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# Enbridge Income Fund Holdings Inc.

The logo consists of the letters "ENF" in white, uppercase font, centered within a blue circle.

**Third Quarter**

**Interim Report to Shareholders**

**For the six months ended September 30, 2014**

# NEWS RELEASE

## Enbridge Income Fund Holdings Inc. Announces Third Quarter Results

### HIGHLIGHTS

*(all financial figures are unaudited and in Canadian dollars)*

- Earnings for Enbridge Income Fund Holdings Inc. (the Company) were \$21.7 million for the third quarter and \$65.1 million for the nine months, or \$0.38 and \$1.15 per common share, respectively
- Earnings for the Company's investee, Enbridge Income Fund (the Fund), were \$24.3 million and \$89.8 million for the third quarter and nine months
- The Fund's adjusted earnings were \$21.4 million and \$90.2 million for the third quarter and nine months
- The Fund generated third quarter and nine months CAFD of \$58.9 million and \$206.9 million
- The Fund agreed to purchase assets of \$1.76 billion from Enbridge Inc.

**CALGARY, ALBERTA, November 4, 2014** – Enbridge Income Fund Holdings Inc. (TSX: ENF.TO) (ENF or the Company) announced today earnings of \$21.7 million or \$0.38 per common share for the three months ended September 30, 2014 and earnings of \$65.1 million or \$1.15 per common share for the nine months ended September 30, 2014.

On September 22, 2014, the Company and Enbridge Income Fund (the Fund) announced that indirect wholly-owned subsidiaries of the Fund entered into agreements with indirect wholly-owned subsidiaries of Enbridge Inc. (Enbridge) to acquire a 50% interest in the U.S. segment of the Alliance Pipeline and subscribe for and purchase Class A Units which will provide a defined cash flow stream from the Southern Lights Pipeline for \$1.76 billion (the Transaction). Closing of the Transaction is subject to customary regulatory approval and is anticipated in November, 2014. The Company intends to increase the dividend on its common shares by 12% upon closing. If the Transaction does not close by November 14, 2014, the Company will declare its customary monthly dividend at that time for payment on December 15, 2014.

The Company's financial performance is a direct reflection of the Fund's ability to generate cash for distribution to its unitholders. The Fund's CAFD totaled \$206.9 million for the nine months ended September 30, 2014, an increase of 4.4% over the prior year. The improvement in CAFD was primarily due to increased cash flow generated by the Liquids Transportation and Storage segment resulting from improved throughputs as well as a full period of cash flow from the Bakken Expansion which commenced service on March 1, 2013. The Fund's third quarter earnings were \$24.3 million and nine months earnings were \$89.8 million, both including the impact of certain one-time, non-recurring items, including advisory fees and an unrealized gain on a foreign exchange payment feature associated with the Transaction. On an adjusted basis, the Fund's third quarter and nine months earnings were \$21.4 million and \$90.2 million, respectively.

"Our business continues to deliver solid and consistent performance as demonstrated by our third quarter results," said Enbridge Income Fund Holdings Inc. President Perry Schuldhaus. "At \$1.76 billion, the Transaction with Enbridge is the most significant the Fund has undertaken since its inception in 2003.

"This is an outstanding transaction for the Fund as it offers many benefits such as further diversifying the Fund's portfolio of assets and its sources of low risk cash flow. Moreover, expected additional cash flow accretion will also enable the Fund to build cash resources to support investment in further growth. We anticipate closing in November and the cash flow generated from the Alliance U.S. and Southern Lights pipelines will support the planned 12% dividend increase on a sustained basis," added Mr. Schuldhaus.

The Company also announced the resignation of Mr. Richard (Dick) Auchinleck from its Board of Directors and the resignation of Mr. Auchinleck and Mr. David T. Robottom from the Board of Trustees of Enbridge Commercial Trust (ECT). Mr. John K. Whelen has been appointed by Enbridge Inc. as Trustee of ECT to replace Mr. Robottom. Mr. Whelen is the Chief Financial Officer of Enbridge Inc. and was the President of the Company from December 17, 2010 to January 1, 2014. The Company also appointed Ms. Wanda M. Opheim, Senior Vice President, Finance of Enbridge Inc. as Chief Financial Officer, replacing Mr. Colin Gruending, effective following the close of the Transaction. Mr. Gruending has been appointed Vice President Corporate Development and Planning of Enbridge Inc.

"I would like to thank Mr. Auchinleck for his dedication and counsel to the Company and to the Fund. He has served on our Board and the ECT Board since their inception," concluded Mr. Schulhaus. "I would also like to acknowledge the contributions of Mr. Robottom to the stewardship of ECT during his time as a Trustee."

### **THIRD QUARTER 2014 REVIEW**

**The unaudited financial statements and Management's Discussion and Analysis (MD&A) of both the Company and the Fund, which contain additional notes and disclosures, are available on the Company's website at [www.enbridgeincomefund.com](http://www.enbridgeincomefund.com).**

- The Company's earnings for the third quarter ended September 30, 2014 were \$21.7 million (\$0.38 per common share) compared with \$21.5 million (\$0.38 per common share) for the same quarter ended September 30, 2013. Third quarter 2014 earnings reflected a 1% per unit increase in the Fund's distribution to the Company commencing November 2013. Earnings for the third quarter ended September 30, 2014 were impacted by higher income tax expense compared to the same quarter ended September 30, 2013 as a result of an increase in the estimated taxability of distributions paid by the Fund.
- The Fund's earnings were \$24.3 million and \$89.8 million for the three and nine months ended September 30, 2014. The Fund delivered strong quarter-over-quarter earnings growth. The magnitude and comparability of this growth was impacted by certain non-recurring and non-operating factors. The Fund recorded a non-cash after-tax gain of \$8.8 million from the valuation of a feature to pay for the Southern Lights U.S. Class A Units in Canadian dollars at a fixed exchange rate to the U.S. dollar price. The Fund recognized non-cash adjustments of \$0.9 million and \$1.9 million during the three and nine months ended September 30, 2014, respectively, to defer a portion of revenues associated with shipper make-up rights under long-term take-or-pay contracts for the Bakken Expansion. In the third quarter of 2013, the Fund wrote-off project costs at Hardisty Contract Terminals of \$1.9 million. During the three and nine months ended September 30, 2014, the Fund experienced losses of \$0.5 million and \$2.5 million resulting from a transformer outage at the Greenwich Wind Facility that began in March 2014. Additionally, the Fund incurred advisory fees related to the Transaction of \$4.5 million and \$4.8 million in the three and nine months ended September 30, 2014. Excluding these items, the Fund recorded adjusted earnings of \$21.4 million and \$90.2 million for the three and nine months ended September 30, 2014.
- The Fund generated cash available for distribution of \$58.9 million and \$206.9 million for the three and nine months ended September 30, 2014, respectively. CAFD for the three and nine months ended September 30, 2014 reflected stronger contributions across all operating segments. The Liquids Transportation and Storage segment benefited from increased throughputs on its crude oil pipelines and pump-out volumes from crude oil storage assets, as well as a full nine months of cash flow from the Bakken Expansion which commenced service on March 1, 2013. The solar assets within the Green Power segment delivered increased cash flows for the three and nine month periods ended September 30, 2014 compared to the same periods of the prior year. Heavy snowfall negatively affected solar panel performance in the nine-month period ended September 30, 2013. Contributions from the wind assets were higher during the third quarter of 2014 as compared to the same quarter of 2013 due to stronger wind resource offset by a transformer outage at the Greenwich Wind Facility. Alliance Canada continued to produce predictable cash flows for both the three and nine months ended September 30, 2014. The year-to-date period for the Alliance segment reflected positive results from the Fund's investee, Sable NGL Services L.P., which benefited from a large differential between prices for natural gas in Alberta and Chicago in the first quarter of 2014.

- The Company's Board of Directors declared monthly dividends of \$0.1146 per common share for each of July, August and September 2014. In addition, a monthly dividend of \$0.1146 per common share was declared on October 15, 2014 for payment to shareholders on November 17, 2014.

#### **ABOUT ENBRIDGE INCOME FUND HOLDINGS INC.**

Enbridge Income Fund Holdings Inc. is a publicly traded corporation. The Company, through its investment in Enbridge Income Fund, holds high quality, low risk energy infrastructure assets. The Fund's assets include interests in more than 500 megawatts of renewable and alternative power generation capacity, a portfolio of liquids transportation and storage businesses and a 50% interest in the Canadian segment of the Alliance Pipeline. Information about Enbridge Income Fund Holdings Inc. is available on the Company's website at [www.enbridgeincomefund.com](http://www.enbridgeincomefund.com).

#### **FORWARD LOOKING INFORMATION**

*In the interest of providing the Company's shareholders and potential investors with information about the Company and its investee, the Fund, and the Fund's subsidiaries and joint ventures, including management's assessment of the Company's and the Fund's future plans and operations, certain information provided in this News Release constitutes forward-looking statements or information (collectively, "forward-looking statements"). 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" and similar words suggesting future outcomes or statements regarding an outlook. In particular, forward-looking statements include:*

- *expected earnings or earnings per share;*
- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected approval, timing and impact of asset purchase transactions;*
- *expected future dividends, Fund distributions and taxability thereof;*
- *the Fund's expected cash available for distribution; and*
- *expected future actions of regulators.*

*Although the Company believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes are 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 expected supply and demand for crude oil, natural gas and natural gas liquids; prices of crude oil, natural gas and natural gas liquids; expected exchange rates; inflation; interest rates; the availability and price of labour and pipeline construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approval for the Fund's projects and transactions; anticipated in-service dates and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas and natural gas liquids, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Company and the Fund operates, may impact levels of demand for the Fund'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 expected earnings and associated per unit or per share amounts, or estimated future distributions or dividends. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates and expected capital expenditures, include: the availability and price of labour and pipeline construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather, customer and regulatory approvals on construction schedules.*

*The Company's forward-looking statements, and forward looking statements with respect to the Fund, are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic conditions, changes in tax law and tax rate increases, exchange rates, interest rates and commodity prices, including but not limited to those risks and uncertainties discussed in this News Release and in the Company's and the Fund's other filings with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Company's and the Fund's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by law, the Company and the Fund assume no obligation to publicly update or revise any forward-looking statements made in this News Release or otherwise, whether as a*

result of new information, future events or otherwise. All subsequent forward-looking statements whether written or oral, attributable to the Company or the Fund or persons acting on the Company's or the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.

## NON-GAAP MEASURES

This News Release contains references to adjusted earnings and cash available for distribution (CAFD). Adjusted earnings represents earnings adjusted for unusual, non-recurring or non-operating factors on both a consolidated and segmented basis. These factors, referred to as adjusting items, are reconciled and discussed in the financial results sections for the affected business segments. CAFD represents the Fund's cash available to fund distributions on trust units and ECT preferred units as well as for debt repayments and reserves. CAFD consists of operating cash flow from the Fund's underlying businesses less deductions for maintenance capital expenditures, the Fund's administrative and operating expenses, corporate segment interest expense, applicable taxes and other reserves determined by the Manager. CAFD is important to unitholders as the Fund's objective is to provide a predictable flow of distributable cash to unitholders. Management believes the presentation of adjusted earnings and CAFD provides useful information to investors and unitholders as it provides increased transparency and predictive value.

Management uses adjusted earnings and CAFD to set targets, including the Fund's distribution payout target, and to assess the performance of the Company. Adjusted earnings and CAFD are not measures that have standardized meaning prescribed by United States Generally Accepted Accounting Principles (U.S. GAAP) and are not considered U.S. GAAP measures. Therefore, these measures may not be comparable with similar measures presented by other issuers. Please refer to the earnings reconciliation within the financial results for each business segment and the CAFD reconciliation within this MD&A. The Fund's adjusted earnings and CAFD reconciliations are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(millions of Canadian dollars)</i>				
<b>Earnings</b>	<b>24.3</b>	16.9	<b>89.8</b>	57.7
Add/(deduct):				
Greenwich Wind Facility transformer outage	0.5	-	2.5	-
Changes in unrealized derivative fair value gains, net of tax	(8.8)	(0.1)	(8.8)	-
Extraordinary item – Westspur System rate regulated accounting deferral write-off, net of tax	-	-	-	12.0
Bakken Expansion make-up rights	0.9	2.5	1.9	2.5
Hardisty Contract Terminals – non-cash project costs write-off	-	1.9	-	1.9
Alliance Canada – unrecoverable regulatory costs	-	-	-	2.1
Alliance US and Southern Lights transaction costs	4.5	-	4.8	-
<b>Adjusted earnings</b>	<b>21.4</b>	21.2	<b>90.2</b>	76.2

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(millions of Canadian dollars)</i>				
<b>Cash provided by operating activities</b>	<b>68.8</b>	54.8	<b>217.5</b>	189.9
Add/(deduct):				
Green Power maintenance capital expenditures	-	(0.4)	(0.4)	(0.9)
Green Power joint venture cash distributed/(retained)	-	0.9	0.2	0.8
Liquids Transportation and Storage maintenance capital expenditures	(3.2)	(5.9)	(6.1)	(8.1)
Change in operating assets and liabilities in the period	(6.7)	7.6	(4.3)	16.5
<b>Cash available for distribution</b>	<b>58.9</b>	57.0	<b>206.9</b>	198.2

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## SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

<b>ENBRIDGE INCOME FUND HOLDINGS INC.</b>	Three months ended		Nine months ended	
	September 30,	2013	September 30,	2013
	<b>2014</b>		<b>2014</b>	
<i>(unaudited; millions of Canadian dollars, except share and per share amounts)</i>				
<b>Earnings</b>	<b>21.7</b>	21.5	<b>65.1</b>	64.4
Earnings per common share, basic and diluted	<b>\$0.38</b>	\$0.38	<b>\$1.15</b>	\$1.16
Cash provided by operating activities	<b>22.1</b>	24.0	<b>62.2</b>	69.4
Dividends declared	<b>19.4</b>	18.9	<b>58.3</b>	56.0
Dividends per common share	<b>\$0.344</b>	\$0.334	<b>\$1.032</b>	\$1.001
Number of common shares outstanding			<b>56,491,000</b>	56,491,000

<b>ENBRIDGE INCOME FUND<sup>1</sup></b>	Three months ended		Nine months ended	
	September 30,	2013	September 30,	2013
	<b>2014</b>		<b>2014</b>	
<i>(unaudited; millions of Canadian dollars, except unit and per unit amounts)</i>				
<b>Earnings</b>				
Green Power	<b>16.5</b>	16.9	<b>70.9</b>	70.6
Liquids Transportation and Storage	<b>32.8</b>	13.6	<b>75.3</b>	34.2
Alliance Canada	<b>14.4</b>	14.8	<b>48.6</b>	41.3
Corporate	<b>(39.4)</b>	(28.4)	<b>(105.0)</b>	(88.4)
	<b>24.3</b>	16.9	<b>89.8</b>	57.7
<b>Adjusted earnings<sup>2</sup></b>				
Green Power	<b>17.0</b>	16.8	<b>73.4</b>	70.6
Liquids Transportation and Storage	<b>19.6</b>	18.0	<b>63.1</b>	55.1
Alliance Canada	<b>14.4</b>	14.8	<b>48.6</b>	43.4
Corporate	<b>(29.6)</b>	(28.4)	<b>(94.9)</b>	(92.9)
	<b>21.4</b>	21.2	<b>90.2</b>	76.2
<b>Cash available for distribution<sup>2</sup></b>				
Green Power	<b>33.1</b>	32.8	<b>118.9</b>	117.3
Liquids Transportation and Storage	<b>34.6</b>	30.1	<b>110.8</b>	97.1
Alliance Canada	<b>17.7</b>	16.6	<b>56.4</b>	51.6
Corporate	<b>(26.5)</b>	(22.5)	<b>(79.2)</b>	(67.8)
	<b>58.9</b>	57.0	<b>206.9</b>	198.2
<b>Cash provided by operating activities</b>	<b>68.8</b>	54.8	<b>217.5</b>	189.9
<b>Distributions</b>				
Cash distributions declared	<b>56.1</b>	55.7	<b>168.5</b>	165.8
Distributions per trust unit and ECT preferred unit	<b>\$0.406</b>	\$0.403	<b>\$1.217</b>	\$1.208
<b>Units outstanding</b>				
ECT preferred units			<b>72,465,750</b>	72,465,750
Trust units			<b>65,991,000</b>	65,991,000
<b>Operating Results</b>				
Green Power <i>(thousands of megawatt hours produced)</i>				
Wind Facilities	<b>173.1</b>	174.3	<b>770.3</b>	802.6
Solar Facilities	<b>50.9</b>	51.6	<b>131.6</b>	124.5
Waste Heat Facilities	<b>16.5</b>	15.7	<b>54.5</b>	51.0
Liquids Transportation and Storage <i>(thousands of barrels per day)</i>				
Westspur System	<b>180.7</b>	167.1	<b>179.6</b>	162.2
Saskatchewan Gathering System	<b>141.7</b>	122.4	<b>140.2</b>	115.9
Weyburn System	<b>32.0</b>	31.8	<b>31.8</b>	31.5
Virden System	<b>17.5</b>	24.7	<b>22.0</b>	23.9
Bakken Expansion	<b>56.3</b>	29.1	<b>40.2</b>	11.8
Alliance Canada <i>(millions of cubic feet per day)</i>	<b>1,501.0</b>	1,514.0	<b>1,567.0</b>	1,569.0

<sup>1</sup> Financial Highlights for Enbridge Income Fund have been extracted from consolidated financial statements prepared in accordance with U.S. GAAP.

<sup>2</sup> See Non-GAAP Measures.

## MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

This Management's Discussion and Analysis (MD&A) dated November 3, 2014 should be read in conjunction with the unaudited interim financial statements and notes thereto of Enbridge Income Fund Holdings Inc. (ENF or the Company) as at and for the three and nine months ended September 30, 2014 which are prepared in accordance with International Financial Reporting Standards (IFRS). It should also be read in conjunction with the Company's audited financial statements and notes thereto and MD&A for the year ended December 31, 2013. Unless otherwise noted, all financial information is presented in Canadian dollars. Additional information related to the Company, including its Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### OVERVIEW

The Company is a publicly traded corporation whose common shares trade on the Toronto Stock Exchange under the symbol ENF. The Company's business is limited to ownership of its interest in Enbridge Income Fund (the Fund) and its objective is to pay out a high proportion of available cash in the form of dividends to shareholders. The Fund is involved in the generation, transportation and storage of energy through its interests in 579 (524 net) megawatts (MW) of renewable and alternative power generation capacity (Green Power), its liquids transportation and storage business in Western Canada (Liquids Transportation and Storage) and its 50% interest in the Canadian segment of Alliance Pipeline (Alliance Canada), which transports natural gas.

Enbridge Inc. (Enbridge), a North American transporter, distributor and generator of energy, held 19.9% of the Company's common shares as at September 30, 2014 (September 30, 2013 – 19.9%). At September 30, 2014, the Company held 85.6% (September 30, 2013 – 85.6%) of the issued and outstanding common trust units of the Fund, and Enbridge held the remaining 14.4% of the Fund's issued and outstanding common trust units. Enbridge's total economic interest in the Fund was 67.3% as at September 30, 2014 based on its direct interest in the Fund via common units, its interest in preferred units of a subsidiary of the Fund and its indirect interest in the Fund through its ownership interest in the Company.

On September 22, 2014, the Company and the Fund announced that indirect wholly-owned subsidiaries of the Fund entered into agreements with indirect wholly-owned subsidiaries of Enbridge to acquire a 50% interest in the U.S. segment of the Alliance Pipeline (Alliance US) and subscribe for and purchase Class A Units which will provide a defined cash flow stream from the Southern Lights Pipeline for \$1.76 billion (the Transaction). Closing of the Transaction is subject to customary regulatory approvals. Subsequent to September 30, 2014, the Company issued 11,100,000 subscription receipts to fund a portion of the Transaction at a price of \$30.35 per subscription receipt for gross proceeds of \$336.9 million. The gross proceeds will be released from escrow immediately prior to closing of the Transaction, which is expected in November 2014.

### Financial Performance

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(thousands of Canadian dollars, except per share amounts)</i>				
Distribution and other income	23,209	22,924	69,558	67,942
Earnings	21,708	21,507	65,058	64,431
Earnings per common share, basic and diluted	\$0.38	\$0.38	\$1.15	\$1.16
Cash flows from operating activities	22,081	24,000	62,217	69,360
Dividends declared	19,422	18,854	58,265	56,031
Dividends per common share	\$0.344	\$0.334	1.032	\$1.001
Number of common shares outstanding <sup>1</sup>			56,491,000	56,491,000

<sup>1</sup> As at September 30, 2014 and 2013.

The Company's earnings and cash flows are derived from its investment in the Fund and are dependent upon its ownership interest, the level of cash distributions paid by the Fund and income taxes.

Commencing with the November 2013 distribution, the Fund increased its distribution rate to \$0.135 per Fund trust unit per month from \$0.134 per unit. The proceeds from an equity offering by the Company in February 2013 were used to subscribe for an additional 4,768,000 trust units of the Fund, increasing the Company's overall ownership of Fund trust units to 85.6%. As a result of the Fund's increased distribution rate and ownership interest, the Company realized incremental distribution income during the three and nine months ended September 30, 2014 compared with the same periods of 2013.

The Company incurs income taxes on distributions received from the Fund, the level of which will vary depending on the taxability of such distributions in any given year. To the extent a portion of the distribution represents a tax-free inter-corporate dividend or return of capital, cash tax will not be incurred on that portion of the distribution. During the three and nine months ended September 30, 2014, the Company recorded higher current income tax expense as compared to the same periods of 2013. A larger portion of distributions received from the Fund are expected to be taxable in 2014 compared to the prior year.

The Company's objective is to pay out a high proportion of available cash in the form of dividends to shareholders. The Company declared dividends totalling \$19.4 million during the quarter ended September 30, 2014, representing a monthly rate equivalent to \$0.115 per common share and resulting in a payout ratio of 89.5% for the third quarter of 2014, compared to a payout ratio of 87.7% in the same period of 2013. The Company's payout ratio was 89.6% for the nine months ended September 30, 2014, an increase from 87.0% in the same period of 2013. Retained cash is expected to be used for contingencies and future income tax payments as well as a reserve to sustain dividends over the long-term.

### Enbridge Income Fund Financial Performance

A summary of financial information of the Company's investee, the Fund, derived from the Fund's consolidated financial statements prepared in accordance with U.S. GAAP, for the three and nine months ended September 30, 2014 and 2013 is provided below. Readers are encouraged to read the Fund's consolidated financial statements and MD&A which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(thousands of Canadian dollars)</i>				
Cash available for distribution, Enbridge Income Fund <sup>1</sup>				
Green Power	<b>33,078</b>	32,808	<b>118,872</b>	117,335
Liquids Transportation and Storage	<b>34,666</b>	30,073	<b>110,826</b>	97,074
Alliance Canada	<b>17,705</b>	16,581	<b>56,434</b>	51,584
Corporate	<b>(26,472)</b>	(22,462)	<b>(79,184)</b>	(67,789)
Cash available for distribution, Enbridge Income Fund	<b>58,977</b>	57,000	<b>206,948</b>	198,204
Enbridge Commercial Trust (ECT) preferred unit distributions	<b>(29,403)</b>	(29,168)	<b>(88,209)</b>	(86,803)
Cash retained	<b>(2,798)</b>	(1,290)	<b>(38,411)</b>	(32,355)
Cash distributions declared to holders of Fund Units	<b>26,776</b>	26,542	<b>80,328</b>	79,046
Percentage of units held by Enbridge Income Fund Holdings Inc.	<b>85.6%</b>	85.6%	<b>85.6%</b>	84.5%-85.6%
Distribution income, Enbridge Income Fund Holdings Inc.	<b>22,922</b>	22,738	<b>68,764</b>	67,575
Interest income and other	<b>287</b>	186	<b>794</b>	367
Income tax	<b>(1,501)</b>	(1,417)	<b>(4,500)</b>	(3,511)
Earnings, Enbridge Income Fund Holdings Inc.	<b>21,708</b>	21,507	<b>65,058</b>	64,431

<sup>1</sup> See Non-GAAP Measures.

The Fund's cash available for distribution (CAFD) totaled \$59.0 million and \$206.9 million for the three and nine months ended September 30, 2014, respectively, compared with \$57.0 million and \$198.2 million for the same periods of the prior year.

Green Power CAFD for the quarter ended September 30, 2014 was higher than the third quarter of 2013, reflecting stronger wind resource and lower maintenance capital expenditures, offset by weaker solar resource and continuing effects from a transformer outage in March 2014 at the Greenwich Wind Facility. For the nine months ended September 30, 2014, Green Power CAFD increased over the prior year period, driven by strong solar resource, lower maintenance capital expenditures and the negative effects of heavy snowfall on solar panel performance in 2013, partially offset by lower earnings from the Greenwich Wind Facility as a result of the transformer outage commencing in March 2014. The transformer outage resulted in lost production and incremental repairs and maintenance expense of \$2.5 million for the nine months ended September 30, 2014. The transformer was fully reinstalled in the third quarter of 2014. A claim will be made under the business interruption insurance policy.

Liquids Transportation and Storage CAFD for the three months ended September 30, 2014 increased compared to the same period of the prior year primarily due to improved throughputs from customers partially returning volumes to the Fund's crude oil pipeline systems from alternative transportation options, primarily rail, a higher rate base for the Saskatchewan Gathering System, and higher pump-out volumes from crude oil storage assets. The trends described for the third quarter also affected the year-to-date period with the additional benefit of contributions for the full nine-month period from the Bakken Expansion which commenced operations in March 2013.

The Fund's CAFD from its Alliance Canada segment increased for the three and nine months ended September 30, 2014 as compared to the same periods of 2013, reflecting positive results from the Fund's investee, Sable NGL Services L.P., which benefited from the large differential between prices for natural gas in Alberta and Chicago in the first quarter of 2014.

Corporate costs, which include income taxes, financing costs and management and administrative expenses, increased for the three and nine months ended September 30, 2014 compared to the same periods of 2013 which is attributable to advisory fees related to the Transaction and higher income taxes from increased earnings subject to tax.

#### **FORWARD-LOOKING INFORMATION**

*In the interest of providing the Company's shareholders and potential investors with information about the Company and its investee, the Fund, and the Fund's subsidiaries and joint ventures, including management's assessment of future plans and operations of the Company and the Fund, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). 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" and similar words suggesting future outcomes or statements regarding an outlook. In particular, forward-looking statements include:*

- *expected earnings or earnings per share;*
- *expected costs related to projects under construction;*
- *expected scope and in-service dates for projects under construction;*
- *expected timing and amount of recovery of capital costs of assets;*
- *expected capital expenditures;*
- *expected approval, timing and impact of asset purchase transactions;*
- *expected future dividends, Fund distributions and taxability thereof;*
- *the Fund's expected cash available for distribution; and*
- *expected future actions of regulators.*

*Although the Company believes that these forward-looking statements are reasonable based on the information available on the date such statements are made and the 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 expected*

supply and demand for crude oil, natural gas, natural gas liquids and green energy; prices of crude oil, natural gas, natural gas liquids and green energy; expected exchange rates; inflation; interest rates; the availability and price of labour and construction materials; operational reliability; customer project approvals; maintenance of support and regulatory approval for the Fund's projects and transactions; anticipated in-service dates; and weather. Assumptions regarding the expected supply and demand of crude oil, natural gas, natural gas liquids and green energy, and the prices of these commodities, are material to and underlay all forward-looking statements. These factors are relevant to all forward-looking statements as they may impact current and future levels of demand for the Fund's products and services. Similarly, exchange rates, inflation and interest rates impact the economies and business environments in which the Company and the Fund operate, may impact levels of demand for the Fund's products, 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 expected earnings and associated per unit or per share amounts, or estimated future distributions or dividends. The most relevant assumptions associated with forward-looking statements on projects under construction, including estimated in-service dates and expected capital expenditures, include: the availability and price of labour and construction materials; the effects of inflation on labour and material costs; the effects of interest rates on borrowing costs; and the impact of weather, customer and regulatory approvals on construction schedules.

The Company's forward-looking statements and forward-looking statements with respect to the Fund are subject to risks and uncertainties pertaining to operating performance, regulatory parameters, project approval and support, weather, economic and competitive conditions, changes in tax law and tax rate increases, exchange rates, interest rates and commodity prices, including but not limited to those risks and uncertainties discussed in this MD&A and in the other filings of the Company and the Fund with Canadian securities regulators. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and the Company's and the Fund's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by law, the Company and the Fund assume no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements whether written or oral, attributable to the Company or the Fund or persons acting on the Company's or the Fund's behalf, are expressly qualified in their entirety by these cautionary statements.

#### **NON-GAAP MEASURES**

This MD&A contains references to the Fund's cash available for distribution (CAFD). CAFD represents the Fund's cash available to fund distributions on trust units and ECT preferred units as well as for debt repayments and reserves. CAFD consists of operating cash flow from the Fund's underlying businesses less deductions for maintenance capital expenditures, the Fund's administrative and operating expenses, corporate segment interest expense, applicable taxes and other reserves determined by the Manager. CAFD is important to unitholders as the Fund's objective is to provide a predictable flow of distributable cash to unitholders. Management believes the presentation of adjusted earnings and CAFD provides useful information to investors and unitholders as it provides increased transparency and predictive value. Management uses adjusted earnings and CAFD to set targets, including the Fund's distribution payout target, and to assess the performance of the Company. CAFD is not a measure that has standardized meaning prescribed by United States Generally Accepted Accounting Principles (U.S. GAAP) and is not considered U.S. GAAP measure. Therefore, this measure may not be comparable with similar measures presented by other issuers.

#### **ENBRIDGE INCOME FUND RECENT DEVELOPMENTS**

##### **Alliance US and Southern Lights Acquisition**

On September 22, 2014, indirect wholly-owned subsidiaries of the Fund entered into agreements with indirect wholly-owned subsidiaries of Enbridge Inc., a related party, to acquire a 50% interest in Alliance US and subscribe for and purchase Class A Units which will, if the Transaction is completed, provide a defined cash flow stream from the Southern Lights Pipeline for an aggregate value of \$1.76 billion. Combined with its existing ownership of the Canadian segment of the Alliance Pipeline, the Fund would own 50% of the entire Alliance Pipeline. The Alliance Pipeline begins in northeastern BC and northwestern Alberta and connects to the Aux Sable natural gas liquids extraction plant near Chicago. The Southern Lights Pipeline is a fully contracted single stream pipeline that ships diluent from the Enbridge Manhattan Terminal near Chicago to the Enbridge Edmonton Terminal. The Fund has agreed to invest in Class A units in the Southern Lights Pipeline in order to receive scheduled and fixed quarterly distributions. The distributions represent the equity cash flows derived from the core rate base of the Southern Lights Pipeline until June 30, 2040. Enbridge has agreed to guarantee payment of the distributions except when force majeure, certain regulatory actions and shipper defaults remain

unrecovered under the shipper contracts. The Fund has options to negotiate extensions for two additional 10-year terms beyond 2040 and to participate in equity returns from future expansions of the pipeline.

#### **Cromer Rail Interconnection Project**

On January 29, 2014, the Fund announced plans to construct a pipeline interconnection that will connect the Westspur System and Bakken Expansion to a crude oil rail terminal near Cromer, Manitoba. The project is estimated to cost \$25 million and is expected to be in-service in the first quarter of 2015. The project is fully backstopped by the operator of the crude oil rail terminal pursuant to a five-year Financial Support Agreement. In addition, the Fund has an option to acquire 50% of the rail terminal which is capable of handling 30,000 barrels per day and is being expanded to 60,000 barrels per day.

#### **Whitecourt Recovered Energy Project**

The Whitecourt Recovered Energy Project is a new waste heat recovery facility being constructed by NRGreen, adjacent to a compressor station on the Alliance Pipeline near Whitecourt, Alberta. The Fund has contributed approximately \$43 million as at September 30, 2014 to the Project. Mechanical construction of the Project is substantially complete. Testing and commissioning of the Project are ongoing and the Project is expected to be in service in the fourth quarter of 2014. The delay is due to component failure for which replacement parts have been secured.

#### **Alliance Canada Recontracting**

On July 15, 2013, Alliance announced that beginning on August 15, 2013 customers could express interest in shipping on the Alliance System for periods following the December 2015 expiry of the majority of existing contracts. Alliance outlined the proposed services to be offered as well as the precedent agreement process to be followed and good progress is being made in securing precedent agreements with shippers. On May 22, 2014, Alliance Canada filed an application with the National Energy Board (NEB) for regulatory approval of the tolls and tariff provisions required to implement the proposed new services. Given its unique ability to cost-effectively transmit liquids rich natural gas, and the supply growth in basins it runs through, it is expected that the Alliance System will be well-utilized for the foreseeable future.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The cash distributions the Company receives from its investment in the Fund are its primary source of liquidity. The Company pays out a high proportion of the distributions received from the Fund after prudently reserving for contingencies and future taxes, with the objective of sustaining a predictable stream of dividends to its shareholders. Cash not required to fund dividends or to meet working capital requirements is advanced to a subsidiary of the Fund pursuant to a demand loan, which the Company may request repayment of at any time. At September 30, 2014 the Company had \$28.9 million outstanding pursuant to the demand loan. The Company did not have any outstanding long-term debt as at September 30, 2014 or December 31, 2013.

Subsequent to September 30, 2014, in connection with the Transaction, the Company issued 11,100,000 subscription receipts at a price of \$30.35 per subscription receipt for gross proceeds of \$336.9 million. The gross proceeds are held in escrow pending completion of the Transaction.

The Company's working capital requirements are not expected to be significant in 2014. The Company has an agreement with ECT whereby ECT reimburses the Company for certain corporate costs.

Additional capital resources to finance the Company's future investment in the Fund, if necessary, are expected to be available through access to equity markets.

#### *Operating Activities*

Cash flows from operating activities totaled \$22.1 million and \$62.2 million for the three and nine months ended September 30, 2014, respectively (2013 – \$24.0 million and \$69.4 million). Cash flows from operating activities represented distributions received from the Fund, net of income taxes and changes in operating assets and liabilities. The Fund declared monthly distributions of \$0.135 per unit during the three and nine months ended September 30, 2014, or \$22.9 million and \$68.8 million in aggregate to the

Company for the same periods, respectively (2013 – \$0.134 per unit or \$22.7 million and \$67.6 million in aggregate to the Company).

#### *Financing Activities*

The Company declared monthly dividends at a rate of \$0.115 per share for the three and nine months ended September 30, 2014 as compared to \$0.111 per share for the same periods of 2013.

#### *Investing Activities*

Included in investing activities are advances to and repayments from a subsidiary of the Fund pursuant to a demand loan, of which \$28.9 million was outstanding as at September 30, 2014.

### **RELATED PARTY TRANSACTIONS**

In 2014, the Company advanced \$4.6 million, net of repayments (2013 – \$13.8 million) to a subsidiary of the Fund pursuant to a subordinated demand loan. At September 30, 2014, \$28.9 million (December 31, 2013 – \$24.3 million) was outstanding. Interest on the demand loan was charged at 4.25%.

In September 2014, the Fund entered into an agreement with ENF whereby the Fund would make assistance payments to ENF for share issue costs incurred in connection with ENF's subscription receipt offering. Approximately \$14 million of share issue costs are expected to be incurred by ENF and related assistance payment made by the Fund in the fourth quarter of 2014.

### **SELECTED QUARTERLY FINANCIAL INFORMATION**

The following table presents a summary of the Company's quarterly financial results.

	<b>2014</b>				<b>2013</b>		<b>2012</b>	
	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>
<i>(thousands of Canadian dollars, except per share amounts)</i>								
Revenues	<b>23,209</b>	23,176	23,173	23,102	22,924	22,836	22,182	16,611
Earnings	<b>21,708</b>	21,695	21,655	22,139	21,507	21,770	21,154	16,591
Earnings per common share, basic and diluted	<b>0.38</b>	0.38	0.38	0.39	0.38	0.39	0.40	0.39
Dividends declared, per common share	<b>0.344</b>	0.344	0.344	0.340	0.334	0.334	0.334	0.317

- The Company increased its dividend per common share by 3.0% to \$0.115 per month commencing with the November 2013 dividend.
- The Company subscribed for 4,768,000 trust units of the Fund in February 2013. The incremental ownership of trust units of the Fund increased the amount of distributions received on the trust units of the Fund and therefore, increased the Company's revenues and earnings.
- The Company increased its dividend per common share by 8.0% to \$0.111 per month effective with the December 2012 dividend, which corresponded with a distribution increase from the Fund.
- The Company subscribed for 11,982,000 trust units of the Fund in December 2012 in connection with the acquisition of a portfolio of crude oil storage and wind and solar assets, which increased the total trust units of the Fund owned by the Company from 39,741,000 to 51,723,000. The incremental ownership of trust units of the Fund increased the amount of distributions received on the trust units and therefore, increased the Company's revenues and earnings.

### **OUTSTANDING SHARE DATA**

As at November 3, 2014, 56,491,000 common shares and 1 special voting share of the Company were issued and outstanding.

## STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(unaudited; thousands of Canadian dollars, except per share amounts)</i>				
Distribution and other income	23,209	22,924	69,558	67,942
Income tax <i>(Note 5)</i>	(1,501)	(1,417)	(4,500)	(3,511)
Earnings	21,708	21,507	65,058	64,431
<b>Items that may be reclassified to earnings</b>				
Other comprehensive income/(loss)				
Unrealized fair value change in available-for-sale investment <i>(Note 3)</i>	137,273	(23,194)	373,970	(43,492)
Income tax recovery/(expense) <i>(Note 5)</i>	(17,159)	2,899	(46,746)	5,436
	120,114	(20,295)	327,224	(38,056)
Comprehensive income	141,822	1,212	392,282	26,375
Basic and diluted earnings per common share <i>(Note 4)</i>	0.38	0.38	1.15	1.16

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Nine months ended September 30, <i>(unaudited; thousands of Canadian dollars)</i>	2014	2013
Share capital		
Common shares		
Balance at beginning of period	921,883	802,683
Issued for cash	-	119,200
	921,883	921,883
Special voting share	-	-
Balance at end of period	921,883	921,883
Share premium	192,458	192,458
Retained earnings		
Balance at beginning of period	20,868	9,562
Earnings	65,058	64,431
Common share dividends declared <i>(Note 4)</i>	(58,265)	(56,031)
Balance at end of period	27,661	17,962
Accumulated other comprehensive income		
Balance at beginning of period	175,189	212,266
Other comprehensive income/(loss)	327,224	(38,056)
Balance at end of period	502,413	174,210
<b>Total shareholders' equity</b>	<b>1,644,415</b>	<b>1,306,513</b>

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

## STATEMENTS OF CASH FLOWS

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(unaudited; thousands of Canadian dollars)</i>				
<b>Operating activities</b>				
Earnings	21,708	21,507	65,058	64,431
Deferred income taxes	37	120	58	133
Changes in operating assets and liabilities				
Accounts receivable and other	(30)	928	53	2,556
Distributions receivable	-	2	-	(638)
Accounts payable and accrued liabilities	68	155	2	(471)
Income taxes payable	298	1,288	(2,954)	3,349
	22,081	24,000	62,217	69,360
<b>Financing activities</b>				
Net change in bank indebtedness	403	-	403	-
Common shares issued	-	-	-	119,200
Common share dividends paid <i>(Note 4)</i>	(19,422)	(18,854)	(58,265)	(55,500)
	(19,019)	(18,854)	(57,862)	63,700
<b>Investing activities</b>				
Purchase of Enbridge Income Fund trust units <i>(Note 3)</i>	-	-	-	(119,200)
Demand loan advances to investee <i>(Note 7)</i>	(3,300)	(5,000)	(4,625)	(13,750)
	(3,300)	(5,000)	(4,625)	(132,950)
Change in cash and cash equivalents	(238)	146	(270)	110
Cash and cash equivalents at beginning of period	238	54	270	90
Cash and cash equivalents at end of period	-	200	-	200
Supplementary cash flow information				
Income taxes paid	1,300	18	7,530	28

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

## STATEMENTS OF FINANCIAL POSITION

	September 30, 2014	December 31, 2013
<i>(unaudited; thousands of Canadian dollars)</i>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	-	270
Accounts receivable and other	168	221
Demand loan due from investee <i>(Note 7)</i>	28,875	24,250
Distributions receivable <i>(Note 3)</i>	7,640	7,640
	<b>36,683</b>	32,381
Investment in Enbridge Income Fund <i>(Notes 3 and 6)</i>	1,688,515	1,314,545
	<b>1,725,198</b>	1,346,926
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Bank indebtedness	403	-
Accounts payable and accrued liabilities	81	79
Income taxes payable	1,369	4,323
Dividends payable <i>(Note 4)</i>	6,474	6,474
	<b>8,327</b>	10,876
Deferred income taxes	72,456	25,652
	<b>80,783</b>	36,528
Shareholders' equity		
Share capital	921,883	921,883
Share premium	192,458	192,458
Retained earnings	27,661	20,868
Accumulated other comprehensive income	502,413	175,189
	<b>1,644,415</b>	1,310,398
	<b>1,725,198</b>	1,346,926

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

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

## 1. GENERAL BUSINESS DESCRIPTION

Enbridge Income Fund Holdings Inc. (the Company) is a publicly traded corporation, incorporated on March 26, 2010 under the laws of the Province of Alberta. The Company's common shares commenced trading on the Toronto Stock Exchange on December 21, 2010. The Company holds an investment in Enbridge Income Fund (the Fund), which is an unincorporated open-ended trust established by a trust indenture under the laws of the Province of Alberta. The Company's registered office is 3000, 425 – 1<sup>st</sup> Street SW, Calgary, Alberta, Canada.

The business of the Company is limited to investment in the Fund. The Fund is involved in the generation, transportation and storage of energy through its green power generation facilities, liquids transportation and storage facilities and 50% interest in the Canadian segment of the Alliance Pipeline.

## 2. BASIS OF PREPARATION

These unaudited interim condensed financial statements have been prepared using the same accounting policies as those used in the Company's annual financial statements for the year ended December 31, 2013 prepared in accordance with International Financial Reporting Standards (IFRS). These interim financial statements comply with International Accounting Standards (IAS) 34, Interim Financial Reporting and accordingly do not include all disclosures required for annual financial statements, and should therefore be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2013.

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

These financial statements were authorized for issuance by the Board of Directors of the Company on November 3, 2014.

## 3. INVESTMENT IN ENBRIDGE INCOME FUND

At September 30, 2014 the Company owned 56,491,000 (December 31, 2013 – 56,491,000), or 85.6% (December 31, 2013 – 85.6%), of the Fund's issued and outstanding trust units.

	<b>Nine months ended September 30, 2014</b>	Year ended December 31, 2013
<i>(unaudited; thousands of Canadian dollars)</i>		
Balance at beginning of period	<b>1,314,545</b>	1,237,731
Investment acquired	-	119,200
Fair value change for the period	<b>373,970</b>	(42,386)
Balance at end of period	<b>1,688,515</b>	1,314,545

Summarized financial information of the Fund, derived from the Fund's consolidated financial statements prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<i>(unaudited; thousands of Canadian dollars)</i>				
Revenues	98,375	92,546	313,656	299,514
Earnings	24,326	16,928	89,780	57,683

	September 30, 2014	December 31, 2013
<i>(unaudited; thousands of Canadian dollars)</i>		
Total assets	2,718,818	2,756,810
Total liabilities	2,251,122	2,197,052

The Fund's summarized financial information, prepared in accordance with U.S. GAAP, would differ had it been prepared under IFRS. The most significant differences between U.S. GAAP and IFRS applicable to the Fund are as follows:

#### *Rate Regulation*

The operations of Alliance Canada and certain Liquids Transportation and Storage businesses are subject to regulation by various authorities which exercise statutory authority over matters such as construction, rates and ratemaking and agreements with customers. The timing of recognition of certain revenues and expenses impacted by regulation and the recognition of regulatory assets and liabilities under U.S. GAAP differs from IFRS. IFRS does not historically recognize regulatory assets and liabilities and also prohibits recognition of the equity component of allowance for funds used during construction (AFUDC), which is permitted under U.S. GAAP. At September 30, 2014, the Fund's net regulatory asset as presented in accordance with U.S. GAAP was \$55.0 million (December 31, 2013 – \$60.9 million) including an equity component of AFUDC. The earnings impact of rate regulation was an approximate after tax decrease of \$1.8 million for the three months ended September 30, 2014 (2013 – \$0.2 million decrease) and an approximate after tax decrease of \$4.5 million for the nine months ended September 30, 2014 (2013 – \$10.0 million decrease).

#### *Preferred and Trust Unit Presentation*

Under U.S. GAAP, the Fund's preferred and trust units are presented as mezzanine equity on the Consolidated Statements of Financial Position between long-term liabilities and unitholders' deficit. The Fund's preferred and trust units are recorded at their maximum redemption value with changes in estimated redemption value reflected as a charge or credit to deficit.

Under IFRS, the Fund's preferred units would be designated as a financial liability at fair value through profit or loss. The Fund's trust units would be recognized at amortized cost and presented as a liability by virtue of the holders' right to redeem the trust units for cash, subject to certain limitations. Adjustments to estimated future cash flows of a financial liability carried at amortized cost would be recognized in earnings.

#### **Distribution Income**

The Fund declared monthly distributions of \$0.13525 (2013 – \$0.13417) per unit for each month during the nine-month period ended September 30, 2014.

## **4. SHARE CAPITAL AND SHARE PREMIUM**

### **Dividends**

The Company declared monthly dividends of \$0.1146 (2013 – \$0.11125) per share for each month during the nine-month period ended September 30, 2014.

On October 15, 2014, the Company declared a monthly dividend of \$0.1146 per share to be paid on November 17, 2014 to shareholders of record on October 31, 2014.

### **Earnings per common share**

Weighted average shares outstanding used to calculate both basic and diluted earnings per share were 56,491,000 (2013 – 56,491,000) and 56,491,000 (2013 – 55,495,484) for the three and nine month periods ended September 30, 2014, respectively.

## **5. INCOME TAXES**

Income tax expense included in earnings for the three months ended September 30, 2014 comprised current income tax expense of \$1.5 million (2013 – \$1.3 million) and deferred income tax expense of \$37,000 (2013 – \$0.1 million). Income tax expense included in earnings for the nine months ended September 30, 2014 comprised current income tax expense of \$4.4 million (2013 – \$3.4 million) and deferred income tax expense of \$58,000 (2013 – \$0.1 million). Income tax expense on distribution income is accrued in interim periods based on the estimated annual taxability and return of capital.

Other comprehensive income included \$17.2 million (2013 – \$2.9 million recovery) and \$46.7 million (2013 – \$5.4 million recovery) of deferred income tax expense for the three and nine months ended September 30, 2014, respectively, related to the change in the difference between the accounting and tax bases of the investment in the Fund.

## **6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

### **Level 1**

Level 1 includes financial instruments measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for a financial instrument is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company did not have any financial instruments categorized as Level 1 as at September 30, 2014 or December 31, 2013.

### **Level 2**

Level 2 includes financial instrument valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. The fair value measurement of the investment in the Fund is classified as Level 2, as the valuation technique references the quoted market price of the Company's common shares, and adjusts for assets and liabilities not applicable to the Fund. At September 30, 2014, the Company's investment in the Fund had a fair value of \$1.7 billion (December 31, 2013 – \$1.3 billion).

**Level 3**

Level 3 includes financial instrument valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the financial instruments' fair value. Generally, Level 3 financial instruments are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. The Company did not have any financial instruments categorized as Level 3 as at September 30, 2014 or December 31, 2013.

The Company's policy is to recognize transfers as of the last day of the reporting period. There were no transfers between levels as at September 30, 2014 and December 31, 2013.

**7. RELATED PARTY TRANSACTIONS**

In 2014, the Company advanced \$4.6 million, net of repayments (2013 – \$13.8 million) to a subsidiary corporation of the Fund pursuant to a subordinated demand loan. At September 30, 2014, \$28.9 million (December 31, 2013 – \$24.3 million) was outstanding. Interest on the demand loan was charged at 4.25%.

In September 2014, ENF entered into an agreement with the Fund whereby the Fund would make assistance payments to ENF for any share issue costs incurred in connection with ENF's offering of 11,100,000 subscription receipts.

**8. SUBSEQUENT EVENT**

On September 22, 2014, indirect wholly-owned subsidiaries of the Fund entered into agreements with indirect wholly-owned subsidiaries of Enbridge Inc., a related party, to acquire a 50% interest in the U.S. segment of the Alliance Pipeline (Alliance US) and subscribe for and purchase Class A Units which will provide a fixed and defined cash flow stream from the Southern Lights Pipeline for an aggregate price of \$1.76 billion (the Transaction). Pursuant to an agreement with a syndicate of investment dealers the Company sold, on a bought deal basis, an aggregate of 11,100,000 subscription receipts of the Company at a price of \$30.35 per subscription receipt for gross proceeds of \$336.9 million. The gross proceeds will be used to purchase common trust units of the Fund thereby increasing ENF's investment in the Fund. The subscription receipt offering closed on October 10, 2014. Closing of the Transaction is subject to customary regulatory approvals.

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