ENBRIDGE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

GLOSSARY

DCF	Distributable cash flow
EBITDA	Earnings before interest, income taxes and depreciation and amortization
ECT	Enbridge Commercial Trust
EIPLP	Enbridge Income Partners LP
Enbridge	Enbridge Inc.
ENF	Enbridge Income Fund Holdings Inc.
Fund Units	Ordinary trust units of the Fund
MD&A	Management's Discussion and Analysis
MTN	Medium-term note
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.
U.S. GAAP	Generally accepted accounting principles in the United States of America

MANAGEMENT'S DISCUSSION & ANALYSIS

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 as at and for the year ended December 31, 2017, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Unless otherwise noted, all financial information is presented in Canadian dollars. Additional information related to Enbridge Income Fund, including its Annual Information Form, is available on SEDAR at www.sedar.com.

OVERVIEW

The terms "we," "our," "us" and "the Fund" as used in this MD&A refer to Enbridge Income Fund unless the context suggests otherwise. The Fund is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. We, through our indirect investment in Enbridge Income Partners LP (EIPLP), are 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. EIPLP is a partnership between Enbridge Commercial Trust (ECT) and Enbridge Inc. (Enbridge).

The unitholders of the Fund are Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange (TSX), and Enbridge, a North American transporter, distributor and generator of energy listed on the TSX and New York Stock Exchange. The Fund is a member of the Fund Group, which also includes ECT, EIPLP and the subsidiaries and investees of EIPLP. We own a direct investment in ECT and an indirect investment in EIPLP. Our financial performance is underpinned by the results of EIPLP, which holds the underlying operating entities and investments of the Fund Group. Enbridge, through its wholly-owned subsidiary Enbridge Management Services Inc. (the Manager or EMSI), is responsible for the operations and day-to-day management of the Fund Group. The Manager also provides administrative and general support services to the Fund Group.

Enbridge's total economic interest in the Fund Group was 82.5% at December 31, 2017 and February 16, 2018, based on its indirect interest in the Fund through ENF, its direct interest in the Fund through ordinary trust units of the Fund (Fund Units), its interest in preferred units of ECT and its direct and indirect interest in units of EIPLP.

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.

ENBRIDGE INCOME FUND PERFORMANCE OVERVIEW

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
(millions of Canadian dollars, except per unit amounts)				
Earnings	**(9)**	446	**302**	648
Cash flow data				
Cash provided by operating activities	**43**	370	**421**	733
Cash provided by/(used in) investing activities	**(436)**	522	**(917)**	(921)
Cash provided by/(used in) financing activities	**395**	(866)	**492**	194
Distributions				
Fund Unit distributions declared	**124**	117	**477**	454
Fund Unit distribution per unit	**0.5376**	0.5376	**2.1504**	2.1504

EARNINGS
Our earnings are primarily comprised of income from our indirect investment in EIPLP, reduced by incentive fees and preferred distributions paid to Enbridge by ECT. Our equity investment earnings were impacted by a number of unusual, non-recurring or non-operating factors in EIPLP’s earnings during 2017 and 2016, the most noteworthy of which relates to net unrealized derivative gains. EIPLP's earnings in 2017 also reflected $52 million of deferred tax expense from the United States "Tax Cuts and Jobs Act" enacted in December 2017. In 2016, EIPLP's earnings included a before-tax gain of $850 million related to the disposition of the South Prairie Region assets in December 2016 as well as pipeline and facilities restart costs that resulted from the extreme wildfires that occurred in northeastern Alberta in the second quarter of 2016.

In addition to the factors that impacted EIPLP, we had an $86 million impact to earnings related to our terminated pre-issuance hedges in the fourth quarter of 2017.

Earnings were $302 million in 2017 compared with $648 million in 2016. Fourth quarter results reflected a loss of $9 million in 2017 compared with earnings of $446 million in 2016.

Excluding the impact of unusual, non-recurring or non-operating factors, factors impacting our indirect equity earnings of EIPLP year-over-year primarily include:

- stronger performance from the Canadian Mainline within EIPLP's Liquids Pipelines segment in 2017, primarily due to capacity optimization initiatives implemented in 2017 that significantly reduced heavy crude oil apportionment allowing incremental heavy crude oil barrels to be shipped and a higher Canadian Mainline International Joint Tariff (IJT) Residual Benchmark Toll;
- an increase in seasonal firm service revenue in 2017 at Alliance Pipeline within EIPLP's Gas Pipelines segment; and
- stronger contributions from EIPLP's Green Power segment due to stronger wind resources in the second and fourth quarters of 2017.

Refer to *Non-GAAP Measures – Enbridge Income Partners LP Performance Overview – EIPLP Adjusted EBITDA* for further discussion.

Fourth quarter performance factors were largely consistent with the year-to-date trends discussed above. Factors unique to the fourth quarters include the tax impact of the United States "Tax Cuts and Jobs Act" enacted in December 2017 and the before-tax gain of $850 million related to the disposition of the South Prairie Region assets in December 2016 by EIPLP. In addition, our terminated pre-issuance hedges impacted earnings by $86 million in the fourth quarter of 2017.

CASH FLOWS
Cash provided by operating activities decreased to $421 million in 2017 from $733 million in 2016. Cash used in investing activities was comparable at $917 million in 2017 and $921 million in 2016. Cash provided by financing activities increased to $492 million in 2017 from $194 million in 2016.

Fourth quarter cash provided by operating activities decreased to $43 million in 2017 from $370 million in 2016. Fourth quarter cash used in investing activities was $436 million in 2017 compared with cash provided by investing activities of $522 million in 2016. Fourth quarter cash provided by financing activities was $395 million in 2017 compared with cash used in financing activities of $866 million in 2016.

Factors impacting our cash flows year-over-year primarily include:

- a decrease in cash provided by operating activities primarily due to lower overall distributions received from ECT in 2017. In 2016, ECT paid a one-time distribution of $264 million following the disposition of EIPLP's South Prairie Region assets. The decrease in overall distributions was partially offset by a higher ECT common unit distribution rate in 2017 and our purchase of ECT common units in December 2017 and April 2016. Distributions received from ECT are underpinned by distributions from EIPLP and reflect the impacts to earnings discussed above. In 2017, we also paid $86 million related to the termination of pre-issuance hedges;

- an impact to cash used in investing activities and cash provided by financing activities in both 2017 and 2016 due to our issuance of Fund Units to ENF for gross proceeds of $718 million, which we used to invest in ECT common units for gross proceeds of $718 million in each of December 2017 and April 2016; and
- an increase in cash provided by financing activities due to an increase in credit facility draws, which was partially offset by an increase in Fund Unit distributions paid in 2017.

Refer to *Liquidity and Capital Resources – Sources and Uses of Cash* for further discussion.

Factors unique to the fourth quarters include the one-time distribution of $264 million following the disposition of EIPLP's South Prairie Region assets in December 2016, our issuance of Fund Units to ENF in December 2017 for gross proceeds of $718 million, which we used to invest in ECT common units, and an increase in credit facility draws in the fourth quarter of 2017.

DISTRIBUTIONS

We pay monthly distributions to our unitholders. In 2017, distributions were declared monthly at a quarterly aggregate rate of $0.5376 (2016 - $0.5376; 2015 - $0.4723) per unit or $2.1504 (2016 - $2.1504; 2015 - $1.8892) per unit annually, representing total distributions of $477 million (2016 - $454 million; 2015 - $213 million). Factors impacting our distributions to partners year-over-year primarily include:

- an increase in distributions that resulted from a greater number of Fund Units outstanding following the issuances in December 2017 and April 2016 as discussed above.

FORWARD-LOOKING INFORMATION

Forward-looking information, or forward-looking statements, have been included in this MD&A to provide information about the Fund Group, including management's assessment of future plans and operations of the Fund Group. 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); adjusted earnings/(loss), adjusted earnings before interest, income taxes and depreciation and amortization (EBITDA) or distributable cash flow (DCF); cash flows; capital expenditures; capital requirements through 2018; organic growth opportunities beyond secured projects; impact of hedging program; future distributions to the Fund by ECT; use of proceeds from the sale of Fund Units; taxation of distributions; and future distributions and distribution targets.

Although the Fund 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, demand and prices for crude oil, natural gas, natural gas liquids (NGL) and renewable energy; exchange rates; inflation; Canadian pipeline export capacity; levels of competition; anticipated operating and capital requirements; 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; potential acquisitions, dispositions or other strategic transactions; in-service dates; weather; the Fund Group's credit ratings; earnings/(loss); adjusted earnings/(loss) or adjusted EBITDA; cash flows and DCF; and distributions. Assumptions regarding the expected 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 level of demand for the Fund Group's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Fund Group operates and may impact level 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), adjusted EBITDA, DCF or future 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; impact of weather; and customer, government and regulatory approvals on construction and in-service schedules and cost recovery regimes.*

The Fund Group's forward-looking statements are subject to risks and uncertainties pertaining to 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, changes in trade agreements; exchange rates, interest rates, commodity prices and supply of and demand for commodities, including but not limited to those risks and uncertainties discussed in this MD&A and in the Fund Group's other filings with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Fund Group'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 Fund assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Fund Group or persons acting on the Fund Group's behalf, are expressly qualified in their entirety by these cautionary statements.

NON-GAAP MEASURES

This MD&A contains references to our adjusted earnings, EIPLP adjusted EBITDA and EIPLP DCF. Our adjusted earnings represent our earnings adjusted for unusual, non-recurring or non-operating factors, including unusual, non-recurring or non-operating factors underpinning our indirect equity earnings of EIPLP. EIPLP adjusted EBITDA represents EIPLP's EBITDA adjusted for unusual, non-recurring or non-operating factors on a consolidated basis. These factors, referred to as adjusting items, are reconciled and discussed in *Non-GAAP Reconciliation – Earnings to Adjusted Earnings* and *Enbridge Income Partners LP Performance Overview*.

EIPLP DCF represents EIPLP's cash available to fund distributions on EIPLP Class A and EIPLP Class C units, as well as for debt repayments and reserves. EIPLP DCF consists of EIPLP adjusted EBITDA further adjusted for non-cash items, representing cash flow from EIPLP's underlying businesses, less deductions for maintenance capital expenditures, interest expense, applicable taxes and further adjusted for unusual, non-recurring or non-operating factors not indicative of the underlying or sustainable cash flows of the business. EIPLP DCF is important to unitholders as the Fund Group's objective is to provide a predictable flow of distributions to unitholders.

The Manager believes the presentation of our adjusted earnings, EIPLP adjusted EBITDA and EIPLP DCF give useful information to unitholders as they provide increased transparency and insight into the performance of the Fund Group. The Manager uses our adjusted earnings, EIPLP adjusted EBITDA and EIPLP DCF to set targets, including the distribution payout target, and to assess the performance of the Fund Group. Our adjusted earnings, EIPLP adjusted EBITDA and EIPLP DCF are not measures that have standardized meanings prescribed by U.S. GAAP and are not U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers.

The tables below provide a reconciliation of the GAAP and non-GAAP measures.

NON-GAAP RECONCILIATION – EARNINGS TO ADJUSTED EARNINGS

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
(millions of Canadian dollars)				
Earnings	**(9)**	446	**302**	648
Fund adjusting items:				
Adjusting items at EIPLP[1]	**(7)**	(427)	**(260)**	(582)
Pre-issuance hedge termination	**86**	—	**86**	—
Adjusted earnings	**70**	19	**128**	66

1 Represents ECT's portion of the unusual, non-recurring or non-operating items within earnings of EIPLP.

Adjusted earnings were $128 million for 2017 compared with $66 million for 2016. Our adjusted earnings were impacted by the same factors impacting earnings as discussed in *Enbridge Income Partners LP Performance Overview*; however, we adjusted for ECT's portion of the unusual, non-recurring or non-operating items within earnings of EIPLP, the most noteworthy of which relates to net unrealized derivative gains. EIPLP's earnings in 2017 also reflected $52 million of deferred tax expense from the United States "Tax Cuts and Jobs Act" enacted in December 2017. In 2016, EIPLP's earnings included a before-tax gain of $850 million related to the disposition of the South Prairie Region assets in December 2016 as well as pipeline and facilities restart costs that resulted from the extreme wildfires that occurred in northeastern Alberta in the second quarter of 2016. In addition, we adjusted for an $86 million impact to earnings related to our terminated pre-issuance hedges in the fourth quarter of 2017.

ENBRIDGE INCOME PARTNERS LP PERFORMANCE OVERVIEW

Our performance is ultimately derived from the underlying business segments of our indirect investee, EIPLP. These business segments are strategic business units established by the Manager to facilitate the achievement of EIPLP's long-term objectives and the objectives of EIPLP's partners, as well as to aid in resource allocation decisions and to assess operational performance. Financing costs, current and deferred income taxes and other costs not attributable to specific business segments are presented on a consolidated basis. EIPLP conducts its business through three business segments: Liquids Pipelines, Gas Pipelines and Green Power.

Liquids Pipelines

Liquids Pipelines consists of common carrier and contract pipelines, feeder pipelines and gathering systems that transport crude oil, natural gas liquids and terminals in Canada, including Canadian Mainline, Regional Oil Sands System, Southern Lights Pipeline, which includes Southern Lights Canada Pipeline and Class A units of certain Enbridge subsidiaries which provide a defined cash flow stream from the United States portion of Southern Lights Pipeline, Bakken Expansion Pipeline and Feeder Pipelines and Other.

Gas Pipelines

Gas Pipelines includes our 50% interest in the Alliance Pipeline system, which transports liquids-rich natural gas from northeast British Columbia, northwest Alberta and the Bakken area of North Dakota to Channahon, Illinois.

Green Power

Green Power consists of wind facilities, solar facilities and waste heat recovery facilities located in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

Performance Overview

A summary of financial information of EIPLP derived from its consolidated financial statements prepared in accordance with U.S. GAAP is provided below. Readers are encouraged to read EIPLP's financial statements and MD&A which are filed on SEDAR at www.sedar.com under the Fund's profile.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
(millions of Canadian dollars, except per unit amounts)				
Earnings before interest, income taxes and depreciation and amortization	**840**	1,367	**3,488**	3,723
Changes in unrealized derivative fair value (gains)/loss	**(100)**	87	**(891)**	(502)
Gain on sale of South Prairie Region assets	**—**	(850)	**—**	(850)
Other	**8**	20	**68**	143
EIPLP adjusted EBITDA[1]	**748**	624	**2,665**	2,514
EIPLP DCF[1]	**616**	543	**2,182**	2,051
Distributions				
Class A unit distributions declared to ECT[2]	**226**	217	**886**	850
Class A unit distribution per unit	**0.5760**	0.5667	**2.3040**	2.2586

1 *EIPLP adjusted EBITDA and EIPLP DCF are non-GAAP measures that do not have a standardized meaning prescribed by U.S. GAAP. For more information, see* Non-GAAP Measures*.*

2 *Amounts do not include the one-time Class A unit distribution of $264 million paid in December 2016 following the close of the disposition of EIPLP's South Prairie Region assets.*

EIPLP Adjusted EBITDA

Factors increasing EIPLP's adjusted EBITDA year-over-year include:

- higher Canadian Mainline revenues due to increases in the Canadian Mainline IJT Residual Benchmark Toll from US$1.47 to US$1.62 in April 2017, which was further increased to US$1.64 in July 2017;
- strengthened Canadian Mainline throughput driven by growing oil sands production in western Canada along with capacity optimization initiatives implemented in 2017, partially offset by lower throughput in the second quarter of 2017 due to an unexpected outage and accelerated maintenance at a customer’s upstream facility;
- lower throughput in the second quarter of 2016 due to the impacts of the northeastern Alberta wildfires; and
- additional revenue generated on the Regional Oil Sands System due to new projects that went into service in 2017.

The positive factors above were partially offset by:

- a lower foreign exchange hedge rate used to record United States dollar denominated Canadian Mainline revenues in 2017. The IJT Benchmark Toll and its components are set in United States dollars, and the majority of EIPLP's foreign exchange risk on Canadian Mainline revenues is hedged.

Fourth quarter performance factors were largely consistent with the year-to-date trends discussed above.

EIPLP DCF

Factors impacting EIPLP's DCF year-over-year include:

- stronger contributions from its Liquids Pipelines segment due to a higher Canadian Mainline IJT Residual Benchmark Toll and higher liquids pipelines throughput as a result of capacity optimization initiatives implemented in 2017, which was partially offset by an unexpected outage and accelerated maintenance at a customer’s upstream facility in the second quarter of 2017; and
- lower maintenance capital expenditures in 2017 due to the timing of maintenance activities; partially offset by
- higher interest expense due to an increase in debt outstanding in 2017; and
- higher current income taxes due to an increase in adjusted earnings before income taxes in 2017.

Fourth quarter DCF factors were largely consistent with the year-to-date trends discussed above.

EIPLP Distributions

Factors impacting EIPLP's total distributions to partners year-over-year primarily include:

- a higher distribution rate for Class A units in 2017 as well as additional Class A units outstanding to ECT following the December 2017 and April 2016 issuances;
- additional Class D units outstanding in 2017 due to the monthly distributions that are paid-in-kind; and
- the one-time Class A unit distribution of $264 million to ECT following the close of the disposition of the South Prairie Region assets in December 2016.

The distributions received by ECT are used to fund the fees paid to Enbridge and distributions payable to its unitholders, Enbridge and the Fund.

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

In keeping with our low risk value proposition, we actively monitor and manage exposure to financial risks. Our financing strategy is to maintain strong investment grade credit ratings and ongoing access to capital markets. To protect against more severe market disruptions, the Manager targets to maintain sufficient liquidity in the form of committed standby credit facilities to finance anticipated operating and capital requirements for at least one year without having to access long-term capital markets.

Our credit ratings were affirmed or revised as follows:

- On September 28, 2017, DBRS Limited affirmed our senior unsecured long-term debt ratings at BBB (high) with a stable outlook.
- On October 19, 2017, Moody’s Investor Services, Inc. downgraded our senior unsecured rating from Baa2 to Baa3, and retained its negative outlook.
- On December 20, 2017, Standard & Poor's Rating Services assigned a senior unsecured rating of BBB with a stable outlook.

BANK CREDIT AND LIQUIDITY

Long-term debt consists of medium-term notes (MTNs) and a committed credit facility. As at December 31, 2017, we had a $1,500 million committed credit facility, of which $755 million (2016 - $225 million) was drawn and letters of credit totaling $11 million (2016 - $11 million) were issued, leaving $734 million (2016 - $1,264 million) unutilized. The Fund must adhere to covenants under its credit facility agreement, including covenants that limit outstanding debt to a percentage of the Fund’s and EIPLP’s capitalization. The Fund was in compliance with all covenants as at December 31, 2017.

SOURCES AND USES OF CASH

Our primary uses of cash are distributions to unitholders, investments, administrative expense and interest and principal repayments on our long-term debt. Liquidity can be met through a variety of sources including cash distributions from ECT, new offerings of debt and equity, draws under our committed standby credit facilities, as well as loans from affiliates. The Fund maintains a current MTN shelf prospectus with Canadian securities regulators, which enables ready access to Canadian public capital markets, subject to market conditions.

	Year ended December 31,	
	2017	2016
(millions of Canadian dollars)		
Operating activities	**421**	733
Investing activities	**(917)**	(921)
Financing activities	**492**	194
Increase/(decrease) in cash and cash equivalents	**(4)**	6

Operating Activities

Cash provided by operating activities primarily reflects distributions received from our investment in ECT. Factors impacting cash provided by operating activities year-over-year primarily include:

- a decrease in distributions received from ECT in 2017 due to the one-time distribution of $264 million in December 2016 following the disposition of EIPLP's South Prairie Region assets. The decrease in distributions was partially offset by a higher ECT common unit distribution rate as well as our purchase of ECT common units in December 2017 and April 2016, discussed further below; and
- a payment of $86 million related to the termination of pre-issuance hedges in 2017.

Investing Activities

Cash used in investing activities primarily reflects additional investments in ECT common units along with issuances and repayments of loans to affiliates. Factors impacting cash used in investing activities year-over-year primarily include:

- a comparable amount of loans issued to affiliates in 2017 and 2016; and
- an impact in both 2017 and 2016 due to our issuance of Fund Units to ENF for gross proceeds of $718 million, which we used to invest in ECT common units for gross proceeds of $718 million in each of December 2017 and April 2016.

Financing Activities

Cash provided by financing activities primarily relates to issuances and repayments of external debt and loans from affiliates, along with the payment of Fund Unit distributions. In addition, ENF subscribes for additional Fund Units each month using proceeds from its common share issuances under its Dividend Reinvestment and Share Purchase Plan. Factors impacting cash used in financing activities year-over-year primarily include:

- an increase in credit facility draws and a comparable amount of MTNs repaid in 2017 and 2016;
- an impact in each of 2017 and 2016 due to our issuance of Fund Units to ENF for gross proceeds of $718 million as discussed above.
- an increase in the amount of cash ENF retained in respect of reinvested dividends of $64 million in 2017 (2016 - $49 million), for which the proceeds were used to purchase two million Fund Units (2016 - 1.6 million); and
- an increase in Fund Unit distributions paid following the issuances to ENF in December 2017 and April 2016 discussed above.

CONTRACTUAL OBLIGATIONS

Payments due under contractual obligations over the next five years and thereafter are as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	Thereafter
(millions of Canadian dollars)					
Annual debt maturities[1]	**2,505**	**125**	**1,155**	**200**	**1,025**
Interest obligations[2]	**608**	**75**	**120**	**100**	**313**

1 Includes MTNs and credit facility draws based on the facility's maturity date and excludes debt discount and debt issue costs. Changes to the planned funding requirements are dependent on the terms of any debt refinancing agreements.

2 Includes MTNs bearing interest at fixed rates.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Cash provided by operating activities	**421**	733
Earnings	**302**	648
Cash distributions declared	**477**	454
Excess/(shortfall) of cash provided by operating activities over cash distributions declared	**(56)**	279
Excess/(shortfall) of earnings over cash distributions declared	**(175)**	194

Cash distributions received from our investment in ECT are the primary source of cash flow we use to pay distributions to our unitholders and service our long-term debt. In 2017, cash provided by operating activities was less than cash distributions compared to 2016, which is primarily attributable lower distributions received from ECT in 2017 due to the one-time distribution from ECT of $264 million in December 2016 following the disposition of EIPLP's South Prairie Region assets, discussed above in *Liquidity and Capital Resources*.

Earnings were $175 million less than cash distributions declared in 2017 and $194 million greater than cash distributions declared in 2016, respectively. Earnings reflected non-cash items such as income from equity investments and included the before-tax gain of $850 million related to the disposition of the South Prairie Region assets in December 2016.

TAXATION OF DISTRIBUTIONS AND DIVIDENDS

Under Canadian tax laws, a component of our cash distributions is taxable in the hands of the unitholder, with the remaining portion treated as a return of capital. In addition, a portion of the distribution can take the form of a non-taxable intercorporate dividend.

QUARTERLY FINANCIAL INFORMATION

2017	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
(millions of Canadian dollars, except per unit amounts)					
Income from equity investments	**92**	**123**	**148**	**81**	**444**
Earnings/(loss)	**74**	**105**	**132**	**(9)**	**302**
Cash distributions received in excess of/(less than) equity earnings	**49**	**17**	**(9)**	**63**	**120**
Cash distributions declared	**118**	**117**	**118**	**124**	**477**
Cash distributions declared per unit	**0.5376**	**0.5376**	**0.5376**	**0.5376**	**2.1504**

2016	Q1	Q2	Q3	Q4	Total
(millions of Canadian dollars, except per unit amounts)					
Income from equity investments	238	5	27	477	747
Earnings/(loss)	216	(19)	5	446	648
Cash distributions received in excess of/(less than) equity earnings	(98)	123	102	(85)	42
Cash distributions declared	103	117	117	117	454
Cash distributions declared per unit	0.5376	0.5376	0.5376	0.5376	2.1504

SELECTED ANNUAL INFORMATION

	Year ended, December 31,		
	2017	2016	2015[1]
(millions of Canadian dollars)			
Revenues[2]	**—**	—	298
Income from equity investments[2,3]	**444**	747	115
Earnings[2]	**302**	648	120
Total assets	**3,864**	3,246	2,628
Total long-term liabilities	**2,420**	2,100	2,218

1 *On September 1, 2015, EIPLP acquired 100% interests in entities holding certain Canadian liquids pipelines, storage and renewable energy assets from Enbridge and certain of its subsidiaries (the 2015 Transaction). The 2015 Transaction resulted in changes to the Fund's method of accounting for its investments in ECT and EIPLP from consolidation accounting to the equity method of accounting due to certain ownership and governance changes (the Accounting Impacts). These changes were applied prospectively from September 1, 2015, the closing date of the 2015 Transaction.*

2 *Includes eight months in 2015 accounted for on a consolidated basis and four months accounted for on an equity method basis as a result of the Accounting Impacts.*

3 *Includes income from the Fund's investment in ECT subsequent to the close of the 2015 Transaction and income from the Fund's investment in Alliance Pipeline prior to the close of the 2015 Transaction.*

Several factors impact comparability of our financial results through our indirect investment in EIPLP, including, but not limited to, fluctuations in market prices such as foreign exchange rates and commodity prices, disposals of investments or assets and the timing of in-service dates of new projects.

EIPLP actively manages its exposure to market risks including, but not limited to, interest rates, commodity prices and foreign exchange rates. To the extent derivative instruments used to manage these risks are non-qualifying for the purposes of applying hedge accounting, net unrealized derivative gains and losses on these instruments will impact earnings.

In addition to the impacts of net unrealized derivative gains and losses outlined above, significant items that have impacted our financial results are as follows:

- In December 2017, ENF 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 ENF common shares for gross proceeds of $143 million, on a private placement basis, to maintain its 19.9% ownership interest in the ENF. Upon closing of the transaction, Enbridge's economic interest in the Fund Group and ENF decreased from 84.6% to 82.5% and ENF's economic interest in the Fund Group increased from 19.2% to 21.8%.
- In December 2017, ENF used the gross proceeds from its common share issuance to subscribe for 25.8 million Fund Units for gross proceeds of $718 million, which were, in turn, used to invest in 25.8 million ECT common units. ECT used the proceeds to invest in 25.8 million Class A units of EIPLP, increasing our indirect investment in EIPLP to 46.9%.
- In April 2017, Enbridge exchanged 21.7 million Fund Units for an equivalent amount of ENF common shares. In order to maintain its 19.9% interest in ENF, Enbridge retained 4.3 million of the common shares issued pursuant to such exchange and sold the remaining balance to the public.
- The fourth quarter of 2016 includes the sale of South Prairie Region assets, which closed on December 1, 2016, resulting in a before-tax gain of $850 million within EIPLP. Following the sale, a one-time cash distribution of $264 million was received from ECT.
- The second quarter of 2016 includes reduced equity earnings from EIPLP due to the northeastern Alberta wildfires.
- In April 2016, ENF 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 ENF common shares for gross proceeds of

$143 million, on a private placement basis. ENF used the gross proceeds from its common share issuance to subscribe for 25.4 million Fund Units for gross proceeds of $718 million, which were, in turn, used to invest in 25.4 million ECT common units.

- In the first quarter of 2016, the monthly Fund Unit distribution rate increased to $0.1792 commencing with the January 2016 distribution.

RELATED PARTY TRANSACTIONS

Unless otherwise noted, all related party transactions have been measured at the exchange amount of consideration established and agreed to by the related parties.

DEMAND NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2017**	2016
(millions of Canadian dollars)		
Floating interest rate note, due on demand from ECT	**949**	654

For the year ended December 31, 2017, Other income – affiliates included interest income of $21 million (2016 - $8 million) related to the floating interest rate note payable from ECT.

ACCOUNTS RECEIVABLE FROM AFFILIATES

December 31,	**2017**	2016
(millions of Canadian dollars)		
Distributions receivable from ECT	**51**	43
Accounts receivable from ECT	**3**	2
	54	45

LONG-TERM NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2017**	2016
(millions of Canadian dollars)		
5.69% due June 22, 2017 from ECT	**—**	96
7.00% due November 12, 2020 from ECT	**100**	100
	100	196

For the year ended December 31, 2017, Other income – affiliates included $10 million (2016 - $13 million) of interest income related to the long-term notes receivable from ECT.

DISTRIBUTIONS PAYABLE TO AFFILIATES

As at December 31, 2017, Distributions payable to affiliates included Fund Unit distributions payable to ENF of $32 million (2016 - $22 million) and to Enbridge of $14 million (2016 - $17 million).

OTHER AFFILIATE TRANSACTIONS

As at December 31, 2017, we had a payable to ENF of $23 million (2016 - $24 million) for share issue costs incurred in connection with ENF's public equity offering of 20.7 million common shares (2016 - 20.4 million common shares).

For the year ended December 31, 2017, our investment in ECT reflects $564 million of distributions (2016 - $789 million) and $718 million of contributions (2016 - $718 million).

We have entered into interest rate derivative instrument agreements with Enbridge to limit the Fund Group's exposure to interest rate fluctuations in addition to its external agreements. We also have foreign exchange derivative instrument agreements with external counterparties and offsetting foreign exchange derivative instrument agreements with a wholly-owned subsidiary of EIPLP. At December 31, 2017, the net affiliate derivative instrument balance was $52 million asset (2016 - $45 million asset).

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Maintaining a reliable and low risk business model is central to the Fund Group's objective of paying out a predictable cash flow to unitholders. The Fund Group actively manages both financial and non-financial risk exposures. 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 DCF of the Fund Group.

INTEREST RATE RISK

Our earnings, cash flows and other comprehensive income (OCI) are exposed to short term interest rate variability due to the regular repricing of our variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. We have implemented a program to mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps at an average swap rate of 2.5%.

Our earnings and cash flows are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. We have implemented a program to mitigate our exposure to long-term interest rate variability on select forecast term debt issuances. In December 2017, we canceled all forecasted fixed rate debt issuances for 2018 and 2019. At that time, we terminated all active long-term interest rate swaps. We may elect to utilize the program in the future.

We use qualifying derivative instruments to manage interest rate risk.

EFFECT OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

The following table presents the effect of cash flow hedges on our earnings and comprehensive income:

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	**12**	(44)
Amount of loss reclassified from Accumulated other comprehensive loss (AOCI) to earnings *(effective portion)*		
Interest rate contracts[1, 2]	**79**	6
Amount of (gain)/loss reclassified from AOCI to earnings (*ineffective portion and amount excluded from effectiveness testing)*		
Interest rate contracts[1,2]	**(3)**	13

1 Reported within Interest expense in the Statements of Earnings.
2 As at December 31, 2017, includes settlements of $86 million loss related to the termination of long-term interest rate swaps as not highly probable to issue long-term debt.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations, including commitments, as they become due. In order to manage this risk, we forecast cash requirements over the near and long term to determine whether sufficient funds will be available when required. Our primary sources of liquidity and capital resources are funds generated from our indirect investment in EIPLP, draws under committed credit facilities, the issuance of MTNs and the issuance of Fund Units. The Fund maintains a current MTN shelf prospectus with Canadian securities regulators, which enables ready access to Canadian public capital markets, subject to market conditions. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

CREDIT RISK

Entering into derivative instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. We enter into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

FAIR VALUE MEASUREMENTS

We use the most observable inputs available to estimate the fair value of our financial instruments. When possible, we estimate the fair value of our financial instruments based on quoted market prices. If quoted market prices are not available, we use estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, we use standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps. Depending on the type of financial instrument and nature of the underlying risk, we use observable market prices (interest or foreign exchange) and volatility as primary inputs to these valuation techniques. Finally, we consider our own credit default swap spread as well as the credit default swap spreads associated with our counterparties in our estimation of fair value.

GENERAL BUSINESS RISKS

Readers are referred to the *Risk Management and Financial Instruments – General Business Risks* disclosures in EIPLP’s MD&A as well as *Risk Factors* in the Fund’s AIF.

The following are certain risk factors relating to the activities of the Fund.

Future Distributions

Distributions declared on the Fund Units are wholly-dependent on the declaration of distributions by ECT. ECT’s distribution declarations are in turn wholly-dependent on the declaration of distributions by EIPLP. Future distribution payments by the Fund and the level thereof are uncertain as the Fund’s distributions practices and the funds available for the payment of distributions from time to time will be dependent upon, among other things, operating cash flow generated by EIPLP and its respective operations and investments, financial requirements for the Fund and its investments’ operations and the Fund Group’s ability to execute its growth strategy.

Availability of Financing

If we pay out a high proportion of the distributions received from ECT to unitholders by way of distributions, we may have to enter into financings or other transactions involving the issuance of securities by the Fund in order to obtain funds for business purposes. An inability to raise new debt and equity capital may limit the Fund Group’s ability to grow and execute its business plan. The issuance of equity securities may also be dilutive to unitholders. To the extent that ENF does not fund portions of the growth capital, Enbridge will be required until December 31, 2020 to provide the Fund Group with equity financing for such projects, unless the project is related to the Line 3 Replacement Program in which case Enbridge's obligation will be to fund the equity requirements for such project until it is placed into service.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Clarifying the Definition of a Business in an Acquisition

Effective January 1, 2017, we early adopted Accounting Standards Update (ASU) 2017-01 on a prospective basis. The new standard was issued with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (disposals) of assets or businesses. The adoption of the pronouncement did not have a material impact on our financial statements.

Accounting for Intra-Entity Asset Transfers

Effective January 1, 2017, we early adopted ASU 2016-16 on a modified retrospective basis. The new standard was issued with the intent of improving the accounting for the income tax consequences of intra-entity asset transfers other than inventory. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The adoption of the pronouncement did not have a material impact on our financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Improvements to Accounting for Hedging Activities

ASU 2017-12 was issued in August 2017 with the objective of better aligning a company's risk management activities and the resulting hedge accounting reflected in the financial statements. The amendments allow cash flow hedging of contractually specified components in financial and non-financial items. Under the new guidance, hedge ineffectiveness is no longer required to be measured and hedging instruments' fair value changes will be recorded in the same income statement line as the hedged item. The ASU also allows the initial quantitative hedge effectiveness assessment to be performed at any time before the end of the quarter in which the hedge is designated. After initial quantitative testing is performed, an ongoing qualitative effectiveness assessment is permitted. The accounting update is effective January 1, 2019 and is to be applied on a modified retrospective basis. We are currently assessing the impact of the new standard on our financial statements.

Simplifying Cash Flow Classification

ASU 2016-15 was issued in August 2016 with the intent of reducing diversity in practice of how certain cash receipts and cash payments are classified in the statement of cash flows. The new guidance addresses eight specific presentation issues. The accounting update is effective January 1, 2018 and will be applied on a retrospective basis. We assessed each of the eight specific presentation issues and the adoption of this ASU does not have a material impact on our financial statements.

Accounting for Credit Losses

ASU 2016-13 was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Current treatment uses the incurred loss methodology for recognizing credit losses that delays the recognition until it is probable a loss has been incurred. The amendment adds a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes will result in more timely recognition of such losses. We are currently assessing the impact of the new standard on our financial statements. The accounting update is effective January 1, 2020.

Recognition and Measurement of Financial Assets and Liabilities

ASU 2016-01 was issued in January 2016 with the intent to address certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. Investments in equity securities, excluding equity method and consolidated investments, are no longer classified as trading or available-for-sale securities. All investments in equity securities with readily determinable fair values are classified as investments at fair value through net income. Investments in equity securities without readily determinable fair values are measured using the fair value measurement alternative and are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Investments in equity securities measured using the fair value measurement alternative are reviewed for indicators of impairment each reporting period. Fair value of financial instruments for disclosure purposes is measured using exit price. The accounting update is effective January 1, 2018 and will be applied on a prospective basis. We do not expect the adoption of this accounting update to have a material impact on our financial statements.

FUND OWNERSHIP

The following table presents the direct and indirect ownership of the Fund:

	As at February 2, 2018
(number Fund Units outstanding)	
Held by Enbridge	72,492,383
Held by ENF	173,987,775
	246,480,158

ENBRIDGE INCOME FUND

FINANCIAL STATEMENTS

December 31, 2017

MANAGEMENT'S REPORT

To the Unitholders of Enbridge Income Fund (The Fund)

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 accounting principles generally accepted in the United States of America (U.S. GAAP) and necessarily include amounts that reflect management's judgment and best estimates.

The Board of Trustees (the Board) and its committees are responsible for all aspects related to governance of the Fund. The Audit, Finance & Risk Committee (the AF&RC), composed of trustees who are unrelated and independent, has a specific responsibility to oversee management's efforts to fulfill its responsibilities for financial reporting and internal controls related thereto. The AF&RC meets with management, internal auditors and independent auditors to review the financial statements and the internal controls as they relate to financial reporting. The AF&RC reports its findings to the Board for its consideration in approving the financial statements for issuance to the unitholders. The internal auditors and independent auditors have unrestricted access to the AF&RC.

Internal Control over Financial Reporting
Management is also responsible for establishing and maintaining adequate internal control over financial reporting. The Fund'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 U.S. GAAP and provide reasonable assurance that assets are safeguarded.

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

"signed"
Perry F. Schuldhaus
President, Enbridge Income Fund
Enbridge Management Services Inc.

"signed"
Patrick R. Murray
Vice President, Finance
Enbridge Management Services Inc.

February 16, 2018

Independent Auditor's Report

To the Unitholders of Enbridge Income Fund

We have audited the accompanying financial statements of Enbridge Income Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of earnings, comprehensive income, changes in unitholders' 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 generally accepted accounting principles in the United States of America, 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 as at December 31, 2017 and December 31, 2016 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta
February 16, 2018

ENBRIDGE INCOME FUND
STATEMENTS OF EARNINGS

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Income from equity investment in Enbridge Commercial Trust *(Note 4)*	**444**	747
Operating and administrative expense	**(1)**	(1)
Other income – affiliates	**31**	21
Interest expense *(Note 5)*	**(172)**	(119)
Earnings attributable to unitholders	**302**	648

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

ENBRIDGE INCOME FUND
STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Earnings	**302**	648
Other comprehensive income/(loss)		
Change in unrealized gain/(loss) on cash flow hedges	**11**	(42)
Other comprehensive loss from equity investee *(Note 4)*	**(2)**	(51)
Reclassification to earnings of loss on cash flow hedges	**76**	19
Other comprehensive income/(loss)	**85**	(74)
Comprehensive income	**387**	574

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

ENBRIDGE INCOME FUND
STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Deficit	Accumulated other comprehensive loss	Total
(millions of Canadian dollars)			
December 31, 2015	(5,171)	(108)	(5,279)
Earnings attributable to unitholders	648	—	648
Other comprehensive loss	—	(74)	(74)
Distributions to unitholders	(454)	—	(454)
Redemption value adjustment attributable to trust units *(Note 6)*	(1,436)	—	(1,436)
Equity investment dilution loss, net *(Note 4)*	(156)	—	(156)
Excess purchase price over historical carrying value acquired	(6)	—	(6)
December 31, 2016	**(6,575)**	**(182)**	**(6,757)**
Earnings attributable to unitholders	**302**	**—**	**302**
Other comprehensive income	**—**	**85**	**85**
Distributions to unitholders	**(477)**	**—**	**(477)**
Redemption value adjustment attributable to trust units *(Note 6)*	**1,008**	**—**	**1,008**
Equity investment dilution loss, net *(Note 4)*	**(138)**	**—**	**(138)**
December 31, 2017	**(5,880)**	**(97)**	**(5,977)**

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

ENBRIDGE INCOME FUND
STATEMENTS OF CASH FLOWS

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Operating activities		
Earnings	**302**	648
Adjustments to reconcile earnings to net cash provided by operating activities:		
Earnings from equity investments *(Note 4)*	**(444)**	(747)
Distributions from equity *(Notes 4 and 10)*	**564**	789
Other	**(13)**	18
Changes in operating assets and liabilities *(Note 8)*	**12**	25
Net cash provided by operating activities	**421**	733
Investing activities		
Acquisition of long-term investment *(Note 4)*	**(718)**	(718)
Affiliate loans, net	**(199)**	(203)
Net cash used in investing activities	**(917)**	(921)
Financing activities		
Net change in bank indebtedness	**(1)**	1
Net change in credit facility draws	**529**	225
Medium-term note repayments	**(325)**	(330)
Trust units issued, net	**759**	743
Trust unit distributions declared	**(477)**	(454)
Change in distributions payable	**7**	9
Net cash provided by financing activities	**492**	194
Net increase/(decrease) in cash and cash equivalents	**(4)**	6
Cash and cash equivalents at beginning of year	**6**	—
Cash and cash equivalents at end of year	**2**	6
Supplementary cash flow information		
Cash paid for interest	**182**	98

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

ENBRIDGE INCOME FUND
STATEMENTS OF FINANCIAL POSITION

December 31,	**2017**	2016
(millions of Canadian dollars)		
Assets		
Current assets		
Cash and cash equivalents	**2**	6
Demand notes receivable from Enbridge Commercial Trust *(Note 10)*	**949**	654
Accounts receivable from affiliates *(Note 10)*	**54**	45
Accounts receivable and other	**2**	1
Current portion of derivative assets *(Note 7)*	**1**	1
Current portion of derivative assets from affiliates *(Note 7)*	**10**	18
	1,018	725
Long-term notes receivable from Enbridge Commercial Trust *(Note 10)*	**100**	196
Long-term investment *(Note 4)*	**2,702**	2,244
Long-term portion of derivative assets from affiliates *(Note 7)*	**43**	80
Deferred amounts and other assets	**1**	1
Total assets	**3,864**	3,246
Liabilities and unitholders' equity		
Current liabilities		
Bank indebtedness	**—**	1
Interest payable	**19**	20
Current portion of derivative liabilities *(Note 7)*	**12**	23
Current portion of derivative liabilities to affiliates *(Note 7)*	**1**	49
Accounts payable and other	**1**	1
Other accounts payable to affiliates *(Note 10)*	**23**	—
Distributions payable to affiliates	**46**	39
Current portion of long-term debt *(Note 5)*	**123**	325
	225	458
Long-term debt *(Note 5)*	**2,377**	1,969
Long-term portion of derivative liabilities *(Note 7)*	**43**	127
Long-term portion of derivative liabilities to affiliates *(Note 7)*	**—**	4
	2,645	2,558
Trust units *(Note 6)*	**7,196**	7,445
	7,196	7,445
Unitholders' deficit		
Deficit	**(5,880)**	(6,575)
Accumulated other comprehensive loss	**(97)**	(182)
	(5,977)	(6,757)
Total liabilities and unitholders' equity	**3,864**	3,246

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

Approved by the Trustees of Enbridge Commercial Trust on behalf of Enbridge Income Fund:

"signed"	"signed"
M. George Lewis	**E.F.H. Roberts**
Trustee	Trustee

NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS OVERVIEW

Enbridge Income Fund (the Fund) is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Fund commenced operations on June 30, 2003. Enbridge Management Services Inc. (EMSI), a wholly-owned subsidiary of Enbridge Inc. (Enbridge), manages the Fund. EMSI also serves as the manager of Enbridge Commercial Trust (ECT), a wholly-owned investment of the Fund, Enbridge Income Partners LP (EIPLP), an indirect investment of the Fund and Enbridge Income Fund Holdings Inc. (ENF), a unitholder of the Fund. EIPLP is a partnership between ECT and Enbridge. The Fund, ECT, EIPLP and the subsidiaries of EIPLP are collectively referred to as the Fund Group.

The Fund, through its indirect investment in EIPLP, is involved in the transportation, storage and generation of energy. EIPLP owns its 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. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND USE OF ESTIMATES

The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Amounts are stated in Canadian dollars unless otherwise noted.

The Fund is permitted to use U.S. GAAP as its primary basis of accounting for purposes of meeting its continuous disclosure obligations under an exemption granted by securities regulators in Canada.

The preparation of financial statements in conformity with U.S. GAAP 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 for the year ended and as at December 31, 2017 and 2016 include, but are not limited to fair values of financial instruments. Actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS

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

DERIVATIVE INSTRUMENTS AND HEDGING

Derivatives in Qualifying Hedging Relationships

The Fund uses derivative financial instruments to manage its exposure to changes in interest rates. Hedge accounting is optional and requires the Fund to document the hedging relationship and test the hedging item's effectiveness in offsetting changes in fair values or cash flows of the underlying hedged item on an ongoing basis. The Fund presents the earnings effects of hedging items with the hedged transaction. Derivatives in qualifying hedging relationships are categorized as cash flow hedges or fair value hedges.

Cash Flow Hedges

The Fund uses cash flow hedges to manage exposure to changes in interest rates and foreign exchange rates. The effective portion of the change in the fair value of a cash flow hedging instrument is recorded in

Other comprehensive income/(loss) (OCI) and is reclassified to earnings when the hedged item impacts earnings. Any hedge ineffectiveness is recorded in current period earnings.

If a derivative instrument designated as a cash flow hedge ceases to be effective or is terminated, hedge accounting is discontinued and the gain or loss at that date is deferred in OCI and recognized concurrently with the related transaction. If a hedged anticipated transaction is no longer probable, the gain or loss is recognized immediately in earnings. Subsequent gains and losses from derivative instruments for which hedge accounting has been discontinued are recognized in earnings in the period in which they occur.

Classification of Derivatives

The Fund recognizes the fair market value of derivative instruments on the Statements of Financial Position as current and long-term assets or liabilities depending on the timing of the settlements and the resulting cash flows associated with the instruments. Fair value amounts related to cash flows occurring beyond one year are classified as long-term.

Cash inflows and outflows related to derivative instruments are classified as operating activities on the Statements of Cash Flows.

Balance Sheet Offset

Assets and liabilities arising from derivative instruments may be offset in the Statements of Financial Position when the Fund has the legal right and intention to settle them on a net basis.

Transaction Costs

Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. The Fund incurs transaction costs primarily through the issuance of debt and accounts for these costs as a deduction from Long-term debt on the Statements of Financial Position. These costs are amortized using the effective interest rate method over the term of the related debt instrument and are recorded in Interest expense. Transaction costs directly related to business combinations are expensed in the period incurred.

EQUTY INVESTMENTS

Equity investments, over which the Fund exercises significant influence but does not have controlling financial interests, are accounted for using the equity method. Equity investments are initially measured at cost and are adjusted for the Fund's proportionate share of undistributed equity earnings or loss. Equity investments are increased for contributions made to and decreased for distributions received from the investees.

ECT determines its equity investment earnings from EIPLP using the Hypothetical Liquidation at Book Value (HLBV) method. ECT applies the HLBV method to its equity method investments where cash distributions, including both preference and residual distributions, are not based on the investor's ownership percentages. Under the HLBV method, a calculation is prepared at each balance sheet date to determine the amount that ECT would receive if EIPLP were to liquidate all of its assets, as valued in accordance with U.S. GAAP, and distribute that cash to the investors. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is ECT's share of the earnings or losses from the equity investment for the period.

INCOME TAX

Pursuant to the *Income Tax Act (Canada)*, the Fund, as a trust, is not subject to income tax to the extent that taxable income and taxable capital gains are paid or payable to unitholders. Deferred income tax has not been recognized because it is anticipated that all future earnings will be paid or payable to unitholders.

IMPAIRMENT
With respect to equity investments, the Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired by completing a quantitative or qualitative analysis of factors impacting the investment. If there is determined to be objective evidence of impairment, the Fund internally values the expected discounted cash flows using observable market inputs and determines whether the decline below carrying value is other than temporary. If the decline is determined to be other than temporary, an impairment charge is recorded in earnings with an offsetting reduction to the carrying value of the asset.

With respect to financial assets, other than equity investments, the Fund assesses the assets for impairment when it no longer has reasonable assurance of timely collection. If evidence of impairment is noted, the Fund reduces the value of the financial asset to its estimated realizable amount, determined using discounted expected future cash flows.

LOANS AND RECEIVABLES
Long-term notes receivable from affiliate are measured at amortized cost using the effective interest rate method, net of any impairment losses recognized. Accounts receivable and other are measured at cost. Interest income is recognized in earnings as it is earned with the passage of time.

REDEEMABLE SECURITIES - TRUST UNITS
Ordinary trust units issued by the Fund (Fund Units) are classified as temporary equity and reflected within the mezzanine section of the Statements of Financial Position between long-term liabilities and Unitholders' deficit. Fund Units are recorded at their maximum redemption value with changes in estimated redemption value reflected as a charge or credit to deficit.

PRINCIPLES OF CONSOLIDATION
Upon inception of a contractual agreement, the Fund performs an assessment to determine whether the arrangement contains a variable interest in a legal entity and whether that legal entity is a variable interest entity (VIE). Where the Fund concludes it is the primary beneficiary of a VIE, the Fund consolidates the accounts of that entity and all significant intercompany accounts and transactions are eliminated upon consolidation. The Fund does not consolidate the accounts of any VIEs as it is not considered to be the primary beneficiary of any of its VIEs.

COMMITMENTS AND CONTINGENCIES
Liabilities for commitments and contingencies are recognized when, after fully analysing available information, the Fund determines it is either probable that an asset has been impaired, or that a liability has been incurred, and the amount of impairment or loss can be reasonably estimated. When a range of probable loss can be estimated, the Fund recognizes the most likely amount, or if no amount is more likely than another, the minimum of the range of probable loss is accrued. The Fund expenses legal costs associated with loss contingencies as such costs are incurred. At December 31, 2017, the Fund did not have any significant commitments or known contingencies.

3. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS
Clarifying the Definition of a Business in an Acquisition
Effective January 1, 2017, the Fund early adopted Accounting Standards Update (ASU) 2017-01 on a prospective basis. The new standard was issued with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (disposals) of assets or businesses. The adoption of the pronouncement did not have a material impact on the Fund's financial statements.

Accounting for Intra-Entity Asset Transfers
Effective January 1, 2017, the Fund early adopted ASU 2016-16 on a modified retrospective basis. The new standard was issued with the intent of improving the accounting for the income tax consequences of intra-entity asset transfers other than inventory. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The adoption of the pronouncement did not have a material impact on the Fund's financial statements.

FUTURE ACCOUNTING POLICY CHANGES
Improvements to Accounting for Hedging Activities
ASU 2017-12 was issued in August 2017 with the objective of better aligning a company's risk management activities and the resulting hedge accounting reflected in the financial statements. The amendments allow cash flow hedging of contractually specified components in financial and non-financial items. Under the new guidance, hedge ineffectiveness is no longer required to be measured and hedging instruments' fair value changes will be recorded in the same income statement line as the hedged item. The ASU also allows the initial quantitative hedge effectiveness assessment to be performed at any time before the end of the quarter in which the hedge is designated. After initial quantitative testing is performed, an ongoing qualitative effectiveness assessment is permitted. The accounting update is effective January 1, 2019 and is to be applied on a modified retrospective basis. The Fund is currently assessing the impact of the new standard on its financial statements.

Simplifying Cash Flow Classification
ASU 2016-15 was issued in August 2016 with the intent of reducing diversity in practice of how certain cash receipts and cash payments are classified in the statement of cash flows. The new guidance addresses eight specific presentation issues. The accounting update is effective January 1, 2018 and will be applied on a retrospective basis. The Fund assessed each of the eight specific presentation issues and the adoption of this ASU does not have a material impact on the Fund's financial statements.

Accounting for Credit Losses
ASU 2016-13 was issued in June 2016 with the intent of providing financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. Current treatment uses the incurred loss methodology for recognizing credit losses that delays the recognition until it is probable a loss has been incurred. The amendment adds a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the Financial Accounting Standards Board believes will result in more timely recognition of such losses. The Fund is currently assessing the impact of the new standard on its financial statements. The accounting update is effective January 1, 2020.

Recognition and Measurement of Financial Assets and Liabilities
ASU 2016-01 was issued in January 2016 with the intent to address certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. Investments in equity securities, excluding equity method and consolidated investments, are no longer classified as trading or available-for-sale securities. All investments in equity securities with readily determinable fair values are classified as investments at fair value through net income. Investments in equity securities without readily determinable fair values are measured using the fair value measurement alternative and are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Investments in equity securities measured using the fair value measurement alternative are reviewed for indicators of impairment each reporting period. Fair value of financial instruments for disclosure purposes is measured using exit price. The accounting update is effective January 1, 2018 and will be applied on a prospective basis. The Fund does not expect the adoption of this accounting update to have a material impact on its financial statements.

4. LONG-TERM INVESTMENT

INVESTMENT IN ENBRIDGE COMMERCIAL TRUST

ECT is a VIE as the holders of the common units of ECT lack decision making abilities. Enbridge has the power to make decisions which impact ECT's performance and therefore, the Fund is not considered the primary beneficiary of ECT and equity accounts for its investment in ECT.

As at December 31, 2017, the Fund's maximum exposure to loss is limited to the carrying amount of its equity investment in ECT, which is $2,702 million (2016 - $2,244 million). As at December 31, 2017, the carrying value of ECT's assets was $5,430 million and the carrying value of its liabilities was $2,728 million.

Summarized financial information of ECT accounted for under the equity method was as follows:

December 31,	**2017**	2016
(millions of Canadian dollars)		
Investment balance at beginning of year	**2,244**	1,781
Investment acquired	**718**	718
EIPLP's excess purchase price over historical carrying value acquired	**—**	(6)
Equity investment income	**444**	747
Equity investment other comprehensive loss	**(2)**	(51)
Equity investment dilution loss, net	**(138)**	(156)
Distributions[1]	**(564)**	(789)
Investment balance at end of year	**2,702**	2,244

1 Subsequent to the sale of EIPLP's South Prairie Region assets, EIPLP made a special one-time distribution to ECT in December 2016 utilizing proceeds from the sale, which in turn was paid from ECT to the Fund and is included in distributions.

As at December 31, 2017, the Fund owned 332 million (2016 - 306 million) units of ECT, representing all of ECT's issued and outstanding common units.

Summarized financial information of ECT accounted for under the equity method was as follows:

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Income from equity investment in EIPLP	**769**	1,068
Incentive fee - affiliate	**(123)**	(121)
Operating and administrative expense	**(2)**	(3)
Other income - affiliate	**19**	13
Interest expense - affiliate[1]	**(219)**	(210)
Earnings attributable to unitholder	**444**	747

1 For the year ended December 31, 2017, interest expense includes $189 million (2016 - $189 million) of ECT Preferred Unit distributions to Enbridge and $30 million (2016 - $21 million) of interest expense on notes payable to the Fund.

December 31,	2017	2016
(millions of Canadian dollars)		
Demand note receivable from EIPLP	**427**	229
Other current assets	**81**	75
Long-term note receivable from EIPLP	**100**	100
Long-term investment	**4,822**	4,360
Due to affiliates	**34**	33
Demand notes payable to the Fund	**949**	654
Distributions payable to affiliates	**67**	59
Long-term notes payable to the Fund	**100**	196
Preferred units	**1,578**	1,578
Trust units	**9,766**	9,905
Unitholder's deficit	**(7,064)**	(7,661)

INDIRECT INVESTMENT IN EIPLP

EIPLP is considered a VIE as its limited partners lack substantive kick-out rights and participating rights. As the Fund does not have the power to direct the activities that most significantly impact EIPLP's economic performance, the Fund is not considered the primary beneficiary of EIPLP.

As the Fund does not directly own an interest in EIPLP, its maximum exposure to loss equates to its indirect investment in EIPLP through the ownership of ECT. At December 31, 2017, the Fund, through its 100% ownership of ECT, owned 408 million (2016 - 382 million) of the issued and outstanding EIPLP Class A Units, representing an indirect ownership of 46.9% (2016 - 45.8%) of EIPLP's total issued and outstanding common units.

The following table represents ECT's investment in EIPLP:

December 31,	2017	2016
(millions of Canadian dollars)		
Investment balance at beginning of year	**4,360**	3,902
Investment acquired	**718**	718
EIPLP's excess purchase price over historical carrying value acquired	**—**	(6)
Equity investment income	**769**	1,068
Equity investment other comprehensive loss	**(2)**	(51)
Equity investment dilution loss, net	**(138)**	(156)
Distributions[1]	**(886)**	(1,115)
Investment balance at end of year	**4,821**	4,360

1 Subsequent to the sale of EIPLP's South Prairie Region assets, EIPLP made a special one-time distribution to ECT in December 2016 utilizing proceeds from the sale.

Equity issuances from EIPLP result in dilution gains or losses, with a corresponding charge or credit to deficit, when each of EIPLP's partners do not participate equally in the issuance. For the year ended December 31, 2017, ECT recorded a net dilution loss of $138 million (2016 - $156 million loss) resulting from its increase in ownership of EIPLP Class A units partially offset by EIPLP's issuance of Class D units to Enbridge. ECT's net dilution loss is recorded as a component of the Fund's equity pickup of ECT.

Summarized financial information of EIPLP accounted for under the equity method was as follows:

Year ended December 31,	2017	2016
(millions of Canadian dollars)		
Revenues	**4,395**	3,922
Earnings	**1,926**	2,297

December 31,	**2017**	2016
(millions of Canadian dollars)		
Current assets	**686**	717
Property, plant and equipment, net	**23,622**	22,455
Other long-term assets	**4,023**	3,919
Current liabilities	**2,360**	2,003
Long-term debt	**6,132**	6,043
Other long-term liabilities	**9,553**	9,514

FINANCIAL STATEMENT EFFECTS OF RATE REGULATION

The financial statement effect of rate regulation is recorded within the Fund's equity accounting for its indirect investment in EIPLP. The Canadian Mainline and Southern Lights Pipeline businesses within EIPLP are subject to regulation by the National Energy Board (NEB). EIPLP also collects and sets aside funds to cover future pipeline abandonment costs for all NEB regulated pipelines as a result of the NEB's regulatory requirements under the NEB's Land Matters Consultation Initiative. Amounts expected to be paid to cover future abandonment costs are recognized as long-term regulatory liabilities. EIPLP's significant regulated businesses and other related accounting impacts are described below.

Canadian Mainline

Canadian Mainline is subject to regulation by the NEB. Canadian Mainline tolls (excluding Lines 8 and 9) are currently governed by the 10-year CTS, which establishes a Canadian Local Toll for all volumes shipped on the Canadian Mainline and an International Joint Tariff for all volumes shipped from western Canadian receipt points to delivery points on Enbridge's Lakehead System and delivery points on the Canadian Mainline downstream of the Lakehead System. The CTS was negotiated with shippers in accordance with NEB guidelines, was approved by the NEB in June 2011 and took effect July 1, 2011. Under the CTS, a regulatory asset is recognized to offset deferred income taxes as a NEB rate order governing flow-through income tax treatment permits future recovery. No other material regulatory assets or liabilities are recognized under the terms of the CTS.

Southern Lights Pipeline

Southern Lights Canada is regulated by the NEB. Shippers on Southern Lights Canada are subject to long-term transportation contracts under a cost of service toll methodology. Toll adjustments are filed annually with the NEB. Tariffs provide for recovery of allowable operating and debt financing costs, plus a pre-determined after-tax rate of return on equity of 10%. Southern Lights Canada tolls are based on a deemed 70% debt and 30% equity structure.

Saskatchewan Gathering System

On December 1, 2016, EIPLP disposed of the Saskatchewan Gathering System as part of the sale of the South Prairie Region assets.

The Saskatchewan Gathering System is regulated by the Saskatchewan Ministry of Economy. The Saskatchewan Gathering System follows a cost of service methodology. In May 2016, EIPLP reached a Settlement Agreement (the Settlement) with a group of shippers that revised the tolling methodology on the Saskatchewan Gathering System. The regulatory governance of the Settlement changed and as such, all of the criteria required for the continued application of rate-regulated accounting treatment were no longer met and derecognition of regulatory balances as at May 1, 2016 was required.

Alliance Pipeline

The Alliance Pipeline has tolls and tariffs regulated by the NEB in Canada and the FERC in the United States. In December 2015, Alliance Pipeline implemented a new services framework and the related tolls and tariff provisions (collectively, the New Services Framework). Pursuant to the New Services Framework, Alliance Pipeline retains exposure to potential variability in certain future costs and throughput volumes. There are no material regulatory assets or liabilities recognized under the terms of the New Service Framework.

5. DEBT

December 31,	**2017**	2016
(millions of Canadian dollars)		
4.00% medium-term notes due December 2018	**125**	125
4.10% medium-term notes due February 2019	**300**	300
4.85% medium-term notes due November 2020	**100**	100
4.85% medium-term notes due February 2022	**200**	200
3.94% medium-term notes due January 2023	**275**	275
3.95% medium-term notes due November 2024	**500**	500
4.87% medium-term notes due November 2044	**250**	250
5.00% medium-term notes due June 2017	**—**	100
2.92% medium-term notes due December 2017	**—**	225
Credit facility[1]	**755**	225
Other[2]	**(5)**	(6)
Total debt	**2,500**	2,294
Current maturities	**(123)**	(325)
Long-term debt	**2,377**	1,969

1 Weighted average interest rate - 2.9% (2016 - 2.2%).
2 Primarily debt discount and debt issue costs.

As at December 31, 2017 and 2016, all debt was unsecured.

CREDIT FACILITY

		December 31, 2017		
	Maturity	Total Facilities	Draws[1]	Available
(millions of Canadian dollars)				
Enbridge Income Fund	2020	**1,500**	**766**	**734**

1 Includes facility draws and letters of credit that are back-stopped by the credit facility.

As at December 31, 2017, credit facility draws of $755 million (2016 - $225 million) and letters of credit of $11 million (2016 - $11 million) were supported by the availability of a long-term committed credit facility and therefore have been classified as long-term debt. The Fund's credit facility carries a standby fee of 0.3% (2016 - 0.2%) per annum.

DEBT COVENANTS

The Fund is subject to several covenants under its credit facility, including covenants that limit outstanding debt to a percentage of the Fund's and EIPLP's capitalization. The Fund was in compliance with all terms and conditions of its committed credit facility agreement as at December 31, 2017.

INTEREST EXPENSE

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Medium-term notes	**78**	114
Credit facility draws	**8**	5
Pre-issuance hedge termination	**86**	—
	172	119

ANNUAL MATURITIES AND INTEREST OBLIGATIONS

	2018	2019	2020	2021	2022	Thereafter
(millions of Canadian dollars)						
Annual debt maturities[1]	**125**	**300**	**855**	**—**	**200**	**1,025**
Interest obligations[2]	**75**	**63**	**57**	**52**	**48**	**313**

1 Includes medium-term notes (MTNs) and credit facility draws based on the facility's maturity date and excludes debt discount and debt issue costs.
2 Includes MTNs bearing interest at fixed rates.

6. TRUST UNITS

	2017		2016	
December 31,	Number of Units	Amount	Number of Units	Amount
(millions of Canadian dollars; numbers of units in millions)				
Balance at beginning of year	**218**	**7,445**	191	5,266
Redemption value adjustment	**—**	**(1,008)**	—	1,436
Issued	**28**	**782**	27	767
Share issue costs	**—**	**(23)**	—	(24)
Balance at end of year[1]	**246**	**7,196**	218	7,445

1 Enbridge owned 72 million common trust units at December 31, 2017 (2016 - 94 million).

Holders of the Class C units of EIPLP, ECT Preferred Units and Fund Units may exchange such securities in whole or in part for ECT Preferred Units, Fund Units or ENF common shares, as applicable, at any time or from time to time, directly or indirectly on a one-for-one basis pursuant to the terms of such securities and an exchange right support agreement entered into with ENF (Exchange Right).

Pursuant to the Trust Indenture, an unlimited number of Fund Units may be issued by the Fund. Each Fund Unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All Fund Units are voting and have equal rights and privileges. The Fund is required to reserve a sufficient number of Fund Units to satisfy the Exchange Right.

Fund Units are redeemable at any time at the option of the holder. At December 31, 2017 and 2016, the redemption price per Fund Unit is equal to the net asset value per Fund Unit, calculated with reference to the market price of an ENF common share, adjusted for non-consolidated assets and liabilities of ENF. The maximum amount payable by the Fund in respect of redemptions in any calendar month is limited to $0.1 million. To the extent that a unitholder is not entitled to receive cash upon the redemption of Fund Units, the redemption price shall be satisfied, subject to all necessary regulatory approvals, by way of a distribution of Fund property, which may include ECT notes or other assets held by the Fund.

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

The Fund’s earnings, cash flows and OCI are subject to movements in interest rates and foreign exchange rates. The Fund acts as an intermediary to pass along the foreign exchange risks to EIPLP. Formal risk management policies, processes and systems have been designed to mitigate these risks.

The following summarizes the types of market risks to which the Fund is exposed and the risk management instruments used to mitigate them.

Interest Rate Risk
The Fund's earnings, cash flows and OCI are exposed to short term interest rate variability due to the regular repricing of its variable rate debt, primarily credit facilities. Floating to fixed interest rate swaps are used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate the volatility of short-term interest rates on interest expense with the execution of floating to fixed rate interest rate swaps at an average swap rate of 2.5%.

The Fund's earnings and cash flows are also exposed to variability in longer term interest rates ahead of anticipated fixed rate debt issuances. Forward starting interest rate swaps may be used to hedge against the effect of future interest rate movements. The Fund has implemented a program to mitigate its exposure to long-term interest rate variability on select forecast term debt issuances. In December 2017, the Fund canceled all forecasted fixed rate debt issuances for 2018 and 2019. At that time, the Fund terminated all active long-term interest rate swaps. The Fund may elect to utilize the program in the future.

The Fund uses qualifying derivative instruments to manage interest rate risk.

TOTAL DERIVATIVE INSTRUMENTS
The following table summarizes the Statements of Financial Position location, carrying value and fair value of the Fund's derivative instruments. The Fund did not have any outstanding fair value hedges or net investment hedges as at December 31, 2017 or 2016.

The Fund enters into individual International Swaps and Derivatives Association, Inc. agreements, or other similar derivative agreements, with certain of its financial derivative counterparties. These agreements provide for the net settlement of derivative instruments outstanding with specific counterparties in the event of bankruptcy or other significant credit event, and would reduce the Fund's credit risk exposure on financial derivative asset positions outstanding with the counterparties in these particular circumstances. The following table also summarizes the maximum potential settlement in the event of these specific circumstances. All amounts are presented gross in the Statements of Financial Position.

December 31, 2017	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Current portion of derivative assets					
Foreign exchange contracts	**—**	**1**	**1**	**—**	**1**
	—	**1**	**1**	**—**	**1**
Current portion of derivative assets - affiliates					
Foreign exchange contracts	**—**	**10**	**10**	**(1)**	**9**
	—	**10**	**10**	**(1)**	**9**
Long-term portion of derivative assets - affiliates					
Foreign exchange contracts	**—**	**43**	**43**	**—**	**43**
	—	**43**	**43**	**—**	**43**
Current portion of derivative liabilities					
Interest rate contracts	**(2)**	**—**	**(2)**	**—**	**(2)**
Foreign exchange contracts	**—**	**(10)**	**(10)**	**—**	**(10)**
	(2)	**(10)**	**(12)**	**—**	**(12)**
Current portion of derivative liabilities - affiliates					
Foreign exchange contracts	**—**	**(1)**	**(1)**	**1**	**—**
	—	**(1)**	**(1)**	**1**	**—**
Long-term portion of derivative liabilities					
Foreign exchange contracts	**—**	**(43)**	**(43)**	**—**	**(43)**
	—	**(43)**	**(43)**	**—**	**(43)**
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**
Total net derivative liability					
Interest rate contracts	**(2)**	**—**	**(2)**	**—**	**(2)**
Foreign exchange contracts	**—**	**—**	**—**	**—**	**—**
	(2)	**—**	**(2)**	**—**	**(2)**

December 31, 2016	Derivative Instruments used as Cash Flow Hedges	Non-Qualifying Derivative Instruments	Total Gross Derivative Instruments as Presented	Amounts Available for Offset	Total Net Derivative Instruments
(millions of Canadian dollars)					
Current portion of derivative assets					
Foreign exchange contracts	—	1	1	—	1
	—	1	1	—	1
Current portion of derivative assets - affiliates					
Foreign exchange contracts	—	18	18	(1)	17
	—	18	18	(1)	17
Long-term portion of derivative assets - affiliates					
Foreign exchange contracts	—	80	80	—	80
	—	80	80	—	80
Current portion of derivative liabilities					
Interest rate contracts	(5)	—	(5)	—	(5)
Foreign exchange contracts	—	(18)	(18)	—	(18)
	(5)	(18)	(23)	—	(23)
Current portion of derivative liabilities - affiliates					
Interest rate contracts	(48)	—	(48)	—	(48)
Foreign exchange contracts	—	(1)	(1)	1	—
	(48)	(1)	(49)	1	(48)
Long-term portion of derivative liabilities					
Interest rate contracts	(47)	—	(47)	—	(47)
Foreign exchange contracts	—	(80)	(80)	—	(80)
	(47)	(80)	(127)	—	(127)
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	(4)	—	(4)	—	(4)
	(4)	—	(4)	—	(4)
Total net derivative liability					
Interest rate contracts	(104)	—	(104)	—	(104)
Foreign exchange contracts	—	—	—	—	—
	(104)	—	(104)	—	(104)

The following table summarizes the maturity and notional principal or quantity outstanding related to the Fund's derivative instruments:

December 31, 2017	2018	2019	2020	2021	2022	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**319**	**1**	**—**	**—**	**—**	**—**
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	**92**	**57**	**63**	**69**	**72**	**150**
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	**92**	**57**	**63**	**69**	**72**	**150**

December 31, 2016	2017	2018	2019	2020	2021	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	326	319	1	—	—	—
Interest rate contracts - long-term borrowings *(millions of Canadian dollars)*	800	350	—	—	—	—
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	99	92	57	63	69	222
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	99	92	57	63	69	222

Effect of Derivative Instruments on the Statements of Earnings and Comprehensive Income
The following table presents the effect of cash flow hedges on the Fund's earnings and comprehensive income:

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Amount of unrealized gain/(loss) recognized in OCI		
Interest rate contracts	**12**	(44)
Amount of loss reclassified from accumulated other comprehensive income (AOCI) to earnings *(effective portion)*		
Interest rate contracts[1,2]	**79**	6
Amount of (gain)/loss reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*		
Interest rate contracts[1,2]	**(3)**	13

1 Reported within Interest expense in the Statements of Earnings.
2 As at December 31, 2017, includes settlements of $86 million loss related to the termination of long-term interest rate swaps as not highly probable to issue long-term debt.

The estimated net amount of existing losses reported in AOCI that is expected to be reclassified to net income within the next 12 months is $2 million. Actual amounts reclassified to earnings depend on the interest rates in effect when derivative contracts that are currently outstanding are settled.

Non-Qualifying Derivatives
The net unrealized gains and losses associated with changes in the fair value of the Fund's non-qualifying derivatives was nil for the year ended December 31, 2017 and 2016.

LIQUIDITY RISK
Liquidity risk is the risk that the Fund will not be able to meet its financial obligations, including commitments, as they become due. In order to manage this risk, the Fund forecasts cash requirements over the near and long term to determine whether sufficient funds will be available when required. The Fund's primary sources of liquidity and capital resources are funds generated from its indirect investment in EIPLP, draws under committed credit facilities, the issuance of MTNs and the issuance of Fund Units. The Fund also maintains a current MTN shelf prospectus with Canadian securities regulators, which enables, subject to market conditions, ready access to Canadian public capital markets. Additional liquidity, if necessary, is expected to be available through intercompany transactions with Enbridge or other related entities.

CREDIT RISK
Entering into derivative instruments may result in exposure to credit risk. Credit risk arises from the possibility that a counterparty will default on its contractual obligations. The Fund enters into risk management transactions only with institutions that possess investment grade credit ratings. Credit risk relating to derivative counterparties is mitigated by credit exposure limits and contractual requirements, netting arrangements and ongoing monitoring of counterparty credit exposure using external credit rating services and other analytical tools.

The Fund had group credit concentrations and maximum credit exposure, with respect to derivative instruments, in the following counterparty segments:

December 31,	**2017**	2016
(millions of Canadian dollars)		
European financial institutions	**1**	1
Due from affiliate	**53**	98
	54	99

FAIR VALUE MEASUREMENTS

The Fund's financial assets and liabilities measured at fair value on a recurring basis include derivative instruments. The fair value of derivative instruments reflects the Fund's best estimates of market value based on generally accepted valuation techniques or models and are supported by observable market prices and rates. When such values are not available, the Fund uses discounted cash flow analysis from applicable yield curves based on observable market inputs to estimate fair value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund 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 Fund 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. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the financial instrument. Financial instruments valued using Level 2 inputs include non-exchange traded derivatives such as over-the-counter interest rate swaps for which observable inputs can be obtained.

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 Fund did not have any financial instruments categorized as Level 3 as at December 31, 2017 or 2016.

The Fund uses the most observable inputs available to estimate the fair value of its financial instruments. When possible, the Fund estimates the fair value of its financial instruments based on quoted market prices. If quoted market prices are not available, the Fund uses estimates from third party brokers. For non-exchange traded derivatives classified in Levels 2 and 3, the Fund uses standard valuation techniques to calculate the estimated fair value. These methods include discounted cash flows for forwards and swaps. Depending on the type of financial instrument and nature of the underlying risk, the Fund uses observable market prices (interest or foreign exchange) and volatility as primary inputs to these valuation techniques. Finally, the Fund considers its own credit default swap spread as well as the credit default swap spreads associated with its counterparties in its estimation of fair value.

The Fund has categorized its financial instruments, measured at fair value as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	—	**11**	**—**	**11**
Long-term derivative assets	—	**43**	**—**	**43**
Financial liabilities				
Current derivative liabilities	—	**(13)**	**—**	**(13)**
Long-term derivative liabilities	—	**(43)**	**—**	**(43)**
Total net liability	—	**(2)**	**—**	**(2)**

December 31, 2016	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(in millions of Canadian dollars)				
Financial assets				
Current derivative assets	—	19	—	19
Long-term derivative assets	—	80	—	80
Financial liabilities				
Current derivative liabilities	—	(72)	—	(72)
Long-term derivative liabilities	—	(131)	—	(131)
Total net liability	—	(104)	—	(104)

The Fund'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.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At December 31, 2017, the Fund's long-term debt had a carrying value of $2,500 million (2016 - $2,299 million) before debt issuance costs and a fair value of $2,571 million (2016 - $2,415 million). This fair value measurement has been classified as a Level 2 fair value measurement.

8. CHANGES IN OPERATING ASSETS AND LIABILITIES

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Accounts receivable and other	**(1)**	(1)
Accounts receivable from affiliates	**(9)**	27
Interest payable	**(1)**	—
Due to affiliates	**23**	—
Other long-term liabilities	**—**	(1)
	12	25

9. INCOME TAX

INCOME TAX RATE RECONCILIATION

Year ended December 31,	**2017**	2016
(millions of Canadian dollars)		
Earnings before income tax	**302**	648
Combined statutory income tax rate	**48%**	48%
Income tax at federal statutory rate	**145**	311
Increase/(decrease) resulting from:		
Taxable component of trust distributions	**(193)**	(216)
Temporary differences not recognized	**48**	(95)
Income tax expense	**—**	—
Effective income tax rate	**—**	—

10. RELATED PARTY TRANSACTIONS

Unless otherwise noted, all related party transactions have been measured at the exchange amount of consideration established and agreed to by the related parties.

DEMAND NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2017**	2016
(millions of Canadian dollars)		
Floating interest rate note, due on demand from ECT	**949**	654

For the year ended December 31, 2017, Other income – affiliates included interest income of $21 million (2016 - $8 million) related to the floating interest rate note payable from ECT.

ACCOUNTS RECEIVABLE FROM AFFILIATES

December 31,	**2017**	2016
(millions of Canadian dollars)		
Distributions receivable from ECT	**51**	43
Accounts receivable from ECT	**3**	2
	54	45

LONG-TERM NOTES RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

December 31,	**2017**	2016
(millions of Canadian dollars)		
5.69% due June 22, 2017 from ECT	**—**	96
7.00% due November 12, 2020 from ECT	**100**	100
	100	196

For the year ended December 31, 2017, Other income – affiliates included $10 million (2016 - $13 million) of interest income related to the long-term notes receivable from ECT.

DISTRIBUTIONS PAYABLE TO AFFILIATES

As at December 31, 2017, Distributions payable to affiliates included Fund Unit distributions payable to ENF of $32 million (2016 - $22 million) and to Enbridge of $14 million (2016 - $17 million).

OTHER AFFILIATE TRANSACTIONS

As at December 31, 2017, the Fund has a payable to ENF of $23 million (2016 - paid $24 million) for share issue costs *(Note 6)* incurred in connection with ENF's public equity offering of 20.7 million common shares (2016 - 20.4 million common shares).

For the year ended December 31, 2017, the Fund's investment in ECT reflects $564 million of distributions (2016 - $789 million) and $718 million of contributions (2016 - $718 million) *(Note 4)*.

The Fund has entered into interest rate derivative instrument agreements with Enbridge to limit the Fund Group's exposure to interest rate fluctuations in addition to its external agreements. The Fund also has foreign exchange derivative instrument agreements with external counterparties and offsetting foreign exchange derivative instrument agreements with a wholly-owned subsidiary of EIPLP. At December 31, 2017, the net affiliate derivative instrument balance was $52 million asset (2016 - $45 million asset) *(Note 7).*