 |
| Cash available for distribution ⁴ | | |
| Alliance Canada | 19.6 | 18.0 |
| Saskatchewan System | 18.9 | 9.0 |
| Green Power | 1.4 | 1.7 |
| Corporate | (8.2) | (4.7) |
| | 31.7 | 24.0 |
| Cash distributions declared per unit (dollars per unit) | | |
| Trust units | 0.346 | 0.288 |
| ECT preferred units | 0.346 | 0.288 |
| ECT preferred units (number of units) | 38,023,750 | 38,023,750 |
| Trust units (number of units) | 34,625,000 | 34,625,000 |

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

² Reflects 100% of the respective entities production volumes, not the Fund's proportionate share.

³ Totals are not presented as the same volumes can be transported through a combination of the pipelines comprising the Saskatchewan System.

⁴ See Non-GAAP Measures.

ENBRIDGE INCOME FUND
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2011

ENBRIDGE INCOME FUND

CONSOLIDATED STATEMENTS OF EARNINGS

| | Three months ended March 31, | |
|--|---------------------------------|--------|
| | 2011 | 2010 |
| <i>(unaudited; millions of Canadian dollars)</i> | | |
| Revenues | 85.8 | 77.3 |
| Expenses | | |
| Operating and maintenance | 24.5 | 24.0 |
| Management and administrative | 2.3 | 2.3 |
| Depreciation and amortization | 27.9 | 22.8 |
| | 54.7 | 49.1 |
| Other income | 31.1 | 28.2 |
| Interest expense | 0.4 | 0.2 |
| ECT preferred unit distributions | (17.7) | (14.1) |
| | - | (11.0) |
| | 13.8 | 3.3 |
| Income tax (expense)/recovery | (1.3) | 0.3 |
| Earnings | 12.5 | 3.6 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENBRIDGE INCOME FUND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Three months ended, March 31 | |
|--|---------------------------------|-------|
| | 2011 | 2010 |
| <i>(unaudited; millions of Canadian dollars)</i> | | |
| Earnings | 12.5 | 3.6 |
| Other comprehensive loss | | |
| Change in unrealized losses on cash flow hedges, net of tax | (5.0) | (2.0) |
| Reclassification of cash flow hedges to earnings, net of tax | 1.4 | (0.2) |
| Other comprehensive loss | (3.6) | (2.2) |
| Comprehensive income | 8.9 | 1.4 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENBRIDGE INCOME FUND CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

| | Three months ended, March 31 | |
|--|---------------------------------|--------------|
| | 2011 | 2010 |
| <i>(unaudited; millions of Canadian dollars)</i> | | |
| Trust units | 333.4 | 333.4 |
| ECT preferred units | 583.7 | - |
| Deficit | | |
| Balance at beginning of period | (407.4) | (88.8) |
| Earnings | 12.5 | 3.6 |
| Trust unit distributions | (12.0) | (10.0) |
| ECT preferred unit distributions | (13.2) | - |
| Balance at end of period | (420.1) | (95.2) |
| Accumulated other comprehensive loss | | |
| Balance at beginning of period | (20.3) | (4.1) |
| Other comprehensive loss, net of tax | (3.6) | (2.2) |
| Balance at end of period | (23.9) | (6.3) |
| Total unitholders' equity | 473.1 | 231.9 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENBRIDGE INCOME FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended, March 31 | |
|--|---------------------------------|--------|
| | 2011 | 2010 |
| <i>(unaudited; millions of Canadian dollars)</i> | | |
| Cash provided by operating activities | | |
| Earnings | 12.5 | 3.6 |
| Charges/(credits) not affecting cash | | |
| Depreciation and amortization | 27.9 | 22.8 |
| Amortization of deferred financing charges | 0.4 | 0.4 |
| Amortization of fair value increment on debt | (1.0) | (1.1) |
| Future income taxes | 0.4 | (0.2) |
| Other | 1.7 | 0.1 |
| Changes in operating assets and liabilities | | |
| Change in accounts receivable and other | (12.2) | (2.0) |
| Change in accounts payable and accrued liabilities | 15.9 | 6.1 |
| Change in deferred amounts and other assets | (0.5) | (5.3) |
| Change in long-term liabilities | 2.2 | (0.8) |
| | 47.3 | 23.6 |
| Investing activities | | |
| Additions to property, plant and equipment | (33.6) | (11.0) |
| Additions to intangible assets | (0.5) | (0.3) |
| Change in construction payable | (3.0) | (2.2) |
| | (37.1) | (13.5) |
| Financing activities | | |
| Net change in long-term credit facility | 7.9 | 21.2 |
| Net change in non-recourse long-term credit facility | (0.3) | (0.3) |
| ECT preferred unit distributions declared | (13.2) | - |
| Trust unit distributions declared | (12.0) | (10.0) |
| Change in distributions payable | 21.8 | - |
| | 4.2 | 10.9 |
| Increase in cash and cash equivalents | 14.4 | 21.0 |
| Cash and cash equivalents at beginning of period | 21.4 | 17.6 |
| Cash and cash equivalents at end of period | 35.8 | 38.6 |
| Cash and cash equivalents | 2.7 | 4.7 |
| Cash and cash equivalents in trust | 33.1 | 33.9 |
| | 35.8 | 38.6 |
| Supplementary cash flow information | | |
| Income taxes paid | 0.2 | 1.7 |
| Interest paid | 4.7 | 4.6 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENBRIDGE INCOME FUND

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | March 31, 2011 | December 31, 2010 |
|--|-------------------|----------------------|
| <i>(unaudited; millions of Canadian dollars)</i> | | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 35.8 | 21.4 |
| Accounts receivable and other | 67.5 | 55.0 |
| | 103.3 | 76.4 |
| Property, plant and equipment, net | 1,315.6 | 1,305.1 |
| Intangible assets | 81.9 | 83.4 |
| Goodwill | 308.1 | 308.1 |
| Deferred amounts and other assets | 195.1 | 198.4 |
| Future income taxes | 4.1 | 4.1 |
| | 2,008.1 | 1,975.5 |
| Liabilities and unitholders' equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 85.3 | 72.9 |
| Distributions payable | 25.1 | 3.3 |
| Current portion of non-recourse long-term debt | 36.3 | 36.3 |
| | 146.7 | 112.5 |
| Long-term debt | 423.9 | 415.7 |
| Non-recourse long-term debt | 686.7 | 687.9 |
| ECT preferred units | 89.3 | 88.1 |
| Long-term liabilities | 18.8 | 10.4 |
| Asset retirement obligations | 15.3 | 15.1 |
| Future income taxes | 154.3 | 156.4 |
| | 1,535.0 | 1,486.1 |
| Unitholders' equity | | |
| Trust units | 333.4 | 333.4 |
| ECT preferred units | 583.7 | 583.7 |
| Deficit | (420.1) | (407.4) |
| Accumulated other comprehensive loss | (23.9) | (20.3) |
| | 473.1 | 489.4 |
| | 2,008.1 | 1,975.5 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ENBRIDGE INCOME FUND

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Enbridge Income Fund (the Fund) have been prepared in accordance with Part V – Pre-changeover Accounting Standards of the Canadian Institute of Chartered Accountants (CICA) Handbook (Canadian GAAP or Part V). These interim consolidated financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and notes thereto included in the Fund's 2010 Annual Report.

Earnings for interim periods may not be indicative of results for the fiscal year due to the seasonal nature of Alliance Canada and the Saskatchewan System maintenance schedules and the Green Power segment's operations.

1. CHANGE IN ACCOUNTING POLICIES

Business Combinations

Effective January 1, 2011, the Fund adopted Part V Section 1582, *Business Combinations*, which replaces Section 1581. The new standard requires assets and liabilities acquired in a business combination to be measured at fair value at the acquisition date and if applicable, any original equity interest in the investee to be re-measured to fair value through earnings on the date control is obtained. The standard also requires that acquisition-related costs, such as advisory or legal fees, incurred to effect a business combination be expensed in the period in which they are incurred. In accordance with the transitional provisions of this standard, Section 1582 was adopted prospectively and accordingly, assets and liabilities that arose from business combinations occurring before January 1, 2011 were not restated. The adoption of this standard has not impacted the Fund's earnings or cash flows for the three month period ended March 31, 2011.

Future Accounting Policy Changes

International Financial Reporting Standards

First-time adoption of Part I – International Financial Reporting Standards (Part I) of the CICA Handbook is mandatory for Canadian publicly accountable enterprises on January 1, 2011, with the exception of certain qualifying entities. Part I is mandatory for qualifying entities, including those with operations subject to rate regulation, for periods beginning on or after January 1, 2012. The Fund is a qualifying entity for purposes of this deferral and will continue to present its financial statements in accordance with pre-changeover accounting standards, Part V during the 2011 deferral period.

2. SEGMENTED INFORMATION

| Three months ended March 31, 2011 <i>(unaudited; millions of Canadian dollars)</i> | Alliance Canada | Saskatchewan System | Green Power | Corporate | Consolidated |
|--|--------------------|------------------------|----------------|-----------|--------------|
| Revenues | 53.5 | 29.5 | 2.8 | - | 85.8 |
| Operating and maintenance | (13.7) | (9.9) | (0.9) | - | (24.5) |
| Management and administrative | - | - | - | (2.3) | (2.3) |
| Depreciation and amortization | (16.4) | (10.6) | (0.9) | - | (27.9) |
| Other income | 23.4 | 9.0 | 1.0 | (2.3) | 31.1 |
| Interest expense | 0.1 | 0.2 | 0.1 | - | 0.4 |
| Income tax recovery/(expense) | (10.3) | - | (0.2) | (7.2) | (17.7) |
| Earnings | 0.1 | 0.7 | - | (2.1) | (1.3) |
| Additions to property, plant and equipment | 13.3 | 9.9 | 0.9 | (11.6) | 12.5 |
| Total assets | 0.7 | 32.9 | - | - | 33.6 |
| | 1,494.1 | 421.1 | 72.8 | 20.1 | 2,008.1 |

| Three months ended March 31, 2010 <i>(unaudited; millions of Canadian dollars)</i> | Alliance Canada | Saskatchewan System | Green Power | Corporate | Consolidated |
|--|--------------------|------------------------|----------------|-----------|--------------|
| Revenues | 56.1 | 18.6 | 2.6 | - | 77.3 |
| Operating and maintenance | (14.7) | (8.6) | (0.7) | - | (24.0) |
| Management and administrative | - | - | - | (2.3) | (2.3) |
| Depreciation and amortization | (15.9) | (5.8) | (1.1) | - | (22.8) |
| Other income/(expense) | 25.5 | 4.2 | 0.8 | (2.3) | 28.2 |
| Interest expense | - | - | 0.2 | - | 0.2 |
| ECT preferred unit distributions | (11.1) | - | (0.1) | (2.9) | (14.1) |
| Income tax recovery/(expense) | - | - | - | (11.0) | (11.0) |
| Earnings | 0.1 | 0.7 | - | (0.5) | 0.3 |
| Additions to property, plant and equipment | 14.5 | 4.9 | 0.9 | (16.7) | 3.6 |
| Total assets | 1.2 | 9.7 | 0.1 | - | 11.0 |
| | 1,557.4 | 290.3 | 78.7 | 5.5 | 1,931.9 |