



Northern Border Partners, L.P.



Solid Values

2003 ANNUAL REPORT

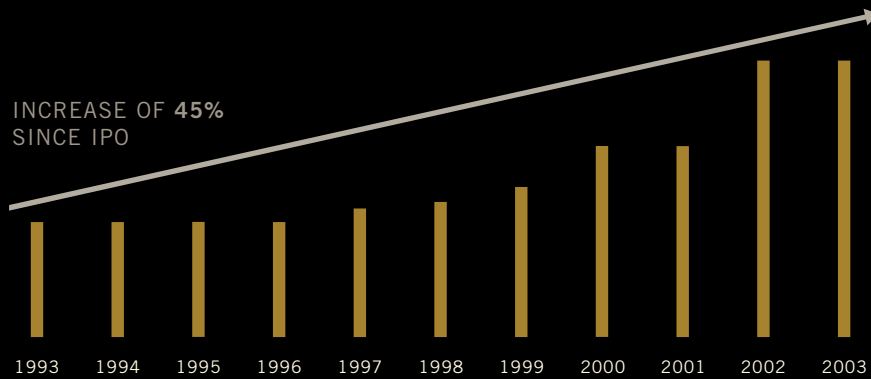


Solid Value

Every business exists to create value for its owners, customers and employees or it will not survive. All successful organizations arrive at this inescapable reality and set about creating value by first building a foundation of guiding principles, which are the unshakable platform on which the worth of the organization must rest. If the principles are sound – the organization will survive and profits will follow through a chain of committed employees, satisfied customers and supportive investors. The fundamental principles or values which sustain Northern Border Partners are Experience, Stability, Strength, Commitment, and Value.

ANNUAL DISTRIBUTIONS

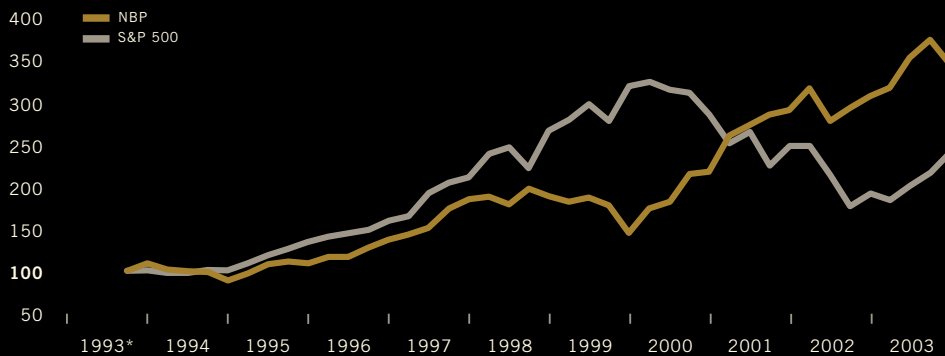
Declared Cash Distributions Per Unit



*IPO September 24, 1993

NBP TOTAL RETURN VS. S&P 500

Total Return Indexed to 100%



*IPO September 24, 1993

Northern Border Partners, L.P. is a publicly-traded partnership with an enterprise value of approximately \$3.5 billion. Established in 1993, NBP is a leading transporter of natural gas from Canada into the United States. By acquiring, owning and managing pipeline and midstream energy assets, we deliver a broad range of energy-related services to our valued customers.



To Our Unitholders

By any measure, 2003 will be remembered as a challenging year for Northern Border Partners, L.P. I'm very proud to report that we have risen to each and every challenge, finding ways to reach our key strategic and operational objectives for the year.

Solid Values. Solid Value.

The fundamental value that we create year after year for our owners and customers is built solidly on a foundation of core assets and our equally strong organizational values. Foremost among those values are the combined Experience, Commitment, Stability, and Strength of our people. They are "pipeliners" to the core – high praise, which is well deserved, for the best, brightest and most dedicated practitioners in our industry.

Our cash flow in 2003 remained strong. Our distributions continued at a high level, on par with those we issued in 2002. One area of financial performance that made this year difficult and disappointing, however, was our lower earnings, compared to prior years. This was the result of non-cash charges of approximately \$219 million that reflected asset and goodwill impairments for our gathering and processing operations.

Financial Review

Net operating revenues in 2003 were up from \$487 million to \$556 million. Cash flow from operating activities was \$225 million for 2003 compared to \$243 million for 2002. For the full year 2003, NBP reported a net loss of \$88 million or a loss of \$2.08 per unit, as compared to 2002 net income of \$114 million or \$2.44 per unit. Without the impairment charge, 2003 earnings would have been \$131 million or \$2.65 per unit.

Over the last six years, NBP distributions per unit have increased 43 percent. Our yield is currently at nearly 8 percent. Since NBP's founding as a publicly-held partnership 10 years ago, we have grown to an enterprise value of approximately \$3.5 billion. Total return to a unitholder since the Partnership's inception has totaled approximately 279 percent.

Highlights of 2003

Northern Border Partners' Interstate Natural Gas Pipelines segment is the largest segment of our company and accounts for approximately 80 percent of our total earnings this year. In 2003, a significant amount of capacity on Northern Border Pipeline was available for recontracting. Renegotiating and securing those contracts was a top priority and an important accomplishment for Northern Border Pipeline as 100 percent of our available capacity was fully renewed with an excellent group of shippers. It is clear that the recontracting process will be an annual event requiring constant attention to providing the level of service that our customers have come to expect from us.

The acquisition of Viking Gas Transmission Company including a one-third interest in Guardian Pipeline in January of 2003 has already proven to be an excellent strategic fit into our fairway of opportunity. We have successfully completed a smooth, seamless integration of the Viking assets into our operations.

We have been very successful in enhancing our strategic position within the pipeline grid through new service development on Midwestern Gas Transmission. Our continued vision for MGT is to utilize its strategic position as a "header system" to move gas north and south to end user markets and major pipeline interconnections. MGT has added to our pipeline revenue growth and is making a growing contribution in this segment.

On the gathering and processing side of our business, we have assets that are operating very successfully and some that have issues that we need to address. Our assets in the Williston Basin are exceeding our expectations in terms of earnings, cash flow and volumes. Our challenge is managing the gathering pipelines in the Powder River Basin where the pace of development, which includes permitting, drilling and new production, is significantly lower than what we had originally anticipated when we acquired the assets. Also, the declines in production from existing wells were significantly higher than geological expectations had led us to believe. The solutions we are putting in place to mitigate the situation include contract renegotiations with our customers to reduce our risks related to volumetric production levels as we move forward and redesign of asset configurations and services to reduce costs where appropriate. We hope to see the pace of drilling increase in the Powder River, which should result in increasing volumes as new wells are completed and begin production.

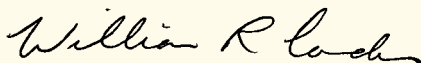
Adding Value to Tomorrow

As we celebrate our 10-year anniversary as Northern Border Partners and look back on a decade of service, I'm very proud of our guiding values and how they have helped us to operate safely, reliably and profitably over the years. One of the certainties about us is that we will play to our strengths by focusing on our solid asset base and capitalizing on our reliable, fee-based services to generate cash and grow our business. We will continue to use our balanced financial position to selectively target acquisitions and expansions.

As we look to our next decade of service, these are our primary strategies for success:

- Continue the emphasis on safe and reliable operations in all phases of our business for both the public and our customers.
- Focus on contract renewals as an every-year kind of activity and address customer relationships and service overall with diligence.
- Continue to develop new services, including opportunities in storage, park-and-loan and other short-term revenue growth opportunities.
- Reposition ourselves in the Powder River Basin to effectively provide gathering services while earning a reasonable return on our investment.
- Target growth through both internal development projects and selective acquisitions.
- Strive to participate in the downstream transportation solutions for the Alaskan pipeline project. As some of you may be aware, North America's natural gas supply declines are overtaking new production, and this long-term trend will require that new supply sources be integrated into the North America pipeline system. One such source is Alaska, and when natural gas from Alaska ultimately makes its way down into the lower 48 states, we are strategically positioned to participate in that process.

Thank you for your continued support and interest in Northern Border Partners.



William R. Cordes
Chairman, Partnership Policy Committee
Chief Executive Officer, Northern Border Partners, L.P.
March 12, 2004

10 Years

In 2003, NBP celebrated its 10-year anniversary as a publicly-traded partnership. During the past decade, we have reached many important milestones, but perhaps none more significant and defining than the “Chicago Project.”

The nearly \$900 million construction project in 1998 extended Northern Border Pipeline an additional 245 miles from Harper, Iowa to Chicago’s city gates, positioning NBPL strategically as an influential player in the high demand Chicago natural gas market. Then, in October of 2001, Northern Border Pipeline completed “Project 2000,” which further expanded our pipeline’s delivery capability into the Chicago market hub by 30 percent.

NBP entered the natural gas gathering and processing business sector with a series of acquisitions in 2000 and 2001. We are now a large, independent gatherer in the Rocky Mountain area and own extensive gathering and processing assets in the Williston Basin of Montana and North Dakota. We are also partners in a Canadian gathering system. Our investment in this segment now stands at over \$500 million.

NBP added additional interstate pipelines to its family of assets in 2001 and 2003. The Midwestern Gas Transmission system and the Viking Gas Transmission system now allow us to create significant operating efficiencies and to expand our services and strategic reach in the Midwest. These targeted acquisitions are an excellent complement to the other additions we have made to our business over the past 10 years and clearly demonstrate the kind of company we have become and how we intend to continue positioning ourselves as we move forward during the next decade.

One thing that has not changed over the last 10 years is the contribution that is made each and every day by the people of Northern Border Partners. As a company, we have grown together as a “family” of dedicated individuals whose commitment to our corporate vision and shared values is lived daily as we search for ways to improve our business and drive it forward more safely and efficiently. Our people are and will always remain our most important and valuable asset.





Interstate Natural Gas Pipelines

Our interstate natural gas pipelines segment provides natural gas transmission services in the midwestern United States. Northern Border Pipeline (NBPL), Midwestern Gas Transmission (MGT), Viking Gas Transmission (VGT) and our one-third interest in Guardian Pipeline, account for the 2,239 miles of interstate pipelines that make up this Interstate Natural Gas Pipelines segment of our business. Northern Plains Natural Gas Company maintains responsibility for the operations of the NBPL, MGT and VGT pipeline systems.

Our interstate pipelines transport gas for shippers under tariffs regulated by the Federal Energy Regulatory Commission ("FERC"). The interstate pipelines do not own the gas that they transport and therefore do not assume natural gas commodity price risk for quantities transported. Our pipelines' revenues are derived from the receipt and delivery of gas at points along the pipeline systems as specified in the shippers' transportation contracts. The interstate natural gas pipelines segment provides us with steady earnings and fee-based cash flows.

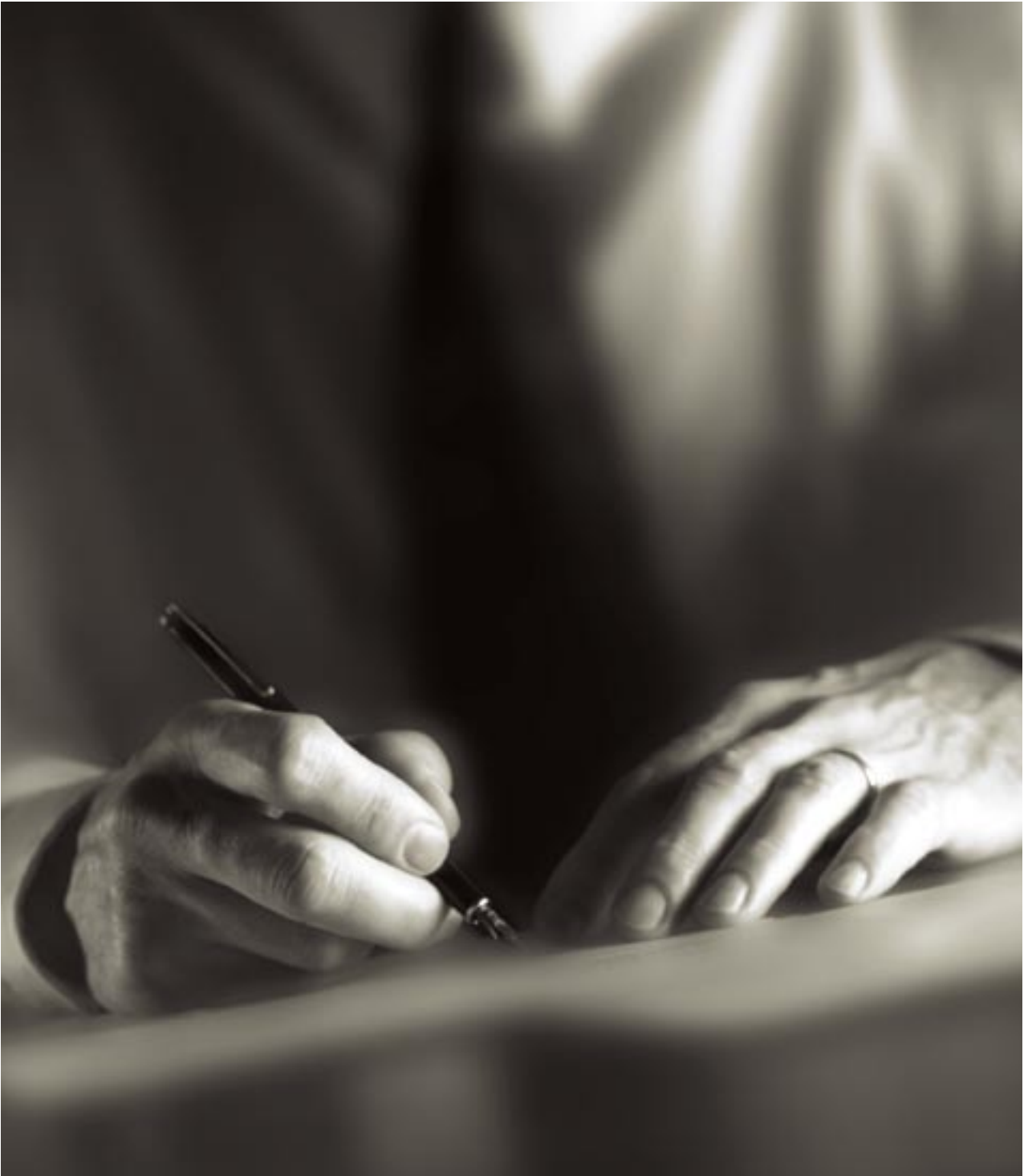
The acquisition of Viking Gas Transmission, including a one-third interest in Guardian Pipeline, was completed January 17, 2003. Viking Gas Transmission adds 499 miles of pipeline and Guardian Pipeline adds 141 miles of pipeline, expanding our interstate natural gas business to important market areas in Minnesota, Wisconsin and North Dakota.

As in past years, the financial success of our interstate pipelines business is dependent on the continued availability of natural gas supplies and the level of demand for natural gas in the markets the pipeline system serves. In 2004, we will continue to focus on the safe, efficient and reliable operation and further development of the interstate natural gas pipelines segment through expansions, alliances or selective acquisitions, in addition to a focus on initiating new services to meet customer demand.



Solid Strength.

Our strength as a company comes from our desire to deliver outstanding results and performance in every segment of our business. It's that determination that binds us together with our owners and customers. We will continue to play to our strengths, building upon our strategic asset base through further expansion of our assets, selective joint ventures and targeted acquisitions.



Proven Commitment.

Nothing is more gratifying than when valued customers return to do business with us. In 2003, we entered into a recontracting process with our shippers for capacity on Northern Border Pipeline. All available capacity was fully renewed, proving the strength and fundamental value of our commitment to customer service. Strong employee commitment helps make outcomes like this possible.

Northern Border Pipeline System

Northern Border Pipeline Company represents the largest proportion of the Northern Border Partners L.P.'s assets, earnings and cash flows. Northern Border Partners, L.P. owns a 70 percent general partnership interest in Northern Border Pipeline Company with the remaining 30 percent owned by TC PipeLines, LP, another publicly-traded partnership.

Northern Border Pipeline Company owns a 1,249-mile interstate pipeline system, capable of transporting 2,374 million cubic feet per day (MMcf/d), that serves as a major transportation link joining the vast natural gas reserves in the Western Canadian Sedimentary Basin and the Williston Basin with growing markets in the midwestern United States. The system, completed in 1982 and most recently expanded in 2001, provides its shippers access to markets in the Midwest through interconnecting pipeline facilities, as well as direct access to the Chicago markets. Northern Border Pipeline shippers can arrange transportation with third parties to provide access beyond Chicago to markets throughout the United States. The system is made up of pipeline segments from 42 inches to 30 inches in diameter and utilizes 16 compressor stations with 499,000 rated horsepower.

In 2003, Northern Border Pipeline transported approximately 22 percent of the total amount of natural gas imported from Canada to the United States. Over the same period, nearly 88 percent of the natural gas transported was produced in the Western Canadian Sedimentary Basin located in the provinces of Alberta, British Columbia and Saskatchewan. Other sources of supply were the Dakota Gasification plant and the Williston Basin. In December 2003, an interconnection with Grasslands Pipeline was placed in service. The Grasslands Pipeline transports natural gas from coal bed and conventional natural gas supplies in the Powder River Basin of northeastern Wyoming and southeastern Montana.

Several market centers, where natural gas transported on the pipeline system is sold, traded and received for transport to significant consuming markets in the Midwest and to interconnecting pipeline facilities destined for other markets, have developed around Northern Border Pipeline. The largest of these market centers is at Northern Border Pipeline's Ventura, Iowa interconnection with Northern Natural Gas Company. The other two market center locations are the Harper, Iowa connection with Natural Gas Pipeline Company of America and the multiple interconnects in the Chicago area that include connections with Northern Illinois Gas Company, The Peoples Gas Light & Coke Company and Northern Indiana Public Service Company, as well as four interstate pipelines.

Midwestern Gas Transmission System

Midwestern Gas Transmission Company, our wholly-owned subsidiary, owns a pipeline system that extends from an interconnection with Tennessee Gas Transmission near Portland, Tennessee to a point of interconnection with several interstate pipeline systems near Joliet, Illinois. Midwestern connects with multiple pipeline systems providing bi-directional service to markets in Kentucky, Indiana, southern Illinois, as well as the Joliet/Chicago market hub.

The Midwestern system consists of 350 miles of 30-inch and 24-inch diameter interstate natural gas transmission pipeline with a capacity of 650 MMcf/d for volumes transported north from Portland, Tennessee. The pipeline is also capable of moving 350 MMcf/d southbound from the Chicago hub. There are seven compressor stations in operation with total rated horsepower of 65,570.

Midwestern Gas Transmission connects with multiple pipeline systems and provides its shippers with access to various supply sources and markets. Due to Midwestern's strategic location in the pipeline grid, it is designed to move gas either north or south, providing our customers with increased opportunities to supply natural gas to markets in the midwestern and south-central United States. This gives our customers an opportunity to expand their markets and provides additional delivery outlets. In addition, end users and electric power generation facilities can be served by connections off the pipeline system.

Viking Gas Transmission System

On January 17, 2003, Northern Border Partners completed its acquisition of Viking Gas Transmission Company and a one-third interest in Guardian Pipeline.

The Viking Gas Transmission system consists of a 499-mile pipeline system with a design capacity of approximately 500 MMcf/d at the origin near Emerson, Manitoba and 300 MMcf/d at the terminus near Marshfield, Wisconsin. There are eight compressor stations with a total rated horsepower of 68,650. Viking serves LDC markets directly and through interconnecting pipelines in North Dakota, Minnesota and Wisconsin.

Guardian Pipeline, L.L.C.

The Viking Gas Transmission Company acquisition in January 2003 included a one-third interest in Guardian Pipeline. The Guardian Pipeline system, placed into service December 2002, is a 141-mile interstate natural gas pipeline that transports natural gas from Joliet, Illinois to a point west of Milwaukee, Wisconsin. Subsidiaries of Wisconsin Public Service and Wisconsin Energy Corporation each hold a one-third interest in Guardian. Wisconsin Gas Company, a subsidiary of Wisconsin Energy Corporation, has contracted for over 80 percent of the pipeline's capacity.

Guardian Pipeline is currently operated by Trunkline Gas Company, which is part of the Panhandle Companies. Northern Plains has been selected to be the operator of Guardian Pipeline effective July 1, 2004.



Managed Stability.

Northern Border Partners is a strong, \$3.5 billion company with stable cash flows, strategically located assets, distribution growth, asset growth and an attractive yield with substantial tax deferral. Our highly experienced management team utilizes the sound operating principles and low-risk financial strategies necessary to lead us forward to another 10 years of stability and growth.



Real Value.

We're a value-driven company. As such, we place great importance on operating safely, profitably and efficiently to satisfy the expectations of our owners, customers and partners. To remain responsive to the needs of those key stakeholders, we will continue to be true to our roots, keeping the dialog ongoing and our doors open to those we serve.

Natural Gas Gathering and Processing

The natural gas gathering and processing segment of our business provides services for the gathering, treating, processing and compression of natural gas and the fractionation of natural gas liquids (“NGLs”) for third parties and related field services. We do not explore for or produce crude oil or natural gas nor do we own crude oil or natural gas reserves.

Crestone Energy Ventures, Bear Paw Energy and Border Midstream Services comprise this segment. NBP Services Corporation continues to provide administrative and operational support for Bear Paw Energy and Crestone Energy Ventures through employees based in Denver, Colorado and field locations in Wyoming, Montana and North Dakota. A third party operates the facilities of Border Midstream Services.

Our gas gathering and processing segment competes with other natural gas gathering, processing and pipeline companies in the production areas in the Powder River, Wind River, Williston and Western Canadian Sedimentary Basins.

Our established business relationships with producers and marketers in the Canadian and Rocky Mountain supply basins allow us to offer integrated services through all our facilities. We differentiate ourselves by the terms of service offerings, delivery choices, wide coverage and operational efficiencies provided. We seek to improve operational profitability by increasing natural gas throughput via acquisitions and expansions, operational efficiencies and prudent deployment of capital.

Bear Paw Energy

Bear Paw Energy, acquired in March 2001, has extensive natural gas gathering, processing and fractionation operations in the Williston Basin in Montana and North Dakota as well as gas gathering operations in the Powder River Basin in Wyoming. In the Williston Basin, Bear Paw Energy has approximately 3,000 miles of gathering pipelines and five processing plants with 95 MMcf/d of capacity. In the Powder River Basin, Bear Paw Energy has nearly 1,100 miles of high and low pressure gathering pipelines, 92 compressor stations and close to 430,000 acres of dedicated reserves.

These facilities interconnect with the Bighorn Gas Gathering and Fort Union Gas Gathering systems as well as other pipeline systems and together join the interstate gas pipeline grid to serve important markets in the Rocky Mountains, the Midwest and California. Bear Paw Energy's revenues are primarily derived under fee-based gathering agreements and “percent of proceeds” processing agreements.

Crestone Energy Ventures

Crestone Energy Ventures, a wholly-owned subsidiary of Northern Border Partners, holds ownership interests in pipelines in the Powder River and Wind River Basins in Wyoming. Bighorn Gas Gathering, Fort Union Gas Gathering and Lost Creek Gathering are the joint ventures, which collectively own over 300 miles of gas gathering facilities in the basins and support our strategic platform for growth and diversification.

Bighorn and Fort Union gather coal bed methane gas that is produced in the Powder River Basin in northeastern Wyoming. Under long-term contracts with producers, Bighorn serves a vast production area with approximately 800,000 acres dedicated to its gathering system. Bighorn is capable of gathering more than 250 MMcf/d of coal bed methane gas for delivery into the Fort Union gathering system. Fort Union has the capability of delivering more than 634 MMcf/d of gas into the interstate pipeline grid.

The Lost Creek system gathers natural gas produced from conventional gas wells in the Wind River Basin in central Wyoming and consists of approximately 120 miles of gathering pipeline. The Lost Creek system is capable of delivering more than 275 MMcf/d of gas into the interstate pipeline grid.

Border Midstream Services

Through our subsidiary, Border Midstream Services, Ltd., we own an undivided minority interest in the Gregg Lake/Obed Pipeline which is located in Alberta, Canada. The Mazeppa and Gladys gas processing plants and associated gathering pipelines were sold in June 2003. The Gregg Lake/Obed Pipeline consists of 85 miles of pipeline with a design capacity of 150 MMcf/d.

Coal Slurry Pipeline

Black Mesa Pipeline

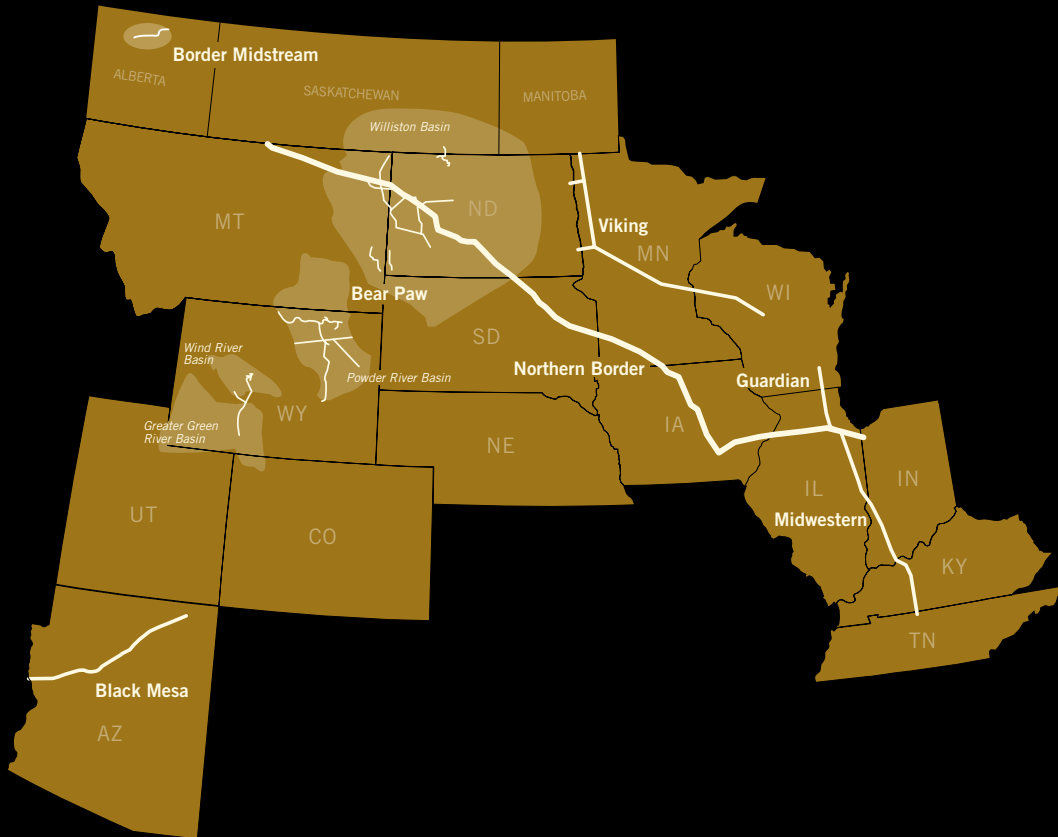
Black Mesa Pipeline, our wholly-owned subsidiary, owns a 273-mile, 18-inch diameter coal slurry pipeline which originates at a coal mine in Kayenta, Arizona. The pipeline, transporting crushed coal suspended in water, traverses westward through northern Arizona to the Mohave Power Station located in Laughlin, Nevada. The coal slurry pipeline, which is the sole source of fuel for the Mohave Power Station, consumes an average of 4.8 million tons of coal annually. The pipeline capacity is fully contracted to Peabody Western Coal through 2005. As in past years, Black Mesa provides cost effective transportation of coal to the Mohave Generating Station.



Experience Matters.

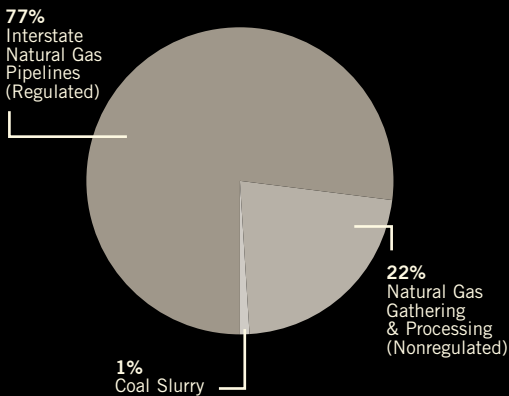
There's no substitute for experience, carried in the hands and the head. The title of "Pipeliner" embodies on-the-job experience and it's a badge of professional pride worn by our crew. We thank them for their diligence, hard work and expertise, proving that a company's most valuable asset is indeed its people.

The Northern Border Partners Pipeline Network



BUSINESS OVERVIEW

Asset Mix



STOCK EXCHANGE AND UNIT TRADING PRICES

The Partnership's common units trade on the New York Stock Exchange under the symbol NBP. Outstanding units at December 31, 2003 totaled 46,397,214.

	HIGH	LOW
2003		
Fourth Quarter	\$ 43.70	\$ 35.98
Third Quarter	\$ 44.07	\$ 40.50
Second Quarter	\$ 42.33	\$ 38.10
First Quarter	\$ 39.00	\$ 36.57
2002		
Fourth Quarter	\$ 38.00	\$ 33.46
Third Quarter	\$ 37.50	\$ 29.30
Second Quarter	\$ 41.90	\$ 35.43
First Quarter	\$ 42.50	\$ 34.25

Cash Distributions

Since its formation as a publicly-traded partnership in 1993, Northern Border Partners, L.P. has made cash distributions to unitholders each quarter. Cash distributions of \$0.80 were paid on February 20, 2004. For a summary of the cash distributions paid, see page 14.

Publicly-Traded Partnership Attributes

Northern Border Partners, L.P. is a publicly-traded partnership, which operates in the following distinct ways from a publicly-traded stock corporation:

Unitholders own limited partnership units instead of shares of stock and receive cash distributions rather than dividends.

A partnership generally is not a taxable entity and does not pay federal income taxes. All of the income, gains, losses, deductions or credits flow through the partnership to the unitholders on a per unit basis. The unitholders are required to report their allocated share of these amounts on their income tax returns whether or not cash distributions are made by the partnership to its unitholders.

Cash distributions paid by the Partnership to a unitholder are generally not taxable, unless the amount of any cash distributed is in excess of the unitholder's adjusted basis in his partnership interest. Therefore, unlike a corporate stockholder, the unitholder will not receive a Form 1099 for the cash he receives.

NBP provides each unitholder a Schedule K-1 tax package in March of each year which includes that particular unitholder's allocated share of reportable Partnership items and other Partnership information necessary to file federal and/or state tax returns. Any unitholder not receiving such Schedule K-1 should call (800) 371-2188.

Partnership Offices

Northern Border Partners, L.P.
13710 FNB Parkway
Omaha, Nebraska 68154-5200
(402) 492-7300

Transfer Agent, Registrar and Cash Distribution Paying Agent

Registered unitholders should direct communication regarding name and address changes, distribution checks, lost certificates and other administrative matters to:

EquiServe Trust, N.A.
P.O. Box 43069
Providence, Rhode Island 02940-3069
(781) 575-2726
(800) 519-3111
www.equiserve.com

Additional Investor Information

Additional information about Northern Border Partners, L.P. including the Annual Report, Form 10-K and/or Form 10-Q may be obtained at no charge by contacting Investor Relations toll-free at (877) 208-7318 or writing to the Company's mailing address or accessing the Company's website at www.northernborderpartners.com. Exhibits to the Form 10-K will be mailed upon similar request and payment of specified fees.

K-1 Inquiries & Corrections

Unitholder Schedule K-1 inquiries should be directed to (800) 371-2188 or to the Partnership's website at www.northernborderpartners.com. If the information on the Schedule K-1 does not agree with the unitholder's records, please call the toll-free number.

Internet Website

Earnings and other financial results, Partnership news, filings with the Securities and Exchange Commission and other Partnership information are available on Northern Border Partners' website at www.northernborderpartners.com.

2003 Annual Report

This Annual Report and the statements contained herein are submitted for the general information of the unitholders of Northern Border Partners, L.P. and are not intended for use in connection with or to induce the sale or purchase of securities.

This report may contain certain forward-looking information regarding the Partnership, including projections, estimates, forecasts, plans and objectives. Although management believes that all such statements are based upon reasonable assumptions, no assurance can be given that the actual results will not differ materially from those contained in such forward-looking statements. Please refer to the Partnership's most recent SEC filings for information that may affect results.



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