

Solid Returns, Strong Outlook



Perry Schuldhaus
President

2017 was a successful year for ENF. We delivered on our projected financial targets, provided 10 percent dividend growth to investors, and the Fund Group brought \$3.7 billion of new growth projects into service on time and on budget.

Our performance clearly demonstrates the value of our business model: investment in high-quality infrastructure assets that provide reliable and growing cash flow to support stable and growing dividends.



Harry Roberts
Chair, Board of Directors

The Fund Group invests in assets that connect established and growing hydrocarbon producing basins to key demand markets, and the strategic positioning of these assets allows for expansion and growth in response to market needs. As of 2017, the Fund Group's system of liquids pipeline laterals and facilities now serve 12 different oil sands producing projects in Alberta, aggregating supply into four separate regional pipelines with capacity to ship 70 percent of total oil sands production.

2017 Milestones

In 2017, we benefited from solid performance of the Canadian Mainline liquids pipeline, which achieved record throughput of over 2.7 million barrels per day (bpd) in December as a result of oil sands supply growth and capacity optimization initiatives carried out in the first half of the year. We also earned more for each barrel shipped as a result of a US\$0.17-per-barrel rate increase on the Canadian Mainline International Joint Tariff (IJT) Residual Benchmark Toll, the key mainline toll rate north of the border.

The Alliance natural gas pipeline had a solid year due to a strong Alberta – Chicago basis differential and corresponding continued steady demand for both interruptible and firm

seasonal service. This past year, all of Alliance's eligible annual firm service customers renewed their contracts for a minimum one-year term, with the majority of the renewals for two- and three-year terms.

We also enjoyed significant cash flow contributions from the \$3.7 billion in Fund Group growth projects placed into service in 2017, including:

- the Regional Oil Sands Optimization Project, which consists of twinning the Athabasca Pipeline from Kirby Lake, Alberta to the Hardisty crude oil hub, and the Wood Buffalo Pipeline Extension that connects the Wood Buffalo Pipeline to the inlet of the Athabasca Twin Pipeline and supports the Suncor-operated Fort Hills oil sands project;
- the Norlite Pipeline System, which has an initial capacity to carry up to 218,000 bpd of diluent from Edmonton, Alberta to multiple oil sands producers in northern Alberta; and
- the JACOS crude oil pipeline lateral, which connects the Japan Canada Oil Sands Limited (JACOS) Hangingstone Oil Sands Project to the Cheecham Terminal.

Moreover, the Fund Group made steady progress on the \$5.3-billion Canadian Line 3 Replacement (L3R) Program. L3R will enhance the safety, operational reliability and flexibility of the Canadian Mainline to further increase Western Canada export capacity. In 2017, we obtained all required regulatory permitting in Canada and began construction, which is progressing to schedule.

The U.S. portion of L3R is being constructed by our affiliate Enbridge Energy Partners, L.P. (EEP). EEP has regulatory permitting in place in North Dakota as well as Wisconsin, where construction is substantially complete. In Minnesota,



The Fund Group will continue to leverage the competitive position of its assets to pursue further expansions and organic growth.



the Minnesota Public Utilities Commission is expected to issue a decision on the Certificate of Need and Route Permit in the second quarter of 2018.

We continue to anticipate an in-service date for L3R during the second half of 2019. Given the ongoing challenges and delays to other major Western Canada Sedimentary Basin export pipelines, the incremental capacity provided by L3R will be vitally important to the industry, and we expect it will be highly utilized once brought into service.

Strategic Plan 2018 – 2020

Looking ahead, we expect to see continued strong performance from our existing assets, driven by the factors described above, and we will benefit from a full year of contribution from the liquids pipeline projects put into service in 2017. The Fort Hills oil sands project is now online producing oil and will supply growing volumes to our regional oil sands business. Through 2019 and 2020, growth will continue to be driven by volumes from new projects coming to service, including L3R.

As a result of this robust business outlook, we increased ENF's dividend for 2018 by 10 percent and we now expect to provide investors with annual 10 percent increases to the dividend through 2020, while maintaining strong distribution coverage of 1.2x to 1.3x at the Fund Group.

On the funding side, in December 2017 we completed a \$0.7 billion common share offering and concurrent private placement, which is expected to satisfy our equity requirements through to 2020. These funds, together with the capital provided by the sale of non-core liquids pipelines and related assets in the South Prairie Region in 2016, will support

the Fund Group's secured capital program. We remain focused on maintaining our strong financial position, and we expect the Fund Group's credit metrics to strengthen over the planning period as a result of growing cash flow from our existing assets and new growth projects.

Final Thoughts

We would like to acknowledge Bruce Waterman, who retired from the Board of Directors in December 2017, for his significant contributions during a period of considerable growth and transformation for the Company.

We're very pleased with our progress over the past year, and we've started 2018 from a position of strength with record volumes being delivered on the Canadian Mainline in January and February.

The Fund Group's existing asset base, plus continued progress on the L3R Program, positions us to deliver growing cash flow and superior returns to our investors through 2020 and beyond—and to maintain our position as a premier Canadian energy infrastructure income investment.

Perry F. Schuldhaus
President

Ernest F.H. (Harry) Roberts
Chair, Board of Directors

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