Income Fund Holdings

ENBRIDGE INCOME FUND HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

GLOSSARY

ECT	Enbridge Commercial Trust
EIPLP	Enbridge Income Partners LP
Enbridge	Enbridge Inc.
ENF or the Company	Enbridge Income Fund Holdings Inc.
Fund Units	Ordinary trust units of the Fund
IFRS	International Financial Reporting Standards
MD&A	Management’s Discussion and Analysis
the Fund	Enbridge Income Fund
the Fund Group	The Fund, ECT, EIPLP and the subsidiaries and investees of EIPLP
the Manager or EMSI	Enbridge Management Services Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

This Management's Discussion and Analysis (MD&A) dated February 16, 2018 should be read in conjunction with the audited financial statements and notes thereto of Enbridge Income Fund Holdings Inc. for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS). All financial information is presented in Canadian dollars, unless otherwise indicated. Additional information related to Enbridge Income Fund Holdings Inc., including its Annual Information Form (AIF), is available on SEDAR at www.sedar.com.

OVERVIEW

The terms "we," "our," "us", "ENF" and "the Company" as used in this MD&A refer to Enbridge Income Fund Holdings Inc. unless the context suggests otherwise. The Company is a publicly traded corporation whose common shares trade on the Toronto Stock Exchange (TSX) under the symbol ENF. Our business is limited to our ownership interest in Enbridge Income Fund (the Fund) and our objective is to pay out a high proportion of available cash in the form of dividends to shareholders.

The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund, through its indirect investment in Enbridge Income Partners LP (EIPLP), is involved in the transportation, storage and generation of energy. EIPLP owns interests in liquids transportation and storage assets, including the Canadian Mainline, the Regional Oil Sands System, a 50% interest in the Alliance Pipeline system, which transports natural gas from Canada to the United States, and interests in renewable and alternative power generation assets. Readers are encouraged to read EIPLP's consolidated financial statements and MD&A which are filed under the Fund's profile on SEDAR at www.sedar.com.

The unitholders of the Fund are the Company and Enbridge Inc. (Enbridge), a North American transporter, distributor and generator of energy listed on the TSX and New York Stock Exchange. We are managed by Enbridge Management Services Inc. (the Manager or EMSI), a wholly-owned subsidiary of Enbridge. EMSI also serves as the manager of the Fund, Enbridge Commercial Trust (ECT), which is a wholly-owned investment of the Fund, and EIPLP. EIPLP is a limited partnership between ECT and Enbridge. The Fund, ECT, EIPLP and the subsidiaries and investees of EIPLP are collectively referred to as the Fund Group.

At December 31, 2017, Enbridge held 19.9% of the Company's common shares, with the public shareholders holding the remaining 80.1%. Also at December 31, 2017, we held 70.6% of the issued and outstanding ordinary trust units of the Fund (Fund Units) and Enbridge held the remaining 29.4%. Our overall economic interest in the Fund Group was 21.8% as at December 31, 2017.

ENBRIDGE INCOME FUND HOLDINGS INC. FINANCIAL PERFORMANCE

Our earnings and cash flows are derived from our investment in the Fund and are dependent upon our ownership interest, the cash distributions per unit paid by the Fund and income taxes. Readers are encouraged to read the Fund's financial statements and MD&A which are filed on SEDAR at www.sedar.com.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
(millions of Canadian dollars, except per unit, per share and share amounts)				
Fund Unit distribution per unit	**0.5376**	0.5376	**2.1504**	2.1504
Cash distributions declared to holders of Fund Units	**124**	117	**477**	454
Percentage of Fund Units held by ENF	**67.0% - 70.6%**	56.8% - 56.9%	**56.9% - 70.6%**	50.8% - 56.9%
Distribution income, ENF	**84**	67	**309**	252
Interest income and other	**2**	—	**4**	2
Income taxes	**—**	—	**(6)**	(2)
Earnings, ENF	**86**	67	**307**	252
Earnings per common share	**0.56**	0.54	**2.16**	2.18
Diluted earnings per common share	**0.55**	0.54	**2.12**	2.14
Cash provided by operating activities	**56**	66	**278**	243
Cash used in investing activities	**(715)**	(23)	**(776)**	(797)
Cash provided by/(used in) financing activities	**659**	(43)	**498**	554
Dividends declared	**80**	58	**295**	219
Dividends per common share	**0.5133**	0.4665	**2.0532**	1.8660
Dividend payout ratio	**93.0%**	86.6%	**96.1%**	86.9%
Number of common shares outstanding[1]			**173,708,579**	124,189,207

1 As at December 31, 2017 and 2016, respectively.

Distribution income from Fund Units increased in 2017 compared with 2016 as we increased our ownership of the Fund. We used proceeds from our common equity offerings to invest in additional Fund Units in December 2017 and April 2016. In addition, we acquired additional Fund Units as a result of Enbridge's non-monetary exchange of Fund Units for common shares of the Company in April 2017. In 2017, we also purchased additional Fund Units using cash retained under our Dividend Reinvestment and Share Purchase Plan (DRIP).

We incur income taxes on distributions received from the Fund, the level of which will vary depending on the taxability of such distributions in any given year. To the extent that a portion of the distribution represents a tax-free inter-corporate dividend or return of capital, cash tax will not be incurred on that portion of the distribution.

For the year ended December 31, 2017, the increase in cash provided by operating activities primarily reflects an increase in distributions received from the Fund. The decrease in cash used in investing activities in 2017 is due to net repayments received from a subsidiary of EIPLP on a subordinated demand loan, whereas in 2016, the subsidiary received net advances. This increase in cash was partially offset by the purchase of additional Fund Units in 2017. Cash provided by financing activities decreased in 2017 as a result of an increase in dividends paid. In both 2017 and 2016, cash used in investing activities and cash provided by financing activities were impacted by our common share issuances for gross proceeds of $718 million, which we used to purchase additional Fund Units in each of December 2017 and April 2016. Refer to *Liquidity and Capital Resources – Sources and Uses of Cash* for further discussion.

Fourth quarter cash flow factors were largely consistent with the year-to-date trends discussed above. Factors unique to the fourth quarter include our common share issuance in December 2017 for gross proceeds of $718 million, which were used to purchase additional Fund Units. In connection with our public equity offering, we paid $23 million of share issue costs, which will be reimbursed by the Fund pursuant to a payment assistance agreement.

We pay monthly dividends to our shareholders. Dividends for the year ended December 31, 2017 were declared at an annual aggregate rate of $2.0532 (2016 - $1.8660; 2015 - $1.5936) per common share, representing total dividends of $295 million (2016 - $219 million; 2015 - $119 million) and an earnings payout ratio of 96.1% (2016 - 86.9%; 2015 - 86.7%). In January 2017, we increased our monthly dividend per common share by 10% over the 2016 dividends declared to an annual aggregate rate of $2.0532 per common share. In November 2017, we announced a further increase to our monthly dividend per common share by 10% to an annual aggregate rate of $2.2596, commencing with the dividend paid in respect of January 2018, which is consistent with our anticipated dividend growth due to expected Fund Group earnings and cash flow performance from our asset base.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about the Company and the Fund Group, including management's assessment of the Company and the Fund Group's future plans and operations. 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", "likely" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information or statements included or incorporated by reference in this document include, but are not limited to, statements with respect to the following: earnings/(loss) or adjusted earnings/(loss); earnings/(loss) or adjusted earnings/(loss) per share; cash flows; dividends or distributions; distributions to the Company by the Fund; dividend growth and dividend payout expectation; working capital requirements; sources of liquidity and sufficiency of financial resources; flexibility of distributions; organic growth opportunities; use of retained cash; and investment opportunities.

Although the Company believes 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 following: supply of and demand for crude oil, natural gas, natural gas liquids (NGL) and renewable energy; prices of crude oil, natural gas, NGL and renewable energy; exchange rates; inflation; Canadian pipeline export capacity; levels of competition; interest rates; availability and price of labor and construction materials; operational reliability; customer and regulatory approvals; maintenance of support and regulatory approvals for the Fund Group's projects; anticipated in-service dates; weather; the impact of the dividend policy on the Company's or the Fund Group's future cash flows; use of retained cash for future income tax payments; access to equity markets; potential acquisitions, dispositions or other strategic transactions; the Fund Group's credit ratings; capital project funding; earnings/(loss) or adjusted earnings/(loss); earnings/(loss) per share; cash flows; and dividends or distributions. Assumptions regarding the supply of and demand for crude oil, natural gas, NGL and renewable energy, and the prices of these commodities, are material to and underlie 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 Group's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Company and the Fund Group operate and may impact levels of demand for the Fund Group'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 earnings/(loss), adjusted earnings/(loss) and associated per share amounts, or future dividends or distributions. The most relevant assumptions associated with forward-looking statements on projects under construction, including completion dates and capital expenditures, include the following: availability and price of labor and construction materials; effects of inflation and foreign exchange rates on labor and material costs; effects of interest rates on borrowing costs; and the impact of weather and customer, government and regulatory approvals on construction and in-service schedules and cost recovery regimes.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to future dividends, operating performance, regulatory parameters, project approval and support, renewals of rights of way, weather, economic and competitive conditions, public opinion, changes in tax laws and tax rates, exchange rates, interest *rates, commodity prices, political decisions and supply of and demand for commodities, including but not limited to those risks and uncertainties discussed in this MD&A and in the Company'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 Company's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by applicable law, the Company 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 Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.*

FUND GROUP OBJECTIVES AND STRATEGY

The Fund Group's objectives are to provide a predictable flow of distributable cash and to increase, where prudent, cash distributions through investment in and ongoing management of low-risk energy infrastructure assets. The Fund Group's objectives and strategies are also aligned to support the corporate vision and strategies of our sponsor, Enbridge.

In order to achieve these objectives, the Manager relies on the following strategic priorities:

- Commitment to Safety and Operational Reliability;
- Maximize Value of Core Businesses;
- Execute Capital Program; and
- Strengthen Financial Position.

The Fund Group is closely focused on safety, system performance and operating effectiveness. The commitment to safety and operational reliability means achieving and maintaining industry leadership in safety (process, public and personal) and ensuring the operational reliability and integrity of the systems the Fund Group operates in order to generate, transport and deliver the energy society counts on while protecting the environment.

The Fund Group's liquids pipelines business is expected to have future organic growth opportunities beyond its current secured projects. The Fund Group will generally have a first right to execute any such projects that fall within the footprint of Enbridge's Canadian liquids pipelines business.

For gas pipelines assets, the Fund Group seeks to optimize the competitive advantage of its existing asset footprint, as the Alliance Pipeline is well-positioned to provide liquids-rich gas transportation services to developing regions in northeastern British Columbia, northwestern Alberta and the Bakken. In 2017, Alliance Pipeline benefited from strong demand for seasonal firm service through its open season process.

The Fund Group's green power asset strategies are driven by the objective to manage and maintain facilities in such a way as to maximize power generation and related revenues when the relevant wind, solar or waste heat energy resource is available. In 2017, the green power assets benefited from strong wind resources in the second and fourth quarters.

The Manager will continue to assess ways to generate value for our partners, including reviewing opportunities that may lead to acquisitions, dispositions or other strategic transactions, some of which may be material and involve Enbridge. Opportunities are screened, analyzed and assessed using strict operating, strategic and financial criteria with the objective of ensuring the effective deployment of capital and the financial strength and stability of the Fund Group. An independent committee may be utilized when opportunities involve Enbridge and its affiliates.

The maintenance of adequate financing strength and flexibility is crucial to the Fund Group's growth strategy. Ongoing access to cost effective sources of debt and equity capital is critical to the successful execution of the Fund Group's strategy to expand existing assets and acquire or develop new energy infrastructure.

LIQUIDITY AND CAPITAL RESOURCES

We pay out a high proportion of distributions received from the Fund. Retained cash is expected to be used for future income tax payments and as a reserve to sustain a predictable stream of dividends to our shareholders over the long term. Cash not required to fund dividends or to meet working capital requirements is advanced to a subsidiary corporation of EIPLP pursuant to a subordinated demand loan with an interest rate of 4.3% per annum. At December 31, 2017, $72 million (2016 - $78 million) was outstanding from a subsidiary of EIPLP.

Our working capital requirements were not significant in 2017. We have an agreement with ECT whereby ECT reimburses us for all expenses incurred relating to the normal course administration of the Company as a publicly traded corporation.

We did not have any outstanding long-term debt as at December 31, 2017 and 2016.

Additional capital resources to finance our future investment in the Fund are expected to be available through access to equity markets, subject to our ability to access the market on favorable terms.

SOURCES AND USES OF CASH

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Operating activities	**278**	243
Investing activities	**(776)**	(797)
Financing activities	**498**	554
Increase/(decrease) in cash and cash equivalents	**—**	—

Operating Activities
Cash provided by operating activities reflects cash distributions received from the Fund, net of income taxes. Factors impacting cash provided by operating activities year-over-year primarily include:

- an increase in distributions received from the Fund in 2017 due to our purchase of additional Fund Units in December 2017 and April 2016 discussed further below, as well as our increase in Fund Units held as a result of Enbridge's non-monetary exchange of Fund Units for common shares of the Company in April 2017.

Investing Activities
Cash used in investing activities primarily reflects the additional purchase of Fund Units, as well as advances to and repayments from a subsidiary corporation of EIPLP pursuant to a subordinated demand loan, which are considered related party transactions. Factors impacting cash used in investing activities year-over-year primarily include:

- an impact in both 2017 and 2016 due to our additional investment in Fund Units for gross proceeds of $718 million in both December 2017 and April 2016;
- an increase in the amount of cash retained in respect of reinvested dividends to $64 million in 2017 (2016 - $49 million), for which the proceeds were used to purchase 2.0 million Fund Units (2016 - 1.6 million). This represents an average participation rate in the DRIP of 21.7% (2016 - 22.4%); and

- net repayments of $6 million received from a subsidiary of EIPLP pursuant to a subordinated demand loan in 2017 compared with net advances of $30 million in 2016. The demand loan repayments received in the fourth quarter of 2017 were used to pay share issue costs in connection with our December 2017 public equity offering. Such costs will be reimbursed by the Fund pursuant to a payment assistance agreement.

Financing Activities
Cash used in financing activities primarily reflects common share issuances as well as our payment of monthly dividends to our shareholders, net of cash retained in respect of reinvested dividends under the DRIP. Our shareholders are able to participate in the DRIP, which enables the participants to reinvest their dividends in common shares of the Company at a 2% discount to market price. Factors impacting cash used in financing activities year-over-year primarily include:

- an impact in both 2017 and 2016 due to our common share issuances for gross proceeds of $718 million in both December 2017 and April 2016; and
- an increase in dividends paid in 2017 as a result of additional common shares outstanding and the increase in monthly dividends paid per common share, which commenced in January 2017. The increase in dividends paid was partially offset by an increase in the amount of cash retained in respect of reinvested dividends discussed above.

RELATED PARTY TRANSACTIONS

INTERCORPORATE LOANS AND BALANCES
In 2017, we received repayments of $6 million, net of advances (2016 - advances of $30 million, net of repayments) to a subsidiary corporation of EIPLP pursuant to a subordinated demand loan. At December 31, 2017, $72 million (2016 - $78 million) was outstanding on the loan. Interest on the demand loan was charged at 4.3% per annum. Interest income earned on the loan was $4 million (2016 - $2 million) for the year ended December 31, 2017.

SHARE ISSUE COSTS
In connection with our December 2017 public equity offering of 20.7 million common shares, we paid share issue costs of $23 million, which will be reimbursed by the Fund pursuant to a payment assistance agreement. At December 31, 2017, accounts receivable from the Fund were $23 million (2016 - nil). Proceeds from the equity offering were used by the Company to purchase additional Fund Units.

In connection with our April 2016 public equity offering of 20.4 million common shares, the Fund reimbursed us for share issue costs of $24 million pursuant to a payment assistance agreement. We used the proceeds from the equity offering to purchase additional Fund Units.

INTERCORPORATE SERVICES
We have an agreement with ECT whereby ECT reimburses us for certain corporate costs. ECT reimbursed us $1 million (2016 - $1 million) for corporate costs incurred in 2017. At December 31, 2017 and 2016, accounts receivable from ECT were nil.

We have an agreement with EMSI to provide management and administrative services to us. Provided that the Fund is paying a base fee to EMSI for the services received by the Fund, no fee is payable from us to EMSI, as was the case for the years ended December 31, 2017 and 2016.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

We pay out a high proportion of cash in the form of dividends to our investors, while maintaining a reliable and low-risk business model. The Fund Group actively manages both financial and non-financial risks it is exposed to. The Fund Group performs an annual corporate risk assessment to identify all potential risks.

Risks are ranked based on severity and likelihood both before and after mitigating actions. In addition, the Fund Group has adopted a Cash Flow at Risk (CFAR) policy to manage exposure to movements in interest rates, foreign exchange rates and commodity prices. CFAR is a statistically derived measurement that quantifies the maximum adverse impact on cash flows over a specified period of time within a pre-defined level of statistical confidence. The Fund Group's CFAR limit has been set at 2.5% of forward annual distributable cash flows of the Fund Group.

MARKET PRICE RISK

Our other comprehensive income (OCI) is subject to market price risk resulting from changes in the fair value of our investment in the Fund, which is referenced to the Company's common share price. The Company does not typically manage this risk. A $1.00 increase or decrease in the Company's common share price at December 31, 2017 would have resulted in an increase or decrease in OCI, before income taxes of $174 million and $151 million after income taxes (2016 - $124 million and $107 million, respectively) due to the revaluation of the investment.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Accounts payable and other and Dividends payable are due within one month. In order to manage this risk, we forecast our cash flow over the near and long-term and ensure that sufficient funds will be available when required. Our primary source of liquidity is cash distributions we receive from our investment in the Fund. Additional liquidity, if necessary, is expected to be available through collection of amounts advanced to a subsidiary corporation of EIPLP pursuant to a subordinated demand loan.

The future level of distributions received from the Fund may vary depending on, but not limited to, the performance of the Fund's business through its indirect investment in EIPLP, the level of continued investment or the Fund Group's ability to obtain financing. Further factors which may impact the Fund's ability to sustain distributions include future demand for the services provided by the Fund Group's businesses and the Fund's ability to comply with covenants in its debt agreements and repay or refinance its debt as it comes due.

We oversee our investment in the Fund through our Directors, who are also members of the ECT Board of Trustees. The ECT Board of Trustees provides oversight of the Fund Group and the operation and strategies of the entities that generate cash for distribution to the Company and Enbridge.

CREDIT RISK

Credit risk arises from the possibility that a counterparty may default on its contractual obligations to us. Demand loan due from affiliate, Accounts receivable and other and Distributions receivable are subject to credit risk, the maximum exposure of which is the carrying value as presented on the Statements of Financial Position. Our credit risk is mitigated as the majority of our financial assets are with affiliates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2017 and 2016, our financial instruments were comprised of our investment in the Fund, Demand loan due from affiliate, Accounts receivable and other, Distributions receivable, Accounts payable and other and Dividends payable. The fair value of our investment in the Fund is based on the quoted market price of the Company's common shares adjusted for assets and liabilities of the Company that are not applicable to the Fund. The fair value of Demand loan due from affiliate, Accounts receivable and other, Distributions receivable, Accounts payable and other and Dividends payable approximates their carrying values due to their short-term maturities.

BUSINESS RISKS

Readers are referred to the *Risk Management and Financial Instruments* disclosure in the Fund's MD&A and EIPLP's MD&A as well as *Risk Factors* in the Company's AIF and the Fund's AIF.

The following are certain risk factors relating to the activities of the Company and ownership of ENF common shares.

Future Dividends
Dividends declared on the common shares will be wholly-dependent on the declaration of distributions by the Fund. Future dividend payments by the Company and the level thereof are uncertain as the Company's dividend practices and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by investees of the Fund and their respective operations and investments, financial requirements for the Fund and its investees' operations and the Fund's ability to execute its growth strategy.

Pre-emptive Right
Pursuant to pre-emptive rights contained in the Fund's Trust Indenture, the Company and Enbridge are entitled to acquire any Fund Units proposed to be issued by the Fund in proportion to their respective economic interest in the Fund. If we fail to fully subscribe for our proportionate economic interest, our holdings in the Fund may be diluted.

Restriction in Business Activities
Our business is restricted to our investment in the Fund. Therefore, our financial results are dependent on the Fund. The inability of the Fund to manage its business and investments effectively could have a material adverse impact on our operations and prospects. Further, the level of the consolidated indebtedness of the Fund Group from time to time could impair our ability to obtain additional financing on a timely basis to take advantage of permitted business opportunities that may arise.

Availability of Financing
If we pay out a high proportion of the distributions received from the Fund to shareholders by way of dividend, we may have to enter into financings or other transactions involving the issuance of securities by the Company in order to obtain funds for business purposes. An inability to raise new equity capital may limit our ability to grow and execute our business plan. The issuance of equity securities may also be dilutive to shareholders.

FUTURE ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS
In July 2014, the International Accounting Standards Board (IASB) completed the final elements of IFRS 9 Financial Instruments. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The single approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The adoption of IFRS 9 is expected to result in our investment in the Fund no longer being accounted for as an available for sale investment at fair value through OCI. Instead, the gains and losses arising from changes in fair value of the investment will be accounted for through earnings.

IFRS 9 also introduces the expected credit loss model which replaces the incurred loss model. Under the expected credit loss model, any credit losses are estimated based on a probability weighted average expected future cash flows taking into account all possible events of default over the life of the loan and receivables. We do not expect the adoption of the credit loss model to have a material impact on our financial statements. The standard comes into effect the annual period beginning on January 1, 2018 and is applied retrospectively.

CRITICAL ACCOUNTING ESTIMATES

LONG-TERM INVESTMENT

We hold an investment in the Fund, representing 70.6% (2016 - 56.9%) of the outstanding Fund Units as at December 31, 2017. We account for our investment as an available-for-sale financial asset. Management concluded that we do not control the Fund, but rather that Enbridge, through the combination of direct and indirect equity interests, investment in preferred units of ECT (ECT Preferred Units) and its role as manager of the Fund, is the primary beneficiary of the Fund. Significant estimates are also required in determining the fair value and recoverability of the investment. The fair value of the investment is estimated by relying on the quoted market price of the Company's common shares adjusting for other assets and liabilities not attributable to the Fund and significant or prolonged declines in fair value below cost are assessed for evidence of impairment.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with, or submitted to, securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified under Canadian securities law. Based on the requirements of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), EMSI evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in NI 52-109) and concluded that the Company's disclosure controls and procedures were effective as at December 31, 2017.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Manager is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the rules of the Canadian Securities Administrators. The Company's internal control over financial reporting is a process designed, under the supervision and with the participation of executive and financial officers of the Manager, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

EMSI assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2017, based on the framework established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Manager concluded that the Company maintained effective internal control over financial reporting as at December 31, 2017.

SELECTED QUARTERLY FINANCIAL INFORMATION

2017	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
(millions of Canadian dollars, except per share amounts)					
Revenues	**68**	**80**	**79**	**86**	**313**
Earnings	**67**	**77**	**77**	**86**	**307**
Earnings per common share	**0.54**	**0.54**	**0.52**	**0.56**	**2.16**
Diluted earnings per common share	**0.53**	**0.52**	**0.52**	**0.55**	**2.12**
Dividends declared per common share	**0.5133**	**0.5133**	**0.5133**	**0.5133**	**2.0532**

2016	Q1	Q2	Q3	Q4	Total
(millions of Canadian dollars, except per share amounts)					
Revenues	52	68	67	67	254
Earnings	52	67	66	67	252
Earnings per common share	0.54	0.57	0.53	0.54	2.18
Diluted earnings per common share	0.53	0.54	0.53	0.54	2.14
Dividends declared per common share	0.4665	0.4665	0.4665	0.4665	1.8660

SELECTED ANNUAL INFORMATION

	Year ended, December 31,		
	2017	2016	2015
(millions of Canadian dollars)			
Revenues	**313**	254	143
Earnings	**307**	252	138
Earnings per common share	**2.16**	2.18	1.86
Diluted earnings per common share	**2.12**	2.14	1.83
Total assets	**5,209**	4,338	2,740
Total long-term liabilities	**63**	144	37

Significant items that have impacted our financial results are as follows:

- In December 2017, we completed a public equity offering of 20.7 million common shares at a price of $27.80 per share for gross proceeds of $575 million. Concurrent with the closing of the public equity offering, Enbridge subscribed for 5.1 million common shares for gross proceeds of $143 million, on a private placement basis, to maintain its 19.9% ownership interest in the Company. Upon closing of the transaction, Enbridge's economic interest in the Fund Group and the Company decreased from 84.6% to 82.5% and our economic interest in the Fund Group increased from 19.2% to 21.8%.
- Following our public offering in December 2017, we subscribed for 25.8 million of Fund Units as a result of our issuance of common shares to the public and Enbridge, which increased our total Fund Units owned to 173.7 million at that time. The incremental ownership of the Fund Units increased the amount of distributions received on the Fund Units and, therefore, increased our revenues and earnings.
- In April 2017, Enbridge exchanged 21.7 million Fund Units for an equivalent amount of the Company's common shares. In order to maintain its 19.9% interest in the Company, Enbridge retained 4.3 million of the common shares issued pursuant to such exchange and sold the remaining balance to the public.
- In January 2017, we increased our dividend per common share by 10% to $0.1711 per month effective with the January dividend as a result of the anticipated growth in distributions from the Fund.
- In April 2016, we subscribed for 25.4 million Fund Units with proceeds from our issuance of common shares to the public and Enbridge, which increased our total Fund Units owned to

122.9 million at that time. The incremental ownership of the Fund Units increased the amount of distributions received on the Fund Units and, therefore, increased our revenues and earnings.

- In January 2016, we increased our dividend per common share by 10% to $0.1555 per month effective with the January dividend.
- In November 2015, we subscribed for 26.8 million Fund Units with proceeds from our issuance of common shares to the public and Enbridge, which increased our total Fund Units owned to 97.2 million at that time. The incremental ownership of Fund Units increased the amount of distributions received on the Fund Units and, therefore, increased our revenues and earnings.
- EIPLP Class C units, ECT Preferred Units and Fund Units held by Enbridge, directly and indirectly, may be exchanged into common shares of the Company, subject to certain restrictions, creating potential dilution of the Company's earnings per common share.

OUTSTANDING SHARE DATA

As at February 2, 2018, 173,987,775 common shares and one special voting share of the Company were issued and outstanding.

ENBRIDGE INCOME FUND HOLDINGS INC.

FINANCIAL STATEMENTS

December 31, 2017

MANAGEMENT'S REPORT

To the Shareholders of Enbridge Income Fund Holdings Inc. (ENF)

Financial Reporting
The management of Enbridge Management Services Inc. is responsible for the accompanying financial statements and all related financial information contained in the annual report, including Management's Discussion and Analysis. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and necessarily include amounts that reflect management's judgment and best estimates.

The Board of Directors (the Board) and the Audit Committee are responsible for all aspects related to governance of ENF. The Audit Committee, composed of independent and financially literate directors, has a specific responsibility to oversee management's efforts to fulfill its responsibilities for financial reporting and internal controls related thereto. The Audit Committee meets with management, internal auditors and independent auditors to review the financial statements and the internal controls as they relate to financial reporting. The Audit Committee reports its findings to the Board for its consideration in approving the financial statements for issuance to the shareholders. The internal auditors and independent auditors have unrestricted access to the Audit Committee.

Internal Control over Financial Reporting
Management is also responsible for establishing and maintaining adequate internal control over financial reporting. ENF's internal control over financial reporting includes policies and procedures to facilitate the preparation of relevant, reliable and timely information, to prepare financial statements for external reporting purposes in accordance with IFRS and provide reasonable assurance that assets are safeguarded.

PricewaterhouseCoopers LLP, independent auditors appointed by the shareholders of ENF, have conducted an audit of the financial statements of ENF in accordance with Canadian generally accepted auditing standards and have issued an unqualified audit report, which is accompanying the financial statements.

"signed"	"signed"
Perry F. Schuldhaus	**Patrick R. Murray**
President	Vice President, Finance

February 16, 2018

Independent Auditor's Report

To the Shareholders of Enbridge Income Fund Holdings Inc.

We have audited the accompanying financial statements of Enbridge Income Fund Holdings Inc., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Enbridge Income Fund Holdings Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta
February 16, 2018

ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31,	**2017**	2016
(millions of Canadian dollars, except per share amounts)		
Distribution and other income	**313**	254
Income tax expense *(Note 7)*	**(6)**	(2)
Earnings	**307**	252
Other comprehensive income/(loss)		
Unrealized fair value change in available-for-sale investment *(Note 5)*	**(642)**	793
Income tax recovery/(expense) *(Note 7)*	**87**	(107)
Other comprehensive income/(loss)	**(555)**	686
Comprehensive income/(loss)	**(248)**	938
Basic earnings per common share	**2.16**	2.18
Diluted earnings per common share	**2.12**	2.14

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

ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common shares	Special voting share *(Note 6)*	Share premium	Retained earnings	Accumulated other comprehensive income	Total
(millions of Canadian dollars)						
December 31, 2015	2,217	—	192	49	229	2,687
Earnings	—	—	—	252	—	252
Other comprehensive income	—	—	—	—	686	686
Common share dividends declared	—	—	—	(219)	—	(219)
Shares issued	718	—	—	—	—	718
Dividend reinvestment and share	49	—	—	—	—	49
December 31, 2016	**2,984**	**—**	**192**	**82**	**915**	**4,173**
Earnings	**—**	**—**	**—**	**307**	**—**	**307**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(555)**	**(555)**
Common share dividends declared	**—**	**—**	**—**	**(295)**	**—**	**(295)**
Shares issued	**1,421**	**—**	**—**	**—**	**—**	**1,421**
Dividend reinvestment and share	**64**	**—**	**—**	**—**	**—**	**64**
December 31, 2017	**4,469**	**—**	**192**	**94**	**360**	**5,115**

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

ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENTS OF CASH FLOWS

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Operating activities		
Earnings	**307**	252
Adjustments to reconcile earnings to net cash provided by operating activities:		
Deferred income tax expense *(Note 7)*	**5**	—
Changes in operating assets and liabilities	**(34)**	(9)
Net cash provided by operating activities	**278**	243
Investing activities		
Purchase of Enbridge Income Fund trust units	**(782)**	(767)
Demand loan advances to affiliate	**(49)**	(74)
Demand loan repayments from affiliate	**55**	44
Net cash used in investing activities	**(776)**	(797)
Financing activities		
Shares issued	**718**	718
Common share dividends paid	**(220)**	(164)
Net cash provided by financing activities	**498**	554
Net increase/(decrease) in cash and cash equivalents	**—**	—
Cash and cash equivalents at beginning of year	**—**	—
Cash and cash equivalents at end of year	**—**	—
Supplementary cash flow information		
Cash paid for income tax	**2**	3

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

ENBRIDGE INCOME FUND HOLDINGS INC.
STATEMENTS OF FINANCIAL POSITION

December 31,	**2017**	2016
(millions of Canadian dollars)		
Assets		
Current assets		
Accounts receivable and other	**1**	1
Accounts receivable from affiliate *(Note 10)*	**23**	—
Demand loan due from affiliate *(Note 10)*	**72**	78
Income taxes receivable	**4**	2
Distributions receivable	**31**	22
	131	103
Investment in Enbridge Income Fund *(Notes 5 and 8)*	**5,078**	4,235
Total assets	**5,209**	4,338
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and other	**1**	1
Dividends payable	**30**	20
	31	21
Deferred income taxes	**63**	144
	94	165
Shareholders' equity		
Share capital *(Note 6)*	**4,469**	2,984
Share premium *(Note 6)*	**192**	192
Retained earnings	**94**	82
Accumulated other comprehensive income	**360**	915
	5,115	4,173
Total liabilities and shareholders' equity	**5,209**	4,338

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

Approved by the Board of Directors:

"signed"
M. George Lewis
Director

"signed"
E.F.H. Roberts
Director

NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS OVERVIEW

Enbridge Income Fund Holdings Inc. (ENF or the Company) is a publicly traded corporation, incorporated on March 26, 2010 under the laws of the Province of Alberta. The Company's common shares commenced trading on the Toronto Stock Exchange on December 21, 2010. The Company holds an investment in Enbridge Income Fund (the Fund), which is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta.

The business of the Company is limited to its investment in the Fund. The Fund, through its indirect investment in Enbridge Income Partners LP (EIPLP), is involved in the transportation, storage and generation of energy. EIPLP owns interests in liquids transportation and storage assets, including the Canadian Mainline, the Regional Oil Sands System, a 50% interest in the Alliance Pipeline, which transports natural gas from Canada to the United States, and interests in renewable and alternative power generation assets.

2. BASIS OF PREPARATION

The Company prepares its financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

Amounts are stated in Canadian dollars, the Company's functional and presentation currency, unless otherwise indicated.

The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

These financial statements were authorized for issuance on February 16, 2018 by the Company's Board of Directors (the Board).

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for the revaluation of available-for-sale financial assets to fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term investments with an initial term to maturity of three months or less when purchased.

FINANCIAL INSTRUMENTS

The Company classifies financial assets and liabilities as held for trading, available-for-sale, loans or receivables and financial liabilities at amortized cost. All financial instruments are initially recorded at fair value on the statements of financial position. Subsequent measurement of the financial instrument is based on its classification.

Available-for-Sale

Available-for-sale financial assets are non-derivatives that are not classified in any of the other categories. The Company's available-for-sale asset is comprised of an investment in the Fund. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and subsequently carried at fair value. Gains and losses arising from changes in fair value are recognized in Other comprehensive income/(loss) (OCI). Distributions from available-for-sale instruments are recognized in earnings when the Company's right to receive payment is established.

The Company accounts for its investment in trust units of the Fund as an available-for-sale financial asset due to the redeemable nature of the Fund's trust units. The redemption feature permits holders to redeem trust units for cash, subject to certain limitations. Further, the Company does not consolidate its investment in the Fund as its investment does not confer control. Enbridge Inc. (Enbridge) is the controlling party for accounting purposes through the combination of its direct and indirect equity interests and preferred unit investment in Enbridge Commercial Trust (ECT), a subsidiary of the Fund, as well as through Enbridge's role as manager of the Fund.

Loans and Receivables
Loans and receivables, which include Accounts receivable and other, Demand loan due from affiliate and Distributions receivable, are measured at amortized cost, using the effective interest rate method, net of any impairment losses recognized.

Financial Liabilities at Amortized Cost
Other financial liabilities are recorded at amortized cost using the effective interest rate method and include Accounts payable and other and Dividends payable.

Impairment
With respect to loans and receivables, the Company assesses the assets for impairment when it no longer has reasonable assurance of timely collection. If there is determined to be objective evidence of impairment, the Company reduces the value of the loan or receivable to its estimated realizable amount, determined using discounted expected future cash flows.

For available-for-sale financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired. If any such evidence of impairment exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in earnings, is removed from OCI and recognized in earnings. Impairment losses on available-for-sale equity instruments are not reversed.

INCOME TAXES
The liability method of accounting for income taxes is followed. Deferred income tax assets and liabilities are recorded based on temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Deferred income tax assets and liabilities are measured using the tax rate that is expected to apply when the temporary differences reverse.

EARNINGS PER SHARE
Basic earnings per share is calculated by dividing earnings for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for the potential number of shares which may have a dilutive effect on earnings. The weighted average number of diluted shares is calculated based on the exchange rights of securities issued by the Fund, ECT and EIPLP.

DIVIDENDS
Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are declared by the Board.

ACCOUNTING ESTIMATES
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities in the financial statements. Significant estimates and assumptions used in preparation of the financial statements include, but are not limited to: the fair value of available-for-sale financial asset *(Note 8)*. Actual results could differ from these estimates.

FUTURE ACCOUNTING POLICY CHANGES
Financial Instruments
In July 2014, the IASB completed the final elements of IFRS 9 Financial Instruments. The standard supersedes earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The single approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The adoption of IFRS 9 is expected to result in the Company's investment in the Fund no longer being accounted for as an available for sale investment at fair value through OCI. Instead, the gains and losses arising from changes in fair value of the investment will be accounted for through earnings.

IFRS 9 also introduces the expected credit loss model which replaces the incurred loss model. Under the expected credit loss model, any credit losses are estimated based on a probability weighted average expected future cash flows taking into account all possible events of default over the life of the loan and receivables. The Company does not expect the adoption of the credit loss model to have a material impact on the Company’s financial statements.

The standard comes into effect the annual period beginning on January 1, 2018 and is applied retrospectively.

4. EARNINGS PER COMMON SHARE

BASIC
Earnings per common share is calculated by dividing earnings by the weighted average number of common shares outstanding.

DILUTED
Enbridge directly and indirectly holds ordinary trust units of the Fund (Fund Units), preferred units of ECT (ECT Preferred Units) and EIPLP Class C units, which may be exchanged into common shares of the Company. If the securities are exchanged into common shares of the Company, the Company would subscribe for the same number of additional Fund Units, which would increase the Company’s distribution income.

Weighted average common shares outstanding used to calculate basic and diluted earnings per common share are as follows:

December 31,	**2017**	2016
Numerator *(millions of Canadian dollars)*		
Earnings	**307**	252
Dilutive effect of convertible securities	**1,285**	1,333
Numerator for diluted earnings per common share	**1,592**	1,585
Denominator *(millions of shares)*		
Weighted average number of shares outstanding	**142**	116
Dilutive effect of convertible securities		
Fund Units	**79**	94
ECT Preferred Units	**88**	88
EIPLP Class C units	**443**	443
Denominator for diluted earnings per common share	**752**	741

5. INVESTMENT IN ENBRIDGE INCOME FUND

At December 31, 2017, the Company owned 173.7 million units (2016 - 124.2 million), or 70.6% (2016 - 56.9%), of the Fund's issued and outstanding Fund Units.

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Balance at beginning of year	**4,235**	2,675
Investment acquired[1,2,3]	**1,485**	767
Fair value change for the year	**(642)**	793
Balance at end of year	**5,078**	4,235

1 *On April 18, 2017, the Company received 21.7 million Fund Units in connection with Enbridge's exchange of 21.7 million Fund Units for common shares of the Company* (Note 6).

2 *On December 7, 2017, the Company used the proceeds from its public equity offering to purchase 25.8 million Fund Units* (Note 6).

3 *During the year ended December 31, 2017, the Company used the cash retained and invested under its Dividend Reinvestment and Share Purchase Plan to purchase two million Fund Units* (Note 6).

DISTRIBUTION INCOME

The Fund declared distributions on a monthly basis of $0.1792 (2016 - $0.1792) per unit during the year ended December 31, 2017 or $309 million (2016 - $252 million) in aggregate to the Company.

SUMMARIZED FINANCIAL INFORMATION[1]

Summarized financial information of the Fund which supports the Company's earnings, derived from the Fund's financial statements prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), was as follows:

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Income from equity investments	**444**	747
Earnings	**302**	648
Other comprehensive income/(loss)	**85**	(74)
Total comprehensive income	**387**	574

1 *Summarized financial information of the Fund is prepared in accordance with U.S. GAAP. As such the results may have been different had they been prepared in accordance with IFRS.*

December 31,	**2017**	2016
(millions of Canadian dollars)		
Current assets	**1,018**	725
Non-current assets	**2,846**	2,521
Current liabilities	**225**	458
Non-current liabilities	**2,420**	2,100

1 Summarized financial information of the Fund is prepared in accordance with U.S. GAAP. As such the results may have been different had they been prepared in accordance with IFRS.

6. SHARE CAPITAL AND SHARE PREMIUM

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common shares, first preferred shares issuable in series limited to one half of the number of common shares issued and outstanding at the relevant time and one special voting share.

ISSUED AND OUTSTANDING

	2017		2016	
Year ended December 31,	Number of Shares	Amount	Number of Shares	Amount
(millions of Canadian dollars; number of shares in millions)				
Common shares				
Balance at beginning of year	**124**	**2,984**	97	2,217
Shares issued	**48**	**1,421**	25	718
Dividend reinvestment and share purchase plan	**2**	**64**	2	49
Balance at end of year[1]	**174**	**4,469**	124	2,984
Special voting share[1]	**—**	**—**	—	—
Balance at end of year	**174**	**4,469**	124	2,984

1 Enbridge owns 34.6 million (2016 - 24.7 million) common shares and one (2016 - one) special voting share.

PLAN OF ARRANGEMENT

Pursuant to a plan of arrangement to restructure the Fund (the Plan), 20.1 million Fund Units held by public unitholders, together with 5.0 million Fund Units held by Enbridge, were exchanged for 25.1 million common shares of the Company on December 17, 2010.

The initial stated capital of the Company for purposes of the *Business Corporations Act (Alberta)* was established to be $251 million, as determined at the discretion of the Board. The residual amount of $192 million by which the fair value of the consideration received exceeded the stated capital was assigned to Share Premium. The Board may elect in the future to reinstate Share Premium to stated capital under certain circumstances.

COMMON SHARES

Each common share represents an equal undivided beneficial interest in the net assets in the event of termination or wind-up of the Company. Holders of common shares are entitled to one vote per share at meetings of the Company's shareholders.

Dividends

The Company declared monthly dividends of $0.1711 per share for each month during the year ended December 31, 2017, which were paid in the following month (2016 - $0.1555).

In November 2017, the Company announced a monthly dividend of $0.1883 per common share to be paid on February 15, 2018 to shareholders of record on January 31, 2018. On February 16, 2018, the

Company announced a monthly dividend of $0.1883 per common share to be paid on March 15, 2018 to shareholders of record on February 28, 2018.

Dividend Reinvestment and Share Purchase Plan

The Company's shareholders are able to participate in the DRIP. The DRIP enables participants to reinvest their dividends in common shares of the Company at a 2% discount to market price and to make additional optional cash payments to purchase common shares at the market price, free of brokerage or other charges. The issuance of common shares from treasury for dividends reinvested pursuant to the DRIP enables the Company to retain cash which it in turn uses to purchase additional Fund Units. For the year ended December 31, 2017, the Company used $64 million (2016 - $49 million) of cash in respect of reinvested dividends and optional cash payments from the DRIP to purchase 2.0 million (2016 - 1.6 million) Fund Units.

SPECIAL VOTING SHARE

Enbridge, the holder of the special voting share, is entitled to receive notice of and to attend all annual and special meetings of shareholders and may elect one director to the Board for so long as it beneficially owns or controls, directly or indirectly, between 15% and 39% of the issued and outstanding common shares, provided that if it elects to exercise its right to elect one director, it will not exercise the votes attached to the portion of common shares representing its pro-rata representation on the Board in respect of the election of the remaining directors of the Company at meetings of shareholders. The holder of the special voting share will not be entitled to receive, in respect of the special voting share, any dividends or to participate in any distribution of the property or assets of the Company upon the liquidation, dissolution or winding-up of the Company. The special voting share may only be transferred or assigned to an affiliate of Enbridge.

SHARE ISSUANCES

In December 2017, the Company completed a public equity offering of 20.7 million common shares at a price of $27.80 per share (the Offering Price) for gross proceeds of $575 million. Concurrent with the closing of the equity offering, Enbridge subscribed for 5.1 million common shares at the Offering Price for gross proceeds of $143 million, on a private placement basis to maintain its 19.9% ownership interest in the Company. The Company used the proceeds from the common share issuances to subscribe for 25.8 million Fund Units.

In April 2017, Enbridge completed the secondary offering of 17.3 million common shares of the Company at a price of $33.15 per share to the public for gross proceeds to Enbridge of approximately $0.6 billion (the Secondary Offering). Immediately prior to the closing of the Secondary Offering, Enbridge exchanged 21.7 million Fund Units for an equivalent amount of the Company's common shares. In order to maintain its 19.9% interest in the Company, Enbridge retained 4.3 million of the common shares issued pursuant to such exchange and sold the remaining balance under the Secondary Offering. The Company did not receive any proceeds from the Secondary Offering and Enbridge paid all expenses and fees associated with the Secondary Offering.

In April 2016, the Company completed a public equity offering of 20.4 million common shares at a price of $28.25 per share for gross proceeds of $575 million. Concurrent with the closing of the equity offering, Enbridge subscribed for 5.0 million common shares at a price of $28.25 per share for gross proceeds of $143 million, on a private placement basis to maintain its 19.9% ownership interest in the Company. The Company used the proceeds from the common share issuances to subscribe for 25.4 million Fund Units.

SHAREHOLDERS' RIGHTS PLAN

The Shareholders' Rights Plan is designed to ensure the fair treatment of shareholders in connection with any takeover offer for the Company. Rights issued under the Shareholders' Rights Plan become exercisable when a person and any related parties, acquires or announces its intention to acquire shares which combined with existing holdings would represent 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the Shareholders' Rights Plan or without approval of the Board. Should such an acquisition occur, each rights holder other than the acquiring person and related parties will have the right to purchase common shares of the Company at a discount to the market price at the time.

7. INCOME TAX

INCOME TAX RATE RECONCILIATION

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Earnings before income taxes	**313**	254
Combined statutory income tax rate	**27.0%**	27.0%
Income taxes at statutory income tax rate	**85**	69
Decrease resulting from non-taxable dividend	**(74)**	(67)
Decrease resulting from return of capital	**(5)**	—
Income tax expense	**6**	2
Effective income tax rate	**1.9%**	1.0%

The initial acquisition of Fund Units under the Plan did not constitute a business combination, nor did the transaction affect earnings. As such, recognition of the resulting deferred income tax liability relating to the estimated taxable temporary difference of $71 million which arose on initial recognition of the investment in the Fund is not permitted.

At December 31, 2017 and 2016, deferred income taxes represented the difference in accounting and tax bases of the Investment in the Fund, less the deferred income tax liability not recognized on initial acquisition of the investment on December 17, 2010.

Income tax expense was comprised primarily of deferred income tax expense of $5 million for the year ended December 31, 2017 (2016 - $2 million current income tax expense).

OCI included $87 million of deferred income tax recovery (2016 - $107 million expense) for the year ended December 31, 2017, related to the change in the difference between the accounting and tax bases of the investment in the Fund.

8. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET PRICE RISK

The Company's OCI is subject to market price risk resulting from changes in the fair value of the Company's investment in the Fund, which is referenced to the Company's common share price. The Company does not typically manage this risk. A $1.00 increase or decrease in the Company's common share price at December 31, 2017 would have resulted in an increase or decrease in OCI, before income taxes of $174 million and $151 million after income taxes (2016 - $124 million and $107 million, respectively) due to the revaluation of the investment.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable and other and Dividends payable are due within one month. In order to manage this risk, the Company forecasts its cash flow over the near and long-term and ensures that sufficient funds will be available when required. The Company's primary source of liquidity is cash distributions it receives from its investment in the Fund. Additional liquidity, if necessary, is expected to be available through collection of amounts advanced to a subsidiary corporation of EIPLP pursuant to a subordinated demand loan.

CREDIT RISK
Credit risk arises from the possibility that a counterparty may default on its contractual obligations to the Company. Demand loan due from affiliate, Accounts receivable and other and Distributions receivable are subject to credit risk, the maximum exposure of which is the carrying value as presented on the Statements of Financial Position. The Company's credit risk is mitigated as the majority of its financial assets are with affiliates.

FAIR VALUE OF FINANCIAL INSTRUMENTS
The fair value of financial instruments reflects the Company's best estimates of market value based on valuation techniques, supported by observable market prices where available. The fair value of loans and receivables and other financial liabilities approximate their carrying value due to the short period to maturity.

The Company categorizes those financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement.

Level 1
Level 1 includes financial instruments measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company did not have any financial instruments categorized as Level 1 as at December 31, 2017 or 2016.

Level 2
Level 2 includes financial instrument valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. The fair value measurement of the investment in the Fund is classified as Level 2, as the valuation technique references the quoted market price of the Company's common shares, and adjusts for assets and liabilities not applicable to the Fund. At December 31, 2017, the Company's investment in the Fund had a fair value of $5.1 billion (2016 - $4.2 billion).

Level 3
Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the financial instruments' fair value. Generally, Level 3 financial instruments are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. The Company did not have any financial instruments categorized as Level 3 as at December 31, 2017 or 2016.

The Company's policy is to recognize transfers as at the last day of the reporting period. There were no transfers between levels as at December 31, 2017 or 2016.

9. CAPITAL DISCLOSURES

The Company defines capital as shareholders' equity less cash and cash equivalents. Capital totaled $5.1 billion (2016 - $4.2 billion) at December 31, 2017.

The Company's objectives when managing capital are to provide liquidity for additional investment in the Fund and to generate adequate returns and predictable cash flow for distribution to shareholders in the form of dividends. New capital, if necessary, may be raised through the issuance of equity securities.

10. RELATED PARTY TRANSACTIONS

INTERCORPORATE LOANS AND BALANCES

In 2017, the Company received repayments of $6 million, net of advances (2016 - advances of $30 million, net of repayments) from a subsidiary corporation of EIPLP pursuant to a subordinated demand loan. At December 31, 2017, $72 million (2016 - $78 million) was outstanding on the loan. Interest on the demand loan was charged at 4.3% per annum. Interest income earned on the loan was $4 million (2016 - $2 million) for the year ended December 31, 2017.

SHARE ISSUE COSTS

In connection with the Company's December 2017 public equity offering of 20.7 million common shares, the Company paid share issue costs of $23 million, which will be reimbursed by the Fund pursuant to a payment assistance agreement. At December 31, 2017, accounts receivable from the Fund were $23 million (2016 - nil). Proceeds from the equity offering were used by the Company to purchase additional Fund Units.

In connection with the Company's April 2016 public equity offering of 20.4 million common shares, the Fund reimbursed the Company for share issue costs of $24 million pursuant to a payment assistance agreement. Proceeds from the equity offering were used by the Company to purchase additional Fund Units.

INTERCORPORATE SERVICES

The Company has an agreement with ECT whereby ECT reimburses the Company for certain corporate costs. ECT reimbursed the Company $1 million (2016 - $1 million) for corporate costs incurred in 2017. At December 31, 2017 and 2016, accounts receivable from ECT were nil.

The Company is managed by Enbridge Management Services Inc. (EMSI), a wholly-owned subsidiary of Enbridge. EMSI serves as the manager of the Fund, ECT and EIPLP. The Company has an agreement with EMSI to provide management and administrative services to the Company. Provided that the Fund is paying a base fee to EMSI for the services received by the Fund, no fee is payable to EMSI by the Company, as was the case for the years ended December 31, 2017 and 2016.