Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion and analysis should be read in conjunction with our accompanying interim consolidated financial statements and related notes included elsewhere in this report, and in conjunction with (i) our consolidated financial statements and related notes and (ii) our management's discussion and analysis of financial condition and results of operations included in our 2017 Form 10-K.

On January 1, 2018, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers" and a series of related accounting standard updates (collectively referred to as "Topic 606") designed to create improved revenue recognition and disclosure comparability in financial statements. For more information, see Note 7 "Revenue Recognition" to the accompanying consolidated financial statements.

Recent Developments

Outlook

For the fourth quarter, representing the first full quarter without the Trans Mountain Asset Group earnings, but with nearly a full quarter of Base Line Terminal earnings, KML anticipates that the remaining assets in the Pipelines and Terminals segments will generate Adjusted EBITDA of $50 million to $55 million. KML expects the one-for-three reverse stock split to be effective prior to the declaration of the dividend for the fourth quarter of 2018 and expects to pay a dividend of $0.1625 per split-adjusted restricted voting share. KML does not anticipate the proposed return of capital or reverse split to have any impact on the outstanding preferred shares of KML or dividends payable thereon.

As disclosed in "Item 2 —*Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook*" in our Form 10-Q for the quarterly period ended June 30, 2018, other forecasts and forward looking guidance relating to increased Adjusted EBITDA following completion of the TMEP as provided in our IPO prospectus dated May 25, 2017 and as further discussed in Item 7 under the heading "*—Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook*" in our 2017 Form 10-K are no longer relevant to us due to the closing of the Transaction, and as such we have withdrawn such prior forecasts and forward-looking information.

Trans Mountain Transaction

On August 31, 2018, we closed on the sale of the Trans Mountain Asset Group, which were indirectly acquired by the Government of Canada through Trans Mountain Corporation (a subsidiary of the Canada Development Investment Corporation) for cash consideration of approximately $4.43 billion, which is the contractual purchase price of $4.5 billion net of a preliminary working capital adjustment. The contractual purchase price is subject to a customary final true up of the estimated working capital calculation as provided in the purchase agreement. The underlying assets in the Trans Mountain Asset Group were primarily within our Pipelines business segment and the operating results for the Trans Mountain Asset Group are within Discontinued Operations presented as Income from operations of the Trans Mountain Asset Group, net of tax in the the accompanying consolidated statements of income for the three and nine months ended September 30, 2018 and 2017.

We have recorded a Gain on sale of the Trans Mountain Asset Group, net of tax of $1,308.0 million as presented in the accompanying consolidated statements of income for the three and nine months ended September 30, 2018. The gain included a tax benefit of approximately $69.5 million comprised of the release of a Deferred income taxes of approximately $388.5 million, which was partially offset by an adjustment to Accrued taxes of approximately $319.0 million on the accompanying consolidated balance sheet as of September 30, 2018.

On September 4, 2018, we announced that our board of directors approved a plan to distribute the net proceeds from the Transaction, after capital gains taxes, customary purchase price adjustments and repayment of debt outstanding under our Temporary Credit Facility, as a return of capital to shareholders. The return of capital to holders of our Restricted Voting Shares (the "Return of Capital") is expected to be approximately $1.2 billion or approximately $11.40 per Restricted Voting Share. To facilitate the Return of Capital and provide flexibility for dividends going forward, we also announced that we will seek voting shareholders' two-thirds majority approval to reduce the stated capital of our Restricted Voting Shares by $1.45 billion (the "Stated Capital Reduction"). Our board of directors also approved a proposal to effect a consolidation or "reverse stock split" of our Restricted Voting Shares and Special Voting Shares on a one-for-three basis (three shares consolidating to one share) (the "Share Consolidation"). These proposals will be voted on at a special meeting of our shareholders currently scheduled to be held on November 29, 2018 and Kinder Morgan has stated it intends to vote in favor of these proposals with its approximate 70% voting interest in us. Subject to the Stated Capital Reduction and Share Consolidation being approved by shareholders, and the board's subsequent confirmation thereof, the anticipated payment date for the Return of Capital is expected to be January 3, 2019, with the Share Consolidation to occur a few days thereafter.

2017 Initial Public Offering

Subsequent to our IPO, Kinder Morgan retained control of us and the Limited Partnership. As a result we accounted for our acquisition of an approximate 30% economic interest in the Limited Partnership as a transfer of net assets among entities under common control. Therefore, our consolidated financial statements presented herein were derived from the consolidated financial statements and accounting records of Kinder Morgan. The assets and liabilities in these consolidated financial statements have been reflected at historical carrying value of the immediate parents within the Kinder Morgan organization structure including goodwill and purchase price assigned amounts, as applicable. Prior to May 30, 2017, our historical financial statements were presented as combined consolidated financial statements derived from information included within the consolidated financial statements and accounting records of Kinder Morgan. All significant intercompany balances between the companies included in our accompanying consolidated financial statements have been eliminated.

In addition, as of and for the reporting periods after our IPO, Kinder Morgan's economic interest in the Limited Partnership is reflected within "Kinder Morgan interest" in our consolidated statements of equity and consolidated balance sheets and earnings attributable to Kinder Morgan's economic ownership interest in the Limited Partnership are presented in "Net Income Attributable to Kinder Morgan Interest" in our consolidated statements of income.

Terminals Matters

Construction of all major facilities at the Base Line Terminal in Edmonton, Alberta, Canada is materially complete, with the final tanks placed in service in the third and early fourth quarters of this year, slightly ahead of schedule. The 12-tank, 4.8 million barrel facility is fully contracted with long-term, firm take-or-pay agreements with creditworthy customers. The 50-50 joint venture crude oil merchant storage terminal developed by KML and Keyera Corp. is expected to be completed under budget, with our investment expected to be approximately $373 million.

Permitting efforts continue on the distillate storage expansion project at our Vancouver Wharves terminal in North Vancouver, British Columbia. The $43 million capital project includes the construction of two new distillate tanks with combined storage capacity of 200,000 barrels and enhancements to the railcar unloading capabilities. The project is supported by a 20-year initial term, take-or-pay contract with an affiliate of a large, international integrated energy company and is expected to be placed in service in the first quarter of 2021.

As previously disclosed in our 2017 Form 10-K, a material contractual arrangement at the Edmonton Rail Terminal expires in April 2020 and includes a right of renewal on favorable terms for our customer related to rail terminal and associated pipeline connection service fees. We expect this will result in lower revenues of approximately $43.0 million and $11.0 million on an annual basis for rail terminal fees and associated pipeline connection fees, respectively. We expect this revenue reduction will be partially offset by expansion projects as well as favorable renewal rates on expiring contracts at our other terminal facilities.

Results of Operations

Overview

We evaluate the performance of our reportable business segments by evaluating Segment EBDA. We believe that Segment EBDA is a useful measure of our operating performance because it measures segment operating results before depreciation and amortization and certain expenses that are generally not controllable by our business segment operating managers, such as certain general and administrative expense, interest expense, net, and income tax expense, and prior to their pay off in the second quarter of 2017, the foreign exchange losses (or gains) on the long-term debt with affiliates ("KMI Loans"). Our general and administrative expenses include such items as employee benefits, insurance, rentals, certain litigation, and shared corporate services including accounting, information technology, human resources, and legal services.

The earnings prior to the closing of the Transaction on August 31, 2018 from the Trans Mountain Asset Group are presented as earnings from discontinued operations for all periods presented.

Consolidated Earnings Results

Three Months Ended September 30,	2018	2017	Earnings increase/(decrease)	
(In millions of Canadian dollars, except percentages)				
Segment EBDA(a)				
Pipelines	9.0	2.4	6.6	275 %
Terminals(b)	44.6	39.5	5.1	13 %
Total Segment EBDA(a)(b)	53.6	41.9	11.7	28 %
D&A	(21.1)	(19.3)	(1.8)	9 %
Foreign exchange gain on the KMI Loans(c)	—	0.5	(0.5)	(100)%
General and administrative(d)	(7.1)	(7.6)	0.5	(7)%
Interest, net(e)	6.1	2.0	4.1	205 %
Income from continuing operations before income taxes	31.5	17.5	14.0	80 %
Income tax expense	(9.3)	(7.7)	(1.6)	21 %
Income from continuing operations	22.2	9.8	12.4	127 %
Income from discontinued operations, net of tax(f)	1,327.2	32.6	1,294.6	3,971 %
Net income	1,349.4	42.4	1,307.0	3,083 %
Preferred share dividends	(7.2)	(2.0)	(5.2)	n/a
Net income attributable to Kinder Morgan interest	(940.7)	(28.7)	(912.0)	n/a
Net income available to Restricted Voting Stockholders	401.5	11.7	389.8	n/a

Nine Months Ended September 30,	2018	2017	Earnings increase/(decrease)	
(In millions of Canadian dollars, except percentages)				
Segment EBDA(a)				
Pipelines	25.5	9.4	16.1	171 %
Terminals(b)	140.8	116.6	24.2	21 %
Total Segment EBDA(a)(b)	166.3	126.0	40.3	32 %
D&A	(61.1)	(53.7)	(7.4)	14 %
Foreign exchange gain on the KMI Loans(c)	—	0.2	(0.2)	(100)%
General and administrative(d)	(26.6)	(22.2)	(4.4)	20 %
Interest income (expense), net(e)	6.1	(4.6)	10.7	(233)%
Income from continuing operations before income taxes	84.7	45.7	39.0	85 %
Income tax expense	(25.0)	(17.7)	(7.3)	41 %
Income from continuing operations,	59.7	28.0	31.7	113 %
Income from discontinued operations, net of tax(f)	1,347.8	86.3	1,261.5	1,462 %
Net income	1,407.5	114.3	1,293.2	1,131 %
Preferred share dividends	(21.6)	(2.0)	(19.6)	n/a
Net income attributable to Kinder Morgan interest	(971.8)	(96.4)	(875.4)	n/a
Net income available to Restricted Voting Stockholders	414.1	15.9	398.2	n/a

(a) Represents Segment EBDA from continuing operations. Includes revenues and other (income) expense less operating expenses and other, net. Operating expenses primarily include operations and maintenance expenses, and taxes, other than income taxes. Segment EBDA for the three and nine months ended September 30, 2018 include $0.6 million and $0.4 million, respectively and the three and nine months ended September 30, 2017 include $2.5 million and $5.5 million, respectively, of foreign exchange losses due to changes in exchange rates between the Canadian dollar and the U.S. dollar on U.S. dollar denominated balances.

(b) Segment EBDA for the three and nine months ended September 30, 2018 includes increases to earnings of $0.5 million and $9.5 million, respectively, for a certain item described in footnote (a) to the "—*Terminal Segment"* table below.

(c) The KMI Loans, which represented U.S. dollar denominated long-term notes payable with Kinder Morgan, were settled with proceeds from our IPO. The foreign exchange gain on the KMI Loans represents a certain item.

(d) General and administrative expenses for the three and nine months ended September 30, 2018 includes (decreases) increases to expense of ($1.6) million and $1.4 million respectively, and the three and nine months ended September 30, 2017 includes increases to expense of $0.1 million and $2.6 million, respectively, for certain items described in footnote (a) to the —*General and Administrative* table below.
(e) Interest income (expenses), net for the three and nine months ended September 30, 2018 includes a decrease to interest income of $1.0 million in both periods for a certain item described in footnote (a) to the "—*Interest (income) expense, Net"* table below.
(f) Consists of certain items summarized in footnote (b) to the "—*Discontinued Operations"* table below.

Three Months Ended September 30, 2018 vs Three Months Ended September 30, 2017

The certain items described in footnotes (b) through (e) to the table above accounted for a $0.7 million increase in income from continuing operations before income taxes for the third quarter of 2018 as compared to the same prior year period. After giving effect to these certain items, the $13.3 million increase from the prior year quarter in income from continuing operations before income taxes is primarily attributable to increased earnings from both of our segments and higher interest income due to deposits of the proceeds from the Transaction in interest bearing cash equivalent accounts.

Nine Months Ended September 30, 2018 vs Nine Months Ended September 30, 2017

The certain items described in footnotes (b) through (e) to the table above accounted for a $9.5 million increase in income from continuing operations before income taxes for the first nine months of 2018 as compared to the same prior year period. After giving effect to these certain items, the $29.5 million increase from the prior year period in income from continuing operations before income taxes is primarily attributable to increased earnings from both of our segments and higher interest income due to deposits of the proceeds from the Transaction in interest bearing cash equivalent accounts.

Non-GAAP Financial Measures

For reporting periods included in the following DCF and Adjusted EBITDA tables, our discontinued operations (which are comprised of our Trans Mountain Asset Group) are presented as a separate reconciling item labeled as "DCF from discontinued operations" and "Adjusted EBITDA from discontinued operations," respectively. DCF from discontinued operations and Adjusted EBITDA from discontinued operations are also reconciled to their comparable GAAP measure, income from discontinued operations, in footnote (d) to the accompanying tables.

In addition to using financial measures prescribed by GAAP, references are made in this report to DCF, both in the aggregate and per share, Adjusted EBITDA and Segment EBDA before certain items, which are measures that do not have any standardized meaning as prescribed by GAAP. DCF, Adjusted EBITDA and Segment EBDA before certain items should not be considered an alternative to GAAP net income or any other GAAP measures and such non-GAAP measures have important limitations as an analytical tool. The computation of DCF, Adjusted EBITDA and Segment EBDA before certain items may differ from similarly titled measures used by others. Accordingly, use of such terms may not be comparable to similarly defined measures presented by other entities. Investors should not consider these non-GAAP performance measures in isolation or as a substitute for an analysis of results as reported under GAAP. The limitations of these non-GAAP performance measures are compensated for by reviewing the comparable GAAP measures, understanding the differences between the measures, and taking this information into account in our analysis and our decision making processes. Any use of DCF, Adjusted EBITDA or Segment EBDA before certain items in this management's discussion and analysis is expressly qualified by this cautionary statement.

DCF is income from continuing operations, and income from discontinued operations, before D&A adjusted for: (i) income tax expense and cash income taxes (paid) refunded; (ii) sustaining capital expenditures (also referred to as "maintenance" capital expenditures); and (iii) certain items that are items required by GAAP to be reflected in net income, but typically either (a) do not have a cash impact, or (b) by their nature are separately identifiable from the normal business operations and in our view are likely to occur only sporadically (for example gains or losses on asset sales, legal settlements and casualty losses).

DCF is an important performance measure used by us and by external users of our financial statements to evaluate our performance and in measuring and estimating our ability to generate cash earnings after servicing our debt and preferred share dividends, paying cash taxes and expending sustaining capital, that could be used for discretionary purposes such as distributions or expansion capital expenditures (also referred to as "discretionary" capital expenditures). We use this performance measure and believe it provides users of our financial statements a useful performance measure reflective of our ability to generate cash earnings to supplement the comparable GAAP measure. DCF should not be used as an alternative to net cash provided by operating activities computed under GAAP. We believe the GAAP measure most directly comparable to DCF is Income from continuing operations. A reconciliation of Income from continuing operations to DCF is provided in the table below. DCF per Restricted Voting Share is DCF divided by average outstanding Restricted Voting Shares, including restricted stock awards that participate in dividends.

Reconciliation of Income from continuing operations to DCF

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
(In millions of Canadian dollars, except per share amounts)				
Income from continuing operations	22.2	9.8	59.7	28.0
Reconciling items - add/(subtract):				
Certain items before book tax(a)	(1.1)	(0.4)	(7.1)	2.4
Book tax certain items(b)	0.5	0.1	2.1	(0.7)
D&A	21.1	19.3	61.1	53.7
Total book taxes before certain items	8.8	7.6	22.9	18.4
Cash taxes	(0.1)	0.3	(8.4)	—
Preferred share dividends	(7.2)	(2.0)	(21.6)	(2.0)
Sustaining capital expenditures	(5.2)	(6.1)	(10.1)	(13.1)
DCF from discontinued operations (d)	41.6	48.6	150.8	153.3
DCF	80.6	77.2	249.4	240.0
DCF to Kinder Morgan interest	(56.5)	(54.2)	(174.9)	(208.5)
U.S. cash taxes attributable to Restricted Voting Stockholders	—	(0.8)	(0.9)	(0.8)
DCF to Restricted Voting Stockholders	24.1	22.2	73.6	30.7
Weighted average Restricted Voting Shares outstanding for dividends (in millions)(c)				
DCF per Restricted Voting Share	0.230	0.214	0.704	0.297
Declared dividend per Restricted Voting Share	0.1625	0.1625	0.4875	0.2196

Adjusted EBITDA is used by us and by external users of our financial statements, in conjunction with net debt, to evaluate certain leverage metrics. Adjusted EBITDA is earnings from continuing and discontinued operations before interest expense, taxes, depreciation and amortization adjusted for certain items, as applicable. We believe the GAAP measure most directly comparable to Adjusted EBITDA is income from continuing operations. A reconciliation of income from continuing operations to Adjusted EBITDA is provided in the table below. We do not allocate Adjusted EBITDA amongst equity interest holders as we view total Adjusted EBITDA as a measure against our overall leverage.

Reconciliation of Income from continuing operations to Adjusted EBITDA

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
(In millions of Canadian dollars)				
Income from continuing operations	22.2	9.8	59.7	28.0
Reconciling items - add/(subtract):				
Total certain items (a)(b)	(0.6)	(0.3)	(5.0)	1.7
D&A	21.1	19.3	61.1	53.7
Total book taxes before certain items	8.8	7.6	22.9	18.4
Interest, net before certain items	(7.1)	(2.0)	(7.1)	4.6
Adjusted EBITDA from discontinued operations (d)	44.8	60.7	163.4	173.8
Adjusted EBITDA	89.2	95.1	295.0	280.2

(a) Consists of certain items summarized in footnotes (b) through (e) to the "*—Results of Operations—Consolidated Earnings Results*" table included above, and described in more detail below in the footnotes to tables included in our management's discussion and analysis of segment results, "*—Segment EBDA,*" "*—General and Administrative,*" "*—Interest (income) expense, net,*

(b) Represents income tax provision on certain items.

(c) Includes stock awards of restricted voting shares that participate in dividends. Also, the 2017 weighted average Restricted Voting Shares outstanding for dividends calculation is based on the actual days in which the shares were outstanding for the period from May 30, 2017 to June 30, 2017. Therefore, the amounts differ from the GAAP weighted average Restricted Voting Shares outstanding from the date of our formation.

(d) DCF from discontinued operations and Adjusted EBITDA from discontinued operations reconciliations are as follows:

DCF from discontinued operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(In millions of Canadian dollars)				
Income from discontinued operations, net of tax	1,327.2	32.6	1,347.8	86.3
Discontinued operations reconciling items - add/(subtract):				
Certain items before book tax (1)	(1,227.8)	(0.1)	(1,167.3)	2.6
Book tax certain items (1)	(76.8)	—	(92.9)	(0.7)
D&A	11.8	17.9	46.8	53.9
Total book taxes before certain items	13.1	7.0	35.0	25.4
Sustaining capital expenditures	(5.9)	(8.8)	(18.6)	(14.2)
DCF from discontinued operations	41.6	48.6	150.8	153.3

Adjusted EBITDA from discontinued operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(In millions of Canadian dollars)				
Income from discontinued operations, net of tax	1,327.2	32.6	1,347.8	86.3
Discontinued operations reconciling items - add/(subtract):				
Total certain items (1)	(1,304.6)	(0.1)	(1,260.2)	1.9
D&A	11.8	17.9	46.8	53.9
Total book taxes before certain items	13.1	7.0	35.0	25.4
Interest, net before certain items	(2.7)	3.3	(6.0)	6.3
Adjusted EBITDA from discontinued operations	44.8	60.7	163.4	173.8

(1) Described in more detail below in the footnotes to tables included in our management's discussion and analysis of segment results *" —Discontinued Operations"* below.

Segment EBDA Before Certain Items

Segment EBDA before certain items is used by management in its analysis of segment performance and management of our business. General and administrative expenses are generally not under the control of our segment operating managers, and therefore, are not included when we measure business segment operating performance. We believe Segment EBDA before certain items is a significant performance metric because it provides us and external users of our financial statements additional insight into the ability of our segments to generate segment cash earnings on an ongoing basis. We believe it is useful to investors because it is a performance measure that management uses to allocate resources to our segments and assess each segment's performance. We believe the GAAP measure most directly comparable to Segment EBDA before certain items is Segment EBDA.

In the tables for each of our business segments under "— *Segment Earnings Results*" below, Segment EBDA before certain Items is calculated by adjusting the Segment EBDA for the applicable certain item amounts, which are totaled in the tables and described in the footnotes to those tables (if any).

Segment EBDA excludes discontinued operations for all periods presented, see —*Discontinued Operations* below.

Segment Earnings Results

Pipelines Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
(In millions of Canadian dollars, except operating statistics)				
Revenues	15.2	14.7	44.8	45.5
Operating expenses, except D&A	(5.1)	(6.6)	(17.9)	(24.9)
Other expense, net	(1.1)	(5.7)	(1.4)	(11.2)
Segment EBDA	9.0	2.4	25.5	9.4
Change from prior period	**Increase/(Decrease)**			
Revenues	0.5	3%	(0.7)	(2)%
Segment EBDA	6.6	275%	16.1	171 %
Operating statistics	**2018**	**2017**	**2018**	**2017**
Cochin transport volumes (MBbl/d)	82	84	85	86

Below are the changes in both Segment EBDA and revenues before certain items, in the comparable three and nine month periods ended September 30, 2018 and 2017:

Three months ended September 30, 2018 versus Three months ended September 30, 2017

	Segment EBDA increase/(decrease)		Revenues increase/(decrease)	
(In millions of Canadian dollars, except percentages)				
Cochin	6.5	437%	0.5	3%
Jet Fuel and other (including eliminations)	0.1	8%	—	—%
Total Pipelines	6.6	275%	0.5	3%

Nine months ended September 30, 2018 versus Nine months ended September 30, 2017

	Segment EBDA increase/(decrease)		Revenues increase/(decrease)	
(In millions of Canadian dollars, except percentages)				
Cochin	15.8	241%	(0.8)	(2)%
Jet Fuel and other (including eliminations)	0.3	11%	0.1	3 %
Total Pipelines	16.1	171%	(0.7)	(2)%

The changes in Segment EBDA for our Pipelines business segment are further explained by the following discussion of the significant factors driving Segment EBDA in the comparable three and nine month periods ended September 30, 2018 and 2017:

- increase of $6.5 million (437%) and $15.8 million (241%), respectively, from Cochin primarily due to a third quarter 2017 foreign exchange loss on intercompany receivables, a reduction in pipeline integrity expenses and outside services costs in 2018, and higher revenue due to rate increases in the third quarter of 2018. In addition to the above, the nine months ended increase in earnings was partially offset by a decrease in revenue due to lower delivered volumes for that period compared to the same period in 2017.

Terminals Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
(In millions of Canadian dollars, except operating statistics)				
Revenues	79.1	71.2	233.8	218.4
Operating expenses, except D&A	(34.1)	(32.4)	(98.9)	(99.9)
Other (expense) income, net	(0.4)	0.7	5.9	(1.9)
Segment EBDA	44.6	39.5	140.8	116.6
Certain items(a)	(0.5)	—	(9.5)	—
Segment EBDA before certain items	44.1	39.5	131.3	116.6
Change from prior period	**Increase/(Decrease)**			
Revenues	7.9	11%	15.4	7%
Segment EBDA before certain items	4.6	12%	14.7	13%

Operating statistics	**2018**	**2017**	**2018**	**2017**
Bulk transload tonnage (MMtonnes)	1.1	1.2	2.9	3.2
Liquids tankage capacity available for service (MMBbl)	9.4	7.3	9.4	7.3
Liquids utilization %(b)	93%	100%	93%	100%

(a) Represents the gain on the sale of certain assets.
(b) The ratio of our tankage capacity in service to tankage capacity available for service.

Below are the changes in both Segment EBDA before certain items and revenues in the comparable three and six month periods ended September 30, 2018 and 2017:

Three months ended September 30, 2018 versus Three months ended September 30, 2017

	Segment EBDA before certain items increase/(decrease)		Revenues increase/(decrease)	
(In millions of Canadian dollars, except percentages)				
Base Line joint venture	6.7	n/a	7.3	n/a
Edmonton South	1.0	14 %	0.8	4 %
North 40 Terminal	0.1	1 %	1.3	14 %
Vancouver Wharves Terminal	(0.8)	(10)%	(0.1)	— %
Edmonton Rail Terminal joint venture	(2.4)	(16)%	(1.5)	(9)%
All others (including eliminations)	—	— %	0.1	2 %
Total Terminals	4.6	12 %	7.9	11 %

Nine months ended September 30, 2018 versus Nine months ended September 30, 2017

	Segment EBDA before certain items increase/(decrease)		Revenues increase/(decrease)	
(In millions of Canadian dollars, except percentages)				
Base Line joint venture	14.8	n/a	16.6	n/a
Edmonton South	5.7	28 %	1.8	3 %
North 40 Terminal	3.2	13 %	3.8	14 %
Vancouver Wharves Terminal	(3.2)	(13)%	(5.4)	(8)%
Edmonton Rail Terminal joint venture	(5.0)	(11)%	(1.5)	(3)%
All others (including eliminations)	(0.8)	(40)%	0.1	2 %
Total Terminals	14.7	12 %	15.4	7 %

n/a - not applicable

The changes in Segment EBDA for our Terminals business segment are further explained by the following discussion of the significant factors driving Segment EBDA in the comparable three and nine month periods ended September 30, 2018 and 2017:

- increase of $6.7 million and $14.8 million, respectively, from Base Line joint venture as a result of the new tanks being placed into service;

- increase of $1.0 million (14%) and $5.7 million (28%), respectively, from Edmonton South primarily due to higher rates on re-contracted tank leases and contracted rate escalations, partially offset by tank lease costs following the Transaction;

- increase of $0.1 million (1%) and $3.2 million (13%), respectively, from North 40 Terminal primarily due to higher rates on re-contracted tank leases;

- decrease of $0.8 million (10%) and $3.2 million (13%), respectively, from Vancouver Wharves Terminal primarily due to higher labor costs and lower bulk handling volumes; and

- decrease of $2.4 million (16%) and $5.0 million (11%), respectively, from Edmonton Rail Terminal primarily due to expiration of a third party rail terminaling contract.

General and Administrative

Three Months Ended September 30,	**2018**	**2017**	**Increase/(decrease)**	
(In millions of Canadian dollars, except percentages)				
General and administrative	7.1	7.6	(0.5)	(7)%
Certain items(a)	1.6	(0.1)	1.7	(1,700)%
General and administrative before certain items	8.7	7.5	1.2	16 %

Nine Months Ended September 30,	**2018**	**2017**	**Increase/(decrease)**	
(In millions of Canadian dollars, except percentages)				
General and administrative	26.6	22.2	4.4	20 %
Certain items(a)	(1.4)	(2.6)	1.2	(46)%
General and administrative before certain items	25.2	19.6	5.6	29 %

(a) 2018 amounts represent labor expenses related to the Transaction.

The $1.2 million increase in general and administrative before certain items for the third quarter of 2018 when compared with the third quarter of 2017 was primarily driven by increased labor and benefit costs.

The $5.6 million increase in general and administrative before certain items for the nine months ended September 30, 2018 when compared with the respective prior year period was primarily driven by increased audit and legal fees and increased labor and benefit costs.

Interest (income) expense, Net

Three Months Ended September 30,	**2018**	**2017**	**Increase/(decrease)**	
(In millions of Canadian dollars, except percentages)				
Interest (income) expense, net	(6.1)	(2.0)	(4.1)	205%
Certain items(a)	(1.0)	—	(1.0)	n/a
Interest (income) expense, net before certain items	(7.1)	(2.0)	(5.1)	255%

Nine Months Ended September 30,	**2018**	**2017**	**Increase/(decrease)**	
(In millions of Canadian dollars, except percentages)				
Interest (income) expense, net	(6.1)	4.6	(10.7)	(233)%
Certain items(a)	(1.0)	—	(1.0)	n/a
Interest (income) expense, net before certain items	(7.1)	4.6	(11.7)	(254)%

(a) 2018 amounts represent costs associated with debt refinancing, see Note 3 "Debt" to the accompanying consolidated financial statements.

The $5.1 million and $11.7 million decrease in Interest (income) expense, net before certain items for the three and nine months ended September 30, 2018 when compared with the respective prior year periods was primarily driven by higher interest income due to deposits made from the Transaction proceeds into interest bearing cash equivalent accounts.

Income Tax Expense from Continuing Operations

Three Months Ended September 30, 2018 vs Three Months Ended September 30, 2017

Income tax expense from continuing operations for the three months ended September 30, 2018 was $9.3 million, as compared with $7.7 million for the same period of 2017. The $1.6 million increase in tax expense is primarily due to higher income from continuing operations before income taxes in 2018 as compared to the same period in 2017, partially offset by the impact of a change in the provincial tax rate change on our deferred tax liabilities in 2017.

Nine Months Ended September 30, 2018 vs Nine Months Ended September 30, 2017

Income tax expense from continuing operations for the nine months ended September 30, 2018 was $25.0 million, as compared with $17.7 million for the same period of 2017. The $7.3 million increase in tax expense is primarily higher income from continuing operations before income taxes in 2018 as compared to the same period in 2017, partially offset by the impact of a change in the provincial tax rate change on our deferred tax liabilities in 2017.

Income from Discontinued Operations, Net of Tax

Three Months Ended September 30,	**2018**	**2017**	**Increase/(decrease)**	
(In millions of Canadian dollars, except percentages)				
Income from Discontinued Operations, net of tax(a)	1,327.2	32.6	1,294.6	3,971 %
Certain items(b)	(1,304.6)	(0.1)	(1,304.5)	n/a
Income from Discontinued Operations, net of tax, before certain items	22.6	32.5	(9.9)	(30)%

Nine Months Ended September 30,	**2018**	**2017**	**Increase/(decrease)**	
(In millions of Canadian dollars, except percentages)				
Income from Discontinued Operations, net of tax(a)	1,347.8	86.3	1,261.5	1,462 %
Certain items(b)	(1,260.2)	1.9	(1,262.1)	n/a
Income from Discontinued Operations, net of tax, before certain items	87.6	88.2	(0.6)	(1)%

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(a) See Note 2 “Trans Mountain Transaction” to the accompanying consolidated financial statements for the income statement line item components of discontinued operations.

(b) The three and nine months ended September 30, 2018 includes $1,308.0 million for the gain on sale of the Trans Mountain Asset Group, (net of tax gain of $69.5 million) and Transaction related expenses of approximately $3.4 million, net of tax. In the second quarter of 2018, approximately $44.4 million of deferred costs, net of tax, associated with our 2017 Credit Facility that were being amortized as interest expense over its term were written off and have been included as a certain item from discontinued operations in the nine months ended September 30, 2018.

The $9.9 million decrease in Income from Discontinued Operations, net of tax, before certain items is primarily driven by one less month of operations for the Trans Mountain Asset Group in 2018 as compared to the comparable three month period ended 2017, partially offset by $1.9 million increase in capitalized equity financing costs associated with TMEP construction.

The $0.6 million decrease in Income from Discontinued Operations, net of tax, before certain items is primarily due to increased operating costs in 2018 and one less month of operations for the Trans Mountain Asset Group in 2018 as compared to the comparable nine month period in 2017, partially offset by $15.2 million increase in capitalized equity financing costs associated with TMEP construction.

Net Income Attributable to Kinder Morgan Interest

Net income attributable to Kinder Morgan interest represents the allocation of our consolidated net income attributable to the outstanding ownership interests in our consolidated subsidiaries that are owned by Kinder Morgan’s wholly-owned subsidiaries. The increase in net income attributable to Kinder Morgan interest for the three and nine months ended September 30, 2018 when compared with the respective prior year periods was $912.0 million and $875.4 million, which was primarily attributable to the gain on the Transaction. See Note 2 “Trans Mountain Transaction” to the accompanying consolidated financial statements.

Liquidity and Capital Resources

2018 Credit Facility

Upon the closing of the Transaction on August 31, 2018, we established a 4-year, $500 million unsecured revolving credit facility (the "2018 Credit Facility") for working capital purposes, replacing a temporary credit facility that was put in place following the announcement of the Transaction on May 30, 2018 (the "Temporary Credit Facility"). The $132.6 million of outstanding borrowings under the Temporary Credit Facility were paid off, prior to its termination, with a portion of the Transaction proceeds. As of September 30, 2018, we had no outstanding borrowings under our 2018 Credit Facility.

Short-term Liquidity and Funding Capital Expenditures

As of September 30, 2018, we had $4,350.1 million of "Cash and cash equivalents" and $446.0 million of available borrowing capacity under our 2018 Credit Facility, after reducing the $500 million capacity for the $54.0 million in letters of credit. Of the total $54.0 million of letters of credit issued, approximately $50.5 million are issued on behalf of Trans Mountain for which it has issued a backstop letter of credit to us.

As of September 30, 2018 and December 31, 2017, our principal source of short-term liquidity was our cash from operating activities of our continuing operations. We had a working capital (defined as current assets less current liabilities) excess of $3,994.8 million and of $42.3 million as of September 30, 2018 and December 31, 2017, respectively. The September 30, 2018 excess working capital balance includes the net Transaction proceeds of $3,916.9 million after paying down outstanding borrowings described above and certain Transaction expenses. Generally, our working capital balance varies due to factors such as timing differences in the collection and payment of receivables and payables. Also, see "*—Trans Mountain Transaction"* for board approval to distribute the net proceeds from the Transaction in early 2019.

Our operations generated cash flows from operating activities of $305.1 million and $158.8 million, which included $182.3 million and $71.7 million of cash flows from operating activities from our discontinued operations, in the nine months ended September 30, 2018 and 2017, respectively. Also, see "*—Cash Flows — Operating Activities*" below, and Note 2 to the accompanying consolidated financial statements.

We believe our cash position, remaining borrowing capacity on our 2018 Credit Facility, and our cash flows from operating activities from our continuing operations are adequate to allow us to manage our day-to-day cash requirements and anticipated obligations including the proposed special dividend as discussed further below.

Capital Expenditures

We account for our capital expenditures in accordance with GAAP. We also distinguish between capital expenditures that are maintenance/sustaining capital expenditures and those that are expansion capital expenditures. Expansion capital expenditures are those expenditures which increase throughput or capacity from that which existed immediately prior to the addition or improvement, and are not deducted in calculating DCF. Sustaining capital expenditures are those which maintain throughput or capacity. The distinction between maintenance and expansion capital expenditures is a physical determination rather than an economic one, irrespective of the amount by which the throughput or capacity is increased.

Budgeting of sustaining capital expenditures is done annually on a bottom-up basis. For each of our assets, we budget for and make those sustaining capital expenditures that are necessary to maintain safe and efficient operations, meet customer needs and comply with our operating policies and applicable law. We may budget for and make additional sustaining capital expenditures that we expect will produce economic benefits such as increasing efficiency and/or lowering future expenses. Budgeting and approval of expansion capital expenditures are generally made periodically throughout the year on a project-by-project basis in response to specific investment opportunities identified by our business segments from which we generally expect to receive sufficient returns to justify the expenditures. Generally, the determination of whether a capital expenditure is classified as sustaining or as expansion capital expenditures is made on a project level. The classification of capital expenditures as expansion capital expenditures or as sustaining capital expenditures is made consistent with our accounting policies and is generally a straightforward process, but in certain circumstances can be a matter of management judgment and discretion. The classification of capital expenditures has an impact on DCF because capital expenditures that are classified as expansion capital expenditures are not deducted from DCF, while those classified as sustaining capital expenditures are.

Our capital expenditures for the nine months ended September 30, 2018 for our continuing operations, and the amount that is expected to be spent to sustain and grow our continuing operations for the remainder of 2018 are as follows.

	Nine Months Ended September 30, 2018 (a)	2018 Remaining for Continuing Operations	Total 2018
(In millions of Canadian dollars)			
Sustaining capital expenditures (b)	10.1	9.7	19.8
Expansion capital expenditures (c)	58.7	43.3	102.0

(a) Nine months ended September 30, 2018 amount includes $24.6 million of net changes from accrued capital expenditures, contractor retainage, capitalized equity financing costs and other.

(b) Nine months ended September 30, 2018 excludes $18.6 million of TMPL sustaining capital expenditures prior to the August 31, 2018 Transaction close date.

(c) Nine months ended September 2018 excludes $444.7 million of TMEP expansion capital expenditures prior to the August 31, 2018 Transaction date.

Off Balance Sheet Arrangements

As of September 30, 2018, we had no off balance sheet arrangements other than those included below under "—*Contractual Obligations and Commercial Commitments*."

Contractual Obligations and Commercial Commitments

	Payments due by period				
	Total	Less than 1 year	2 - 3 year	4 - 5 years	More than 5 years
(In millions of Canadian dollars)					
Contractual obligations:					
Leases and rights-of-way obligations(a)	308.0	20.5	128.1	112.2	47.2
Postretirement welfare plans(b)	1.5	—	0.1	0.1	1.3
Total	309.5	20.5	128.2	112.3	48.5
Other commercial commitments:					
Standby letters of credit(c)	54.0	50.5	3.5	—	—
Capital expenditures(d)	26.6	26.6	—	—	—

(a) Represents commitments pursuant to the terms of operating lease agreements and liabilities for rights-of-way.

(b) Represents the amount by which the benefit obligations exceeded the fair value of plan assets for other postretirement benefit plans. The payments by period include estimated benefit payments for unfunded plans in all years.

(c) Includes $50.5 million of Trans Mountain outstanding letters of credit for which it has issued us a backstop letter of credit and $3.5 million of letters of credit for our continuing operations.

(d) Represents commitments for the purchase of plant, property and equipment as of September 30, 2018 including $21.2 million of our proportional share of commitments through joint ownership of a joint venture.

Cash Flows

The following table summarizes our net cash flows from operating, investing and financing activities for each period presented for our combined continuing and discontinued operations:

Nine Months Ended September 30,	**2018**	**2017**
(In millions of Canadian dollars)		
Net cash provided by (used in):		
Operating activities	305.1	158.8
Investing activities	3,420.7	(419.6)
Financing activities	384.8	433.8
Change in Cash, Cash Equivalents, and Restricted Deposits held by the Trans Mountain Asset Group	128.3	(18.9)
Effect of exchange rate changes on cash, cash equivalents and restricted deposits	0.5	(1.3)
Net increase in cash, cash equivalents and restricted deposits	4,239.4	152.8

Operating Activities

The net increase of $146.3 million (92%) in cash provided by operating activities in the nine months ended September 30, 2018 compared to the same period in 2017 was primarily attributable to:

- a $428.6 million net increase in cash associated with net changes in operating assets and liabilities, primarily attributable to the following: (i) an increases in cash due to an increase in the current income tax liabilities associated with the gain on the sale of the Trans Mountain Asset Group; (ii) favorable changes in the collections and refunds of Westridge Marine Terminal dock premiums; and (iii) an increase in cash due to interest payments made on the KMI Loans that were paid off in the second quarter of 2017; partially offset by,
- a $282.3 million decrease in operating cash flow resulting from the combined effects of adjusting the $1,293.2 million increase in net income for the period-to-period changes in non-cash items primarily consisting of the following: (i) a $1,235.1 million gain on the sale of the Trans Mountain Asset Group in 2018; (ii) deferred income taxes, including the deferred tax benefit related to the gain on the sale of the Trans Mountain Asset Group in 2018; (iii) capitalized equity financing costs; (iv) the change in the foreign exchange rate; (v) D&A expense; (vi) 2018 write-off of unamortized debt issuance costs; and (vii) other non-cash items.

Investing Activities

The $3,840.30 million net increase in cash provided by the investing activities in the nine months ended September 30, 2018 compared to the same period in 2017 was primarily attributable to:

- a $3,921.2 million increase in cash reflecting proceeds received from the sale of the Trans Mountain Asset Group, net of cash disposed in the 2018 period;
- a $16.2 million increase in cash due to higher proceeds received from the sales of assets in the 2018 period compared to the 2017 period; and
- a $1.3 million decrease in cash used due to lower contributions made to our reclamation trusts and change in Other, net in the 2018 period compared to the 2017 period; partially offset by,
- a $98.4 million increase in capital expenditures primarily for the TMEP partially offset by a decrease in capital expenditures for the Base Line expansion project.

Financing Activities

The net decrease of $49.0 million in cash provided by financing activities in the nine months ended September 30, 2018 compared to the same period in 2017 was primarily attributable to:

- a $1,671.0 million decrease in cash reflecting proceeds received from our IPO, net of fees paid in the 2017 period;
- a $293.5 million decrease in cash reflecting proceeds received from the preferred shares issuance, net of fees paid in the 2017 period;

- a $91.9 million increase in distributions paid to the Kinder Morgan interest in the 2018 period compared to the 2017 period;
- a $32.5 million increase in dividends paid to Restricted Voting Stockholders in the 2018 period compared to the 2017 period;
- $20.5 million of cash dividends paid to preferred shareholders in the 2018 period; and
- $6.0 million of tax payments made related to vested employee restricted share unit awards in the 2018 period; partially offset by,
- a $1,606.3 million decrease in cash used reflecting repayments of the KMI Loans in the 2017 period using proceeds from the IPO;
- a $394.9 million increase in net borrowings under our and TMEP's credit facilities in the 2018 period compared with borrowings made in the 2017 period. See Note 3 "Debt" for further information regarding our and TMEP's credit facilities activity; and
- a $65.2 million decrease in cash used associated with a reduction in debt and preferred shares issuance costs in the 2018 period compared to the 2017 period.

Equity, Dividends and Distributions

As of both September 30, 2018 and October 24, 2018, we had (i) 104.6 million and 244.1 million of Restricted Voting Shares and Special Voting Shares outstanding, respectively, with no par value for an aggregate of 348.7 million voting shares outstanding, (ii) 12.0 million and 10.0 million of Series 1 Preferred Shares and Series 3 Preferred Shares outstanding, respectively, and (iii) 0.2 million of restricted stock awards outstanding.

Proposed Return of Capital, Stated Capital Reduction and Share Consolidation

As discussed in Note 2 "Trans Mountain Transaction" to the accompanying consolidated financial statements, subject to the Stated Capital Reduction and Share Consolidation being approved by a two-thirds majority of voting shareholders, and the board's subsequent confirmation thereof, the anticipated payment date for the Return of Capital is expected to be January 3, 2019, with the Share Consolidation to occur a few days thereafter. KMI has stated that it intends to vote in favor of these proposals with its approximate 70% voting interest in us. Accounting for the shareholder approved Share Consolidation will be on a retroactive basis.

Dividends and Distributions on Restricted Voting Shares and Special Voting Shares

The Limited Partnership currently makes quarterly cash distributions to the Company (as an indirect holder of Class A Units and Preferred LP Units, through the General Partner) and to Kinder Morgan (as an indirect holder of Class B Units) in accordance with the terms of the Limited Partnership Agreement. Distributions are not guaranteed and are subject to the approval of the General Partner. To the extent distributions are approved, all distributions on the Class A Units and Preferred LP Units are immediately distributed by the General Partner to the Company, which then uses such distributions to pay dividends to the holders of (i) then outstanding Preferred Shares of the Company (currently being Series 1 Preferred Shares and Series 3 Preferred Shares) pursuant to the terms of such Preferred Shares, and (ii) Restricted Voting Shares pursuant to the Company's dividend policy.

On October 17, 2018, our board of directors approved a quarterly dividend of $0.1625 per Restricted Voting Share for the three month period ended September 30, 2018 to be paid on November 15, 2018 to shareholders of record on October 31, 2018.

Prior to the announced Transaction, our dividend reinvestment plan (DRIP) and the Limited Partnership distribution reinvestment plan, incentivized by a 3% market discount, was an important source of capital for funding the TMEP. Given that TMEP is no longer relevant, the board of directors elected to eliminate the market discount for future periods. All other terms and conditions related to participation in our DRIP remain unchanged. Similarly, due to our reduced need for capital, Kinder Morgan elected to suspend its participation in the Limited Partnership's distribution reinvestment plan.

Dividends on Series 1 Preferred Shares and Series 3 Preferred Shares

We also pay dividends on our 12,000,000 Series 1 Preferred Shares and 10,000,000 Series 3 Preferred Shares, which are fixed, cumulative, preferential, and payable quarterly in the annual amount of $1.3125 per share and $1.3000 per share, respectively, on the 15th day of February, May, August and November, as and when declared by our board of directors, for the initial fixed rate period to but excluding November 15, 2022 and February 15, 2023, respectively.

Also, see Item 1, Note 4 "Equity" to the accompanying consolidated financial statements for information concerning outstanding Restricted Voting Shares (and associated restricted stock awards), Special Voting Shares and Preferred Shares, and 2018 paid and declared dividends and distributions.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

There have been no material changes in market risk exposures that would affect the quantitative and qualitative disclosures presented as of December 31, 2017 in Item 7A in our 2017 Form 10-K. For more information on our risk management activities, see Item 1, Note 6 "Risk Management and Financial Instruments" to the accompanying consolidated financial statements.

Item 4. ***Controls and Procedures.***

As of September 30, 2018, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of the evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. There has been no change in our internal control over financial reporting during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We note that, due to the Transaction, we have eliminated certain controls related to the Trans Mountain Asset Group.

EXPLANATORY NOTE

Capitalized terms used throughout this document are defined in "*Glossary*" below. References to "we," "us," "our" and the "Company" are to Kinder Morgan Canada Limited and its majority-owned and/or controlled subsidiaries. We state our financial statements in Canadian dollars. References in this document to "dollars," "$" or "CAD$" are to the currency of Canada, and references to "U.S.$" or "U.S. dollar" are to the currency of the U.S.

GLOSSARY

Company Abbreviations

Class A Units	=	the Class A limited partnership units of the Limited Partnership
Class B Units	=	the Class B limited partnership units of the Limited Partnership
Cochin	=	Canadian portion of the U.S. and Canadian Cochin pipeline system
General Partner	=	Kinder Morgan Canada GP Inc.
IPO	=	Initial Public Offering of KML's Restricted Voting Shares in May 2017
Jet Fuel	=	Jet Fuel pipeline system
KMCI	=	Kinder Morgan Canada Inc.
KML	=	Kinder Morgan Canada Limited and its majority-owned and/or controlled subsidiaries
Kinder Morgan or KMI	=	Kinder Morgan, Inc.
Limited Partnership	=	Kinder Morgan Canada Limited Partnership
LP Units	=	collectively, the Class A Units and the Class B Units
Preferred LP Units	=	the preferred limited partnership units in the Limited Partnership
Preferred Shares	=	collectively all outstanding preferred shares in the capital of KML (if and when issued)
Puget Sound	=	Puget Sound pipeline system
Restricted Voting Shares	=	the restricted voting shares in the capital of KML
Series 1 Preferred Shares	=	the 12,000,000 cumulative redeemable minimum rate reset Preferred Shares, Series 1 in the capital of KML
Series 3 Preferred Shares	=	the 10,000,000 cumulative redeemable minimum rate reset Preferred Shares, Series 3 in the capital of KML
Special Voting Shares	=	the special voting shares in the capital of KML
TMEP	=	Trans Mountain Expansion Project
TMPL	=	Trans Mountain pipeline system
Trans Mountain Asset Group	=	the assets sold, collectively, TMPL, along with its associated Puget Sound, the TMEP, and KMCI, the Canadian employer of the staff that operates the business
Trans Mountain	=	Trans Mountain Pipeline ULC

Common Industry and Other Terms

/d	=	per day
Adjusted EBITDA	=	adjusted earnings before interest expense, taxes, depreciation and amortization
DCF	=	distributable cash flow
D&A	=	depreciation and amortization
EBDA	=	earnings before depreciation and amortization expenses
FASB	=	Financial Accounting Standards Board
GAAP or U.S. GAAP	=	United States Generally Accepted Accounting Principles
MBbl	=	thousand barrels
MMBbl	=	million barrels
MMtonnes	=	million metric tonnes.
U.S.	=	United States of America

Information Regarding Forward-Looking Statements

This report includes forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," or the negative of those terms or other variations of them or comparable terminology. In particular, expressed or implied statements concerning future actions, conditions or events, future operating results or the ability to generate sales, income or cash flow or to pay dividends are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict.

Our business, financial condition and results of operations, including our ability to pay cash dividends, are substantially dependent on our financial condition and results of operations. As a result, factors or events that impact our business are likely to have a commensurate impact on us, the market price and value of the Restricted Voting Shares, Preferred Shares, and our ability to pay dividends.

Forward-looking statements in this report include statements, express or implied, concerning, without limitation: the use of net proceeds from the sale of the TMPL and TMEP, including the Return of Capital and associated Stated Capital Reduction, and the Share Consolidation (each defined herein), including (in each case) the timing thereof; the Base Line Terminal and Vancouver Wharves expansion projects, including completion or potential termination of such projects, anticipated costs, scheduling and in-service dates, future benefits and utilization, anticipated project returns and the impacts of such projects; remaining performance obligations for contracted revenue; litigation and contingencies, including anticipated liability, resolution and outcome of such actions and proceedings.

See Part II, Item 1A and Item 1 "*Notes to Consolidated Financial Statements—Note 2. Trans Mountain Transaction"* and Item 2. "*Management's Discussion and Analysis—Recent Developments—Outlook"* included in this report, and "*Information Regarding Forward-Looking Statements*" and Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 (2017 Form 10-K) for a more detailed description of factors that may affect the forward-looking statements. You should keep these risk factors in mind when considering forward-looking statements. These risk factors could cause our actual results to differ materially from those contained in any forward-looking statement. Because of these risks and uncertainties, you should not place undue reliance on any forward-looking statement. Any financial outlook or other forward-looking statements included in this report are included for the purpose of providing information relating to management's current expectations and plans for the future, are based on a number of significant assumptions and may not be appropriate, and should not be used, for any purpose other than those for which such forward-looking statements are disclosed herein.

Important Additional Information Regarding the Reduction in Stated Capital and Share Consolidation Will Be Filed with the SEC and on SEDAR

This report is neither a solicitation of a proxy nor an offer to purchase nor a solicitation of an offer to sell any securities. This report is also not a substitute for any proxy statement or other filings that may be made with the Securities Exchange Commission (the "SEC") with respect to the proposed Reduction in Stated Capital and the Share Consolidation described under Item 1 "*Notes to Consolidated Financial Statements—Note 2. Trans Mountain Transaction"* and Item 2. "*Management's Discussion and Analysis—Recent Developments—Outlook."* Approval of these proposed transactions will be submitted to the Company's shareholders for their consideration, and the Company will file a definitive proxy statement to be used to solicit shareholder approval of the transaction with the SEC and on SEDAR. Detailed information about these transactions will be contained in the definitive proxy statement and other documents to be filed with the SEC and on SEDAR and mailed to shareholders prior to the meeting.

Investors and security holders will be able to obtain free copies of the definitive proxy statement and other documents filed with the SEC by the Company through the web site maintained by the SEC at www.sec.gov or on the Company's website at https://ir.kindermorgancanadalimited.com/, and under the Company's profile on SEDAR at www.sedar.com.

The Company and its directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the Reduction in Stated Capital and the Share Consolidation. Information regarding the Company's directors and executive officers is contained in the 2017 Form 10-K and KML's information circular and proxy statement for its 2018 Annual Meeting of Shareholders, which are filed with the SEC. A more complete description will be available in the proxy statement to be used to solicit shareholder approval of the proposed transactions.