ENBRIDGE Income Fund

ENBRIDGE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

GLOSSARY

Adjusted EBITDA	Adjusted earnings before interest, income taxes and depreciation and amortization
DCF	Distributable cash flow
EBITDA	Earnings before interest, income taxes and depreciation and amortization
ECT	Enbridge Commercial Trust
EEP	Enbridge Energy Partners, L.P.
EIPLP	Enbridge Income Partners LP
Enbridge	Enbridge Inc.
ENF	Enbridge Income Fund Holdings Inc.
FERC	Federal Energy Regulatory Commission
Fund Units	Ordinary trust units of the Fund
IJT	International Joint Tariff
MD&A	Management's Discussion and Analysis
MTN	Medium-term note
the Arrangement Agreement	The arrangement agreement, as amended, entered into between Enbridge and ENF in connection with the Proposed Arrangement
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.
the Proposed Arrangement	The proposed arrangement between Enbridge and ENF pursuant to the terms of the Arrangement Agreement, under which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

This Management's Discussion and Analysis (MD&A) dated November 2, 2018 should be read in conjunction with the unaudited interim financial statements and notes thereto of Enbridge Income Fund as at and for the three and nine months ended September 30, 2018, prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). It should also be read in conjunction with the audited financial statements and MD&A for the year ended December 31, 2017.

All financial measures presented in this MD&A are expressed in Canadian dollars, unless otherwise indicated. Additional information related to Enbridge Income Fund, including its Annual Information Form, is available on SEDAR at www.sedar.com. Additional information related to Enbridge Income Partners LP (EIPLP), including its financial statements and MD&A, is also available on SEDAR under Enbridge Income Fund's profile.

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 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 and ENF was 82.6% at September 30, 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.

RECENT DEVELOPMENTS

PROPOSED ARRANGEMENT

The Fund Group is owned by Enbridge and ENF. On September 18, 2018, ENF announced its entry into an arrangement agreement (the Arrangement Agreement) with respect to an arrangement (the Proposed Arrangement), pursuant to which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge. Under the terms of the Arrangement Agreement, each ENF common share will be exchanged for 0.7350 (the Agreed Exchange Ratio) of an Enbridge common share and cash of not less than $0.45 per ENF common share (the Cash Component). The Agreed Exchange Ratio represents an increase of 9.8% relative to the unaffected ENF exchange ratio on May 16, 2018, and 11.3% inclusive of the Cash Component. The Proposed Arrangement is part of Enbridge's sponsored vehicle restructuring initiative to simplify its corporate structure.

The completion of the Proposed Arrangement is subject to certain customary closing conditions, including (i) the approval by 66 2/3% of the votes cast by ENF's shareholders present in person or by proxy at a special shareholders meeting called for November 6, 2018 to consider the Proposed Arrangement; and (ii) by a majority of the votes cast by ENF's shareholders, present in person or by proxy at the special shareholders meeting, after excluding the votes cast by Enbridge, its affiliates and certain other related parties.

As a result of the completion of the Proposed Arrangement, ENF's common shares will no longer be publicly traded. Subject to ENF shareholder approval, the approval of the Court of Queen's Bench of Alberta and other customary closing conditions, the Proposed Arrangement is targeted to close in the fourth quarter of 2018.

REVISED FERC POLICY ON TREATMENT OF INCOME TAXES

On March 15, 2018, the Federal Energy Regulatory Commission (FERC) changed its long-standing policy on the treatment of income tax amounts included in the rates of pipelines and other entities subject to cost of service rate regulation within a Master Limited Partnership (MLP). On July 18, 2018, the FERC issued an order that: (i) dismissed all requests for rehearing of its March 15, 2018 revised policy statement and explained that its revised policy statement does not establish a binding rule, but is instead an expression of general policy that the FERC intends to follow in the future; and (ii) provides guidance that if an MLP or other tax pass-through pipeline eliminates its income tax allowance from its cost of service pursuant to the revised policy statement, then Accumulated Deferred Income Taxes (ADIT) will similarly be removed from the cost of service and MLP pipelines may also eliminate previously-accumulated sums in ADIT. As a statement of general policy, the FERC will consider alternative application of its tax allowance and ADIT policy on a case by case basis.

Although we are not directly impacted by the FERC actions, under the International Joint Tariff (IJT) mechanism, reductions or increases in the Enbridge Energy Partners, L.P. (EEP) tariff rates will create an offsetting revenue increase or decrease, respectively, on EIPLP's Canadian Mainline, which would impact our indirect equity earnings from EIPLP. The impact of the FERC policy change on EEP's tariff rates is subject to, among other things, the outcome of Enbridge's agreement to acquire EEP's publicly owned equity securities, which would mitigate the impacts of the policy change at EEP.

RENEWABLE ASSETS TRANSACTION

On August 1, 2018, EIPLP sold a 49% interest in wind and solar facilities included within its Green Power segment (the Renewable Assets) to the Canada Pension Plan Investment Board for total cash proceeds of approximately $1.05 billion. EIPLP continues to own a 51% interest in the Renewable Assets, and Enbridge continues to manage, operate and provide administrative services for the Renewable Assets. The Fund Group utilized a portion of the proceeds to repay credit facility and commercial paper borrowings.

ENBRIDGE INCOME FUND PERFORMANCE OVERVIEW

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars, except per unit amounts)				
Earnings	**151**	132	**174**	311
Cash flow data				
Cash provided by operating activities	**177**	137	**452**	378
Cash provided by/(used in) investing activities	**297**	—	**695**	(481)
Cash provided by/(used in) financing activities	**(473)**	(137)	**(1,145)**	97
Distributions				
Fund Unit distributions declared	**159**	118	**476**	353
Fund Unit distribution per unit	**0.6402**	0.5376	**1.9206**	1.6128

EARNINGS

For the three and nine months ended September 30, 2018, earnings were $151 million and $174 million compared with $132 million and $311 million in 2017, respectively. 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 the following significant unusual, non-recurring or non-operating factors in EIPLP's earnings during the three and nine months ended September 30, 2018:

- EIPLP's non-cash, unrealized derivative gain on the Canadian Mainline of $204 million and a loss of $342 million ($148 million gain and $252 million loss after-tax) compared with gains of $326 million and $747 million ($238 million and $545 million after-tax) in the same periods of 2017.

In addition, on a year-to-date basis in 2018, significant unusual, non-recurring or non-operating factors impacting EIPLP's earnings include:

- EIPLP's asset impairment within an equity investment of $22 million ($16 million after-tax);
- EIPLP's asset write-down loss of $108 million ($108 million after-tax); and
- EIPLP's $267 million deferred income tax recovery related to a change in assertion for EIPLP's investment in renewable assets due to EIPLP's sale of a 49% interest, which resulted in the recognition of previously unrecognized tax basis.

After taking into consideration the unusual, non-recurring or non-operating factors above, the remaining increase in our indirect equity earnings of EIPLP during the three and nine months ended September 30, 2018 is primarily explained by the following significant business factors:

- stronger performance from the Canadian Mainline within EIPLP's Liquids Pipelines segment in the third quarter and first nine months of 2018, primarily due to higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues, higher Canadian Mainline IJT Residual Benchmark Tolls and higher throughput driven by capacity optimization initiatives implemented in 2017;
- additional revenue generated from assets placed into service during 2017 within the Regional Oil Sands System; and
- stronger contributions from EIPLP's Gas Pipelines segment and Green Power segment.

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

CASH FLOWS

For the third quarter of 2018, cash provided by operating activities increased to $177 million from $137 million in the third quarter of 2017, while cash provided by investing activities was $297 million compared with nil in the prior year. For the three months ended September 30, 2018, cash used in financing activities was $473 million compared with cash used in financing activities of $137 million for the same period in 2017.

For the nine month ended September 30, 2018, cash provided by operating activities increased to $452 million from $378 million in 2017, while cash provided by investing activities was $695 million compared with cash used in investing activities of $481 million in the prior year. For the nine months ended September 30, 2018, cash used in financing activities was $1,145 million compared with $97 million for the same period in 2017.

Factors impacting our cash flows during the three and nine months ended September 30, 2018 period-over-period primarily include:

- an increase in cash provided by operating activities primarily due to higher distributions received from ECT in 2018, driven by an increase in the ECT common unit distribution rate commencing in January 2018 and our purchase of additional ECT common units in December 2017. Distributions received from ECT are underpinned by distributions from EIPLP and reflect the impacts to earnings discussed above;
- an increase in cash provided by investing activities as we received an increase in net repayments on a demand note receivable from ECT in the third quarter and first nine months of 2018 compared with the corresponding 2017 periods; and
- an increase in cash used in financing activities due to credit facility repayments, greater Fund Unit distributions paid in 2018 and the absence of cash provided through bank indebtedness in 2018.

On a year-to-date basis, the increase in cash provided by operating activities was partially offset by our reimbursement to ENF in 2018 of share issue costs paid in connection with ENF's public equity offering in December 2017, pursuant to a payment assistance agreement. In addition, the increase in cash used in financing activities for the first nine months of 2018 was partially offset by a repayment of a medium-term note (MTN) in the second quarter of 2017, with no such repayments occurring in 2018.

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

DISTRIBUTIONS

We pay monthly distributions to our unitholders. For the three and nine months ended September 30, 2018, distributions were declared monthly at a quarterly aggregate rate of $0.6402 (2017 - $0.5376) per unit, representing total distributions of $159 million and $476 million, respectively (2017 - $118 million and $353 million). Factors impacting our distributions to partners during the three and nine months ended September 30, 2018 period-over-period primarily include:

- an increase in distributions that resulted from a higher Fund Unit distribution rate commencing in January 2018 and a greater number of Fund Units outstanding following our issuance in December 2017.

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); 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; the Proposed Arrangement, including the consummation thereof; Enbridge's separate agreements to purchase the outstanding public equity of Spectra Energy Partners, LP, EEP and Enbridge Energy Management, L.L.C., including the consummation thereof; the impact of the revised FERC policy announced March 15, 2018 and order issued on July 18,2018; and use of proceeds, including the timing of closing 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 earnings before interest, income taxes and depreciation and amortization (adjusted EBITDA); cash flows and DCF; distributions; and the satisfaction of all conditions to the Proposed Arrangement and receipt of all necessary approvals. 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, the interpretation and impact of newly adopted tax and other regulatory policies, changes in trade agreements; exchange rates, interest rates, commodity prices and supply of and demand for commodities and the closing of the Proposed Arrangement, 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 Measures – 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 September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Earnings	**151**	132	**174**	311
Fund adjusting items:				
Adjusting items at EIPLP[1]	**(77)**	(110)	**56**	(253)
Other	**5**	—	**5**	—
Adjusted earnings	**79**	22	**235**	58

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

Adjusted earnings for three and nine months ended September 30, 2018 were $79 million and $235 million compared with $22 million and $58 million for the corresponding 2017 periods, respectively. Our adjusted earnings were impacted by the same factors impacting earnings as discussed in *Enbridge Income Fund Performance Overview – Earnings*; however, we adjusted for ECT's portion of the following significant unusual, non-recurring or non-operating items within earnings of EIPLP during the three and nine months ended September 30, 2018:

- EIPLP's non-cash, unrealized derivative gain on the Canadian Mainline of $204 million and a loss of $342 million ($148 million gain and $252 million loss after-tax) compared with gains of $326 million and $747 million ($238 million and $545 million after-tax) in the same periods of 2017.

In addition, on a year-to-date basis in 2018, significant unusual, non-recurring or non-operating factors impacting EIPLP's earnings include:

- EIPLP's asset impairment within an equity investment of $22 million ($16 million after-tax);
- EIPLP's asset write-down loss of $108 million ($108 million after-tax); and
- EIPLP's $267 million deferred income tax recovery related to a change in assertion for EIPLP's investment in renewable assets due to EIPLP's sale of a 49% interest, which resulted in the recognition of previously unrecognized tax basis.

On a year-to-date basis, the increase in adjusted earnings reflected the stronger operating results discussed at *Non-GAAP Measures – Enbridge Income Partners LP Performance Overview – EIPLP Adjusted EBITDA.*

ENBRIDGE INCOME PARTNERS LP PERFORMANCE OVERVIEW

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars, except per unit amounts)				
Earnings before interest, income taxes and depreciation and amortization	**1,128**	978	**2,251**	2,648
Adjusting items:				
Changes in unrealized derivative fair value (gain)/loss	**(215)**	(346)	**342**	(791)
Asset write-down loss	**—**	—	**108**	—
Equity investment asset impairment	**—**	—	**22**	—
Other	**10**	26	**18**	60
EIPLP adjusted EBITDA[1]	**923**	658	**2,741**	1,917
EIPLP DCF[1]	**767**	540	**2,238**	1,566
Distributions				
Cash distributions declared to ECT[2]	**268**	220	**803**	660
Cash distributions declared to Enbridge[3]	**316**	250	**946**	750
TPDR and Class D unit distributions declared to Enbridge[4]	**121**	75	**354**	220

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 *Class A unit distributions to ECT paid in cash.*
3 *Class C unit and Incentive Distribution Right (IDR) distributions paid in cash. IDR represents the cash component of the Special Interest Rights (SIR) distribution.*
4 *Class D unit and Temporary Performance Distribution Right (TPDR) distributions paid in-kind. TPDR distributes Class D units and refers to the paid-in-kind component of the SIR distribution. Class D unit distributions are also paid-in-kind with the issuance of additional Class D units.*

EIPLP Adjusted EBITDA

Significant business factors increasing EIPLP's adjusted EBITDA during the three and nine months ended September 30, 2018 period-over-period include:

- higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues in the third quarter and first nine months of 2018. 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;
- higher Canadian Mainline revenues due to higher Canadian Mainline IJT Residual Benchmark Tolls of US$1.92 and US$1.82 for the third quarter and first nine months of 2018, respectively, compared to US$1.64 and US$1.58 for the corresponding periods of 2017, respectively;
- strengthened Canadian Mainline throughput in 2018 driven by capacity optimization initiatives implemented in 2017;

- additional revenue generated in 2018 on assets placed into service during 2017, primarily including the Wood Buffalo Extension;
- an increase in seasonal firm service revenue in 2018 at Alliance Pipeline within EIPLP's Gas Pipelines segment; and
- stronger contributions from our Green Power segment due to stronger wind resources.

EIPLP's adjusted EBITDA for the year-to-date period also benefited from the Norlite Pipeline System being placed into service in May 2017 within its Liquids Pipelines segment and a net gain of $11 million within its Green Power segment in the first quarter of 2018 from an arbitration settlement related to its wind facilities located in Quebec.

EIPLP DCF

Significant business factors impacting EIPLP's DCF during the three and nine months ended September 30, 2018 period-over-period include:

- stronger contributions from EIPLP's Canadian Mainline on a quarter-to-date and year-to-date basis in 2018 due to higher Canadian Mainline IJT Residual Benchmark Tolls, higher foreign exchange hedge rates used to record United States dollar denominated Canadian Mainline revenues, and stronger Canadian Mainline throughput as a result of capacity optimization initiatives implemented in 2017;
- additional contributions from Regional Oil Sands System in 2018 on assets placed into service during 2017; and
- higher cash distributions received from Alliance Pipeline in 2018; partially offset by
- higher interest expense due to lower capitalized interest and higher levels of debt outstanding in 2018;
- higher adjusted current income taxes, primarily due to an increase in adjusted earnings before income taxes in 2018; and
- greater IDR cash distributions paid in 2018 by EIPLP, which increase as Fund Unit distributions increase.

EIPLP Distributions

Factors impacting EIPLP's distributions to partners during the three and nine months ended September 30, 2018 period-over-period primarily include:

- an increase in cash distributions declared to ECT due to a higher distribution rate for Class A units in 2018 as well as additional Class A units outstanding to ECT following the December 2017 issuance;
- an increase in cash distributions declared to Enbridge due to a higher distribution rate for Class C units in 2018 and an increase in IDR distributions in 2018; and
- an increase in paid in-kind distributions declared to Enbridge due to a higher distribution rate for Class D units in 2018 and additional Class D units outstanding in 2018.

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

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.

BANK CREDIT AND LIQUIDITY

Long-term debt consists of MTNs and a committed credit facility. As at September 30, 2018, we had a $1,500 million committed credit facility, of which nil (December 31, 2017 - $755 million) was drawn and letters of credit totaling $9 million (December 31, 2017 - $11 million) were issued, leaving $1,491 million (December 31, 2017 - $734 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 September 30, 2018.

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.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Operating activities	**177**	137	**452**	378
Investing activities	**297**	—	**695**	(481)
Financing activities	**(473)**	(137)	**(1,145)**	97
Increase/(decrease) in cash and cash equivalents	**1**	—	**2**	(6)

Significant sources and uses of cash for the three and nine months ended September 30, 2018 and 2017 are summarized below:

Operating Activities

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

- an increase in distributions received from ECT in 2018 due to a higher ECT common unit distribution rate as well as our purchase of ECT common units in December 2017.

On a year-to-date basis, the increase in cash provided by operating activities was partially offset by our reimbursement to ENF in 2018 of share issue costs paid in connection with ENF's public equity offering in December 2017, pursuant to a payment assistance agreement.

Investing Activities

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

- net repayments of $297 million and $695 million on a demand note receivable from ECT in the third quarter and first nine months of 2018 compared with net advances of nil and $481 million in the corresponding 2017 periods, respectively.

Financing Activities
Cash used in 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 subscribed for additional Fund Units each month using proceeds from its common share issuances under its Dividend Reinvestment and Share Purchase Plan, which was suspended on October 3, 2018 as a result of the Proposed Arrangement. Factors impacting the increase in cash used in financing activities period-over-period primarily include:

- an increase in credit facility repayments in 2018;
- an increase in Fund Unit distributions paid due to a higher distribution rate that commenced in January 2018 and additional Fund Units outstanding following the issuance to ENF in December 2017; and
- the absence of cash provided through bank indebtedness in 2018; partially offset by
- an increase in the amount of cash ENF retained in respect of reinvested dividends of $26 million and $78 million for the three and nine months ended September 30, 2018, respectively (2017 - $17 million and $48 million), for which the proceeds were used to purchase 0.9 million and 2.7 million Fund Units (2017 - 0.6 million and 1.5 million).

On a year-to-date basis, the increase in cash used in financing activities was partially offset by a repayment of a $100 million MTN in the second quarter of 2017, with no such repayment occurring in 2018.

ANALYSIS OF CASH DISTRIBUTIONS DECLARED

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Cash provided by operating activities	**177**	137	**452**	378
Earnings	**151**	132	**174**	311
Cash distributions declared	**159**	118	**476**	353
Excess/(shortfall) of cash provided by operating activities over cash distributions declared	**18**	19	**(24)**	25
Excess/(shortfall) of earnings over cash distributions	**(8)**	14	**(302)**	(42)

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. During the nine months ended September 30, 2018, there was a shortfall of cash provided by operating activities over cash distributions declared, largely due to fluctuations in our operating assets and liabilities in the normal course due to the timing of cash receipts and payments and our reimbursement to ENF of share issue costs in 2018, pursuant to a payment assistance agreement, that ENF paid in connection with its public equity offering in December 2017, respectively.

Earnings were $8 million and $302 million less than cash distributions declared for the three and nine months ended September 30, 2018, respectively (2017 - $14 million excess and $42 million shortfall). Earnings reflected non-cash items such as income from equity investments, which was impacted by the factors discussed in *Non-GAAP Measures – Enbridge Income Partners LP Performance Overview*.

QUARTERLY FINANCIAL INFORMATION

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(millions of Canadian dollars)								
Income/(loss) from equity investment	**172**	124	(68)	81	148	123	92	477
Earnings/(loss)	**151**	108	(85)	(9)	132	105	74	446
Cash distributions received in excess of/(less than) equity earnings	**6**	54	246	63	(9)	17	49	(85)
Fund Unit distributions declared	**159**	159	158	124	118	117	118	117
Fund Unit distribution per unit	**0.6402**	0.6402	0.6402	0.5376	0.5376	0.5376	0.5376	0.5376

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, non-cash, unrealized derivative gains and losses on these instruments will impact earnings.

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

- In January 2018, we increased our Fund Unit distribution rate to $0.2134 per month effective with the January distribution.
- 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 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.

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 subject to movements in interest rates. We use qualifying derivative instruments to manage interest rate risk. Refer to the Fund's 2017 Annual MD&A for further details on financial instrument risk management.

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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Amount of unrealized gain recognized in OCI				
Interest rate contracts	**—**	31	**1**	34
Amount of loss reclassified from Accumulated other comprehensive income (AOCI) to earnings *(effective portion)*				
Interest rate contracts[1]	**1**	1	**3**	4
Amount of gain reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**—**	(2)	**—**	(3)

1 Reported within Interest expense in the Statements of Earnings.

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.

GENERAL BUSINESS RISKS

Proposed Arrangement

The Fund is a member of the Fund Group, which is owned by Enbridge and ENF, a public company listed on the TSX. As discussed in *Recent Developments*, on September 18, 2018, ENF announced its entry into the Arrangement Agreement with respect to the Proposed Arrangement, pursuant to which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge. Under the terms of the Arrangement Agreement, each ENF common share will be exchanged for 0.7350 of an Enbridge common share and a cash payment of not less than $0.45 per ENF common share.

The completion of the Proposed Arrangement is subject to certain customary closing conditions, including (i) the approval by 66 2/3% of the votes cast by ENF's shareholders present in person or by proxy at a special shareholders meeting called for November 6, 2018 to consider the Proposed Arrangement; and (ii) by a majority of the votes cast by ENF's shareholders, present in person or by proxy at the special shareholders meeting, after excluding the votes cast by Enbridge, its affiliates and certain other related parties.

There can be no certainty that all conditions precedent to the Proposed Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver or that the Arrangement Agreement will not be terminated by ENF or Enbridge prior to completion of the Proposed Arrangement.

Failure to complete the Proposed Arrangement, or significant delays in completing the Proposed Arrangement, could negatively affect ENF's business and financial results and the trading prices of ENF's common shares.

CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Simplifying Cash Flow Classification

Effective January 1, 2018, we adopted Accounting Standards Update (ASU) 2016-15 on a retrospective basis. The new standard reduces 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. We assessed each of the eight specific presentation issues and the adoption of this ASU did not have a material impact on our financial statements.

Recognition and Measurement of Financial Assets and Liabilities

Effective January 1, 2018, we adopted ASU 2016-01 on a prospective basis. The new standard addresses 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 an exit price, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this accounting update did not have a material impact on our financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Amended Guidance on Cloud Computing Arrangements

In August 2018, ASU 2018-15 was issued to provide guidance on the accounting for implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The amendment aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Additionally, ASU 2018-15 specifies that an entity would apply Accounting Standards Codification (ASC) 350-40 to determine which implementation costs related to a hosting arrangement that is a service contract should be capitalized and which should be expensed. Furthermore, the amendments in the update require capitalized costs be amortized on a straight-line basis generally over the term of the arrangement and presented in the same income statement line as fees paid for the hosting service. The new standard also requires that the balance sheet presentation of capitalized implementation costs to be the same as that of the prepayment of fees related to the hosting arrangement, as well as similar consistency in classifications from a cash flow statement perspective. ASU 2018-15 is effective January 1, 2020 and early adoption is permitted. We are currently assessing the impact of the new standard on our financial statements.

Disclosure Effectiveness
In August 2018, the Financial Accounting Standards Board issued amendments as a part of its disclosure framework project aimed to improve the effectiveness of disclosures in the notes to financial statements.

ASU 2018-13 was issued to modify the disclosure requirements in ASC 820, Fair Value Measurement. The amendments in ASU 2018-13 eliminate and modify some disclosures, while also adding new disclosures for fair value measurements. This update is effective January 1, 2020, however entities are permitted to early adopt the eliminated or modified disclosures. We are currently assessing the impact of the new standard on our financial statements.

FUND OWNERSHIP

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

	As at October 19, 2018
(number Fund Units outstanding)	
Held by Enbridge	72,492,383
Held by ENF	176,703,569
	249,195,952

ENBRIDGE INCOME FUND

FINANCIAL STATEMENTS

(unaudited)

September 30, 2018

ENBRIDGE INCOME FUND
STATEMENTS OF EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Income from equity investment in Enbridge Commercial Trust *(Note 3)*	**172**	148	**228**	363
Operating and administrative expense	**(6)**	(1)	**(6)**	(1)
Other income	**1**	—	**—**	—
Other income - affiliates	**6**	10	**20**	23
Interest expense	**(22)**	(25)	**(68)**	(74)
Earnings attributable to unitholders	**151**	132	**174**	311

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME FUND
STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Earnings	**151**	132	**174**	311
Other comprehensive income				
Change in unrealized gain on cash flow hedges	**—**	28	**1**	33
Other comprehensive income from equity investee *(Note 3)*	**8**	3	**28**	2
Reclassification to earnings of loss on cash flow hedges	**1**	—	**3**	2
Other comprehensive income	**9**	31	**32**	37
Comprehensive income	**160**	163	**206**	348

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME FUND
STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Deficit	Accumulated other comprehensive loss	Total
(unaudited; millions of Canadian dollars)			
December 31, 2017	**(5,880)**	**(97)**	**(5,977)**
Enbridge Income Partners LP retrospective adoption of accounting standard *(Note 3)*	**(68)**	**—**	**(68)**
Earnings attributable to unitholders	**174**	**—**	**174**
Other comprehensive income	**—**	**32**	**32**
Distributions to unitholders	**(476)**	**—**	**(476)**
Redemption value adjustment attributable to trust units *(Note 5)*	**(337)**	**—**	**(337)**
Equity investment dilution gain, net *(Note 3)*	**96**	**—**	**96**
September 30, 2018	**(6,491)**	**(65)**	**(6,556)**

	Deficit	Accumulated other comprehensive loss	Total
(unaudited; millions of Canadian dollars)			
December 31, 2016	(6,575)	(182)	(6,757)
Earnings attributable to unitholders	311	—	311
Other comprehensive income	—	37	37
Distributions to unitholders	(353)	—	(353)
Redemption value adjustment attributable to trust units *(Note 5)*	569	—	569
Equity investment dilution gain, net	65	—	65
September 30, 2017	(5,983)	(145)	(6,128)

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME FUND
STATEMENTS OF CASH FLOWS

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(unaudited; millions of Canadian dollars)				
Operating activities				
Earnings	**151**	132	**174**	311
Adjustments to reconcile earnings to net cash provided by operating activities:				
Earnings from equity investments *(Note 3)*	**(172)**	(148)	**(228)**	(363)
Distributions from equity investments *(Note 3)*	**178**	139	**534**	420
Other	**—**	1	**3**	2
Changes in operating assets and liabilities	**20**	13	**(31)**	8
Net cash provided by operating activities	**177**	137	**452**	378
Investing activities				
Affiliate loans, net	**297**	—	**695**	(481)
Net cash provided by/(used in) investing activities	**297**	—	**695**	(481)
Financing activities				
Net change in bank indebtedness	**—**	125	**—**	128
Net change in credit facility draws	**(340)**	(161)	**(755)**	374
Repayment of medium term notes	**—**	—	**—**	(100)
Trust units issued, net	**26**	17	**78**	48
Trust unit distributions declared	**(159)**	(118)	**(476)**	(353)
Change in distributions payable	**—**	—	**8**	—
Net cash provided by/(used in) financing activities	**(473)**	(137)	**(1,145)**	97
Net increase/(decrease) in cash and cash equivalents	**1**	—	**2**	(6)
Cash and cash equivalents at beginning of period	**3**	—	**2**	6
Cash and cash equivalents at end of period	**4**	—	**4**	—

See accompanying notes to the interim financial statements.

ENBRIDGE INCOME FUND
STATEMENTS OF FINANCIAL POSITION

	September 30, 2018	December 31, 2017
(unaudited; millions of Canadian dollars)		
Assets		
Current assets		
Cash and cash equivalents	**4**	2
Demand note receivable from Enbridge Commercial Trust *(Note 7)*	**254**	949
Accounts receivable and other	**10**	2
Accounts receivable from affiliates	**63**	54
Current portion of derivative assets *(Note 6)*	**—**	1
Current portion of derivative assets from affiliates *(Note 6)*	**10**	10
	341	1,018
Long-term note receivable from Enbridge Commercial Trust *(Note 7)*	**100**	100
Long-term investment *(Note 3)*	**2,452**	2,702
Long-term portion of derivative assets from affiliates *(Note 6)*	**47**	43
Deferred amounts and other assets	**1**	1
Total assets	**2,941**	3,864
Liabilities and unitholders' equity		
Current liabilities		
Interest payable	**22**	19
Current portion of derivative liabilities *(Note 6)*	**10**	12
Current portion of derivative liabilities to affiliates *(Note 6)*	**—**	1
Accounts payable and other	**1**	1
Other accounts payable to affiliates	**6**	23
Distributions payable to affiliates	**54**	46
Current portion of long-term debt	**421**	123
	514	225
Long-term debt	**1,325**	2,377
Long-term portion of derivative liabilities *(Note 6)*	**47**	43
	1,886	2,645
Trust units *(Note 5)*	**7,611**	7,196
	7,611	7,196
Unitholders' deficit		
Deficit	**(6,491)**	(5,880)
Accumulated other comprehensive loss	**(65)**	(97)
	(6,556)	(5,977)
Total liabilities and unitholders' equity	**2,941**	3,864

See accompanying notes to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Enbridge Income Fund (the Fund) have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) for interim financial information. They do not include all of the information and footnotes required by U.S. GAAP for annual financial statements and should therefore be read in conjunction with the Fund's audited annual financial statements and notes for the year ended December 31, 2017. In the opinion of management, the interim financial statements contain all normal recurring adjustments necessary to present fairly the Fund's financial position, results of operations and cash flows for the interim periods reported. These interim financial statements follow the same significant accounting policies as those included in the Fund's annual audited financial statements for the year ended December 31, 2017, except for the adoption of new standards *(Note 2)*. Amounts are stated in Canadian dollars unless otherwise noted.

The Fund is a member of the Fund Group, which also includes Enbridge Commercial Trust (ECT), Enbridge Income Partners LP (EIPLP) and the subsidiaries and investees of EIPLP. The Fund Group is owned by Enbridge Inc. and Enbridge Income Fund Holdings Inc. (ENF), a public company listed on the Toronto Stock Exchange. On September 18, 2018, ENF announced its entry into an arrangement agreement (the Arrangement Agreement) with respect to an arrangement (the Proposed Arrangement), pursuant to which Enbridge will acquire all of ENF's outstanding common shares not currently owned by Enbridge. Under the terms of the Arrangement Agreement, each ENF common share will be exchanged for 0.7350 (the Agreed Exchange Ratio) of an Enbridge common share and cash of not less than $0.45 per ENF common share (the Cash Component). The Agreed Exchange Ratio represents an increase of 9.8% relative to the unaffected ENF exchange ratio on May 16, 2018, and 11.3% inclusive of the Cash Component. The Proposed Arrangement is part of Enbridge's sponsored vehicle restructuring initiative to simplify its corporate structure.

The completion of the Proposed Arrangement is subject to certain customary closing conditions, including (i) the approval by 66 2/3% of the votes cast by ENF's shareholders present in person or by proxy at a special shareholders meeting called for November 6, 2018 to consider the Proposed Arrangement; and (ii) by a majority of the votes cast by ENF's shareholders, present in person or by proxy at the special shareholders meeting, after excluding the votes cast by Enbridge, its affiliates and certain other related parties.

2. CHANGES IN ACCOUNTING POLICIES

ADOPTION OF NEW STANDARDS

Simplifying Cash Flow Classification

Effective January 1, 2018, the Fund adopted Accounting Standards Update (ASU) 2016-15 on a retrospective basis. The new standard reduces 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 Fund assessed each of the eight specific presentation issues and the adoption of this ASU did not have a material impact on its financial statements.

Recognition and Measurement of Financial Assets and Liabilities

Effective January 1, 2018, the Fund adopted ASU 2016-01 on a prospective basis. The new standard addresses 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 an exit price, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of this accounting update did not have a material impact on the Fund’s financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Amended Guidance on Cloud Computing Arrangements

In August 2018, ASU 2018-15 was issued to provide guidance on the accounting for implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The amendment aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Additionally, ASU 2018-15 specifies that an entity would apply Accounting Standards Codification (ASC) 350-40 to determine which implementation costs related to a hosting arrangement that is a service contract should be capitalized and which should be expensed. Furthermore, the amendments in the update require capitalized costs be amortized on a straight-line basis generally over the term of the arrangement and presented in the same income statement line as fees paid for the hosting service. The new standard also requires that the balance sheet presentation of capitalized implementation costs to be the same as that of the prepayment of fees related to the hosting arrangement, as well as similar consistency in classifications from a cash flow statement perspective. ASU 2018-15 is effective January 1, 2020 and early adoption is permitted. The Fund is currently assessing the impact of the new standard on its financial statements.

Disclosure Effectiveness

In August 2018, the Financial Accounting Standards Board issued amendments as a part of its disclosure framework project aimed to improve the effectiveness of disclosures in the notes to financial statements.

ASU 2018-13 was issued to modify the disclosure requirements in ASC 820, Fair Value Measurement. The amendments in ASU 2018-13 eliminate and modify some disclosures, while also adding new disclosures for fair value measurements. This update is effective January 1, 2020, however entities are permitted to early adopt the eliminated or modified disclosures. The Fund is currently assessing the impact of the new standard on its financial statements.

3. LONG-TERM INVESTMENT

INVESTMENT IN ENBRIDGE COMMERCIAL TRUST

As at September 30, 2018, the Fund’s maximum exposure to loss is limited to the carrying amount of its equity investment in ECT, which is $2,452 million (December 31, 2017 - $2,702 million). As at September 30, 2018, the carrying value of ECT’s assets was $4,769 million and the carrying value of its liabilities was $2,317 million.

	September 30, 2018	December 31, 2017
(millions of Canadian dollars)		
Investment balance at beginning of period	**2,702**	2,244
Investment acquired	**—**	718
Equity investment income	**228**	444
Equity investment other comprehensive income/(loss)	**28**	(2)
Retrospective adoption of accounting standard[1]	**(68)**	—
Equity investment dilution gain/(loss), net	**96**	(138)
Distributions	**(534)**	(564)
Investment balance at end of period	**2,452**	2,702

1 Effective January 1, 2018, EIPLP adopted ASC 606 - Revenues from Contracts with Customers on a modified retrospective basis.

As at September 30, 2018, the Fund owned 332 million (December 31, 2017 - 332 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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Income from equity investment in EIPLP	**263**	229	**502**	607
Incentive fee - affiliate	**(31)**	(31)	**(95)**	(92)
Operating and administrative expense	**—**	(1)	**(1)**	(2)
Other income - affiliate	**1**	6	**10**	13
Interest expense - affiliate[1]	**(61)**	(55)	**(188)**	(163)
Earnings attributable to unitholder	**172**	148	**228**	363

1 For the three and nine months ended September 30, 2018, interest expense included $56 million and $168 million, respectively, (2017 - $47 million and $141 million) of ECT Preferred Unit distributions to Enbridge and $5 million and $20 million (2017 - $8 million and $22 million) of interest expense on notes payable to the Fund.

	September 30, 2018	December 31, 2017
(millions of Canadian dollars)		
Demand note receivable from EIPLP	**—**	427
Other current assets	**92**	81
Long-term note receivable from EIPLP	**100**	100
Long-term investment	**4,577**	4,822
Due to affiliates	**98**	34
Demand note payable to the Fund	**254**	949
Demand note payable to EIPLP	**209**	—
Distributions payable to affiliates	**78**	67
Long-term note payable to the Fund	**100**	100
Preferred units	**1,578**	1,578
Trust units	**9,423**	9,766
Unitholder's deficit	**(6,971)**	(7,064)

INDIRECT INVESTMENT IN EIPLP

At September 30, 2018, the Fund, through its 100% ownership of ECT, owned 408 million (December 31, 2017 - 408 million) of the issued and outstanding EIPLP Class A Units, representing an indirect ownership of 46.3% (December 31, 2017 - 46.9%) of EIPLP's total issued and outstanding common units.

The following table represents ECT's investment in EIPLP:

	September 30, 2018	December 31, 2017
(millions of Canadian dollars)		
Investment balance at beginning of period	**4,821**	4,360
Investment acquired	**—**	718
Equity investment income	**502**	769
Equity investment other comprehensive income/(loss)	**28**	(2)
Retrospective adoption of accounting standard[1]	**(68)**	—
Equity investment dilution gain/(loss), net	**96**	(138)
Distributions	**(802)**	(886)
Investment balance at end of period	**4,577**	4,821

1 Effective January 1, 2018, EIPLP adopted ASC 606 - Revenues from Contracts with Customers on a modified retrospective basis.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Revenues	**1,401**	1,223	**3,101**	3,348
Earnings	**695**	565	**1,459**	1,515

On August 1, 2018, EIPLP sold a 49% interest in wind and solar facilities included within its Green Power segment (the Renewable Assets) to an unrelated party for total cash proceeds of approximately $1.05 billion. EIPLP maintains a 51% interest in the Renewable Assets, and Enbridge continues to manage, operate and provide administrative services for the Renewable Assets.

4. DEBT

CREDIT FACILITY

		September 30, 2018		
	Maturity	Total Facility	Draws[1]	Available
(millions of Canadian dollars)				
Enbridge Income Fund	2020	**1,500**	**9**	**1,491**

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

As at September 30, 2018, credit facility draws of nil (December 31, 2017 - $755 million) and letters of credit of $9 million (December 31, 2017 - $11 million) were supported by the availability of a long-term committed credit facility and therefore have been classified as long-term debt.

DEBT COVENANTS

The Fund was in compliance with all terms and conditions of its committed credit facility agreement as at September 30, 2018.

5. TRUST UNITS

Nine months ended September 30,	**2018** Number of Units	**2018** Amount	2017 Number of Units	2017 Amount
(millions of Canadian dollars; numbers of units in millions)				
Balance at beginning of period	**246**	**7,196**	218	7,445
Redemption value adjustment	**—**	**337**	—	(569)
Issued	**3**	**78**	1	48
Balance at end of period[1]	**249**	**7,611**	219	6,924

1 Enbridge owned 72 million common trust units at September 30, 2018 (2017 - 72 million).

During the nine months ended September 30, 2018, ENF subscribed for additional Fund Units each month using proceeds of $78 million (2017 - $48 million) from its common share issuances under its Dividend Reinvestment and Share Purchase Plan, which was suspended on October 3, 2018 as a result of the Proposed Arrangement.

6. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

The Fund’s earnings, cash flows and other comprehensive income (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 September 30, 2018 or December 31, 2017.

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.

September 30, 2018	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	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**
Current portion of derivative assets - affiliates					
Foreign exchange contracts	**—**	**10**	**10**	**—**	**10**
	—	**10**	**10**	**—**	**10**
Long-term portion of derivative assets - affiliates					
Foreign exchange contracts	**—**	**47**	**47**	**—**	**47**
	—	**47**	**47**	**—**	**47**
Current portion of derivative liabilities					
Interest rate contracts	**—**	**—**	**—**	**—**	**—**
Foreign exchange contracts	**—**	**(10)**	**(10)**	**—**	**(10)**
	—	**(10)**	**(10)**	**—**	**(10)**
Current portion of derivative liabilities - affiliates					
Foreign exchange contracts	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**
Long-term portion of derivative liabilities					
Foreign exchange contracts	**—**	**(47)**	**(47)**	**—**	**(47)**
	—	**(47)**	**(47)**	**—**	**(47)**
Long-term portion of derivative liabilities - affiliates					
Interest rate contracts	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**
Total net derivative liability					
Interest rate contracts	**—**	**—**	**—**	**—**	**—**
Foreign exchange contracts	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**

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)

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

September 30, 2018	2018	2019	2020	2021	2022	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	**77**	**1**	**—**	**—**	**—**	**—**
Foreign exchange contracts - United States dollar forwards - purchase *(millions of United States dollars)*	**20**	**57**	**63**	**69**	**72**	**150**
Foreign exchange contracts - United States dollar forwards - sell *(millions of United States dollars)*	**20**	**57**	**63**	**69**	**72**	**150**

December 31, 2017	2018	2019	2020	2021	2022	Thereafter
Interest rate contracts - short-term borrowings *(millions of Canadian dollars)*	319	1	—	—	—	—
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

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:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(millions of Canadian dollars)				
Amount of unrealized gain recognized in OCI				
Interest rate contracts	**—**	31	**1**	34
Amount of loss reclassified from accumulated other comprehensive income (AOCI) to earnings *(effective*				
Interest rate contracts[1]	**1**	1	**3**	4
Amount of gain reclassified from AOCI to earnings *(ineffective portion and amount excluded from effectiveness testing)*				
Interest rate contracts[1]	**—**	(2)	**—**	(3)

1 Reported within Interest expense in the Statements of Earnings.

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 medium-term notes (MTNs) and the issuance of ordinary trust units of the Fund (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 has credit concentrations and credit exposure, with respect to derivative instruments, in the following counterparty segments:

	September 30, 2018	December 31, 2017
(millions of Canadian dollars)		
European financial institutions	**—**	1
Due from affiliates	**57**	53
	57	54

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 September 30, 2018 or December 31, 2017.

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 September 30, 2018 or December 31, 2017.

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:

September 30, 2018	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(millions of Canadian dollars)				
Financial assets				
Current derivative assets	—	**10**	**—**	**10**
Long-term derivative assets	—	**47**	**—**	**47**
Financial liabilities				
Current derivative liabilities	—	**(10)**	**—**	**(10)**
Long-term derivative liabilities	—	**(47)**	**—**	**(47)**
Total net liability	—	**—**	**—**	**—**

December 31, 2017	Level 1	Level 2	Level 3	Total Gross Derivative Instruments
(in 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)

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 September 30, 2018 or December 31, 2017.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

At September 30, 2018, the Fund's long-term debt had a carrying value of $1,750 million (December 31, 2017 - $2,500 million) before debt issuance costs and a fair value of $1,781 million (December 31, 2017 - $2,571 million).

The fair value of other financial assets and liabilities other than derivative instruments and long-term debt approximate their cost due to the short period to maturity.

7. RELATED PARTY TRANSACTIONS

DEMAND NOTE RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

	September 30, 2018	December 31, 2017
(millions of Canadian dollars)		
Floating interest rate note, due on demand from ECT	**254**	949

LONG-TERM NOTE RECEIVABLE FROM ENBRIDGE COMMERCIAL TRUST

	September 30, 2018	December 31, 2017
(millions of Canadian dollars)		
7.00% note due November 12, 2020 from ECT	**100**	100