

TC Energy reports strong second quarter 2025 operating and financial results

*Solid execution and asset performance support higher 2025 financial outlook
Market fundamentals drive customer demand for incremental capacity projects*

CALGARY, Alberta – July 31, 2025 – TC Energy Corporation (TSX, NYSE: TRP) (TC Energy or the Company) released its second quarter results today. François Poirier, TC Energy's President and Chief Executive Officer commented, "Our commitment to safety and operational excellence continues to drive strong reliability, availability and financial performance, and we now expect our 2025 comparable EBITDA¹ outlook to be higher, in the range of \$10.8 to \$11.0 billion." Poirier continued, "Compelling fundamentals are unlocking further growth opportunities across our North American portfolio. To meet this unprecedented demand, we have announced \$4.5 billion of new growth projects over the past nine months, including requests for incremental capacity on projects already announced — a trend we're seeing on several projects currently in development. Our focus on project execution is also delivering tangible results and we expect to place approximately \$8.5 billion of capital projects into service this year, on time and are tracking approximately 15 per cent below budget. We remain highly confident in our disciplined strategy and our ability to capture high-value, low-risk opportunities across North America that drive long-term shareholder value."

Financial Highlights

(All financial figures are unaudited and in Canadian dollars unless otherwise noted)

- Second quarter 2025 financial results from continuing operations²:
 - Comparable earnings¹ of \$0.8 billion or \$0.82 per common share compared to \$0.8 billion or \$0.79 per common share in second quarter 2024
 - Net income attributable to common shares of \$0.9 billion or \$0.83 per common share compared to \$0.8 billion or \$0.78 per common share in second quarter 2024
 - Comparable EBITDA of \$2.6 billion, compared to \$2.3 billion in second quarter 2024
 - Segmented earnings of \$2.0 billion compared to \$1.7 billion in second quarter 2024
- 2025 outlook:
 - **Comparable EBITDA** is now expected to be higher, in the range of \$10.8 to \$11.0 billion³, compared to previous outlook of \$10.7 to \$10.9 billion
 - **Comparable earnings per common share (EPS)** outlook remains consistent with our 2024 Annual Report, and is expected to be lower than 2024
 - **Capital expenditures** are anticipated to be \$6.1 to \$6.6 billion on a gross basis, or \$5.5 to \$6.0 billion of net capital expenditures⁴
- Declared a quarterly dividend of \$0.85 per common share for the quarter ending September 30, 2025.

¹ Comparable EBITDA, comparable earnings and comparable earnings per common share are non-GAAP measures used throughout this news release. These measures do not have any standardized meaning under GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. The most directly comparable GAAP measures are Segmented earnings, Net income attributable to common shares and Net income per common share, respectively. We do not forecast Segmented earnings. For more information on non-GAAP measures, refer to the Non-GAAP and Supplementary financial measure section of this news release.

² Prior year results have been recast to reflect the Liquids Pipelines business as a discontinued operation as a result of the Spinoff Transaction.

³ Based on USD/CAD foreign exchange rate of 1.35 for the second half of 2025.

⁴ Net capital expenditures are adjusted for the portion attributed to non-controlling interests and is a supplementary financial measure used throughout this news release. For more information on non-GAAP measures and the supplementary financial measure, refer to the Non-GAAP and Supplementary financial measure section of this news release.

Operational Highlights

- Canadian Natural Gas Pipelines deliveries averaged 23.4 Bcf/d, up five per cent compared to second quarter 2024
 - Total NGTL System receipts set a new record of 15.5 Bcf on April 13, 2025
 - Canadian Mainline – Western receipts averaged 4.4 Bcf/d, up seven per cent compared to second quarter 2024
- U.S. Natural Gas Pipelines daily average flows were 25.7 Bcf/d, in line with second quarter 2024
 - Deliveries to LNG facilities averaged 3.5 Bcf/d, up six per cent compared to second quarter 2024
- Mexico Natural Gas Pipelines flows averaged 3.6 Bcf/d, three per cent higher than second quarter 2024
 - Set a daily flow record of 4.4 Bcf on April 22, 2025
- Bruce Power achieved 98 per cent availability in second quarter 2025
- Cogeneration power plant fleet achieved 93.4 per cent availability in second quarter 2025.

Project Highlights

- The Southeast Gateway pipeline is in service and we commenced the collection of tolls from the Comisión Federal de Electricidad (CFE) beginning May 2025. In July 2025, the newly constituted Comisión Nacional de Energía (CNE) approved our regulated rates required to provide service to potential future interruptible service users on the Southeast Gateway pipeline other than the CFE
- The East Lateral XPress (ELXP) project, an expansion project on the Columbia Gulf system that connects supply to U.S. Gulf Coast LNG export markets, was placed in service in May 2025, with total project costs of approximately US\$0.3 billion
- On July 1, 2025, Columbia Gas notified FERC that it has reached a settlement-in-principle on the Columbia Gas Section 4 Rate Case. Columbia Gas expects the final settlement to include an increase relative to pre-filed rates, subject to revision following completion and approval of settlement terms, anticipated in fourth quarter 2025
- Upsized capacity on the previously announced Maysville and Pulaski projects — mainline extension projects off Columbia Gulf — to support incremental load growth in the region, including data centre development
- Reached positive FID on \$0.4 billion of expansion projects as part of the Multi-Year Growth Plan (MYGP). With in-service dates expected in 2027, the projects are designed to serve system demand growth and new supply on the NGTL System.

	three months ended June 30		six months ended June 30	
(millions of \$, except per share amounts)	2025	2024 ¹	2025	2024 ¹
Income				
Net income (loss) attributable to common shares from continuing operations	862	804	1,840	1,792
per common share – basic	\$0.83	\$0.78	\$1.77	\$1.73
Segmented earnings (losses)				
Canadian Natural Gas Pipelines	551	514	1,067	1,015
U.S. Natural Gas Pipelines	907	762	2,016	1,805
Mexico Natural Gas Pipelines	191	266	402	478
Power and Energy Solutions	312	220	447	472
Corporate	(7)	(26)	(12)	(87)
Total segmented earnings (losses)	1,954	1,736	3,920	3,683
Comparable EBITDA from continuing operations				
Canadian Natural Gas Pipelines	923	846	1,813	1,692
U.S. Natural Gas Pipelines	1,089	1,003	2,456	2,309
Mexico Natural Gas Pipelines	319	286	552	500
Power and Energy Solutions	301	227	525	547
Corporate	(7)	(14)	(12)	(30)
Comparable EBITDA from continuing operations	2,625	2,348	5,334	5,018
Depreciation and amortization	(671)	(633)	(1,349)	(1,268)
Interest expense	(847)	(783)	(1,687)	(1,563)
Allowance for funds used during construction	114	184	362	341
Foreign exchange gains (losses), net included in comparable earnings	55	(51)	45	(8)
Interest income and other	49	68	100	143
Income tax (expense) recovery included in comparable earnings	(294)	(143)	(586)	(424)
Net (income) loss attributable to non-controlling interests included in comparable earnings	(155)	(141)	(332)	(312)
Preferred share dividends	(28)	(27)	(56)	(50)
Comparable earnings from continuing operations	848	822	1,831	1,877
Comparable earnings per common share from continuing operations	\$0.82	\$0.79	\$1.76	\$1.81

1 Results reflect continuing operations.

	three months ended June 30		six months ended June 30	
(millions of \$, except per share amounts)	2025	2024	2025	2024
Cash flows¹				
Net cash provided by operations ²	2,173	1,655	3,532	3,697
Comparable funds generated from operations ^{2,3}	1,964	1,874	3,913	4,310
Capital spending ⁴	1,379	1,591	3,188	3,488
Disposition of equity interest, net of transaction costs ⁵	—	464	—	426
Dividends declared				
per common share	\$0.85⁶	\$0.96	\$1.70⁶	\$1.92
Basic common shares outstanding (millions)				
– weighted average for the period	1,040	1,037	1,040	1,037
– issued and outstanding at end of period	1,040	1,037	1,040	1,037

1 Includes continuing and discontinued operations.

2 Includes Liquids Pipelines earnings for the three and six months ended June 30, 2024 compared to Liquids Pipelines earnings of nil for the same periods in 2025. Refer to the 2024 Annual Report for additional information.

3 Comparable funds generated from operations is a non-GAAP measure used throughout this news release. This measure does not have any standardized meaning under GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. The most directly comparable GAAP measure is net cash provided by operations. For more information on non-GAAP measures, refer to the Non-GAAP and Supplementary financial measure section of this news release.

4 Capital spending reflects cash flows associated with our Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to Note 4, Segmented information, of our Condensed consolidated financial statements for additional information.

5 Included in the Financing activities section of the Condensed consolidated statement of cash flows.

6 Reflects dividends declared following the Spinoff Transaction.

CEO Message

Through the first half of 2025, TC Energy safely and reliably delivered energy across North America, maximizing asset value through safety and operational excellence. Despite the volatility in commodity markets and a complex macroeconomic backdrop, our business continues to demonstrate resiliency, achieving 12 per cent growth in comparable EBITDA and 13 per cent growth in segmented earnings compared to second quarter 2024. Driven by strong performance and focused execution, we now expect our **2025 comparable EBITDA outlook to be higher, in the range of \$10.8 to \$11.0 billion**, compared to the original outlook of \$10.7 to \$10.9 billion. We continue to advance our strategic priorities – executing a selective portfolio of growth projects, maintaining financial strength and agility, while maximizing the value of our assets through safety and operational excellence. Our performance continues to underscore the strength of our business model and our ability to consistently deliver solid growth, low risk and repeatable performance. TC Energy's Board of Directors approved a quarterly common share dividend of \$0.85 per common share for the quarter ending September 30, 2025, equivalent to \$3.40 per common share on an annualized basis.

Following the completion of the **Southeast Gateway pipeline** on schedule and under budget in the second quarter, we commenced the collection of tolls from the CFE beginning May 2025. This event represents a significant operational and financial milestone, and an important step for Mexico's energy landscape and economic development. The Southeast Gateway pipeline is a transformative infrastructure project – serving as a critical artery for delivering natural gas to underserved regions in Southeast Mexico, driving economic growth and energy security while supporting the country's transition to lower-emitting, more reliable sources of energy. In July, the newly constituted Comisión Nacional de Energía (CNE) approved our regulated rates required to provide service to potential future interruptible service users on the Southeast Gateway pipeline other than the CFE.

As part of our ongoing efforts to **maximize the value of our assets**, on July 1, 2025, Columbia Gas notified FERC that it has reached a settlement-in-principle on the Columbia Gas Section 4 Rate Case. Columbia Gas expects the final settlement to include an increase relative to pre-filed rates, subject to revision following completion and approval of settlement terms, which we anticipate in fourth quarter 2025. This outcome on our second-largest pipeline asset demonstrates our ongoing commitment to enhance system integrity and service reliability while ensuring timely capital recovery to maximize our long-term cash flow profile.

We continue to **execute our growth projects on-time and are tracking 15 per cent below budget** on approximately \$8.5 billion of assets expected to be placed into service this year. Year to date, we have placed into service approximately \$5.8 billion of natural gas pipeline capacity projects, including the Southeast Gateway pipeline. In May, we successfully placed the East Lateral XPress (ELXP) project into service. As a strategic expansion of the Columbia Gulf Transmission system, ELXP delivers approximately 0.7 Bcf/d of firm natural gas capacity directly to Venture Global's Plaquemines LNG terminal in Louisiana, reinforcing our role in enabling reliable, long-term energy supply to global markets.

Fundamentals continue to drive **significant growth opportunities** for the incremental build-out of natural gas infrastructure across LNG export, coal-to-gas conversions, data centre demand and LDC reliability. Reflecting this momentum, we reached a positive FID on \$0.4 billion of expansion facilities as part of MYGP; a program comprised of multiple distinct projects with targeted in-service dates between 2027 and 2030, subject to final company and regulatory approvals. Once complete, MYGP is expected to enable approximately 1.0 Bcf/d of incremental system throughput – further enhancing our ability to connect natural gas supply from competitive, low-cost basins to critical demand markets across North America. Additionally, we have upsized capacity on our previously announced Maysville and Pulaski projects. In aggregate, over the past nine months we have announced \$4.5 billion of new capital projects, each underpinned by long-term take or pay contracts with strong counterparties and delivering a weighted average build multiple¹ in the 5-7 times range. Our origination pipeline remains robust, with both the volume and scale of opportunities continuing to grow. We are seeing increased demand across multiple

¹ Build multiple is a non-GAAP ratio calculated by dividing capital expenditures by comparable EBITDA. Please note our method for calculating build multiple may differ from methods used by other entities. Therefore, it may not be comparable to similar measures presented by other entities. For more information on non-GAAP measures and the supplementary financial measure, refer to the Non-GAAP and Supplementary financial measure section of this news release.

end-use sectors, with customers seeking additional capacity to upsize their projects. We believe this trend reflects strong underlying market fundamentals and reinforces our confidence in the long-term need for safe, reliable and affordable natural gas infrastructure.

Looking ahead, we have clear visibility into a steady cadence of project announcements in the second half of 2025 and into 2026. Maintaining commitment to our annual net capital expenditure range of \$6.0 to \$7.0 billion, the majority of incremental capital is expected to be allocated toward the latter part of the decade. Our strategy remains centred on advancing low-risk, brownfield projects, underpinned by long-term contracts with strong counterparties, delivering attractive build multiples. This disciplined approach supports organic comparable EBITDA growth, underpins our three to five per cent annual dividend growth target, and enables ongoing deleveraging as we manage to our long-term target of 4.75 times debt-to-EBITDA¹ ratio. These efforts collectively reinforce our commitment to sustainable, long-term value creation for shareholders.

Finally, we released our **2025 Report on Sustainability**. The report reaffirms TC Energy's role in a collective effort to advance a lower-emissions energy system and demonstrates how we're aiming to strike a balance between meeting growing energy demand and addressing rising global emissions, while collaborating closely with Indigenous rights holders, customers, neighbors and governments across Canada, the U.S. and Mexico. Key highlights include:

- Reduced absolute methane emissions by 12 per cent between 2019 and 2024 while increasing natural gas throughput by 15 per cent and comparable EBITDA in our natural gas business by 40 per cent
- A continued focus on methane intensity reduction, targeting cost-effective abatement across jurisdictions
- Achieved a five-year low in our High Energy Serious Injury and Fatality rate, demonstrating tangible progress in safeguarding our people and operations
- Signed over 40 relationship agreements with Indigenous communities across NGTL and Foothills pipeline systems since 2020.

¹ Debt-to-EBITDA is a non-GAAP ratio. Adjusted debt and adjusted comparable EBITDA are non-GAAP measures used to calculate debt-to-EBITDA. For more information on non-GAAP measures, refer to the non-GAAP and Supplementary financial measure section of this news release. These measures do not have any standardized meaning under GAAP and therefore are unlikely to be comparable to similar measures presented by other companies.

Teleconference and Webcast

We will hold a teleconference and webcast on Thursday, July 31, 2025 at 6:30 a.m. (MT) / 8:30 a.m. (ET) to discuss our second quarter 2025 financial results and Company developments. Presenters will include François Poirier, President and Chief Executive Officer; Sean O'Donnell, Executive Vice-President and Chief Financial Officer; and other members of the executive leadership team.

Members of the investment community and other interested parties are invited to participate by calling **1-833-752-3826 (Canada/U.S. toll free) or 1-647-846-8864 (International toll)**. No passcode is required. Please dial in 15 minutes prior to the start of the call. Alternatively, participants may pre-register for the call [here](#). Upon registering, you will receive a calendar booking by email with dial in details and a unique PIN. This process will bypass the operator and avoid the queue. Registration will remain open until the end of the conference call.

A live webcast of the teleconference will be available on TC Energy's website at [TC Energy — Events and presentations](#) or via the following URL: <https://www.gowebcasting.com/13943>. The webcast will be available for replay following the meeting.

A replay of the teleconference will be available two hours after the conclusion of the call until midnight ET on August 7, 2025. Please call 1-855-669-9658 (Canada/U.S. toll free) or 1-412-317-0088 (International toll) and enter passcode 6101975.

The unaudited interim Condensed consolidated financial statements and Management's Discussion and Analysis (MD&A) are available on our website at www.TCEnergy.com and will be filed today under TC Energy's profile on SEDAR+ at www.sedarplus.ca and with the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

About TC Energy

We're a team of 6,500+ energy problem solvers connecting the world to the energy it needs. Our extensive network of natural gas infrastructure assets is one-of-a-kind. We seamlessly move, generate and store energy and deliver it to where it is needed most, to home and businesses in North America and across the globe through LNG exports. Our natural gas assets are complemented by our strategic ownership and low-risk investments in power generation.

TC Energy's common shares trade on the Toronto (TSX) and New York (NYSE) stock exchanges under the symbol TRP. To learn more, visit us at www.TCEnergy.com.

Forward-Looking Information

This release contains certain information that is forward-looking and is subject to important risks and uncertainties and is based on certain key assumptions. Forward-looking statements are usually accompanied by words such as "anticipate", "expect", "believe", "may", "will", "should", "estimate" or other similar words. Forward-looking statements in this document may include, but are not limited to, statements related to expectations with respect to expected comparable EBITDA, comparable earnings in total and per common share and the sources thereof and anticipated capital expenditures, expectations with respect to the targeted debt-to-EBITDA leverage metric, expectations with respect to MYGP, including associated capital expenditures, timelines, and outcomes, expectations with respect to completed projects and expected impacts thereof, expectations with respect to the approximate value of projects to be placed in-service in 2025, expectations with respect to identified FERC rate cases, including timelines, processes and outcomes, expectations with respect to our strategic priorities, and the execution thereof, expectations with respect to our ability to maximize the value of our assets through safety and operational excellence, expected cost and schedules for planned projects, including projects under construction and in development and the associated capital expenditures, expectations about energy demand levels and drivers thereof, expectations about our ability to execute our identified portfolio of growth projects and ensure financial strength and agility, our ability to deliver solid growth, low risk and repeatable performance, our expected net capital expenditures, including timing, and expected industry, market and economic conditions, and ongoing trade negotiations, including their expected impact on our business, customers and suppliers. Our forward-looking information is subject to important risks and uncertainties and is based on certain key assumptions. Forward-looking statements and future-oriented financial information in this document are intended to provide TC Energy security holders and potential investors with information regarding TC Energy and its subsidiaries, including management's assessment of TC Energy's and its subsidiaries' future plans and financial outlook. All forward-looking statements reflect TC Energy's beliefs and assumptions based on information available at the time the statements were made and as such are not guarantees of future performance. As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking information due to new information or future events, unless we are required to by law. For additional information on the assumptions made, and the risks and uncertainties which could cause actual results to differ from the anticipated results, refer to the most recent Quarterly Report to Shareholders and the 2024 Annual Report filed under TC Energy's profile on SEDAR+ at www.sedarplus.ca and with the U.S. Securities and Exchange Commission at www.sec.gov and the "Forward-looking information" section of our Report on Sustainability which is available on our website at www.TCEnergy.com.

Non-GAAP and Supplementary Financial Measure

This release contains references to the following non-GAAP measures: comparable EBITDA, comparable earnings, comparable earnings per common share and comparable funds generated from operations. It also contains references to debt-to-EBITDA, a non-GAAP ratio, which is calculated using adjusted debt and adjusted comparable EBITDA, each of which are non-GAAP measures. These non-GAAP measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. These non-GAAP measures are calculated by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. These comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable except as otherwise described in the Condensed consolidated financial statements and MD&A. Refer to: (i) each business segment and the discontinued operations section for a reconciliation of comparable EBITDA to segmented earnings (losses); (ii) Consolidated results section and the discontinued operations section for reconciliations of comparable earnings and comparable earnings per common share to Net income attributable to common shares and Net income per common share, respectively; and (iii) Financial condition section for a reconciliation of comparable funds generated from operations to Net cash provided by operations. Refer to the Non-GAAP Measures section of the MD&A in our most recent quarterly report for more information about the non-GAAP measures we use. The MD&A is included with, and forms part of, this release. The MD&A can be found on SEDAR+ at www.sedarplus.ca under TC Energy's profile.

This release contains references to build multiple, which is non-GAAP ratio which is calculated using capital expenditures and comparable EBITDA, of which comparable EBITDA is a non-GAAP measure. We believe build multiple provides investors with a useful measure to evaluate capital projects.

With respect to non-GAAP measures used in the calculation of debt-to-EBITDA, adjusted debt is defined as the sum of Reported total debt, including Notes payable, Long-term debt, Current portion of long-term debt and Junior subordinated notes, as reported on our Consolidated balance sheet as well as Operating lease liabilities recognized on our Consolidated balance sheet and 50 per cent of Preferred shares as reported on our Consolidated balance sheet due to the debt-like nature of their contractual and financial obligations, less Cash and cash equivalents as reported on our Consolidated balance sheet and 50 per cent of Junior subordinated notes as reported on our Consolidated balance sheet due to the equity-like nature of their contractual and financial obligations. Adjusted comparable EBITDA is calculated as the sum of comparable EBITDA from continuing operations and comparable EBITDA from discontinued operations excluding Operating lease costs recorded in Plant operating costs and other in our Consolidated statement of income and adjusted for Distributions received in excess of (income) loss from equity investments as reported in our Consolidated statement of cash flows which we believe is more reflective of the cash flows available to TC Energy to service our debt and other long-term commitments. We believe that debt-to-EBITDA provides investors with useful information as it reflects our ability to service our debt and other long-term commitments. See the Reconciliation section for reconciliations of adjusted debt and adjusted comparable EBITDA for the years ended December 31, 2022, 2023 and 2024.

This release also contains references to net capital expenditures, which is a supplementary financial measure. Net capital expenditures represent capital costs incurred for growth projects, maintenance capital expenditures, contributions to equity investments and projects under development, adjusted for the portion attributed to non-controlling interests in the entities we control. Net capital expenditures reflect capital costs incurred during the period, excluding the impact of timing of cash payments. We use net capital expenditures as a key measure in evaluating our performance in managing our capital spending activities in comparison to our capital plan.

Reconciliation

The following is a reconciliation of adjusted debt and adjusted comparable EBITDAⁱ.

(millions of Canadian \$)	year ended December 31		
	2024	2023	2022
Reported total debt	59,366	63,201	58,300
Management adjustments:			
Debt treatment of preferred shares ⁱⁱ	1,250	1,250	1,250
Equity treatment of junior subordinated notes ⁱⁱⁱ	(5,524)	(5,144)	(5,248)
Cash and cash equivalents	(801)	(3,678)	(620)
Operating lease liabilities	511	457	430
Adjusted debt	54,802	56,086	54,112
Comparable EBITDA from continuing operations ^{iv}	10,049	9,472	8,483
Comparable EBITDA from discontinued operations ^{iv}	1,145	1,516	1,418
Operating lease costs	117	105	95
Distributions received in excess of (income) loss from equity investments	67	(123)	(29)
Adjusted Comparable EBITDA	11,378	10,970	9,967
Adjusted Debt/Adjusted Comparable EBITDAⁱ	4.8	5.1	5.4

i Adjusted debt and adjusted comparable EBITDA are non-GAAP measures. The calculations are based on management methodology. Individual rating agency calculations will differ.

ii 50 per cent debt treatment on \$2.5 billion of preferred shares as of December 31, 2024.

iii 50 per cent equity treatment on \$11.0 billion of junior subordinated notes as of December 31, 2024. U.S. dollar-denominated notes translated at December 31, 2024, USD/CAD foreign exchange rate of 1.44.

iv Comparable EBITDA from continuing operations and Comparable EBITDA from discontinued operations are non-GAAP financial measures. See the Forward-looking information and Non-GAAP measures sections in our 2024 Annual Report for more information. Comparable EBITDA from discontinued operations represents nine months of Liquids Pipelines earnings in 2024 compared to a full year of Liquids Pipelines earnings in 2023. Refer to the Discontinued operations section in our 2024 Annual Report for additional information.

Media Inquiries:

Media Relations

media@tcenergy.com

403.920.7859 or 800.608.7859

Investor & Analyst Inquiries:

Gavin Wylie / Hunter Mau

investor_relations@tcenergy.com

403.920.7911 or 800.361.6522

Quarterly report to shareholders

Second quarter 2025

Management's discussion and analysis

July 30, 2025

This management's discussion and analysis (MD&A) contains information to help the reader make investment decisions about TC Energy Corporation (TC Energy). It discusses our business, operations, financial position, risks and other factors for the three and six months ended June 30, 2025 and should be read with the accompanying unaudited Condensed consolidated financial statements for the three and six months ended June 30, 2025, which have been prepared in accordance with U.S. GAAP.

This MD&A should also be read in conjunction with our December 31, 2024 audited Consolidated financial statements and notes and the MD&A in our 2024 Annual Report. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in our 2024 Annual Report. Certain comparative figures have been adjusted to reflect the current period's presentation.

On October 1, 2024, TC Energy completed the spinoff of its Liquids Pipelines business into a new public company, South Bow Corporation (the Spinoff Transaction). Upon completion of the Spinoff Transaction, the Liquids Pipelines business was accounted for as a discontinued operation. Discussions throughout this MD&A are based on continuing operations unless otherwise noted. Prior year results have been recast to reflect the split between continuing and discontinued operations. Refer to our 2024 Annual Report and the Discontinued operations section for additional information.

FORWARD-LOOKING INFORMATION

We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook and our future prospects overall.

Statements that are **forward looking** are based on certain assumptions and on what we know and expect today and generally include words like **anticipate, expect, believe, may, will, should, estimate** or other similar words.

Forward-looking statements in this MD&A include information about the following, among other things:

- our financial and operational performance, including the performance of our subsidiaries
- expectations about strategies and goals for growth and expansion, including acquisitions
- expected cash flows and future financing options available along with portfolio management
- expectations regarding the size, structure, timing, conditions and outcome of ongoing and future transactions
- expected dividend growth
- expected access to and cost of capital
- expected energy demand levels
- expected costs and schedules for planned projects, including projects under construction and in development
- expected capital expenditures, contractual obligations, commitments and contingent liabilities, including environmental remediation costs
- expected regulatory processes and outcomes
- expected outcomes with respect to legal proceedings, including arbitration and insurance claims
- expected impact of future tax and accounting changes
- commitments and targets contained in our Report on Sustainability and GHG Emissions Reduction Plan, including statements related to our GHG emissions intensity reduction goals
- expected industry, market and economic conditions, and ongoing trade negotiations, including their impact on our customers and suppliers.

Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different because of assumptions, risks or uncertainties related to our business or events that happen after the date of this MD&A.

Our forward-looking information is based on the following key assumptions and subject to the following risks and uncertainties:

Assumptions

- realization of expected impacts from acquisitions and divestitures, including the Spinoff Transaction
- regulatory decisions and outcomes
- planned and unplanned outages and the utilization of our pipelines, power and storage assets
- integrity and reliability of our assets
- anticipated construction costs, schedules and completion dates
- access to capital markets, including portfolio management
- expected industry, market and economic conditions, including the impact of these on our customers and suppliers
- inflation rates, commodity and labour prices
- interest, tax and foreign exchange rates
- nature and scope of hedging.

Risks and uncertainties

- realization of expected impacts from acquisitions and divestitures, including the Spinoff Transaction
- our ability to successfully implement our strategic priorities and whether they will yield the expected benefits
- our ability to implement a capital allocation strategy aligned with maximizing shareholder value
- operating performance of our pipelines, power generation and storage assets
- amount of capacity sold and rates achieved in our pipeline businesses
- amount of capacity payments and revenues from power generation assets due to plant availability
- production levels within supply basins
- construction and completion of capital projects
- cost, availability of, and inflationary pressures on, labour, equipment and materials
- availability and market prices of commodities
- access to capital markets on competitive terms
- interest, tax and foreign exchange rates
- performance and credit risk of our counterparties
- regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims
- our ability to effectively anticipate and assess changes to government policies and regulations, including those related to the environment
- our ability to realize the value of tangible assets and contractual recoveries
- competition in the businesses in which we operate
- unexpected or unusual weather
- acts of civil disobedience
- cybersecurity and technological developments
- sustainability-related risks including climate-related risks and the impact of energy transition on our business
- economic and political conditions, and ongoing trade negotiations in North America, as well as globally
- global health crises, such as pandemics and epidemics, and the impacts related thereto.

You can read more about these factors and others in this MD&A and in other reports we have filed with Canadian securities regulators and the SEC, including the MD&A in our 2024 Annual Report.

As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking statements due to new information or future events unless we are required to by law.

FOR MORE INFORMATION

You can find more information about TC Energy in our Annual Information Form and other disclosure documents, which are available on SEDAR+ (www.sedarplus.ca).

Financial highlights

We use certain financial measures that do not have a standardized meaning under GAAP because we believe they improve our ability to compare results between reporting periods and enhance understanding of our operating performance. Known as non-GAAP measures, they may not be comparable to similar measures provided by other companies.

Comparable EBITDA, comparable earnings and comparable earnings per common share from continuing and discontinued operations and comparable funds generated from operations are all non-GAAP measures. Refer to the Non-GAAP measures section for additional information, as well as each business segment, the Financial condition and Discontinued operations sections for reconciliations to the most directly comparable GAAP measures.

Discussions throughout this MD&A are based on continuing operations unless otherwise noted. Prior year results have been recast to reflect the split between continuing and discontinued operations.

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Income				
Revenues	3,744	3,327	7,367	6,836
Net income (loss) attributable to common shares	833	963	1,811	2,166
from continuing operations	862	804	1,840	1,792
from discontinued operations	(29)	159	(29)	374
Net income (loss) per common share – basic	\$0.80	\$0.93	\$1.74	\$2.09
from continuing operations	\$0.83	\$0.78	\$1.77	\$1.73
from discontinued operations	(\$0.03)	\$0.15	(\$0.03)	\$0.36
Comparable EBITDA ²	2,625	2,694	5,334	5,784
from continuing operations	2,625	2,348	5,334	5,018
from discontinued operations	—	346	—	766
Comparable earnings ²	848	978	1,831	2,262
from continuing operations	848	822	1,831	1,877
from discontinued operations	—	156	—	385
Comparable earnings per common share ²	\$0.82	\$0.94	\$1.76	\$2.18
from continuing operations	\$0.82	\$0.79	\$1.76	\$1.81
from discontinued operations	—	\$0.15	—	\$0.37
Dividends declared				
per common share	\$0.85 ³	\$0.96	\$1.70 ³	\$1.92
Basic common shares outstanding (millions)				
– weighted average for the period	1,040	1,037	1,040	1,037
– issued and outstanding at end of period	1,040	1,037	1,040	1,037

1 Prior year results have been recast to reflect the split between continuing and discontinued operations.

2 Additional information on the most directly comparable GAAP measure can be found in the Non-GAAP measures section.

3 Reflects dividends declared following the Spinoff Transaction.

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Cash flows¹				
Net cash provided by operations ^{2,3}	2,173	1,655	3,532	3,697
Comparable funds generated from operations ^{2,3}	1,964	1,874	3,913	4,310
Capital spending ⁴	1,379	1,591	3,188	3,488
Disposition of equity interest, net of transaction costs ⁵	—	464	—	426

1 Includes continuing and discontinued operations.

2 Additional information on the most directly comparable GAAP measure can be found in the Non-GAAP measures section.

3 Includes Liquids Pipelines earnings for the three and six months ended June 30, 2024 compared to Liquids Pipelines earnings of nil for the same periods in 2025. Refer to the Discontinued operations section and our 2024 Annual Report for additional information.

4 Capital spending reflects cash flows associated with our Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to Note 4, Segmented information, of our Condensed consolidated financial statements for additional information.

5 Included in the Financing activities section of the Condensed consolidated statement of cash flows.

Consolidated results

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Canadian Natural Gas Pipelines	551	514	1,067	1,015
U.S. Natural Gas Pipelines	907	762	2,016	1,805
Mexico Natural Gas Pipelines	191	266	402	478
Power and Energy Solutions	312	220	447	472
Corporate	(7)	(26)	(12)	(87)
Total segmented earnings (losses)	1,954	1,736	3,920	3,683
Interest expense	(847)	(783)	(1,687)	(1,563)
Allowance for funds used during construction	114	184	362	341
Foreign exchange gains (losses), net	69	(67)	112	(40)
Interest income and other	49	68	100	143
Income (loss) from continuing operations before income taxes	1,339	1,138	2,807	2,564
Income tax (expense) recovery from continuing operations	(337)	(148)	(630)	(392)
Net income (loss) from continuing operations	1,002	990	2,177	2,172
Net income (loss) from discontinued operations, net of tax	(29)	159	(29)	374
Net income (loss)	973	1,149	2,148	2,546
Net (income) loss attributable to non-controlling interests	(112)	(159)	(281)	(330)
Net income (loss) attributable to controlling interests	861	990	1,867	2,216
Preferred share dividends	(28)	(27)	(56)	(50)
Net income (loss) attributable to common shares	833	963	1,811	2,166
Net income (loss) per common share – basic	\$0.80	\$0.93	\$1.74	\$2.09
from continuing operations	\$0.83	\$0.78	\$1.77	\$1.73
from discontinued operations	(\$0.03)	\$0.15	(\$0.03)	\$0.36

1 Prior year results have been recast to reflect the split between continuing and discontinued operations.

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Amounts attributable to common shares				
Net income (loss) from continuing operations	1,002	990	2,177	2,172
Net (income) loss attributable to non-controlling interests	(112)	(159)	(281)	(330)
Net income (loss) attributable to controlling interests from continuing operations	890	831	1,896	1,842
Preferred share dividends	(28)	(27)	(56)	(50)
Net income (loss) attributable to common shares from continuing operations	862	804	1,840	1,792
Net income (loss) from discontinued operations, net of tax	(29)	159	(29)	374
Net income (loss) attributable to common shares	833	963	1,811	2,166

1 Prior year results have been recast to reflect the split between continuing and discontinued operations.

Net income (loss) attributable to common shares from continuing operations increased by \$58 million or \$0.05 per common share and \$48 million or \$0.04 per common share for the three and six months ended June 30, 2025 compared to the same periods in 2024.

NON-GAAP MEASURES

This MD&A references non-GAAP measures, which are described in the table below. These measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. These measures are reviewed regularly by our President and Chief Executive Officer, management and the Board of Directors in assessing our performance and making decisions regarding the ongoing operations of our business and its ability to generate cash flows. Some or all of these measures may also be used by investors and other external users of our financial statements as a supplemental measure to provide decision-useful information regarding our period-over-period performance and ability to generate earnings that are core to our ongoing operations. Discussions throughout this MD&A on the factors impacting comparable earnings before interest, taxes, depreciation and amortization (comparable EBITDA) and comparable earnings before interest and taxes (comparable EBIT) are consistent with the factors that impact segmented earnings, except where noted otherwise.

Comparable measures

We calculate comparable measures by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

Our decision to adjust for a specific item in reporting comparable measures is subjective and made after careful consideration. We maintain a consistent approach to adjustments, which generally fall into the categories described below:

- by their nature are unusual, infrequent and separately identifiable from our normal business operations and in our view are not reflective of our underlying operations in the period and generally include the following:
 - gains or losses on sales of assets or assets held for sale; impairment of goodwill, plant, property and equipment, equity investments and other assets; legal, contractual and other infrequent settlements; acquisition, integration and restructuring costs; expected credit loss provisions on net investment in leases and certain contract assets in Mexico; impacts resulting from changes in legislation and enacted tax rates and unusual tax refunds/payments and valuation allowance adjustments
- unrealized gains and losses related to fair value adjustments and unrealized foreign exchange on intercompany loans that do not reflect realized earnings or losses or cash impacts incurred in the current period from our underlying operations and generally include the following:
 - unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities; unrealized fair value adjustments related to our proportionate share of Bruce Power's risk management activities and its funds invested for post-retirement benefits; unrealized foreign exchange gains and losses on intercompany loans that impact consolidated earnings.

The following table identifies our non-GAAP measures against their most directly comparable GAAP measures. These measures are applicable to each of our continuing operations and discontinued operations. Quantitative reconciliations of our comparable measures to their GAAP measures and a discussion of specific adjustments made for the three and six months ended June 30, 2025 and comparative periods are found throughout this MD&A.

Non-GAAP measure	GAAP measure
comparable EBITDA	segmented earnings (losses)
comparable EBIT	segmented earnings (losses)
comparable earnings	net income (loss) attributable to common shares
comparable earnings per common share	net income (loss) per common share
funds generated from operations	net cash provided by operations
comparable funds generated from operations	net cash provided by operations

Comparable EBITDA and comparable EBIT

Comparable EBITDA represents segmented earnings (losses) adjusted for specific items described in the Comparable measures section, excluding charges for depreciation and amortization. We use comparable EBITDA as a measure of our earnings from ongoing operations as it is a useful indicator of our performance and is also presented on a consolidated basis. Comparable EBIT represents segmented earnings (losses) adjusted for specific items and is an effective tool for evaluating trends in each segment. Refer to each business segment and the Discontinued operations section for a reconciliation to segmented earnings (losses).

Funds generated from operations and comparable funds generated from operations

Funds generated from operations reflects net cash provided by operations before changes in operating working capital. The components of changes in working capital are disclosed in our 2024 Consolidated financial statements. Comparable funds generated from operations is adjusted for the cash impact of specific items described in the Comparable measures section. We believe funds generated from operations and comparable funds generated from operations are useful measures of our consolidated operating cash flows because they exclude fluctuations from working capital balances, which do not necessarily reflect underlying operations in the same period, and are used to provide a consistent measure of the cash-generating ability of our businesses. Refer to the Financial condition section for a reconciliation to Net cash provided by operations.

Comparable earnings and comparable earnings per common share

Comparable earnings represents earnings attributable to common shareholders on a consolidated basis, adjusted for specific items described in the Comparable measures section. Comparable earnings is comprised of segmented earnings (losses), Interest expense, AFUDC, Foreign exchange (gains) losses, net, Interest income and other, Income tax expense (recovery), Net income (loss) attributable to non-controlling interests and Preferred share dividends in our Condensed consolidated statement of income, adjusted for specific items. We use comparable earnings as a measure of our earnings from ongoing operations as it is a useful indicator of our performance and is also presented on a consolidated basis. Refer to the following page and the Discontinued operations section for reconciliations to Net income (loss) attributable to common shares and Net income (loss) per common share for our continuing operations and discontinued operations.

Comparable earnings and comparable earnings per common share - from continuing operations

The following specific items were recognized in Net income (loss) attributable to common shares from continuing operations and were excluded from comparable earnings from continuing operations:

2025 results

- pre-tax unrealized foreign exchange losses, net, of \$132 million and \$129 million for the three and six months ended June 30, 2025 on the peso-denominated intercompany loan between TransCanada PipeLines Limited (TCPL) and Transportadora de Gas Natural de la Huasteca (TGNH), net of non-controlling interest
- a pre-tax loss of \$93 million and \$91 million for the three and six months ended June 30, 2025 on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest.

2024 results

- a pre-tax gain of \$48 million in second quarter 2024 related to the sale of non-core assets in U.S. Natural Gas Pipelines and Canadian Natural Gas Pipelines
- pre-tax unrealized foreign exchange losses, net, of \$3 million and unrealized foreign exchange gains, net, of \$52 million for the three and six months ended June 30, 2024, respectively, on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a pre-tax recovery of \$3 million and \$24 million for the three and six months ended June 30, 2024 on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- a pre-tax expense of \$34 million related to a non-recurring third-party settlement in first quarter 2024
- pre-tax costs of \$10 million related to the NGTL System Ownership Transfer in second quarter 2024
- a pre-tax expense of \$10 million related to Focus Project costs in first quarter 2024.

RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHARES TO COMPARABLE EARNINGS - FROM CONTINUING OPERATIONS

	three months ended June 30		six months ended June 30	
(millions of \$, except per share amounts)	2025	2024 ¹	2025	2024 ¹
Net income (loss) attributable to common shares from continuing operations	862	804	1,840	1,792
Specific items (pre tax):				
(Gain) loss on sale of non-core assets	—	(48)	—	(48)
Foreign exchange (gains) losses, net – intercompany loan ²	132	3	129	(52)
Expected credit loss provision on net investment in leases and certain contract assets in Mexico ³	93	(3)	91	(24)
Third-party settlement	—	—	—	34
Focus Project costs ⁴	—	—	—	10
NGTL System ownership transfer costs	—	10	—	10
Bruce Power unrealized fair value adjustments	(8)	(4)	(18)	1
Risk management activities ⁵	(274)	55	(255)	186
Tax related to specific items⁶	43	5	44	(32)
Comparable earnings from continuing operations	848	822	1,831	1,877
Net income (loss) per common share from continuing operations	\$0.83	\$0.78	\$1.77	\$1.73
Specific items (net of tax)	(0.01)	0.01	(0.01)	0.08
Comparable earnings per common share from continuing operations	\$0.82	\$0.79	\$1.76	\$1.81

1 Prior year results have been recast to reflect continuing operations only.

2 In 2023, TCPL and TGNH became party to an unsecured revolving credit facility. The loan receivable and loan payable are eliminated upon consolidation; however, due to differences in the currency that each entity reports its financial results, there is an impact to net income reflecting the revaluation and translation of the loan receivable and loan payable to TC Energy's reporting currency. As the amounts do not accurately reflect what will be realized at settlement, we exclude from comparable measures the unrealized foreign exchange gains and losses on the loan receivable, as well as the corresponding unrealized foreign exchange gains and losses on the loan payable, net of non-controlling interest.

3 In 2022, TGNH and the CFE executed agreements which consolidate several natural gas pipelines under one TSA. As this TSA contains a lease, we have recognized amounts in net investment in leases on our Condensed consolidated balance sheet and have recognized an expected credit loss provision in relation to the net investment in leases and certain contract assets in Mexico, which will fluctuate from period to period based on changing economic assumptions and forward-looking information. This provision does not reflect losses or cash outflows that were incurred under this lease arrangement in the current period or from our underlying operations, and therefore, we have excluded any unrealized changes, net of non-controlling interest, from comparable measures. Refer to Note 12, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

4 In 2022, we launched the Focus Project with benefits in the form of enhanced safety, productivity and cost-effectiveness expected to be realized over the long term. In 2023 and 2024, we recognized expenses in Plant operating costs and other, for external consulting and severance, some of which are not recoverable through regulatory and commercial tolling structures.

5	Risk management activities (millions of \$)	three months ended June 30		six months ended June 30	
		2025	2024	2025	2024
	U.S. Natural Gas Pipelines	64	(40)	58	(63)
	Canadian Power	19	3	(22)	60
	U.S. Power	3	(7)	2	(11)
	Natural Gas Storage	9	20	(20)	(70)
	Foreign exchange	179	(31)	237	(102)
		274	(55)	255	(186)
	Income tax attributable to risk management activities	(67)	14	(62)	46
	Total unrealized gains (losses) from risk management activities	207	(41)	193	(140)

6 Refer to the Corporate section for additional information.

COMPARABLE EBITDA TO COMPARABLE EARNINGS - FROM CONTINUING OPERATIONS

Comparable EBITDA from continuing operations represents segmented earnings (losses) adjusted for the specific items described on the previous page and excludes charges for depreciation and amortization. Refer to each business segment for further information on our reconciliation of comparable EBITDA.

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Canadian Natural Gas Pipelines	923	846	1,813	1,692
U.S. Natural Gas Pipelines	1,089	1,003	2,456	2,309
Mexico Natural Gas Pipelines	319	286	552	500
Power and Energy Solutions	301	227	525	547
Corporate	(7)	(14)	(12)	(30)
Comparable EBITDA from continuing operations	2,625	2,348	5,334	5,018
Depreciation and amortization	(671)	(633)	(1,349)	(1,268)
Interest expense	(847)	(783)	(1,687)	(1,563)
Allowance for funds used during construction	114	184	362	341
Foreign exchange gains (losses), net included in comparable earnings	55	(51)	45	(8)
Interest income and other	49	68	100	143
Income tax (expense) recovery included in comparable earnings	(294)	(143)	(586)	(424)
Net (income) loss attributable to non-controlling interests included in comparable earnings	(155)	(141)	(332)	(312)
Preferred share dividends	(28)	(27)	(56)	(50)
Comparable earnings from continuing operations	848	822	1,831	1,877
Comparable earnings per common share from continuing operations	\$0.82	\$0.79	\$1.76	\$1.81

1 Prior year results have been recast to reflect continuing operations only.

Comparable EBITDA from continuing operations – 2025 versus 2024

Comparable EBITDA increased by \$277 million for the three months ended June 30, 2025 compared to the same period in 2024 primarily due to the net effect of the following:

- increased EBITDA in Canadian Natural Gas Pipelines mainly due to higher flow-through costs and increased contributions from Coastal GasLink
- increased Power and Energy Solutions EBITDA mainly attributable to increased contributions from Bruce Power due to a higher contract price and increased generation, partially offset by lower realized power prices in Canadian Power
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines mainly due to a net increase in earnings from Columbia Gas following the application for higher transportation rates effective April 1, 2025, subject to refund upon resolution of the rate proceeding, incremental earnings from projects placed in service and additional contract sales, partially offset by decreased earnings as a result of the sale of Portland Natural Gas Transmission System (PNGTS), which was completed in August 2024 and lower earnings from our equity investments
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines mainly due to higher earnings in TGNH primarily related to the completion of the Southeast Gateway pipeline, partially offset by lower equity earnings from Sur de Texas as a result of peso-denominated financial exposure and higher income tax expense
- a positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations, which was translated at a rate of 1.38 in 2025 versus 1.37 in 2024. Refer to the Foreign exchange section for additional information.

Comparable EBITDA increased by \$316 million for the six months ended June 30, 2025 compared to the same period in 2024 primarily due to the net effect of the following:

- increased EBITDA in Canadian Natural Gas Pipelines mainly due to higher flow-through costs and increased contributions from Coastal GasLink
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines mainly due to a net increase in earnings from Columbia Gas following the application for higher transportation rates effective April 1, 2025, subject to refund upon resolution of the rate proceeding, incremental earnings from projects placed in service and additional contract sales, partially offset by decreased earnings as a result of the sale of PNGTS, which was completed in August 2024 and lower earnings from our equity investments
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines mainly due to higher earnings in TGNH primarily related to the completion of the Southeast Gateway pipeline, partially offset by lower equity earnings from Sur de Texas as a result of peso-denominated financial exposure and higher income tax expense
- decreased Power and Energy Solutions EBITDA mainly attributable to lower realized power prices in Canadian Power and lower realized Alberta natural gas storage spreads, partially offset by the net contributions from Bruce Power primarily due to a higher contract price, reduced generation primarily from the commencement of the Unit 4 Major Component Replacement (MCR) and higher operating costs
- a positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations, which was translated at a rate of 1.41 in 2025 versus 1.36 in 2024. Refer to the Foreign exchange section for additional information.

Due to the flow-through treatment of certain costs including depreciation, financial charges and income taxes in our Canadian rate-regulated pipelines, changes in these costs impact our comparable EBITDA despite having no significant effect on net income.

Comparable earnings from continuing operations – 2025 versus 2024

Comparable earnings increased by \$26 million or \$0.03 per common share for the three months ended June 30, 2025 compared to the same period in 2024 primarily due to the net effect of the following:

- changes in comparable EBITDA described above
- higher income tax expense primarily due to the impact of Mexico foreign exchange exposure, a change in the geographic and business mix of earnings and higher flow-through income taxes
- lower AFUDC primarily due to the completion of the Southeast Gateway pipeline, partially offset by capital expenditures on U.S. natural gas pipeline projects
- higher interest expense primarily due to lower capitalized interest, the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense and long-term debt issuances and maturities
- higher depreciation and amortization primarily due to higher depreciation rates on the NGTL System under the 2025-2029 Revenue Requirement Settlement
- lower interest income and other due to lower interest earned on short-term investments
- higher net income attributable to non-controlling interests due to the net effect of net income recognized from Columbia Gas and Columbia Gulf assets, the completion of the Southeast Gateway pipeline in second quarter 2025 and the sale of the 13.01 per cent non-controlling equity interest in TGNH to the CFE and the divestiture of PNGTS in second and third quarter 2024, respectively
- risk management activities used to manage our foreign exchange exposure to net liabilities in Mexico and to U.S. dollar-denominated income, the revaluation of our peso-denominated net monetary liabilities to U.S. dollars and a net realized gain on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH in second quarter 2024.

Comparable earnings decreased by \$46 million or \$0.05 per common share for the six months ended June 30, 2025 compared to the same period in 2024 primarily due to the net effect of the following:

- changes in comparable EBITDA described above
- higher income tax expense primarily due to the impact of Mexico foreign exchange exposure, higher flow-through income taxes and a change in the geographic and business mix of earnings
- higher interest expense primarily due to lower capitalized interest, the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense and long-term debt issuances and maturities
- higher depreciation and amortization primarily due to higher depreciation rates on the NGTL System under the 2025-2029 Revenue Requirement Settlement
- lower interest income and other due to lower interest earned on short-term investments
- higher net income attributable to non-controlling interests due to the net effect of net income recognized from Columbia Gas and Columbia Gulf assets, the completion of the Southeast Gateway pipeline in second quarter 2025 and the sale of the 13.01 per cent non-controlling equity interest in TGNH to the CFE and the divestiture of PNGTS in second and third quarter 2024, respectively
- risk management activities used to manage our foreign exchange exposure to net liabilities in Mexico and to U.S. dollar-denominated income, the revaluation of our peso-denominated net monetary liabilities to U.S. dollars and a net realized gain on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH in second quarter 2024
- higher AFUDC primarily due to AFUDC recorded for the Southeast Gateway pipeline until completion in second quarter 2025, partially offset by the suspension of AFUDC on the south section of the Villa de Reyes pipeline and the foreign exchange impacts resulting from a stronger U.S. dollar on the Canadian dollar equivalent.

Supplementary financial measure

Net capital expenditures

Net capital expenditures represents capital costs incurred for growth projects, maintenance capital expenditures, contributions to equity investments and projects under development, adjusted for the portion attributed to non-controlling interests in the entities we control. Net capital expenditures reflect capital costs incurred during the period, excluding the impact of timing of cash payments. We use net capital expenditures as a key measure in evaluating our performance in managing our capital spending activities in comparison to our capital plan.

Net capital expenditures does not include an adjustment related to the CFE's minority interest in TGNH capital expenditures for projects included as part of the 2022 strategic alliance between TGNH and the CFE, including Villa de Reyes, Southeast Gateway and Tula. The CFE's contribution in second quarter 2024 to obtain a 13.01 per cent equity interest in TGNH included consideration of its proportionate share of required capital contributions for approved projects. Net capital expenditures will be adjusted for any new capital projects approved in TGNH going forward.

Outlook

Comparable EBITDA and comparable earnings

Our overall comparable EBITDA and comparable earnings per common share outlooks for 2025 remain consistent with our 2024 Annual Report.

Consolidated capital expenditures

Our expected total capital expenditures for 2025 as outlined in our 2024 Annual Report remain materially unchanged.

Capital program

We are developing quality projects under our capital program. These long-life infrastructure assets are supported by long-term commercial arrangements with creditworthy counterparties and/or regulated business models and are expected to generate growth in earnings and cash flows.

Our capital program consists of approximately \$21 billion of secured projects that represent commercially supported, committed projects that are either under construction or are in, or preparing to, commence the permitting stage.

Three years of maintenance capital expenditures for our businesses are included in the Secured projects table. Maintenance capital expenditures on our regulated Canadian and U.S. natural gas pipelines are added to rate base on which we have the opportunity to earn a return and recover these expenditures through current or future tolls, which is similar to our capacity capital projects on these pipelines.

We placed approximately \$5.8 billion of natural gas pipeline capacity projects along our extensive North American asset footprint into service, including the Southeast Gateway pipeline. Approximately \$0.8 billion of maintenance capital expenditures were incurred in the period.

All projects are subject to cost and timing adjustments due to factors including weather, market conditions, route refinement, land acquisition, permitting conditions, scheduling and timing of regulatory permits, as well as other potential restrictions and uncertainties, including inflationary pressures on labour and materials. Amounts exclude capitalized interest and AFUDC, where applicable.

In addition to our secured projects, we are pursuing a portfolio of quality projects in various stages of development across each of our business units as discussed in our 2024 Annual Report. Projects under development have greater uncertainty with respect to timing and estimated project costs and are subject to corporate and regulatory approvals, unless otherwise noted. While each business segment also has additional areas of focus for further ongoing business development activities and growth opportunities, new opportunities will be assessed within our capital allocation framework in order to fit within our annual capital expenditure parameters. As these projects advance and reach necessary milestones they will be included in the Secured projects table on the following page. Refer to the Recent developments section for updates to our secured projects and projects under development.

Secured projects

Estimated and incurred project costs referred to in the following table include 100 per cent of the capital expenditures related to projects within entities that we own or partially own and fully consolidate, as well as our share of equity contributions to fund projects within our equity investments.

(billions of \$)	Expected in-service date	Estimated project cost	Project costs incurred at June 30, 2025
Canadian Natural Gas Pipelines¹			
NGTL System	2025	0.2	0.2
	2026	0.5 ²	0.2
	2027+	0.6 ²	—
Regulated maintenance capital expenditures	2025-2027	2.5	0.3
U.S. Natural Gas Pipelines			
VR project	2025	US 0.5	US 0.3
WR project	2025	US 0.7	US 0.4
Gillis Access – Extension	2026-2027	US 0.4	US 0.1
Heartland project	2027	US 0.9	US 0.1
Northwoods project	2029	US 0.9	—
Pulaski and Maysville projects	2029	US 0.8	—
Southeast Virginia Energy Storage project	2030	US 0.3	—
Other capital ³	2025-2028	US 1.4	US 0.4
Regulated maintenance capital expenditures	2025-2027	US 2.3	US 0.3
Mexico Natural Gas Pipelines			
Villa de Reyes – South section ⁴	—	US 0.4	US 0.3
Tula ⁵	—	US 0.4	US 0.3
Power and Energy Solutions			
Bruce Power – Unit 3 MCR	2026	1.1	1.0
Bruce Power – Unit 4 MCR ⁶	2028	0.9	0.3
Bruce Power – Unit 5 MCR ⁶	2030	1.1	0.2
Bruce Power – life extension ⁷	2025-2031	1.8	0.7
Other			
Non-recoverable maintenance capital expenditures ⁸	2025-2027	0.4	—
		18.1	5.1
Foreign exchange impact on secured projects ⁹		3.2	0.8
Total secured projects (Cdn\$)		21.3	5.9

1 Our share of committed equity to fund the estimated cost of the Coastal GasLink - Cedar Link project is \$37 million.

2 Includes amounts related to projects within the Multi-Year Growth Plan (MYGP) that have received FID.

3 Includes capital expenditures related to certain large-scope maintenance projects across our U.S. natural gas footprint due to their discrete nature for regulatory recovery.

4 We are working with the CFE on completing the remaining section of the Villa de Reyes pipeline. The in-service date will be determined upon resolution of outstanding stakeholder issues.

5 Estimated project cost as per contracts signed in 2022 as part of the TGNH strategic alliance between TC Energy and the CFE. We continue to evaluate the development and completion of the Tula pipeline, with the CFE, subject to a future FID and an updated cost estimate.

6 Amounts are net of expected Investment Tax Credits announced by the Government of Canada in February 2024.

7 Reflects amounts to be invested under the Asset Management program to 2027, other life extension projects and the incremental uprate initiative.

8 Includes non-recoverable maintenance capital expenditures from all segments and is primarily related to our Power and Energy Solutions and Corporate assets.

9 Reflects U.S./Canada foreign exchange rate of 1.36 at June 30, 2025.

Canadian Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
NGTL System	639	598	1,276	1,199
Canadian Mainline	201	195	379	383
Other Canadian pipelines ¹	83	53	158	110
Comparable EBITDA	923	846	1,813	1,692
Depreciation and amortization	(372)	(342)	(746)	(687)
Comparable EBIT	551	504	1,067	1,005
Specific item:				
Gain (loss) on sale of non-core assets	—	10	—	10
Segmented earnings (losses)	551	514	1,067	1,015

1 Includes results from Foothills, Ventures LP, Great Lakes Canada and our proportionate share of income related to investments in Trans Québec & Maritimes (TQM) and Coastal GasLink, as well as general and administrative and business development costs related to our Canadian natural gas pipelines.

Canadian Natural Gas Pipelines segmented earnings increased by \$37 million and \$52 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 and included a pre-tax gain on sale of a non-core asset of \$10 million in second quarter 2024, which has been excluded from our calculation of comparable EBITDA and comparable EBIT.

Net income for our rate-regulated Canadian natural gas pipelines is primarily affected by our approved ROE, investment base, the level of deemed common equity and incentive earnings. Comparable EBITDA is impacted by these factors, as well as changes in depreciation, financial charges and income taxes. These additional items do not have a significant impact on net income as they are almost entirely recovered in revenues on a flow-through basis.

NET INCOME AND AVERAGE INVESTMENT BASE

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Net income				
NGTL System	199	197	397	392
Canadian Mainline	66	60	123	115
Average investment base				
NGTL System			19,350	19,413
Canadian Mainline			3,673	3,635

Net income for the NGTL System increased by \$2 million and \$5 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 mainly due to higher incentive earnings. The NGTL System is currently operating under the CER approved five-year negotiated revenue requirement settlement (2025-2029 NGTL Settlement), which commenced on January 1, 2025 and includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity. This settlement provides the NGTL System with higher depreciation rates and the opportunity to further increase depreciation rates with an incentive if tolls fall below specified levels, or if growth projects are undertaken. It also includes incentive mechanisms to reduce both physical emissions and emission compliance costs, while also providing incentive for certain operating costs where variances from projected amounts and emissions savings are shared with customers.

Net income for the Canadian Mainline increased by \$6 million and \$8 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 mainly due to higher incentive earnings. The Canadian Mainline is operating under the 2021-2026 Mainline Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity and an incentive to decrease costs and increase revenues on the pipeline under a beneficial sharing mechanism with our customers.

COMPARABLE EBITDA

Comparable EBITDA for Canadian Natural Gas Pipelines increased by \$77 million and \$121 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 due to the net effect of:

- higher flow-through depreciation and income taxes as well as higher incentive earnings, partially offset by lower flow-through financial charges on the NGTL System
- higher contributions from Coastal GasLink mainly resulting from the declared commercial in-service of the pipeline in fourth quarter 2024.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by \$30 million and \$59 million for the three and six months ended June 30, 2025 compared to the same periods in 2024, primarily reflecting higher depreciation rates on the NGTL System under the 2025-2029 Revenue Requirement Settlement.

U.S. Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of US\$, unless otherwise noted)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Columbia Gas ¹	432	366	884	804
ANR	135	137	333	326
Columbia Gulf ¹	62	59	116	121
Great Lakes	38	41	109	110
GTN	62	39	122	94
PNGTS ^{1,2}	—	25	—	52
Other U.S. pipelines ³	58	66	176	194
Comparable EBITDA	787	733	1,740	1,701
Depreciation and amortization	(177)	(175)	(353)	(353)
Comparable EBIT	610	558	1,387	1,348
Foreign exchange impact	233	206	571	482
Comparable EBIT (Cdn\$)	843	764	1,958	1,830
Specific items:				
Gain (loss) on sale of non-core assets	—	38	—	38
Risk management activities	64	(40)	58	(63)
Segmented earnings (losses) (Cdn\$)	907	762	2,016	1,805

1 Includes non-controlling interest. Refer to the Corporate section for additional information.

2 The sale of PNGTS was completed in August 2024.

3 Reflects comparable EBITDA from our ownership in our mineral rights business (CEVCO), North Baja, Gillis Access, Tuscarora, Bison, Crossroads and our share of equity income from Northern Border, Iroquois, Millennium and Hardy Storage, our U.S. natural gas marketing business, as well as general and administrative and business development costs related to our U.S. natural gas pipelines.

U.S. Natural Gas Pipelines segmented earnings increased by \$145 million and \$211 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax gain on sale of a non-core asset of \$38 million in second quarter 2024
- unrealized gains and losses from changes in the fair value of derivatives related to our U.S. natural gas marketing business.

A stronger U.S. dollar for the three and six months ended June 30, 2025 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations compared to the same period in 2024. Refer to the Foreign exchange section for additional information.

Earnings from our U.S. Natural Gas Pipelines operations are generally affected by contracted volume levels, volumes delivered and the rates charged, as well as by the cost of providing services. Columbia Gas and ANR results are also affected by the contracting and pricing of their natural gas storage capacity and incidental commodity sales. Natural gas pipeline and storage volumes and revenues are generally higher in the winter months because of the seasonal nature of the business.

Comparable EBITDA for U.S. Natural Gas Pipelines increased by US\$54 million and US\$39 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 and was primarily due to the net effect of:

- a net increase in earnings from Columbia Gas following the application for higher transportation rates effective April 1, 2025, subject to revision following completion and approval of settlement terms. Refer to the Recent developments - U.S. Natural Gas Pipelines section for additional information
- incremental earnings from growth and modernization projects placed in service, as well as increased earnings from additional contract sales on ANR and GTN
- decreased earnings as a result of the sale of PNGTS, which was completed in August 2024
- decreased equity earnings from Iroquois and Millennium
- decreased earnings due to higher operational costs, reflective of increased system utilization across our footprint and higher property taxes from projects placed in service.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was generally consistent for the three and six months ended June 30, 2025 compared to the same periods in 2024.

Mexico Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of US\$, unless otherwise noted)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
TGNH ^{1,2}	159	61	223	124
Sur de Texas ³	1	77	27	102
Topolobampo	39	39	78	78
Guadalajara	14	15	31	30
Mazatlán	17	18	34	34
Comparable EBITDA	230	210	393	368
Depreciation and amortization	(17)	(17)	(34)	(34)
Comparable EBIT	213	193	359	334
Foreign exchange impact	81	70	144	120
Comparable EBIT (Cdn\$)	294	263	503	454
Specific item:				
Expected credit loss provision on net investment in leases and certain contract assets in Mexico ²	(103)	3	(101)	24
Segmented earnings (losses) (Cdn\$)	191	266	402	478

1 Includes the completed or operating sections of the Tamazunchale, Villa de Reyes, Tula and Southeast Gateway pipelines.

2 Includes non-controlling interest. Refer to the Corporate section for additional information.

3 Represents equity income from our 60 per cent interest and fees earned from the construction and operation of the pipeline.

Mexico Natural Gas Pipelines segmented earnings decreased by \$75 million and \$76 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 and included an unrealized loss of \$103 million and \$101 million, respectively (2024 – recovery of \$3 million and \$24 million, respectively), on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, which has been excluded from our calculation of comparable EBITDA and comparable EBIT. During second quarter 2025, we completed the Southeast Gateway pipeline and recognized a net investment in sales-type lease. Refer to Note 12, Risk management and financial instruments and Note 13, TGNH strategic alliance, of our Condensed consolidated financial statements for additional information.

A stronger U.S. dollar for the three and six months ended June 30, 2025 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations in Mexico compared to the same periods in 2024. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Mexico Natural Gas Pipelines increased by US\$20 million and US\$25 million for the three and six months ended June 30, 2025 compared with the same periods in 2024, due to the net effect of:

- higher earnings in TGNH primarily related to the Southeast Gateway pipeline
- lower equity earnings from Sur de Texas primarily due to the foreign exchange impacts on the revaluation of peso-denominated liabilities as a result of a stronger Mexican peso and higher income tax expense. We use foreign exchange derivatives to manage the peso-denominated exposure, the impact of which is recognized in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income. Refer to the Foreign exchange section for additional information.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was consistent for the three and six months ended June 30, 2025 compared to the same periods in 2024. Under sales-type lease accounting, the completed Southeast Gateway pipeline assets are derecognized from Plant, property and equipment and recorded as a net investment in lease on our Condensed consolidated balance sheet with no depreciation expense being recognized.

Power and Energy Solutions

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Bruce Power ¹	233	150	365	331
Canadian Power	70	87	115	168
Natural Gas Storage and other ²	(2)	(10)	45	48
Comparable EBITDA	301	227	525	547
Depreciation and amortization	(28)	(27)	(56)	(53)
Comparable EBIT	273	200	469	494
Specific items:				
Bruce Power unrealized fair value adjustments	8	4	18	(1)
Risk management activities	31	16	(40)	(21)
Segmented earnings (losses)	312	220	447	472

1 Represents our share of equity income from Bruce Power.

2 Includes non-controlling interest in the Fluvanna and Blue Cloud Wind Farms (Texas Wind Farms), which is comprised of Class A Membership Interests. Refer to the Corporate section for additional information.

Power and Energy Solutions segmented earnings increased by \$92 million and decreased by \$25 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- our proportionate share of Bruce Power's unrealized gains and losses on funds invested for post-retirement benefits and risk management activities
- unrealized gains and losses from changes in the fair value of derivatives used to reduce commodity exposures.

Comparable EBITDA for Power and Energy Solutions increased by \$74 million for the three months ended June 30, 2025 compared to the same period in 2024 primarily due to the net effect of:

- increased contributions from Bruce Power due to a higher contract price, fewer outage days resulting in increased generation and lower outage costs, partially offset by higher operating costs. Refer to the Bruce Power section for additional information
- higher Natural Gas Storage and other results primarily due to lower business development costs in second quarter 2025, partially offset by decreased contributions from our U.S. marketing business
- lower Canadian Power financial results primarily from lower realized power prices.

Comparable EBITDA for Power and Energy Solutions decreased by \$22 million for the six months ended June 30, 2025 compared to the same period in 2024 primarily due to the net effect of:

- lower Canadian Power financial results primarily from lower realized power prices
- decreased Natural Gas Storage and other results primarily due to lower realized Alberta natural gas storage spreads and lower contributions from our U.S. marketing business, partially offset by reduced business development activities
- increased contributions from Bruce Power due to a higher contract price and lower outage costs, partially offset by reduced generation primarily from the commencement of the Unit 4 MCR and higher operating costs. Refer to the Bruce Power section for additional information.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the three and six months ended June 30, 2025 was generally consistent with the same periods in 2024.

BRUCE POWER

The following is our proportionate share of the components of comparable EBITDA and comparable EBIT.

(millions of \$, unless otherwise noted)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Items included in comparable EBITDA and comparable EBIT are comprised of:				
Revenues ¹	563	487	1,064	1,012
Operating expenses	(238)	(244)	(512)	(497)
Depreciation and other	(92)	(93)	(187)	(184)
Comparable EBITDA and comparable EBIT²	233	150	365	331
Bruce Power – other information				
Plant availability ^{3,4}	98%	78%	92%	85%
Planned outage days ⁴	—	116	65	160
Unplanned outage days	10	15	23	21
Sales volumes (GWh) ⁵	5,096	4,685	9,741	10,226
Realized power price per MWh ⁶	\$110	\$102	\$108	\$98

1 Net of amounts recorded to reflect operating cost efficiencies shared with the IESO, if applicable.

2 Represents our 48.3 per cent ownership interest and internal costs supporting our investment in Bruce Power. Excludes unrealized gains and losses on funds invested for post-retirement benefits and risk management activities.

3 The percentage of time the plant was available to generate power, regardless of whether it was running.

4 Excludes MCR outage days.

5 Sales volumes include deemed generation, if applicable.

6 Calculation based on actual and deemed generation. Realized power price per MWh includes realized gains and losses from contracting activities and cost flow-through items. Excludes unrealized gains and losses on contracting activities and non-electricity revenues.

A planned outage on Unit 5 was completed in first quarter 2025. Planned maintenance on Unit 2 is expected to commence in third quarter 2025.

On January 31, 2025 Unit 4 was removed from service to commence its MCR program, with a return to service expected in 2028.

Corporate

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Comparable EBITDA	(7)	(14)	(12)	(30)
Depreciation and amortization	—	(2)	—	(3)
Comparable EBIT	(7)	(16)	(12)	(33)
Specific items:				
Third-party settlement	—	—	—	(34)
Focus Project costs	—	—	—	(10)
NGTL System ownership transfer costs	—	(10)	—	(10)
Segmented earnings (losses)	(7)	(26)	(12)	(87)

1 Prior year results have been recast to reflect continuing operations only.

Corporate segmented losses decreased by \$19 million and \$75 million for the three and six months ended June 30, 2025 compared to the same periods in 2024. Corporate segmented losses included the following specific items, which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax expense of \$34 million (US\$25 million) in first quarter 2024 related to a non-recurring third-party settlement
- a pre-tax charge of \$10 million in first quarter 2024 related to Focus Project costs
- a pre-tax cost of \$10 million in second quarter 2024 related to the NGTL System Ownership Transfer.

Comparable EBITDA for Corporate increased by \$7 million and \$18 million for the three and six months ended June 30, 2025 compared to the same periods in 2024, primarily due to shared costs in 2024 related to TC Energy's corporate services and governance functions that were not allocated to discontinued operations.

INTEREST EXPENSE

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Interest expense on long-term debt and junior subordinated notes				
Canadian dollar-denominated	(202)	(220)	(397)	(445)
U.S. dollar-denominated	(429)	(470)	(858)	(944)
Foreign exchange impact	(165)	(172)	(352)	(338)
	(796)	(862)	(1,607)	(1,727)
Other interest and amortization expense	(53)	(47)	(85)	(87)
Capitalized interest	2	66	5	134
Interest expense allocated to discontinued operations	—	60	—	117
Interest expense	(847)	(783)	(1,687)	(1,563)

1 Prior year results have been recast to reflect continuing operations only.

Interest expense increased by \$64 million and \$124 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 primarily due to the net effect of:

- lower capitalized interest due to the declared commercial in-service of the Coastal GasLink pipeline in fourth quarter 2024
- no interest expense allocated to discontinued operations in 2025
- long-term debt issuances and maturities, including lower interest expense resulting from TCPL's cash tender offers completed in fourth quarter 2024. Refer to our 2024 Annual Report and the Financial condition section for additional information
- the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Canadian dollar-denominated	13	8	24	17
U.S. dollar-denominated	72	128	238	238
Foreign exchange impact	29	48	100	86
Allowance for funds used during construction	114	184	362	341

AFUDC decreased by \$70 million and increased by \$21 million for the three and six months ended June 30, 2025 compared to the same periods in 2024.

The decrease in AFUDC for the three months ended June 30, 2025 is primarily the result of the completion of the Southeast Gateway pipeline and the suspension of AFUDC on the south section of the Villa de Reyes pipeline in first quarter 2025 due to ongoing construction delays on the project pending the resolution of outstanding stakeholder issues, partially offset by capital expenditures on our U.S. natural gas pipeline projects.

The increase in AFUDC for the six months ended June 30, 2025 is mainly due to AFUDC recorded for the Southeast Gateway pipeline until completion in second quarter 2025, partially offset by the suspension of AFUDC on the south section of the Villa de Reyes pipeline in first quarter 2025 and the foreign exchange impacts resulting from a stronger U.S. dollar on the Canadian dollar equivalent.

FOREIGN EXCHANGE GAINS (LOSSES), NET

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Foreign exchange gains (losses), net included in comparable earnings	55	(51)	45	(8)
Specific items:				
Foreign exchange gains (losses), net – intercompany loan ¹	(165)	15	(170)	70
Risk management activities	179	(31)	237	(102)
Foreign exchange gains (losses), net	69	(67)	112	(40)

1 Includes non-controlling interest. Refer to Net (income) loss attributable to non-controlling interests for additional information.

Foreign exchange gains (losses), net, changed by \$136 million and \$152 million for the three and six months ended June 30, 2025 compared to the same periods in 2024. The following specific items have been removed from our calculation of Foreign exchange gains (losses), net included in comparable earnings:

- unrealized foreign exchange gains and losses on the peso-denominated intercompany loan between TCPL and TGNH
- unrealized gains and losses from changes in the fair value of derivatives used to manage our foreign exchange risk. Refer to the Financial risks and financial instruments section for additional information.

Foreign exchange gains (losses), net included in comparable earnings changed by \$106 million and \$53 million for the three and six months ended June 30, 2025 compared to the same periods in 2024. The changes were primarily due to the net effect of:

- risk management activities used to manage our foreign exchange exposure to net liabilities in Mexico and to U.S. dollar-denominated income
- foreign exchange gains in 2025 compared to foreign exchange losses in 2024 on the revaluation of our U.S. dollar-denominated assets and liabilities to Canadian dollars
- foreign exchange losses in 2025 compared to foreign exchange gains in 2024 on the revaluation of our peso-denominated net monetary liabilities to U.S. dollars
- a net realized gain in second quarter 2024 on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH.

INTEREST INCOME AND OTHER

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Interest income and other	49	68	100	143

1 Prior year results have been recast to reflect continuing operations only.

Interest income and other decreased by \$19 million and \$43 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 due to lower interest earned on short-term investments, partially offset by the change in fair value of other restricted investments.

INCOME TAX (EXPENSE) RECOVERY

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Income tax (expense) recovery included in comparable earnings	(294)	(143)	(586)	(424)
Specific items:				
Foreign exchange gains (losses), net – intercompany loan	(4)	—	(6)	—
Gain on sale of non-core assets	—	15	—	15
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	30	(1)	29	(7)
Third-party settlement	—	—	—	8
Focus Project costs	—	—	—	2
NGTL System ownership transfer costs	—	(32)	—	(32)
Bruce Power unrealized fair value adjustments	(2)	(1)	(5)	—
Risk management activities	(67)	14	(62)	46
Income tax (expense) recovery	(337)	(148)	(630)	(392)

1 Prior year results have been recast to reflect continuing operations only.

Income tax expense increased by \$189 million and \$238 million for the three and six months ended June 30, 2025 compared to the same periods in 2024. The income tax impacts on specified items referenced throughout the MD&A have been reflected in our calculation of Income tax expense included in comparable earnings.

Income tax expense included in comparable earnings increased by \$151 million and \$162 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 primarily due to the impact of Mexico foreign exchange exposure, higher flow-through income taxes and a change in geographic and business mix of earnings.

NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

(millions of \$)	Non-Controlling Interests Ownership at June 30, 2025	three months ended June 30		six months ended June 30	
		2025	2024	2025	2024
Columbia Gas and Columbia Gulf	40%	(151)	(129)	(322)	(290)
Texas Wind Farms ¹	100%	9	9	19	11
TGNH ²	13.01%	(13)	(10)	(29)	(10)
PNGTS ³	—	—	(11)	—	(23)
Net (income) loss attributable to non-controlling interests included in comparable earnings		(155)	(141)	(332)	(312)
Specific items:					
Foreign exchange (gains) losses, net – intercompany loan		33	(18)	41	(18)
Expected credit loss provision on net investment in leases and certain contract assets in Mexico		10	—	10	—
Net (income) loss attributable to non-controlling interests		(112)	(159)	(281)	(330)

1 Tax equity investors own 100 per cent of the Class A Membership Interests, to which a percentage of earnings, tax attributes and cash flows are allocated. We own 100 per cent of the Class B Membership Interests.

2 In second quarter 2024, the CFE became a partner in TGNH with a 13.01 per cent equity interest in TGNH. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

3 The sale of PNGTS was completed on August 15, 2024.

Net income attributable to non-controlling interests decreased by \$47 million and \$49 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 and included the following specific items which have been excluded from our calculation of Net (income) loss attributable to non-controlling interests included in comparable earnings:

- the non-controlling interest portion of the unrealized foreign exchange gains and losses on the TGNH peso-denominated intercompany loan payable to TCPL
- the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico.

Net income attributable to non-controlling interests included in comparable earnings increased by \$14 million and \$20 million for the three and six months ended June 30, 2025 compared to the same periods in 2024, due to the net effect of:

- higher net income recognized from the Columbia Gas and Columbia Gulf assets
- the divestiture of PNGTS in third quarter 2024
- the completion of the Southeast Gateway pipeline in second quarter 2025 and the sale of the 13.01 per cent non-controlling equity interest in TGNH to the CFE in second quarter 2024. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

PREFERRED SHARE DIVIDENDS

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Preferred share dividends	(28)	(27)	(56)	(50)

Preferred share dividends were generally consistent for the three months ended June 30, 2025 and increased by \$6 million for the six months ended June 30, 2025 compared to the same periods in 2024 primarily due to the dividend rate resets on Series 1, 7 and 9 preferred shares in 2024.

On June 30, 2025, 104,778 Series 3 preferred shares were converted, on a one-for-one basis, into Series 4 preferred shares and 1,822,829 Series 4 preferred shares were converted, on a one-for-one basis, into Series 3 preferred shares.

Foreign exchange

FOREIGN EXCHANGE RELATED TO U.S. DOLLAR-DENOMINATED OPERATIONS

Certain of our businesses generate all or most of their earnings in U.S. dollars and, since we report our financial results in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar directly affect our comparable EBITDA and may also impact comparable earnings. As our U.S. dollar-denominated operations continue to grow, this exposure increases. A portion of the U.S. dollar-denominated comparable EBITDA exposure is naturally offset by U.S. dollar-denominated amounts below comparable EBITDA within Depreciation and amortization, Interest expense and other income statement line items. A portion of the remaining exposure is actively managed on a rolling forward basis up to three years using foreign exchange derivatives; however, the natural exposure beyond that period remains. The net impact of the U.S. dollar movements on comparable earnings during the three and six months ended June 30, 2025 after considering natural offsets and economic hedges was not significant.

The components of our financial results denominated in U.S. dollars are set out in the table below, including our U.S. Natural Gas Pipelines and Mexico Natural Gas Pipelines operations. Comparable EBITDA is a non-GAAP measure.

PRE-TAX U.S. DOLLAR-DENOMINATED INCOME AND EXPENSE ITEMS – FROM CONTINUING OPERATIONS

(millions of US\$)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Comparable EBITDA				
U.S. Natural Gas Pipelines	787	733	1,740	1,701
Mexico Natural Gas Pipelines	230	210	393	368
	1,017	943	2,133	2,069
Depreciation and amortization	(194)	(192)	(387)	(387)
Interest expense on long-term debt and junior subordinated notes	(429)	(470)	(858)	(944)
Interest expense allocated to discontinued operations	—	41	—	83
Allowance for funds used during construction	72	128	238	238
Net (income) loss attributable to non-controlling interests included in comparable earnings and other	(120)	(112)	(235)	(238)
	346	338	891	821
Average exchange rate – U.S. to Canadian dollars	1.38	1.37	1.41	1.36

1 Prior year results have been recast to reflect continuing operations only.

FOREIGN EXCHANGE RELATED TO MEXICO NATURAL GAS PIPELINES

Changes in the value of the Mexican peso against the U.S. dollar can affect our comparable earnings as a portion of our Mexico Natural Gas Pipelines' monetary assets and liabilities are peso-denominated, while our financial results are denominated in U.S. dollars for our Mexico operations. These peso-denominated balances are revalued to U.S. dollars, creating foreign exchange gains and losses that are included in Income (loss) from equity investments, Foreign exchange (gains) losses, net and Net income (loss) attributable to non-controlling interests in the Condensed consolidated statement of income.

In addition, foreign exchange gains or losses calculated for Mexico income tax purposes on the revaluation of U.S. dollar-denominated monetary assets and liabilities result in a peso-denominated income tax exposure for these entities, leading to fluctuations in Income from equity investments and Income tax expense. This exposure increases as our U.S. dollar-denominated net monetary liabilities grow.

The above exposures are managed using foreign exchange derivatives, although some unhedged exposure remains. The impacts of the foreign exchange derivatives are recorded in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income. Refer to the Financial risks and financial instruments section for additional information.

The period end exchange rates for one U.S. dollar to Mexican pesos were as follows:

June 30, 2025	18.84
June 30, 2024	18.28
December 31, 2024	20.87
December 31, 2023	16.91

A summary of the impacts of transactional foreign exchange gains and losses from changes in the value of the Mexican peso against the U.S. dollar and associated derivatives is set out in the table below:

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Comparable EBITDA - Mexico Natural Gas Pipelines ¹	(43)	55	(54)	45
Foreign exchange gains (losses), net included in comparable earnings	55	(45)	72	(1)
Income tax (expense) recovery included in comparable earnings	(45)	62	(59)	40
Net (income) loss attributable to non-controlling interests included in comparable earnings ²	5	(4)	6	(4)
	(28)	68	(35)	80

1 Includes the foreign exchange impacts from the Sur de Texas joint venture recorded in Income (loss) from equity investments in the Condensed consolidated statement of income.

2 Represents the non-controlling interest portion related to TGNH. Refer to the Corporate section for additional information.

Recent developments

CANADIAN NATURAL GAS PIPELINES

Multi-Year Growth Plan

The 2025-2029 NGTL Settlement enables an investment framework that supports our Board of Directors' approval to allocate approximately \$3.3 billion of capital towards progression of the Multi-Year Growth Plan (MYGP) for expansion facilities on the NGTL System. It is comprised of multiple distinct projects with targeted in-service dates between 2027 and 2030, subject to final company and regulatory approvals. The completion of the MYGP is expected to enable approximately 1.0 Bcf/d of incremental system throughput. To date, a total of \$0.7 billion of MYGP expansion facilities have received FID, including \$0.4 billion in 2025.

Valhalla North and Berland River Project

We continue to advance construction of the Valhalla North and Berland River project. The Valhalla section, which consists of approximately 33 km (21 miles) of new pipeline, is expected to be in-service in fourth quarter 2025. The project is designed to provide incremental capacity on the NGTL System of approximately 428 TJ/d (400 MMcf/d) and consists of new pipeline, one new non-emitting electric compressor unit and associated facilities.

Coastal GasLink

Coastal GasLink Pipeline

In November 2024, Coastal GasLink Limited Partnership (Coastal GasLink LP) executed a commercial agreement with LNG Canada (LNGC) and each of the five LNGC Participants (LNGC Participants) that declared commercial in-service for Coastal GasLink pipeline, enabling toll collection from customers retroactive to October 1, 2024. The agreement also provided for a one-time payment of \$199 million from LNGC Participants to TC Energy in recognition of completed work and final cost settlement, payable upon the earlier of three months following the LNG facility's declared in-service date or December 15, 2025.

Effective July 12, 2025, the LNG facility was declared in-service by LNGC. Pursuant to the commercial agreement, TC Energy expects to receive the one-time payment of \$199 million by mid-October 2025. This payment, which accrues entirely to TC Energy under the contractual arrangements between the Coastal GasLink LP partners, was recognized as an in-substance distribution from Coastal GasLink LP in our financial statements as at December 31, 2024.

Coastal GasLink LP has, and continues to pursue cost recovery from contractors, including through the pursuit and response to claims through arbitration. Although not all of the claims have been conclusively determined yet, Coastal GasLink LP expects that these proceedings overall will result in net cost recoveries. Refer to Note 14, Commitments, contingencies and guarantees, of our Condensed consolidated financial statements for additional information.

Indigenous Equity Option

In March 2022, we announced the signing of option agreements to sell up to a 10 per cent equity interest in Coastal GasLink LP to Indigenous communities across the project corridor, from our current 35 per cent equity ownership. In February 2025, the option agreements were amended to address the declared commercial in-service of the Coastal GasLink pipeline in fourth quarter 2024, establishing a revised timeline for the option exercise, including a three-month non-binding window scheduled to commence in September 2025.

U.S. NATURAL GAS PIPELINES

Columbia Gas Section 4 Rate Case

In September 2024, Columbia Gas filed a Section 4 Rate Case with FERC requesting an increase to its maximum transportation rates effective April 1, 2025. On July 1, 2025, Columbia Gas notified FERC that it has reached a settlement-in-principle. Columbia Gas expects the final settlement to include an increase relative to pre-filed rates, subject to revision following completion and approval of settlement terms, which we anticipate in fourth quarter 2025.

ANR and GLGT Section 4 Rate Cases

In April 2025, ANR and GLGT each filed Section 4 Rate Cases with FERC requesting an increase to their respective maximum transportation rates expected to become effective November 1, 2025, subject to refund. We will pursue a collaborative process to find a mutually beneficial outcome with our customers through settlement.

East Lateral XPress

The East Lateral XPress project, an expansion project on the Columbia Gulf system that connects supply to U.S. Gulf Coast LNG export markets, was placed in service in May 2025, with total project costs of approximately US\$0.3 billion.

Northwoods Project

In April 2025, we approved the Northwoods Project, an expansion project on our ANR system designed to provide 0.4 Bcf/d of capacity to serve natural gas-fired electric generation demand in the U.S. Midwest, including data centres and overall economic growth. The project involves pipeline looping, compressor facility additions as well as other system updates, with an anticipated in-service date of late 2029 and estimated project cost of approximately US\$0.9 billion.

MEXICO NATURAL GAS PIPELINES

TGNH Strategic Alliance with the CFE

The Southeast Gateway pipeline is in service and we commenced the collection of tolls beginning May 2025. In July 2025, the newly constituted Comisión Nacional de Energía (CNE) approved our regulated rates required to provide service to potential future interruptible service users on the Southeast Gateway pipeline other than the CFE.

During second quarter 2024, upon the CFE's equity injection of US\$340 million as well as non-cash consideration in recognition of the completion of certain contractual obligations, including land acquisition and permitting support, the CFE became a partner in TGNH with a 13.01 per cent equity interest. With the CFE's contractual support related to land acquisition, community relations and permitting, the CFE's equity in TGNH is expected to increase to a maximum of 15 per cent, subject to regulatory approvals, and will increase to approximately 35 per cent upon expiry of the contract in 2055.

POWER AND ENERGY SOLUTIONS

Bruce Power Life Extension

Bruce Power received approval of the Unit 5 MCR final cost and schedule estimate from the IESO on April 2, 2025. The Unit 5 MCR is expected to commence in fourth quarter 2026 with a return to service in early 2030.

CORPORATE

2016 Columbia Pipeline Acquisition Lawsuit

In 2018, former shareholders of Columbia Pipeline Group Inc. (CPG) commenced a class action lawsuit related to the acquisition of CPG by TC Energy in 2016. In 2023, the Delaware Chancery Court (the Court) found that the former CPG executives breached their fiduciary duties, that the former CPG Board breached its duty of care in overseeing the sale process and that TC Energy aided and abetted those breaches. TC Energy's allocated share of damages was an estimated US\$350 million, plus post-judgment interest. TC Energy appealed the decision to the Delaware Supreme Court and on June 17, 2025, the Supreme Court issued its decision reversing the Court's finding of liability against TC Energy. On July 10, 2025, the Court granted the final order vacating its prior judgment and dismissing plaintiffs' claims against TC Energy. As a result, this matter is now concluded in TC Energy's favour with no liability. There is no further right of appeal.

Financial condition

We strive to maintain financial strength and flexibility in all parts of the economic cycle. We rely on our operating cash flows to sustain our business, pay dividends and fund a portion of our growth. In addition, we access capital markets and engage in portfolio management activities to meet our financing needs and to manage our capital structure and credit ratings.

We believe that we have the financial capacity to fund our existing capital program through predictable cash flows from operations, access to capital markets, portfolio management activities, joint ventures, asset-level financing, cash on hand and substantial committed credit facilities. Annually, in the fourth quarter, we renew and extend our credit facilities as required.

At June 30, 2025, our current assets totaled \$6.9 billion and current liabilities amounted to \$11.6 billion, leaving us with a working capital deficit of \$4.7 billion compared to a deficit of \$4.8 billion at December 31, 2024, excluding discontinued operations. Our working capital deficiency is considered to be in the normal course of business and is managed through:

- our ability to generate predictable cash flows from operations
- a total of \$7.8 billion of TCPL committed revolving credit facilities, of which \$5.4 billion of short-term borrowing capacity remains available, net of \$2.4 billion backstopping outstanding commercial paper balances, and arrangements for a further \$2.0 billion of demand credit facilities, of which \$1.1 billion remains available as of June 30, 2025
- additional \$2.0 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, of which \$2.0 billion of short-term borrowing capacity remains available as of June 30, 2025
- our access to capital markets, including through securities issuances, incremental credit facilities, capital rotation and DRP, if deemed appropriate.

CASH PROVIDED BY OPERATING ACTIVITIES^{1,2}

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Net cash provided by operations	2,173	1,655	3,532	3,697
Increase (decrease) in operating working capital	(209)	172	381	516
Funds generated from operations	1,964	1,827	3,913	4,213
Specific items:				
Third-party settlement, net of current income tax	—	—	—	26
NGTL System ownership transfer costs	—	10	—	10
Liquids Pipelines business separation costs, net of current income tax	—	27	—	42
Focus Project costs, net of current income tax	—	—	—	9
Current income tax (recovery) expense on sale of non-core assets	—	9	—	9
Current income tax (recovery) expense on risk management activities	—	1	—	1
Comparable funds generated from operations	1,964	1,874	3,913	4,310

1 Includes continuing and discontinued operations.

2 Includes Liquids Pipelines earnings for the three and six months ended June 30, 2024 compared to Liquids Pipelines earnings of nil for the same periods in 2025. Refer to the Discontinued operations section and our 2024 Annual Report for additional information.

Net cash provided by operations

Net cash provided by operations increased by \$518 million for the three months ended June 30, 2025 compared to the same period in 2024 primarily due to the timing of working capital changes and higher funds generated from operations. Net cash provided by operations decreased by \$165 million for the six months ended June 30, 2025 compared to the same period in 2024 primarily due to lower funds generated from operations, partially offset by the timing of working capital changes.

Comparable funds generated from operations

Comparable funds generated from operations, a non-GAAP measure, helps us assess the cash generating ability of our businesses by excluding the timing effects of working capital changes, as well as the cash impact of our specific items.

Comparable funds generated from operations increased by \$90 million for the three months ended June 30, 2025 compared to the same period in 2024 primarily due to realized gains in 2025 compared to realized losses in 2024 on derivatives used to manage our foreign exchange exposures, partially offset by lower comparable EBITDA. Comparable funds generated from operations decreased by \$397 million for the six months ended June 30, 2025 compared to the same period in 2024 primarily due to lower comparable EBITDA and lower distributions from our equity investments, partially offset by realized gains in 2025 compared to realized losses in 2024 on derivatives used to manage our foreign exchange exposures.

CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Capital spending				
Capital expenditures	(1,109)	(1,333)	(2,669)	(2,912)
Capital projects in development	(6)	(13)	(10)	(33)
Contributions to equity investments	(264)	(245)	(509)	(543)
	(1,379)	(1,591)	(3,188)	(3,488)
Proceeds from sale of assets, net of transaction costs	—	48	—	48
Other distributions from equity investments	—	—	5	30
Deferred amounts and other	(107)	(140)	(39)	(128)
Net cash (used in) provided by investing activities	(1,486)	(1,683)	(3,222)	(3,538)

Net cash used in investing activities decreased by \$197 million and \$316 million for the three and six months ended June 30, 2025 compared to the same periods in 2024 primarily due to decreased capital spending.

Capital expenditures incurred for the six months ended June 30, 2025 were primarily for the advancement of the Columbia Gas and ANR projects, Southeast Gateway pipeline, as well as maintenance capital expenditures. Lower capital expenditures for the six months ended June 30, 2025 compared to the same period in 2024 reflect reduced spending on the Southeast Gateway pipeline, partially offset by increased spending on the Columbia Gas and ANR projects.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Notes payable issued (repaid), net	949	1,181	2,096	1,558
Long-term debt issued, net of issue costs	(6)	(1)	2,421	661
Long-term debt repaid	(1,215)	(1,258)	(3,224)	(1,662)
Junior subordinated notes issued, net of issue costs	—	—	1,054	—
Dividends and distributions paid	(994)	(1,103)	(2,097)	(2,374)
Common shares issued, net of issue costs	20	—	50	—
Disposition of equity interest, net of transaction costs	—	464	—	426
Contributions from non-controlling interest	—	5	—	5
Net cash (used in) provided by financing activities	(1,246)	(712)	300	(1,386)

Long-term debt issued

The following table outlines significant long-term debt issuances in the six months ended June 30, 2025:

(millions of Canadian \$, unless otherwise noted)					
Company	Issue date	Type	Maturity date	Amount	Interest rate
TransCanada PipeLines Limited	February 2025	Medium Term Notes	February 2035	1,000	4.58%
Columbia Pipelines Operating Company LLC	March 2025	Senior Unsecured Notes	February 2035	US 550	5.44%
	March 2025	Senior Unsecured Notes	February 2055	US 450	5.96%

On June 17, 2025, ANR Pipeline Company entered into a note purchase agreement which commits our subsidiary to issue US\$250 million of six-year senior unsecured notes bearing interest at a fixed rate of 5.23 per cent and US\$350 million of 10-year senior unsecured notes bearing interest at a fixed rate of 5.69 per cent. ANR Pipeline Company expects to issue these senior unsecured notes in third quarter 2025.

Long-term debt repaid/retired

The following table outlines significant long-term debt repaid/retired in the six months ended June 30, 2025:

(millions of Canadian \$, unless otherwise noted)					
Company	Repayment date	Type		Amount	Interest rate
Nova Gas Transmission Ltd.	May 2025	Medium Term Notes		87	8.90%
Columbia Pipelines Operating Company LLC	March 2025	Senior Unsecured Notes		US 1,000	4.50%
TC PipeLines, LP	March 2025	Senior Unsecured Notes		US 350	4.38%
TC Energía Mexicana, S. de R.L. de C.V.	Various	Senior Unsecured Term Loan		US 82	Floating

Subsequent debt repayment

On July 17, 2025, TCPL retired \$750 million of medium term notes bearing interest at a fixed rate of 3.30 per cent.

Junior subordinated notes issued and repaid

In February 2025, TCPL issued US\$750 million of junior subordinated notes maturing in 2065 with a fixed interest rate of 7.00 per cent per year until June 1, 2030, and resetting every five years thereafter.

In May 2025, TCPL exercised its option to fully repay and retire the US\$750 million junior subordinated notes that had a maturity date of 2075, bearing interest at 5.88 per cent to TransCanada Trust (the Trust). All of the proceeds from the repayment were used by the Trust to fund the redemption price of the US\$750 million in aggregate principal amount of outstanding Trust Notes - Series 2015-A, in May 2025 pursuant to their terms. Refer to Note 8, Junior subordinated notes, of our Condensed consolidated financial statements for additional information.

DIVIDENDS

On July 31, 2025, we announced a quarterly dividend on our outstanding common shares of \$0.85 per share payable on October 31, 2025 to shareholders of record at the close of business on September 29, 2025.

Commencing with the dividends payable on January 31, 2025 to shareholders of record at the close of business on December 31, 2024, the amounts reflect TC Energy's proportionate allocation following the Spinoff Transaction. Refer to our 2024 Annual Report for additional information.

SHARE INFORMATION

At July 25, 2025, we had approximately 1.0 billion issued and outstanding common shares and approximately 3.3 million outstanding options to buy common shares, of which 2.8 million were exercisable.

On June 30, 2025, 104,778 Series 3 preferred shares were converted, on a one-for-one basis, into Series 4 preferred shares and 1,822,829 Series 4 preferred shares were converted, on a one-for-one basis, into Series 3 preferred shares.

CREDIT FACILITIES

At July 25, 2025, we had a total of \$7.8 billion of TCPL committed revolving credit facilities, of which \$4.4 billion of short-term borrowing capacity remains available, net of \$3.4 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further \$2.0 billion of demand credit facilities, of which \$1.1 billion remains available.

In addition, we have \$2.1 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, of which \$2.0 billion of borrowing capacity remains available at July 25, 2025.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments at June 30, 2025 increased by approximately \$0.3 billion from those reported at December 31, 2024, reflecting new contractual commitments entered into for construction on U.S. natural gas pipelines, primarily related to the construction costs associated with ANR and other pipeline projects, partially offset by normal course fulfillment of construction contracts.

There were no material changes to our contractual obligations in second quarter 2025 or to payments due in the next five years or thereafter. Refer to our 2024 Annual Report for additional information about our contractual obligations.

Discontinued operations

On October 1, 2024, TC Energy completed the spinoff of its Liquids Pipelines business into a new public company, South Bow Corporation. Upon completion of the Spinoff Transaction, the Liquids Pipelines business was accounted for as a discontinued operation. Prior year amounts have been recast to present the Liquids Pipelines business as a discontinued operation. Refer to our 2024 Annual Report for additional information.

RESULTS FROM DISCONTINUED OPERATIONS

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Segmented earnings (losses) from discontinued operations	(29)	270	(29)	589
Interest expense	—	(60)	—	(117)
Interest income and other	—	1	—	3
Income (loss) from discontinued operations before income taxes	(29)	211	(29)	475
Income tax (expense) recovery	—	(52)	—	(101)
Net income (loss) from discontinued operations, net of tax	(29)	159	(29)	374
Net income (loss) per common share from discontinued operations - basic	(\$0.03)	\$0.15	(\$0.03)	\$0.36

1 Prior year results have been recast to reflect the Liquids Pipelines business as a discontinued operation as a result of the Spinoff Transaction.

In June 2025, we received \$24 million related to certain recoveries under the Separation Agreement with South Bow Corporation. At this time, we also revised our estimate of our share of future recoveries, resulting in a \$29 million impairment charge, which has been included in Net income (loss) from discontinued operations, net of tax in the Condensed consolidated statement of income and excluded from our calculation of comparable measures from discontinued operations. Refer to Note 3, Discontinued operations, of our Condensed consolidated financial statements for additional information.

NON-GAAP MEASURES

This MD&A references non-GAAP measures, which are described in the Non-GAAP measures section. These measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

RECONCILIATION OF NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX TO COMPARABLE EARNINGS FROM DISCONTINUED OPERATIONS

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2025	2024 ¹	2025	2024 ¹
Net income (loss) from discontinued operations, net of tax	(29)	159	(29)	374
Specific items (pre tax):				
Keystone XL asset impairment charge ²	29	—	29	—
Liquids Pipelines business separation costs ³	—	29	—	45
Risk management activities	—	(37)	—	(36)
Taxes related to specific items⁴	—	5	—	2
Comparable earnings from discontinued operations	—	156	—	385
Net income (loss) per common share from discontinued operations	(\$0.03)	\$0.15	(\$0.03)	\$0.36
Specific items (net of tax)	0.03	—	0.03	0.01
Comparable earnings per common share from discontinued operations	—	\$0.15	—	\$0.37

- 1 Prior year results have been recast to reflect the Liquids Pipelines business as a discontinued operation as a result of the Spinoff Transaction.
- 2 A pre-tax impairment charge of \$29 million for the three and six months ended June 30, 2025 related to our estimate of Keystone XL contractual recoveries was recognized in Net income (loss) from discontinued operations, net of tax and excluded from our calculation of comparable earnings from discontinued operations.
- 3 A pre-tax charge of \$29 million and \$45 million for the three and six months ended June 30, 2024 related to Liquids Pipelines business separation costs from the Spinoff Transaction was recognized in Net income (loss) from discontinued operations, net of tax and excluded from our calculation of comparable earnings from discontinued operations.
- 4 The income tax impacts on the specified items mentioned in the table above have been removed from our calculation of Income tax expense included in comparable earnings from discontinued operations below.

COMPARABLE EBITDA TO COMPARABLE EARNINGS - FROM DISCONTINUED OPERATIONS

Comparable EBITDA from discontinued operations represents segmented earnings (losses) from discontinued operations adjusted for the specific items described above, excluding charges for depreciation and amortization.

(millions of \$, except per share amounts)	three months ended June 30	six months ended June 30
	2024 ¹	2024 ¹
Comparable EBITDA from discontinued operations	346	766
Depreciation and amortization	(84)	(168)
Interest expense	(60)	(117)
Interest income and other	1	3
Income tax (expense) recovery included in comparable earnings	(47)	(99)
Comparable earnings from discontinued operations	156	385
Comparable earnings per common share from discontinued operations	\$0.15	\$0.37

- 1 Prior year results have been recast to reflect the Liquids Pipelines business as a discontinued operation as a result of the Spinoff Transaction.

Financial risks and financial instruments

We are exposed to various financial risks and have strategies, policies and limits in place to manage the impact of these risks on our earnings, cash flows and, ultimately, shareholder value.

Risk management strategies, policies and limits are designed to ensure our risks and related exposures are in line with our business objectives and risk tolerance.

Refer to our 2024 Annual Report for additional information about the risks we face in our business which have not changed materially since December 31, 2024, other than as noted within this MD&A.

INTEREST RATE RISK

We utilize both short- and long-term debt to finance our operations which exposes us to interest rate risk. We typically pay fixed rates of interest on our long-term debt and floating rates on short-term debt including our commercial paper programs and amounts drawn on our credit facilities. A small portion of our long-term debt bears interest at floating rates. In addition, we are exposed to interest rate risk on financial instruments and contractual obligations containing variable interest rate components. We actively manage our interest rate risk using interest rate derivatives.

FOREIGN EXCHANGE RISK

Certain of our businesses generate all or most of their earnings in U.S. dollars and, since we report our financial results in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar directly affect our comparable EBITDA and may also impact comparable earnings.

A portion of our Mexico Natural Gas Pipelines' monetary assets and liabilities are peso-denominated, while our Mexico operations' financial results are denominated in U.S. dollars. Therefore, changes in the value of the Mexican peso against the U.S. dollar can affect our comparable earnings. In addition, foreign exchange gains or losses calculated for Mexico income tax purposes on the revaluation of U.S. dollar-denominated monetary assets and liabilities result in a peso-denominated income tax exposure for these entities, leading to fluctuations in Income (loss) from equity investments and Income tax expense (recovery) in the Condensed consolidated statement of income.

We actively manage a portion of our foreign exchange risk using foreign exchange derivatives. We hedge a portion of our net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt and cross-currency interest rate swaps as appropriate.

COUNTERPARTY CREDIT RISK

We have exposure to counterparty credit risk in a number of areas including:

- cash and cash equivalents
- accounts receivable
- available-for-sale assets
- fair value of derivative assets
- net investment in leases and certain contract assets in Mexico.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of our customers. While the majority of our credit exposure is to large creditworthy entities, we maintain close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to our 2024 Annual Report for more information about the factors that mitigate our counterparty credit risk exposure.

We review financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. We use historical credit loss and recovery data, adjusted for our judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other. At June 30, 2025, we had no significant credit risk concentrations, with the exception of the CFE, which represents approximately 32 per cent of gross exposure. At this time, there were no significant amounts past due or impaired. We recorded a pre-tax loss of \$103 million and \$101 million on the expected credit loss provision on the TGNH net investment in leases and certain contract assets in Mexico for the three and six months ended June 30, 2025 (2024 – pre-tax recovery of \$3 million and \$24 million, respectively). During second quarter 2025, we completed the Southeast Gateway pipeline and recognized a net investment in sales-type lease. Refer to Note 12, Risk management and financial instruments and Note 13, TGNH strategic alliance, of our Condensed consolidated financial statements for additional information.

We have significant credit and performance exposure to financial institutions that hold cash deposits and provide committed credit lines and letters of credit that help manage our exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets. Our portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We manage our liquidity risk by continuously forecasting our cash flows and ensuring we have adequate cash balances, cash flows from operations, committed and demand credit facilities and access to capital markets to meet our operating, financing and capital expenditure obligations under both normal and stressed economic conditions.

FINANCIAL INSTRUMENTS

With the exception of Long-term debt and Junior subordinated notes, our derivative and non-derivative financial instruments are recorded on the balance sheet at fair value unless they were entered into and continue to be held for the purpose of receipt or delivery in accordance with our normal purchase and sales exemptions and are documented as such. In addition, fair value accounting is not required for other financial instruments that qualify for certain accounting exemptions.

Derivative instruments

We use derivative instruments to reduce volatility associated with fluctuations in commodity prices, interest rates and foreign exchange rates. Derivative instruments, including those that qualify and are designated for hedge accounting treatment, are recorded at fair value.

The majority of derivative instruments that are not designated or do not qualify for hedge accounting treatment have been entered into as economic hedges to manage our exposure to market risk and are classified as held-for-trading. Changes in the fair value of held-for-trading derivative instruments are recorded in net income in the period of change. This may expose us to increased variability in reported operating results since the fair value of the held-for-trading derivative instruments can fluctuate significantly from period to period.

The recognition of gains and losses on derivatives for Canadian natural gas regulated pipeline exposures is determined through the regulatory process. Gains and losses arising from changes in the fair value of derivatives accounted for as part of RRA, including those that qualify for hedge accounting treatment, are expected to be refunded or recovered through the tolls charged by us. As a result, these gains and losses are deferred as regulatory liabilities or regulatory assets and are refunded to or collected from the ratepayers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet presentation of the fair value of derivative instruments were as follows:

(millions of \$)	June 30, 2025	December 31, 2024
Other current assets	377	347
Other long-term assets	170	122
Accounts payable and other	(322)	(507)
Other long-term liabilities	(138)	(209)
	87	(247)

Unrealized and realized gains (losses) on derivative instruments

The following summary does not include hedges of our net investment in foreign operations.

(millions of \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Derivative Instruments Held for Trading¹				
Unrealized gains (losses) in the period				
Commodities ²	102	8	27	(21)
Foreign exchange	179	(31)	237	(102)
Realized gains (losses) in the period				
Commodities	(9)	156	(38)	358
Foreign exchange	80	(98)	72	(47)
Interest rate	3	—	5	—
Derivative Instruments in Hedging Relationships				
Realized gains (losses) in the period				
Commodities	5	15	14	18
Foreign exchange	3	—	4	—
Interest rate	(7)	(14)	(16)	(27)

1 Realized and unrealized gains (losses) on held-for-trading derivative instruments used to purchase and sell commodities are included on a net basis in Revenues. Realized and unrealized gains (losses) on foreign exchange and interest rate held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net and Interest expense, respectively, in the Condensed consolidated statement of income.

2 In the three and six months ended June 30, 2025, unrealized gains of \$1 million were reclassified to Net income (loss) from AOCI related to discontinued cash flow hedges (2024 - nil).

For further details on our non-derivative and derivative financial instruments, including classification assumptions made in the calculation of fair value and additional discussion of exposure to risks and mitigation activities, refer to Note 12, Risk management and financial instruments, of our Condensed consolidated financial statements.

Other information

CONTROLS AND PROCEDURES

Management, including our President and CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as at June 30, 2025, as required by the Canadian securities regulatory authorities and by the SEC and concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

There were no changes in second quarter 2025 that had or are likely to have a material impact on our internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY CHANGES

When we prepare financial statements that conform with U.S. GAAP, we are required to make estimates and assumptions that affect the timing and amounts we record for our assets, liabilities, revenues and expenses because these items may be affected by future events. We base the estimates and assumptions on the most current information available, using our best judgment. We also regularly assess the assets and liabilities themselves. In addition to the items discussed below, refer to our 2024 Annual Report for a listing of critical accounting estimates.

Impairment of goodwill

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate it might be impaired. We can initially make this assessment based on qualitative factors. If we conclude that it is not more likely than not that the fair value of the reporting unit is greater than its carrying value, we will then perform a quantitative goodwill impairment test.

The estimated fair value in excess of the carrying value was less than 10 per cent on our Columbia and Great Lakes reporting units at the date of our last quantitative goodwill impairment test. Any future reductions in cash flow forecasts or adverse changes in other key assumptions could result in a future impairment of our goodwill balance.

Sales-type leases

We determined that the Southeast Gateway pipeline is classified as a sales-type lease between TGNH and the CFE. We allocated the expected contract consideration to the lease and non-lease components based on the stand-alone selling price for each distinct service at the inception of the agreement in 2022. Under a sales-type lease, we derecognize the underlying asset and record a net investment in lease equal to the present value of both the future lease payments and the estimated residual value of the leased asset.

To record the net investment in lease, we were required to prepare an estimate of the fair value of the Southeast Gateway pipeline. The TGNH pipelines, which includes the Southeast Gateway pipeline, are rate-regulated and the tolls are designed to recover the cost of providing service. On this basis, we applied judgment to determine that, at the inception of the lease arrangement, the fair value of the underlying assets approximated the carrying value and the residual value approximated the remaining carrying value at the end of the lease term. We estimated that if the assets were purchased at their carrying value, they would yield a return to the purchaser that is in line with current market participant expectations.

Accounting changes

Our significant accounting policies have remained unchanged since December 31, 2024 other than as described in Note 2, Accounting changes, of our Condensed consolidated financial statements. A summary of our significant accounting policies is included in our 2024 Annual Report.

Quarterly results

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

(millions of \$, except per share amounts)	2025		2024 ¹				2023 ¹	
	Second	First	Fourth	Third	Second	First	Fourth	Third
Revenues	3,744	3,623	3,577	3,358	3,327	3,509	3,504	3,225
Net income (loss) attributable to common shares	833	978	971	1,457	963	1,203	1,463	(197)
from continuing operations	862	978	1,069	1,338	804	988	1,249	(325)
from discontinued operations	(29)	—	(98)	119	159	215	214	128
Comparable earnings²	848	983	1,094	1,074	978	1,284	1,403	1,035
from continuing operations	848	983	1,094	894	822	1,055	1,192	848
from discontinued operations	—	—	—	180	156	229	211	187
Per share statistics:								
Net income (loss) per common share – basic	\$0.80	\$0.94	\$0.94	\$1.40	\$0.93	\$1.16	\$1.41	(\$0.19)
from continuing operations	\$0.83	\$0.94	\$1.03	\$1.29	\$0.78	\$0.95	\$1.20	(\$0.31)
from discontinued operations	(\$0.03)	—	(\$0.09)	\$0.11	\$0.15	\$0.21	\$0.21	\$0.12
Comparable earnings per common share²	\$0.82	\$0.95	\$1.05	\$1.03	\$0.94	\$1.24	\$1.35	\$1.00
from continuing operations	\$0.82	\$0.95	\$1.05	\$0.86	\$0.79	\$1.02	\$1.15	\$0.82
from discontinued operations	—	—	—	\$0.17	\$0.15	\$0.22	\$0.20	\$0.18
Dividends declared per common share³	\$0.85	\$0.85	\$0.8225	\$0.96	\$0.96	\$0.96	\$0.93	\$0.93

1 Results have been recast to reflect the split between continuing and discontinued operations.

2 Additional information on the most directly comparable GAAP measure can be found in the Non-GAAP measures section.

3 Commencing fourth quarter 2024 and thereafter, amounts reflect dividends declared following the Spinoff Transaction. Refer to our 2024 Annual Report for additional information.

FACTORS AFFECTING QUARTERLY FINANCIAL INFORMATION BY BUSINESS SEGMENT

Quarter-over-quarter revenues and net income fluctuate for reasons that vary across our business segments. In addition to the factors below, our revenues and segmented earnings (losses) are impacted by fluctuations in foreign exchange rates, mainly related to our U.S. dollar-denominated operations and our peso-denominated exposure. Refer to the Foreign exchange section for additional information.

In our Natural Gas Pipelines business, except for seasonal fluctuations in short-term throughput volumes on U.S. pipelines, quarter-over-quarter revenues and segmented earnings (losses) generally remain relatively stable during any fiscal year.

Over the long term, however, they fluctuate because of:

- regulatory decisions
- negotiated settlements with customers
- newly constructed assets being placed in service
- acquisitions and divestitures
- natural gas marketing activities and commodity prices
- developments outside of the normal course of operations
- certain fair value adjustments
- provisions for expected credit losses on net investment in leases and certain contract assets in Mexico.

In Power and Energy Solutions, quarter-over-quarter revenues and segmented earnings (losses) are affected by:

- weather
- customer demand
- newly constructed assets being placed in service
- acquisitions and divestitures
- market prices for natural gas and power
- capacity prices and payments
- power marketing and trading activities
- planned and unplanned plant outages
- developments outside of the normal course of operations
- certain fair value adjustments.

FACTORS AFFECTING FINANCIAL INFORMATION BY QUARTER

We calculate comparable measures by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable. Refer to the Non-GAAP measures section for additional information.

In second quarter 2025, comparable earnings from continuing operations also excluded:

- pre-tax unrealized foreign exchange losses, net, of \$132 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a pre-tax loss of \$93 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest.

In first quarter 2025, comparable earnings from continuing operations also excluded:

- pre-tax unrealized foreign exchange gains, net, of \$3 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a pre-tax recovery of \$2 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest.

In fourth quarter 2024, comparable earnings from continuing operations also excluded:

- a pre-tax net gain on debt extinguishment of \$228 million related to the purchase and cancellation of certain senior unsecured notes and medium term notes and the retirement of outstanding callable notes in October 2024
- pre-tax unrealized foreign exchange gains, net, of \$143 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a pre-tax recovery of \$3 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- a deferred income tax expense of \$96 million resulting from the revaluation of remaining deferred tax balances following the Spinoff Transaction
- a pre-tax impairment charge of \$36 million related to development costs incurred on Project Tundra, a next-generation technology carbon capture and storage project, following our decision to end our collaboration on the project
- a pre-tax expense of \$9 million related to Focus Project costs.

In third quarter 2024, comparable earnings from continuing operations also excluded:

- a pre-tax gain of \$572 million related to the sale of PNGTS which was completed on August 15, 2024
- pre-tax unrealized foreign exchange losses, net, of \$52 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a pre-tax expense of \$5 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- a pre-tax expense of \$5 million related to Focus Project costs.

In second quarter 2024, comparable earnings from continuing operations also excluded:

- a pre-tax gain of \$48 million related to the sale of non-core assets in U.S. Natural Gas Pipelines and Canadian Natural Gas Pipelines
- pre-tax unrealized foreign exchange losses, net, of \$3 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a pre-tax recovery of \$3 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- pre-tax costs of \$10 million related to the NGTL System Ownership Transfer.

In first quarter 2024, comparable earnings from continuing operations also excluded:

- pre-tax unrealized foreign exchange gains, net, of \$55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a pre-tax recovery of \$21 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico
- a pre-tax expense of \$34 million related to a non-recurring third-party settlement
- a pre-tax expense of \$10 million related to Focus Project costs.

In fourth quarter 2023, comparable earnings from continuing operations also excluded:

- a \$74 million income tax recovery related to a revised assessment of the valuation allowance and non-taxable capital losses on our equity investment in Coastal GasLink LP
- pre-tax unrealized foreign exchange losses, net, of \$55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a pre-tax expense of \$36 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico
- a pre-tax expense of \$15 million related to Focus Project costs.

In third quarter 2023, comparable earnings from continuing operations also excluded:

- a pre-tax impairment charge of \$1,244 million related to our equity investment in Coastal GasLink LP
- a pre-tax expense of \$18 million related to Focus Project costs
- pre-tax net unrealized foreign exchange gains, net, of \$20 million on the peso-denominated intercompany loan between TCPL and TGNH
- a pre-tax recovery of \$1 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico.

Condensed consolidated statement of income

(unaudited - millions of Canadian \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Revenues				
Canadian Natural Gas Pipelines	1,455	1,417	2,826	2,801
U.S. Natural Gas Pipelines	1,704	1,468	3,562	3,140
Mexico Natural Gas Pipelines	360	217	586	431
Power and Energy Solutions	221	225	383	464
Corporate	4	—	10	—
	3,744	3,327	7,367	6,836
Income (Loss) from Equity Investments	330	325	635	664
Operating and Other Expenses				
Plant operating costs and other	1,182	1,080	2,192	2,103
Commodity purchases resold	49	41	99	88
Property taxes	218	210	442	406
Depreciation and amortization	671	633	1,349	1,268
	2,120	1,964	4,082	3,865
Net Gain (Loss) on Sale of Assets	—	48	—	48
Financial Charges				
Interest expense	847	783	1,687	1,563
Allowance for funds used during construction	(114)	(184)	(362)	(341)
Foreign exchange (gains) losses, net	(69)	67	(112)	40
Interest income and other	(49)	(68)	(100)	(143)
	615	598	1,113	1,119
Income (Loss) from Continuing Operations before Income Taxes	1,339	1,138	2,807	2,564
Income Tax Expense (Recovery) from Continuing Operations				
Current	23	54	106	112
Deferred	314	94	524	280
	337	148	630	392
Net Income (Loss) from Continuing Operations	1,002	990	2,177	2,172
Net Income (Loss) from Discontinued Operations, Net of Tax	(29)	159	(29)	374
Net Income (Loss)	973	1,149	2,148	2,546
Net income (loss) attributable to non-controlling interests	112	159	281	330
Net Income (Loss) Attributable to Controlling Interests	861	990	1,867	2,216
Preferred share dividends	28	27	56	50
Net Income (Loss) Attributable to Common Shares	833	963	1,811	2,166
Amounts Attributable to Common Shares				
Net income (loss) from continuing operations	1,002	990	2,177	2,172
Net income (loss) attributable to non-controlling interests	112	159	281	330
Net income (loss) attributable to controlling interests from continuing operations	890	831	1,896	1,842
Preferred share dividends	28	27	56	50
Net income (loss) attributable to common shares from continuing operations	862	804	1,840	1,792
Net income (loss) from discontinued operations, net of tax	(29)	159	(29)	374
Net Income (Loss) Attributable to Common Shares	833	963	1,811	2,166
Net Income (Loss) per Common Share - Basic and Diluted				
Continuing operations	\$0.83	\$0.78	\$1.77	\$1.73
Discontinued operations	(\$0.03)	\$0.15	(\$0.03)	\$0.36
	\$0.80	\$0.93	\$1.74	\$2.09
Weighted Average Number of Common Shares (millions)				
Basic	1,040	1,037	1,040	1,037
Diluted	1,040	1,037	1,040	1,037

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian \$)	2025	2024	2025	2024
Net Income (Loss)	973	1,149	2,148	2,546
Other Comprehensive Income (Loss), Net of Income Taxes				
Foreign currency translation gains and losses on net investment in foreign operations	(1,049)	224	(1,090)	697
Change in fair value of net investment hedges	—	(3)	1	(12)
Change in fair value of cash flow hedges	(43)	20	(40)	28
Reclassification to net income of (gains) losses on cash flow hedges	37	(2)	38	(2)
Reclassification to net income of actuarial (gains) losses on pension and other post-retirement benefit plans	1	—	1	—
Other comprehensive income (loss) on equity investments	(4)	(27)	(16)	64
	(1,058)	212	(1,106)	775
Comprehensive Income (Loss)	(85)	1,361	1,042	3,321
Comprehensive income (loss) attributable to non-controlling interests	(455)	290	(306)	696
Comprehensive Income (Loss) Attributable to Controlling Interests	370	1,071	1,348	2,625
Preferred share dividends	28	27	56	50
Comprehensive Income (Loss) Attributable to Common Shares	342	1,044	1,292	2,575

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian \$)	2025	2024	2025	2024
Cash Generated from Operations				
Net income (loss)	973	1,149	2,148	2,546
Depreciation and amortization	671	717	1,349	1,436
Deferred income taxes	314	89	524	232
(Income) loss from equity investments	(330)	(341)	(635)	(697)
Distributions received from operating activities of equity investments	416	436	752	981
Employee post-retirement benefits funding, net of expense	—	4	2	8
Net (gain) loss on sale of assets	—	(48)	—	(48)
Equity allowance for funds used during construction	(81)	(120)	(245)	(220)
Unrealized (gains) losses on financial instruments	(281)	24	(264)	124
Expected credit loss provision	104	(3)	102	(23)
Foreign exchange (gains) losses, net – intercompany loan	165	(27)	170	(82)
Other	13	(53)	10	(44)
(Increase) decrease in operating working capital	209	(172)	(381)	(516)
Net cash provided by operations	2,173	1,655	3,532	3,697
Investing Activities				
Capital expenditures	(1,109)	(1,333)	(2,669)	(2,912)
Capital projects in development	(6)	(13)	(10)	(33)
Contributions to equity investments	(264)	(245)	(509)	(543)
Other distributions from equity investments	—	—	5	30
Proceeds from sale of assets, net of transaction costs	—	48	—	48
Deferred amounts and other	(107)	(140)	(39)	(128)
Net cash (used in) provided by investing activities	(1,486)	(1,683)	(3,222)	(3,538)
Financing Activities				
Notes payable issued (repaid), net	949	1,181	2,096	1,558
Long-term debt issued, net of issue costs	(6)	(1)	2,421	661
Long-term debt repaid	(1,215)	(1,258)	(3,224)	(1,662)
Junior subordinated notes issued, net of issue costs	—	—	1,054	—
Dividends on common shares	(883)	(996)	(1,738)	(1,961)
Dividends on preferred shares	(28)	(24)	(56)	(47)
Common shares issued, net of issue costs	20	—	50	—
Disposition of equity interest, net of transaction costs	—	464	—	426
Contributions from non-controlling interests	—	5	—	5
Distributions to non-controlling interests and other	(83)	(83)	(303)	(366)
Net cash (used in) provided by financing activities	(1,246)	(712)	300	(1,386)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	19	8	11	57
Increase (Decrease) in Cash and Cash Equivalents, Including Cash Balances Classified as Assets Held for Sale	(540)	(732)	621	(1,170)
Cash balances classified as assets held for sale	—	13	—	(34)
Increase (Decrease) in Cash and Cash Equivalents	(540)	(719)	621	(1,204)
Cash and Cash Equivalents - Beginning of period	1,962	3,193	801	3,678
Cash and Cash Equivalents - End of period	1,422	2,474	1,422	2,474

Includes continuing and discontinued operations. Refer to Note 3, Discontinued operations, for additional information.

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian \$)		June 30, 2025	December 31, 2024
ASSETS			
Current Assets			
Cash and cash equivalents		1,422	801
Accounts receivable		2,555	2,611
Inventories		822	747
Other current assets		2,166	1,339
Current assets of discontinued operations		172	235
		7,137	5,733
Plant, Property and Equipment	net of accumulated depreciation of \$35,986 and \$35,397, respectively	69,450	77,501
Net Investment in Leases		8,125	2,477
Equity Investments		10,836	10,636
Restricted Investments		3,236	2,998
Regulatory Assets		2,822	2,682
Goodwill		12,927	13,670
Other Long-Term Assets		2,179	2,410
Long-Term Assets of Discontinued Operations		125	136
		116,837	118,243
LIABILITIES			
Current Liabilities			
Notes payable		2,418	387
Accounts payable and other		4,381	5,297
Dividends payable		901	874
Accrued interest		821	828
Current portion of long-term debt		3,119	2,955
Current liabilities of discontinued operations		102	170
		11,742	10,511
Regulatory Liabilities		5,527	5,303
Other Long-Term Liabilities		951	1,051
Deferred Income Tax Liabilities		7,233	6,884
Long-Term Debt		43,340	44,976
Junior Subordinated Notes		10,550	11,048
Long-Term Liabilities of Discontinued Operations		114	110
		79,457	79,883
EQUITY			
Common shares, no par value		30,158	30,101
Issued and outstanding:	June 30, 2025 – 1,040 million shares December 31, 2024 – 1,039 million shares		
Preferred shares		2,499	2,499
Accumulated deficit		(5,741)	(5,241)
Accumulated other comprehensive income (loss)		604	233
Controlling Interests		27,520	27,592
Non-Controlling Interests		9,860	10,768
		37,380	38,360
		116,837	118,243

Commitments, Contingencies and Guarantees (Note 14)

Variable Interest Entities (Note 15)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian \$)	2025	2024	2025	2024
Common Shares				
Balance at beginning of period	30,136	30,002	30,101	30,002
Shares issued:				
Exercise of stock options	22	—	57	—
Balance at end of period	30,158	30,002	30,158	30,002
Preferred Shares				
Balance at beginning and end of period	2,499	2,499	2,499	2,499
Additional Paid-In Capital				
Balance at beginning of period	—	—	—	—
Exercise and forfeitures of stock options	(2)	4	(4)	4
Disposition of equity interests, net of transaction costs	—	(33)	—	(22)
Reclassification of additional paid-in capital deficit to accumulated deficit	2	29	4	18
Balance at end of period	—	—	—	—
Accumulated Deficit				
Balance at beginning of period	(5,147)	(2,777)	(5,241)	(2,997)
Net income (loss) attributable to controlling interests	861	990	1,867	2,216
Common share dividends	(884)	(996)	(1,768)	(1,992)
Preferred share dividends	(27)	(27)	(53)	(48)
Spinoff of Liquids Pipelines business	(542)	—	(542)	—
Reclassification of additional paid-in capital deficit to accumulated deficit	(2)	(29)	(4)	(18)
Balance at end of period	(5,741)	(2,839)	(5,741)	(2,839)
Accumulated Other Comprehensive Income (Loss)				
Balance at beginning of period	205	377	233	49
Other comprehensive income (loss) attributable to controlling interests	(491)	102	(519)	430
Impact of non-controlling interest	348	(21)	348	(21)
Spinoff of Liquids Pipelines business	542	—	542	—
Balance at end of period	604	458	604	458
Equity Attributable to Controlling Interests	27,520	30,120	27,520	30,120
Equity Attributable to Non-Controlling Interests				
Balance at beginning of period	10,746	9,573	10,768	9,455
Net income (loss) attributable to non-controlling interests	112	159	281	330
Other comprehensive income (loss) attributable to non-controlling interests	(567)	131	(587)	366
Disposition of equity interests	(348)	588	(348)	582
Contributions from non-controlling interests	—	5	—	5
Distributions declared to non-controlling interests	(83)	(82)	(254)	(364)
Balance at end of period	9,860	10,374	9,860	10,374
Total Equity	37,380	40,494	37,380	40,494

See accompanying Notes to the Condensed consolidated financial statements.

Notes to Condensed consolidated financial statements

(unaudited)

1. BASIS OF PRESENTATION

These Condensed consolidated financial statements of TC Energy Corporation (TC Energy or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TC Energy's annual audited Consolidated financial statements for the year ended December 31, 2024, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in TC Energy's 2024 Annual Report.

These Condensed consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2024 audited Consolidated financial statements included in TC Energy's 2024 Annual Report. Certain comparative figures have been adjusted to reflect the current period's presentation.

On October 1, 2024, TC Energy completed the spinoff of its Liquids Pipelines business into the new public company, South Bow Corporation (South Bow) (the Spinoff Transaction). The historical results of the Liquids Pipelines business are presented as discontinued operations and have been excluded from continuing operations and segment disclosures for all periods presented. The Notes to the Condensed consolidated financial statements reflect continuing operations only, unless otherwise indicated. Prior to the spinoff, the operations of the Liquids Pipelines business were materially reported as the Company's Liquids Pipelines segment. Refer to Note 3, Discontinued operations for additional information.

Earnings for interim periods may not be indicative of results for the fiscal year in certain of the Company's segments primarily due to:

- Natural gas pipelines segments – the timing of regulatory decisions and negotiated rate case settlements as well as seasonal fluctuations in short-term throughput volumes on U.S. pipelines and marketing activities
- Power and Energy Solutions – the impacts of seasonal weather conditions on customer demand, market supply and prices of natural gas and power as well as maintenance outages in certain of the Company's investments in electrical power generation plants and Canadian non-regulated natural gas storage facilities and marketing activities.

In addition to the factors mentioned above, revenues and segmented earnings are impacted by fluctuations in foreign exchange rates, mainly related to the Company's U.S. dollar-denominated operations and Mexican peso-denominated exposure.

Out-of-Period Adjustments

During second quarter 2025, the Company recorded out-of-period adjustments to reclassify a pro rata portion of its net investment hedge losses recorded in Accumulated other comprehensive income (loss) (AOCI).

The adjustments included (i) a reclassification of net investment hedge losses of \$348 million from AOCI to Non-controlling interests (NCI) related to the sale of 40 per cent of Columbia Gas and Columbia Gulf on October 4, 2023, which was presented as Impact of non-controlling interest and Disposition of equity interests, respectively, in the Condensed consolidated statement of equity; and (ii) a reclassification of net investment hedge losses of \$542 million related to the spinoff of the Company's Liquids Pipelines business that occurred on October 1, 2024 from AOCI to Accumulated deficit.

The Company determined that the impact of these out-of-period adjustments was not material, individually or in the aggregate, to any previously reported quarterly or annual financial statements and is not material to the Company's second quarter 2025 Condensed consolidated financial statements.

Use of Estimates and Judgments

In preparing these Condensed consolidated financial statements, TC Energy is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, these Condensed consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies included in the annual audited Consolidated financial statements for the year ended December 31, 2024, except as described in Note 2, Accounting changes.

During second quarter 2025, the Company completed the Southeast Gateway pipeline and recognized a net investment in sales-type lease asset. As part of this process, the Company was required to estimate the fair value of the asset. The fair value measurement involved significant judgments. Refer to Note 13, TGNH strategic alliance, for additional information.

2. ACCOUNTING CHANGES

Changes in Accounting Policies for 2025

Income Taxes

In December 2023, the FASB issued new guidance to enhance the transparency and decision usefulness of income tax disclosures through improvements to the rate reconciliation and income taxes paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This new guidance is effective for the annual period beginning January 1, 2025. The guidance is applied prospectively with retrospective application permitted. The Company is currently assessing the impact of the standard on the Company's Consolidated financial statements, but does not expect the guidance to have a material impact on the Company's financial position or results of operations.

Future Accounting Changes

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued new guidance requiring additional disclosure on the nature of expenses included in the income statement. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The new guidance is effective for annual periods beginning January 1, 2027 and interim periods beginning January 1, 2028. Early adoption is permitted. The guidance is applied prospectively with retrospective application permitted. The Company is currently assessing the impact of the standard on the Company's Condensed consolidated financial statements.

3. DISCONTINUED OPERATIONS

Spinoff of Liquids Pipelines Business

Presentation of Discontinued Operations

Upon completion of the Spinoff Transaction on October 1, 2024, the Liquids Pipelines business was accounted for as a discontinued operation. The Company's presentation of discontinued operations includes revenues and expenses directly attributable to the Liquids Pipelines business.

Income from Discontinued Operations

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Revenues	—	758	—	1,492
Income (Loss) from Equity Investments	—	16	—	33
Operating and Other Expenses				
Plant operating costs and other	—	250	—	460
Commodity purchases resold	—	144	—	252
Property taxes	—	26	—	56
Depreciation and amortization	—	84	—	168
Asset impairment charge	29	—	29	—
	29	504	29	936
Segmented Earnings (Losses) from Discontinued Operations	(29)	270	(29)	589
Financial Charges				
Interest expense	—	60	—	117
Interest income and other	—	(1)	—	(3)
	—	59	—	114
Income (Loss) from Discontinued Operations before Income Taxes	(29)	211	(29)	475
Income tax expense (recovery)	—	52	—	101
Net Income (Loss) from Discontinued Operations, Net of Tax	(29)	159	(29)	374

Assets and Liabilities of Discontinued Operations

(unaudited - millions of Canadian \$)	June 30, 2025	December 31, 2024
ASSETS		
Current Assets		
Other current assets	172	235
	172	235
Other Long-Term Assets	125	136
	297	371
LIABILITIES		
Current Liabilities		
Accounts payable and other	102	170
	102	170
Other Long-Term Liabilities	114	110
	216	280

Cash Flows from Discontinued Operations

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Net cash provided by (used in) operations	3	223	(53)	190
Net cash provided by (used in) investing activities	24	(6)	24	(8)

Separation Agreement

As part of the October 1, 2024 Spinoff Transaction, TC Energy and South Bow executed a series of agreements, including the Separation Agreement, which specified the separation of assets and liabilities between TC Energy and South Bow, and indemnified South Bow for 86 per cent of certain net liabilities and costs subject to a maximum liability to South Bow of \$30 million in aggregate for the indemnified matters. In June 2025, TC Energy received \$24 million related to certain recoveries under the Separation Agreement with South Bow. At this time, the Company also revised its estimated share of future recoveries, resulting in a \$29 million impairment charge, which has been included in Net income (loss) from discontinued operations, net of tax in the Condensed consolidated statement of income.

4. SEGMENTED INFORMATION

three months ended June 30, 2025	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Corporate ¹	Total
(unaudited - millions of Canadian \$)						
Revenues	1,455	1,704	360	221	4	3,744
Intersegment revenues ²	—	25	—	50	(75)	—
	1,455	1,729	360	271	(71)	3,744
Income (loss) from equity investments	38	53	(3)	242	—	330
Operating costs ²	(570)	(629)	(141)	(173)	64	(1,449)
Depreciation and amortization	(372)	(246)	(25)	(28)	—	(671)
Segmented Earnings (Losses)	551	907	191	312	(7)	1,954
Interest expense						(847)
Allowance for funds used during construction						114
Foreign exchange gains (losses), net						69
Interest income and other						49
Income (Loss) from Continuing Operations before Income Taxes						1,339
Income tax (expense) recovery from continuing operations						(337)
Net Income (Loss) from Continuing Operations						1,002
Net Income (Loss) from Discontinued Operations, Net of Tax						(29)
Net Income (Loss)						973
Net (income) loss attributable to non-controlling interests						(112)
Net Income (Loss) Attributable to Controlling Interests						861
Preferred share dividends						(28)
Net Income (Loss) Attributable to Common Shares						833
Capital Spending³						
Capital expenditures	332	650	115	6	6	1,109
Capital projects in development	—	—	—	6	—	6
Contributions to equity investments	—	51	—	213	—	264
	332	701	115	225	6	1,379

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Operating costs in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Included in Investing activities in the Condensed consolidated statement of cash flows.

three months ended June 30, 2024	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Corporate ¹	Total
(unaudited - millions of Canadian \$)						
Revenues	1,417	1,468	217	225	—	3,327
Intersegment revenues ²	—	24	—	49	(73)	—
	1,417	1,492	217	274	(73)	3,327
Income (loss) from equity investments	5	66	100	154	—	325
Operating costs ²	(576)	(595)	(28)	(181)	49 ³	(1,331)
Depreciation and amortization	(342)	(239)	(23)	(27)	(2) ³	(633)
Other segmented items	10	38	—	—	—	48
Segmented Earnings (Losses)	514	762	266	220	(26)	1,736
Interest expense						(783)
Allowance for funds used during construction						184
Foreign exchange gains (losses), net						(67)
Interest income and other						68
Income (Loss) from Continuing Operations before Income Taxes						1,138
Income tax (expense) recovery from continuing operations						(148)
Net Income (Loss) from Continuing Operations						990
Net Income (Loss) from Discontinued Operations, Net of Tax						159
Net Income (Loss)						1,149
Net (income) loss attributable to non-controlling interests						(159)
Net Income (Loss) Attributable to Controlling Interests						990
Preferred share dividends						(27)
Net Income (Loss) Attributable to Common Shares						963
Capital Spending⁴						
Capital expenditures	239	453	605	11	(2)	1,306
Capital projects in development	—	1	—	12	—	13
Contributions to equity investments	65	—	—	180	—	245
	304	454	605	203	(2)	1,564
Discontinued operations						27
						1,591

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Operating costs in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Includes shared costs and depreciation previously allocated to the Liquids Pipelines segment.

4 Included in Investing activities in the Condensed consolidated statement of cash flows.

six months ended June 30, 2025	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Corporate¹	Total
(unaudited - millions of Canadian \$)						
Revenues	2,826	3,562	586	383	10	7,367
Intersegment revenues ²	—	51	—	50	(101)	—
	2,826	3,613	586	433	(91)	7,367
Income (loss) from equity investments	68	151	31	385	—	635
Operating costs ²	(1,081)	(1,250)	(166)	(315)	79	(2,733)
Depreciation and amortization	(746)	(498)	(49)	(56)	—	(1,349)
Segmented Earnings (Losses)	1,067	2,016	402	447	(12)	3,920
Interest expense						(1,687)
Allowance for funds used during construction						362
Foreign exchange gains (losses), net						112
Interest income and other						100
Income (Loss) from Continuing Operations before Income Taxes						2,807
Income tax (expense) recovery from continuing operations						(630)
Net Income (Loss) from Continuing Operations						2,177
Net Income (Loss) from Discontinued Operations, Net of Tax						(29)
Net Income (Loss)						2,148
Net (income) loss attributable to non-controlling interests						(281)
Net Income (Loss) Attributable to Controlling Interests						1,867
Preferred share dividends						(56)
Net Income (Loss) Attributable to Common Shares						1,811
Capital Spending³						
Capital expenditures	748	1,454	420	36	11	2,669
Capital projects in development	—	—	—	10	—	10
Contributions to equity investments	—	105	—	404	—	509
	748	1,559	420	450	11	3,188

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Operating costs in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Included in Investing activities in the Condensed consolidated statement of cash flows.

six months ended June 30, 2024	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Corporate¹	Total
(unaudited - millions of Canadian \$)						
Revenues	2,801	3,140	431	464	—	6,836
Intersegment revenues ²	—	50	—	49	(99)	—
	2,801	3,190	431	513	(99)	6,836
Income (loss) from equity investments	11	192	130	331	—	664
Operating costs ²	(1,120)	(1,136)	(37)	(319)	15 ³	(2,597)
Depreciation and amortization	(687)	(479)	(46)	(53)	(3) ³	(1,268)
Other segmented items	10	38	—	—	—	48
Segmented Earnings (Losses)	1,015	1,805	478	472	(87)	3,683
Interest expense						(1,563)
Allowance for funds used during construction						341
Foreign exchange gains (losses), net						(40)
Interest income and other						143
Income (Loss) from Continuing Operations before Income Taxes						2,564
Income tax (expense) recovery from continuing operations						(392)
Net Income (Loss) from Continuing Operations						2,172
Net Income (Loss) from Discontinued Operations, Net of Tax						374
Net Income (Loss)						2,546
Net (income) loss attributable to non-controlling interests						(330)
Net Income (Loss) Attributable to Controlling Interests						2,216
Preferred share dividends						(50)
Net Income (Loss) Attributable to Common Shares						2,166
Capital Spending⁴						
Capital expenditures	580	1,037	1,220	28	3	2,868
Capital projects in development	—	1	—	32	—	33
Contributions to equity investments	177	—	—	366	—	543
	757	1,038	1,220	426	3	3,444
Discontinued operations						44
						3,488

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Operating costs in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Includes shared costs and depreciation previously allocated to the Liquids Pipelines segment.

4 Included in Investing activities in the Condensed consolidated statement of cash flows.

Total Assets by Segment

(unaudited - millions of Canadian \$)	June 30, 2025	December 31, 2024
Canadian Natural Gas Pipelines	31,119	31,167
U.S. Natural Gas Pipelines	54,366	56,304
Mexico Natural Gas Pipelines	15,810	15,995
Power and Energy Solutions	10,457	10,217
Corporate	4,788	4,189
	116,540	117,872
Discontinued Operations	297	371
	116,837	118,243

5. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three and six months ended June 30, 2025 and 2024:

three months ended June 30, 2025	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Total
(unaudited - millions of Canadian \$)					
Revenues from contracts with customers					
Capacity arrangements and transportation	1,455	1,264	110	—	2,829
Power generation	—	—	—	58	58
Natural gas storage and other ¹	—	335	72	85	492
	1,455	1,599	182	143	3,379
Sales-type lease income	—	—	178	—	178
Other revenues ²	—	105	—	78	183
	1,455	1,704	360	221	3,740
Corporate revenues ³					4
					3,744

1 The Mexico Natural Gas Pipelines segment includes \$65 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the completed or operating TGNH pipelines.

2 Includes income from the Company's marketing activities, financial instruments and \$29 million of operating lease income. Refer to Note 12, Risk management and financial instruments, for additional information.

3 Revenues generated from the Transition Services Agreement with South Bow.

three months ended June 30, 2024	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Total
(unaudited - millions of Canadian \$)					
Revenues from contracts with customers					
Capacity arrangements and transportation	1,413	1,259	110	—	2,782
Power generation	—	—	—	54	54
Natural gas storage and other ^{1,2}	4	212	30	106	352
	1,417	1,471	140	160	3,188
Sales-type lease income	—	—	77	—	77
Other revenues ³	—	(3)	—	65	62
	1,417	1,468	217	225	3,327

1 The Canadian Natural Gas Pipelines segment includes \$4 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes \$25 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the completed or operating TGNH pipelines.

3 Includes income from the Company's marketing activities, financial instruments and \$30 million of operating lease income. Refer to Note 12, Risk management and financial instruments, for additional information.

six months ended June 30, 2025	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Total
(unaudited - millions of Canadian \$)					
Revenues from contracts with customers					
Capacity arrangements and transportation	2,826	2,792	223	—	5,841
Power generation	—	—	—	120	120
Natural gas storage and other ¹	—	593	104	200	897
	2,826	3,385	327	320	6,858
Sales-type lease income	—	—	259	—	259
Other revenues ²	—	177	—	63	240
	2,826	3,562	586	383	7,357
Corporate revenues ³					10
					7,367

1 The Mexico Natural Gas Pipelines segment includes \$91 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the completed or operating TGNH pipelines.

2 Includes income from the Company's marketing activities, financial instruments and \$59 million of operating lease income. Refer to Note 12, Risk management and financial instruments, for additional information.

3 Revenues generated from the Transition Services Agreement with South Bow.

six months ended June 30, 2024	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Total
(unaudited - millions of Canadian \$)					
Revenues from contracts with customers					
Capacity arrangements and transportation	2,791	2,675	217	—	5,683
Power generation	—	—	—	154	154
Natural gas storage and other ^{1,2}	10	426	61	188	685
	2,801	3,101	278	342	6,522
Sales-type lease income	—	—	153	—	153
Other revenues ³	—	39	—	122	161
	2,801	3,140	431	464	6,836

1 The Canadian Natural Gas Pipelines segment includes \$10 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes \$49 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the completed or operating TGNH pipelines.

3 Includes income from the Company's marketing activities, financial instruments and \$61 million of operating lease income. Refer to Note 12, Risk management and financial instruments, for additional information.

Contract Balances

(unaudited - millions of Canadian \$)	June 30, 2025	December 31, 2024	Affected line item on the Condensed consolidated balance sheet
Receivables from contracts with customers	1,427	1,452	Accounts receivable
Contract assets	236	165	Other current assets
Long-term contract assets	606	608	Other long-term assets
Contract liabilities ¹	25	30	Accounts payable and other

1 During the six months ended June 30, 2025, \$19 million (2024 – \$36 million) of revenues were recognized that were included in contract liabilities at the beginning of the period.

Contract assets and long-term contract assets primarily relate to the Company's right to revenues for services completed but not invoiced at the reporting date on long-term committed capacity natural gas pipelines contracts. The change in contract assets is primarily related to the transfer to Accounts receivable when these rights become unconditional and the customer is invoiced, as well as the recognition of additional revenues that remain to be invoiced. Contract liabilities primarily represent unearned revenue for contracted services.

Future Revenues from Remaining Performance Obligations

At June 30, 2025, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2055 are approximately \$34.1 billion, of which approximately \$5.6 billion is expected to be recognized during the remainder of 2025.

6. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 22 per cent and 15 per cent for the six months ended June 30, 2025 and 2024, respectively. The increase in the effective income tax rate is primarily due to the impact of Mexico foreign exchange exposure and higher flow-through income taxes, partially offset by change in geographic and business mix of earnings.

7. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the six months ended June 30, 2025 included the following:

(unaudited - millions of Canadian \$, unless otherwise noted)					
Company	Issue date	Type	Maturity date	Amount	Interest rate
TransCanada PipeLines Limited	February 2025	Medium Term Notes	February 2035	1,000	4.58%
Columbia Pipelines Operating Company LLC	March 2025	Senior Unsecured Notes	February 2035	US 550	5.44%
	March 2025	Senior Unsecured Notes	February 2055	US 450	5.96%

On June 17, 2025, ANR Pipeline Company (ANR) entered into a note purchase agreement which commits ANR to issue US\$250 million of six-year senior unsecured notes bearing interest at a fixed rate of 5.23 per cent and US\$350 million of 10-year senior unsecured notes bearing interest at a fixed rate of 5.69 per cent. ANR expects to issue these senior unsecured notes in third quarter 2025.

Long-Term Debt Repaid/Retired

Long-term debt repaid by the Company in the six months ended June 30, 2025 included the following:

(unaudited - millions of Canadian \$, unless otherwise noted)					
Company	Repayment date	Type		Amount	Interest rate
ANR Pipeline Company	June 2025	Senior Unsecured Notes		US 7	7.00%
Nova Gas Transmission Ltd.	May 2025	Medium Term Notes		87	8.90%
Columbia Pipelines Operating Company LLC	March 2025	Senior Unsecured Notes ¹		US 1,000	4.50%
TC PipeLines, LP	March 2025	Senior Unsecured Notes		US 350	4.38%
TC Energía Mexicana, S. de R.L. de C.V.	Various	Senior Unsecured Term Loan		US 82	Floating

1 The notes were fully repaid and retired in March 2025. Unamortized fair value adjustment of \$3 million related to the acquisition of Columbia Pipeline Group Inc. was included in Interest expense in the Condensed consolidated statement of income.

Subsequent Debt Repayment

On July 17, 2025, TCPL retired \$750 million of medium term notes bearing interest at a fixed rate of 3.30 per cent.

Capitalized Interest

In the three and six months ended June 30, 2025, TC Energy capitalized interest related to capital projects of \$2 million and \$5 million, respectively (2024 – \$66 million and \$134 million, respectively).

8. JUNIOR SUBORDINATED NOTES

Junior subordinated notes issued by the Company in the six months ended June 30, 2025 included the following:

(unaudited - millions of Canadian \$, unless otherwise noted)					
Company	Issue date	Type	Maturity date	Amount	Interest rate
TransCanada Pipelines Limited					
	February 2025	Junior Subordinated Notes	June 2065	US 750	7.00%

In February 2025, TCPL issued US\$750 million of junior subordinated notes maturing in 2065 with a fixed interest rate of 7.00 per cent per year until June 1, 2030. The rate on the junior subordinated notes will reset every five years commencing June 2030 until June 2065 to the then Five-Year Treasury Rate, as defined in the document governing the subordinated notes, plus 2.614 per cent per annum. TCPL has the option to defer payment of interest for one or more periods of up to ten years without giving rise to an event of default and without permitting acceleration of payment under the terms of the junior subordinated notes. TC Energy and TCPL would be prohibited from declaring or paying dividends during any deferral period. The junior subordinated notes are subordinated in right of payment to existing and future senior indebtedness and other obligations of TCPL. The junior subordinated notes are callable at TCPL's option at any time from March 1, 2030 to June 1, 2030 and on each interest payment and reset date thereafter at 100 per cent of the principal amount plus accrued and unpaid interest to the date of redemption.

In May 2025, TCPL exercised its option to fully repay and retire the US\$750 million junior subordinated notes that had a maturity date of 2075, bearing interest at 5.88 per cent to TransCanada Trust (the Trust). The related unamortized debt issue costs of \$11 million were included in Interest expense in the Condensed consolidated statement of income. All of the proceeds from the repayment were used by the Trust to fund the redemption price of the US\$750 million in aggregate principal amount of outstanding Trust Notes - Series 2015-A, in May 2025 pursuant to their terms.

9. COMMON SHARES AND PREFERRED SHARES

The Board of Directors of TC Energy declared quarterly dividends as follows:

(unaudited - Canadian \$, rounded to two decimals)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
per common share	0.85 ¹	0.96	1.70 ¹	1.92
per Series 1 preferred share	0.31	0.22	0.62	0.43
per Series 2 preferred share	0.30	0.43	0.63	0.86
per Series 3 preferred share	0.11	0.11	0.21	0.21
per Series 4 preferred share	0.26	0.39	0.55	0.78
per Series 5 preferred share	0.12	0.12	0.24	0.24
per Series 6 preferred share	0.26	0.41	0.55	0.82
per Series 7 preferred share	0.37	0.37	0.75	0.62
per Series 9 preferred share	0.32	0.24	0.64	0.47
per Series 10 preferred share	0.31	—	0.65	—
per series 11 preferred share	0.21	0.21	0.21	0.21

¹ The amount represents TC Energy's dividend declared following the Spinoff Transaction.

On June 30, 2025, 104,778 Series 3 preferred shares were converted, on a one-for-one basis, into Series 4 preferred shares and 1,822,829 Series 4 preferred shares were converted, on a one-for-one basis, into Series 3 preferred shares.

10. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Components of other comprehensive income (loss), including the portion attributable to non-controlling interests and related tax effects, were as follows:

three months ended June 30, 2025 (unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense) recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	(1,037)	(12)	(1,049)
Change in fair value of cash flow hedges	(56)	13	(43)
Reclassification to net income of (gains) losses on cash flow hedges	47	(10)	37
Reclassification to net income of actuarial (gains) losses on pension and other post-retirement benefit plans	1	—	1
Other comprehensive income (loss) on equity investments	(3)	(1)	(4)
Other Comprehensive Income (Loss)	(1,048)	(10)	(1,058)

three months ended June 30, 2024 (unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense) recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	222	2	224
Change in fair value of net investment hedges	(3)	—	(3)
Change in fair value of cash flow hedges	25	(5)	20
Reclassification to net income of (gains) losses on cash flow hedges	(2)	—	(2)
Other comprehensive income (loss) on equity investments	(36)	9	(27)
Other Comprehensive Income (Loss)	206	6	212

six months ended June 30, 2025 (unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense) recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	(1,077)	(13)	(1,090)
Change in fair value of net investment hedges	1	—	1
Change in fair value of cash flow hedges	(52)	12	(40)
Reclassification to net income of (gains) losses on cash flow hedges	49	(11)	38
Reclassification to net income of actuarial (gains) losses on pension and other post-retirement benefit plans	1	—	1
Other comprehensive income (loss) on equity investments	(20)	4	(16)
Other Comprehensive Income (Loss)	(1,098)	(8)	(1,106)

six months ended June 30, 2024			
(unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense) recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	692	5	697
Change in fair value of net investment hedges	(15)	3	(12)
Change in fair value of cash flow hedges	36	(8)	28
Reclassification to net income of (gains) losses on cash flow hedges	(2)	—	(2)
Other comprehensive income (loss) on equity investments	84	(20)	64
Other Comprehensive Income (Loss)	795	(20)	775

The changes in AOCI by component, net of tax, were as follows:

three months ended June 30, 2025					
(unaudited - millions of Canadian \$)	Currency translation adjustments	Cash flow hedges	Pension and other post-retirement benefit plans adjustments	Equity investments	Total
AOCI balance at April 1, 2025	(422)	(12)	22	617	205
Other comprehensive income (loss) before reclassifications ¹	(482)	(43)	—	(4)	(529)
Amounts reclassified from AOCI	—	37	1	—	38
Net current period other comprehensive income (loss)	(482)	(6)	1	(4)	(491)
Impact of non-controlling interest ²	348	—	—	—	348
Spinoff of Liquids Pipelines business ³	542	—	—	—	542
AOCI balance at June 30, 2025	(14)	(18)	23	613	604

- 1 Other comprehensive income (loss) before reclassifications on currency translation adjustments is net of non-controlling interest losses of \$567 million (2024 – gains of \$131 million).
- 2 AOCI adjustment attributable to the 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf upon its sale on October 4, 2023. Refer to Note 1, Basis of presentation, for additional information.
- 3 AOCI adjustment attributable to the Spinoff Transaction on October 1, 2024. Refer to Note 1, Basis of presentation, for additional information.

six months ended June 30, 2025					
(unaudited - millions of Canadian \$)	Currency translation adjustments	Cash flow hedges	Pension and other post-retirement benefit plans adjustments	Equity investments	Total
AOCI balance at January 1, 2025	(402)	(16)	22	629	233
Other comprehensive income (loss) before reclassifications ¹	(502)	(40)	—	(14)	(556)
Amounts reclassified from AOCI ²	—	38	1	(2)	37
Net current period other comprehensive income (loss)	(502)	(2)	1	(16)	(519)
Impact of non-controlling interest ³	348	—	—	—	348
Spinoff of Liquids Pipelines business ⁴	542	—	—	—	542
AOCI balance at June 30, 2025	(14)	(18)	23	613	604

- 1 Other comprehensive income (loss) before reclassifications on currency translation adjustments is net of non-controlling interest losses of \$587 million (2024 – gains of \$366 million).
- 2 Gains related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be \$5 million (\$4 million after tax) at June 30, 2025. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time; however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.
- 3 AOCI adjustment attributable to the 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf upon its sale on October 4, 2023. Refer to Note 1, Basis of presentation, for additional information.
- 4 AOCI adjustment attributable to the Spinoff Transaction on October 1, 2024. Refer to Note 1, Basis of presentation, for additional information.

Details about reclassifications out of AOCI into the Condensed consolidated statement of income were as follows:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30		Affected line item in the Condensed consolidated statement of income ¹
	2025	2024	2025	2024	
Cash flow hedges					
Commodities	11	5	15	8	Revenues – Power and Energy Solutions
Foreign exchange	(55)	—	(58)	—	Interest expense and Foreign exchange gains (losses)
Interest rate	(3)	(3)	(6)	(6)	Interest expense
	(47)	2	(49)	2	Total before tax
	10	—	11	—	Income tax (expense) recovery
	(37)	2	(38)	2	Net of tax
Pension and other post-retirement benefit plans					
Amortization of actuarial gains (losses)	(1)	—	(1)	—	Plant operating costs and other ²
	—	—	—	—	Income tax (expense) recovery
	(1)	—	(1)	—	Net of tax
Equity investments					
Equity income (loss)	—	5	2	10	Income (loss) from equity investments
	—	(1)	—	(2)	Income tax (expense) recovery
	—	4	2	8	Net of tax

1 All amounts in parentheses indicate expenses to the Condensed consolidated statement of income.

2 These AOCI components are included in the computation of net benefit cost (recovery). Refer to Note 11, Employee post-retirement benefits, for additional information.

11. EMPLOYEE POST-RETIREMENT BENEFITS

The components of the net benefit cost (recovery) recognized for the Company's pension benefit plans and other post-retirement benefit plans were as follows:

(unaudited - millions of Canadian \$)	three months ended June 30				six months ended June 30			
	Pension benefit plans		Other post-retirement benefit plans		Pension benefit plans		Other post-retirement benefit plans	
	2025	2024	2025	2024	2025	2024	2025	2024
Service cost ¹	25	27	1	1	50	54	1	1
Other components of net benefit cost (recovery) ¹								
Interest cost	40	38	3	4	81	77	7	7
Expected return on plan assets	(62)	(61)	(4)	(4)	(125)	(121)	(8)	(7)
Amortization of past service costs	—	—	(1)	—	—	—	(1)	—
Amortization of regulatory asset	—	—	—	(1)	—	—	—	(1)
	(22)	(23)	(2)	(1)	(44)	(44)	(2)	(1)
Net Benefit Cost (Recovery)	3	4	(1)	—	6	10	(1)	—

1 Service cost and other components of net benefit cost (recovery) are included in Plant operating costs and other in the Condensed consolidated statement of income.

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Overview

TC Energy has exposure to market risk and counterparty credit risk and has strategies, policies and limits in place to manage the impact of these risks on its earnings, cash flows and, ultimately, shareholder value.

Counterparty Credit Risk

TC Energy's exposure to counterparty credit risk includes its cash and cash equivalents, accounts receivable, available-for-sale assets, the fair value of derivative assets, net investment in leases and certain contract assets in Mexico.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of TC Energy's customers. While the majority of the Company's credit exposure is to large creditworthy entities, TC Energy maintains close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to TC Energy's 2024 Annual Report for more information about the factors that mitigate the Company's counterparty credit risk exposure.

The Company reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. TC Energy uses historical credit loss and recovery data, adjusted for management's judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other.

For the three and six months ended June 30, 2025, the Company recorded an expense of \$106 million and \$104 million, respectively (2024 – recovery of \$3 million and \$21 million, respectively) on the expected credit loss (ECL) provision before tax with respect to the net investment in leases associated with the completed or operating TGNH pipelines, including \$113 million (2024 – nil) related to the Southeast Gateway pipeline. In second quarter 2025, the Company completed the Southeast Gateway pipeline. Refer to Note 13, TGNH strategic alliance, for additional information.

At June 30, 2025, the balance of the ECL provision was \$163 million (December 31, 2024 – \$59 million) with respect to the net investment in leases associated with the completed or operating TGNH pipelines.

The ECL provision is driven primarily by a probability of default measure for the counterparty, which is calculated using information published by an external third party.

Other than the ECL provision noted above, the Company had no significant credit losses at June 30, 2025, and there were no significant credit risk concentrations or amounts past due or impaired.

TC Energy has significant credit and performance exposure to financial institutions that hold cash deposits and provide committed credit lines and letters of credit that help manage the Company's exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets. TC Energy's portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

Net Investment in Foreign Operations

The Company hedges a portion of its net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt and cross-currency interest rate swaps as appropriate.

The fair values and notional amounts for the derivatives designated as a net investment hedge were as follows:

(unaudited - millions of Canadian \$, unless otherwise noted)	June 30, 2025		December 31, 2024	
	Fair value ^{1,2}	Notional amount	Fair value ^{1,2}	Notional amount
U.S. dollar cross-currency interest rate swaps ³	—	—	(11)	US 100

1 Fair value equals carrying value.

2 No amounts have been excluded from the assessment of hedge effectiveness.

3 Net income (loss) included no realized gains or losses in the three months ended June 30, 2025 (2024 - net realized gains of less than \$1 million) and realized gains of less than \$1 million in the six months ended June 30, 2025 and 2024 related to the interest component of cross-currency swap settlements which are reported within Interest expense in the Condensed consolidated statement of income.

The notional amounts and fair values of U.S. dollar-denominated debt designated as a net investment hedge were as follows:

(unaudited - millions of Canadian \$, unless otherwise noted)	June 30, 2025	December 31, 2024
Notional amount	24,600 (US 18,100)	26,000 (US 18,000)
Fair value	24,600 (US 18,000)	25,700 (US 17,800)

Non-Derivative Financial Instruments

Fair value of non-derivative financial instruments

Available-for-sale assets are recorded at fair value which is calculated using quoted market prices where available in addition to the Company's LMCI equity securities which are classified in Level I of the fair value hierarchy. Certain other non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Other current assets, Net investment in leases, Restricted investments, Other long-term assets, Notes payable, Accounts payable and other, Dividends payable, Accrued interest and Other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity.

Credit risk has been taken into consideration when calculating the fair value of non-derivative financial instruments.

Balance sheet presentation of non-derivative financial instruments

The following table details the fair value of non-derivative financial instruments, excluding those where carrying amounts approximate fair value and would be classified in Level II of the fair value hierarchy:

(unaudited - millions of Canadian \$)	June 30, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, including current portion ^{1,2}	(46,459)	(46,984)	(47,931)	(48,318)
Junior subordinated notes	(10,550)	(10,479)	(11,048)	(10,824)
	(57,009)	(57,463)	(58,979)	(59,142)

1 Long-term debt is recorded at amortized cost, except for US\$3.0 billion (December 31, 2024 – US\$2.8 billion) that is attributed to hedged risk and recorded at fair value.

2 Net income (loss) for the three and six months ended June 30, 2025 included unrealized losses of \$42 million and \$130 million, respectively (2024 – unrealized gains of \$44 million and \$127 million, respectively) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships.

The following tables summarize additional information about the Company's restricted investments that were classified as available-for-sale assets and equity securities with readily determinable fair values:

(unaudited - millions of Canadian \$)	June 30, 2025		December 31, 2024	
	LMCI restricted investments	Other restricted investments ¹	LMCI restricted investments	Other restricted investments ¹
Fair values of fixed income securities ^{2,3}				
Maturing within 1 year	—	61	—	33
Maturing within 1-5 years	12	248	3	256
Maturing within 5-10 years	1,682	5	1,578	—
Maturing after 10 years	—	15	—	—
Fair value of equity securities ^{2,4}	1,179	78	1,070	64
	2,873	407	2,651	353

- 1 Other restricted investments have been set aside to fund insurance claim losses to be paid by the Company's wholly-owned captive subsidiary and in 2025, funds have also been set aside to pay for certain active employee medical benefits.
- 2 Available-for-sale assets and equity securities with readily determinable fair values are recorded at fair value and included in Other current assets and Restricted investments on the Company's Condensed consolidated balance sheet.
- 3 Classified in Level II of the fair value hierarchy.
- 4 Classified in Level I of the fair value hierarchy.

(unaudited - millions of Canadian \$)	June 30, 2025		June 30, 2024	
	LMCI restricted investments ¹	Other restricted investments ²	LMCI restricted investments ¹	Other restricted investments ²
Net unrealized gains (losses) in the period				
three months ended	37	5	46	2
six months ended	73	8	110	5
Net realized gains (losses) in the period ³				
three months ended	4	—	(13)	1
six months ended	(12)	—	(14)	1

- 1 Unrealized and realized gains (losses) arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory liabilities or regulatory assets.
- 2 Unrealized and realized gains (losses) on other restricted investments are included in Interest income and other in the Condensed consolidated statement of income.
- 3 Realized gains (losses) on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair value of derivative instruments

The fair value of foreign exchange and interest rate derivatives has been calculated using the income approach which uses period-end market rates and applies a discounted cash flow valuation model. The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the Black-Scholes pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments. Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

In some cases, even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

The recognition of gains and losses on derivatives for Canadian natural gas regulated pipeline exposures is determined through the regulatory process. Gains and losses arising from changes in the fair value of derivatives accounted for as part of rate-regulated accounting, including those that qualify for hedge accounting treatment, are expected to be refunded or recovered through the tolls charged by the Company. As a result, these gains and losses are deferred as regulatory liabilities or regulatory assets and are refunded to or collected from the rate payers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet classification of the fair value of derivative instruments was as follows:

at June 30, 2025				
(unaudited - millions of Canadian \$)	Cash flow hedges	Fair value hedges	Held for trading	Total fair value of derivative instruments ¹
Other current assets				
Commodities ²	12	—	283	295
Foreign exchange	13	—	69	82
	25	—	352	377
Other long-term assets				
Commodities ²	4	—	106	110
Foreign exchange	—	—	24	24
Interest rate	—	36	—	36
	4	36	130	170
Total Derivative Assets	29	36	482	547
Accounts payable and other				
Commodities ²	(2)	—	(267)	(269)
Foreign exchange	—	—	(36)	(36)
Interest rate	—	(17)	—	(17)
	(2)	(17)	(303)	(322)
Other long-term liabilities				
Commodities ²	(2)	—	(35)	(37)
Foreign exchange	(69)	—	(4)	(73)
Interest rate	—	(28)	—	(28)
	(71)	(28)	(39)	(138)
Total Derivative Liabilities	(73)	(45)	(342)	(460)
Total Derivatives	(44)	(9)	140	87

1 Fair value equals carrying value.

2 Includes purchases and sales of power and natural gas.

at December 31, 2024					
(unaudited - millions of Canadian \$)	Cash flow hedges	Fair value hedges	Net investment hedges	Held for trading	Total fair value of derivative instruments ¹
Other current assets					
Commodities ²	18	—	—	287	305
Foreign exchange	—	—	—	42	42
	18	—	—	329	347
Other long-term assets					
Commodities ²	9	—	—	104	113
Foreign exchange	—	—	—	9	9
	9	—	—	113	122
Total Derivative Assets	27	—	—	442	469
Accounts payable and other					
Commodities ²	(1)	—	—	(291)	(292)
Foreign exchange	—	—	(11)	(183)	(194)
Interest rate	—	(21)	—	—	(21)
	(1)	(21)	(11)	(474)	(507)
Other long-term liabilities					
Commodities ²	(1)	—	—	(46)	(47)
Foreign exchange	—	—	—	(44)	(44)
Interest rate	—	(118)	—	—	(118)
	(1)	(118)	—	(90)	(209)
Total Derivative Liabilities	(2)	(139)	(11)	(564)	(716)
Total Derivatives	25	(139)	(11)	(122)	(247)

1 Fair value equals carrying value.

2 Includes purchases and sales of power and natural gas.

The majority of derivative instruments held for trading have been entered into for risk management purposes and all are subject to the Company's risk management strategies, policies and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Non-derivatives in fair value hedging relationships

The following table details amounts recorded on the Condensed consolidated balance sheet in relation to cumulative adjustments for fair value hedges included in the carrying amount of the hedged liabilities:

(unaudited - millions of Canadian \$)	Carrying amount		Fair value hedging adjustments ¹	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Long-term debt	(4,049)	(3,935)	(31)	98

1 At June 30, 2025 and December 31, 2024, adjustments for discontinued hedging relationships included in these balances were liabilities of \$40 million and \$41 million, respectively.

Notional and maturity summary

The maturity and notional amount or quantity outstanding related to the Company's derivative instruments excluding hedges of the net investment in foreign operations was as follows:

at June 30, 2025 (unaudited)	Power	Natural gas	Foreign exchange	Interest rate
Net sales (purchases) ¹	9,853	56	—	—
Millions of U.S. dollars	—	—	6,593	2,950
Millions of Mexican pesos	—	—	15,250	—
Maturity dates	2025-2044	2025-2032	2025-2030	2030-2034

1 Volumes for power and natural gas derivatives are in GWh and Bcf, respectively.

at December 31, 2024 (unaudited)	Power	Natural gas	Foreign exchange	Interest rate
Net sales (purchases) ¹	10,192	53	—	—
Millions of U.S. dollars	—	—	5,648	2,800
Millions of Mexican pesos	—	—	16,750	—
Maturity dates	2025-2044	2025-2031	2025-2027	2030-2034

1 Volumes for power and natural gas derivatives are in GWh and Bcf, respectively.

Unrealized and Realized Gains (Losses) on Derivative Instruments

The following summary does not include hedges of the net investment in foreign operations:

	three months ended June 30		six months ended June 30	
(unaudited - millions of Canadian \$)	2025	2024	2025	2024
Derivative Instruments Held for Trading¹				
Unrealized gains (losses) in the period				
Commodities ²	102	8	27	(21)
Foreign exchange	179	(31)	237	(102)
Realized gains (losses) in the period				
Commodities	(9)	156	(38)	358
Foreign exchange	80	(98)	72	(47)
Interest rate	3	—	5	—
Derivative Instruments in Hedging Relationships				
Realized gains (losses) in the period				
Commodities	5	15	14	18
Foreign exchange	3	—	4	—
Interest rate	(7)	(14)	(16)	(27)

1 Realized and unrealized gains (losses) on held-for-trading derivative instruments used to purchase and sell commodities are included on a net basis in Revenues. Realized and unrealized gains (losses) on foreign exchange and interest rate held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net and Interest expense, respectively, in the Condensed consolidated statement of income.

2 In the three and six months ended June 30, 2025, unrealized gains of \$1 million were reclassified to Net income (loss) from AOCI related to discontinued cash flow hedges (2024 - nil).

Derivatives in cash flow hedging relationships

The components of OCI (Note 10) related to the change in fair value of derivatives in cash flow hedging relationships before tax and including the portion attributable to non-controlling interests were as follows:

(unaudited - millions of Canadian \$, pre tax)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Gains (losses) in fair value of derivative instruments recognized in OCI ¹				
Commodities	(13)	25	1	36
Foreign exchange	(43)	—	(53)	—
	(56)	25	(52)	36

1 No amounts have been excluded from the assessment of hedge effectiveness.

Effect of fair value and cash flow hedging relationships

The following table details amounts presented in the Condensed consolidated statement of income in which the effects of fair value or cash flow hedging relationships were recorded:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Fair Value Hedges				
Interest rate contracts ¹				
Hedged items	(45)	(40)	(89)	(70)
Derivatives designated as hedging instruments	(7)	(14)	(16)	(27)
Cash Flow Hedges				
Reclassification of gains (losses) on derivative instruments from AOCI to Net income (loss) ^{2,3}				
Commodities ⁴	11	5	15	8
Foreign exchange ⁵	(55)	—	(58)	—
Interest rate ¹	(3)	(3)	(6)	(6)

1 Presented within Interest expense in the Condensed consolidated statement of income.

2 Refer to Note 10, Other comprehensive income (loss) and accumulated other comprehensive income (loss), for the components of OCI related to derivatives in cash flow hedging relationships.

3 There are no amounts recognized in earnings that were excluded from effectiveness testing.

4 Presented within Revenues (Power and Energy Solutions) in the Condensed consolidated statement of income. In the three and six months ended June 30, 2025, unrealized gains of \$1 million were reclassified to Net income (Loss) from AOCI related to discontinued cash flow hedges (2024 - nil).

5 Presented within Interest expense and Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

Offsetting of derivative instruments

The Company enters into derivative contracts with the right to offset in the normal course of business as well as in the event of default. TC Energy has no master netting agreements; however, similar contracts are entered into containing rights to offset. The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis on the Condensed consolidated balance sheet. The following tables show the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

at June 30, 2025			
(unaudited - millions of Canadian \$)	Gross derivative instruments	Amounts available for offset¹	Net amounts
Derivative instrument assets			
Commodities	405	(280)	125
Foreign exchange	106	(72)	34
Interest rate	36	(7)	29
	547	(359)	188
Derivative instrument liabilities			
Commodities	(306)	280	(26)
Foreign exchange	(109)	72	(37)
Interest rate	(45)	7	(38)
	(460)	359	(101)

1 Amounts available for offset do not include cash collateral pledged or received.

at December 31, 2024			
(unaudited - millions of Canadian \$)	Gross derivative instruments	Amounts available for offset¹	Net amounts
Derivative instrument assets			
Commodities	418	(290)	128
Foreign exchange	51	(49)	2
	469	(339)	130
Derivative instrument liabilities			
Commodities	(339)	290	(49)
Foreign exchange	(238)	49	(189)
Interest rate	(139)	—	(139)
	(716)	339	(377)

1 Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above, the Company provided cash collateral of \$157 million and letters of credit of \$88 million at June 30, 2025 (December 31, 2024 – \$133 million and \$59 million, respectively) to its counterparties. At June 30, 2025, the Company held cash collateral of less than \$1 million and \$78 million letters of credit (December 31, 2024 – less than \$1 million and \$75 million, respectively) from counterparties on asset exposures.

Credit-risk-related contingent features of derivative instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit-risk-related contingent event occurs, such as a downgrade in the Company's credit rating to non-investment grade. The Company may also need to provide collateral if the fair value of its derivative financial instruments exceeds pre-defined exposure limits.

Based on contracts in place and market prices at June 30, 2025, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$10 million (December 31, 2024 – \$10 million), for which the Company has provided no collateral in the normal course of business. If the credit-risk-related contingent features in these agreements were triggered on June 30, 2025, the Company would have been required to provide collateral equal to the fair value of the related derivative instruments discussed above. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds. The Company has sufficient liquidity in the form of cash and undrawn committed revolving credit facilities to meet these contingent obligations should they arise.

Fair Value Hierarchy

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	This category includes interest rate and foreign exchange derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach. Inputs include published exchange rates, interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers.
Level III	This category includes long-dated commodity transactions in certain markets where liquidity is low. The Company uses the most observable inputs available or alternatively long-term broker quotes or negotiated commodity prices that have been contracted for under similar terms in determining an appropriate estimate of these transactions. Where appropriate, these long-dated prices are discounted to reflect the expected pricing from the applicable markets. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions, were categorized as follows:

at June 30, 2025	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II) ¹	Significant unobservable inputs (Level III) ¹	Total
(unaudited - millions of Canadian \$)				
Derivative instrument assets				
Commodities	120	204	81	405
Foreign exchange	—	106	—	106
Interest rate	—	36	—	36
Derivative instrument liabilities				
Commodities	(117)	(188)	(1)	(306)
Foreign exchange	—	(109)	—	(109)
Interest rate	—	(45)	—	(45)
	3	4	80	87

1 There were no transfers from Level II to Level III for the six months ended June 30, 2025.

at December 31, 2024				
(unaudited - millions of Canadian \$)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II) ¹	Significant unobservable inputs (Level III) ¹	Total
Derivative instrument assets				
Commodities	126	214	78	418
Foreign exchange	—	51	—	51
Derivative instrument liabilities				
Commodities	(116)	(217)	(6)	(339)
Foreign exchange	—	(238)	—	(238)
Interest rate	—	(139)	—	(139)
	10	(329)	72	(247)

1 There were no transfers from Level II to Level III for the year ended December 31, 2024.

The Company has entered into contracts to sell 50 MW of power with terms ranging from 15 to 20 years provided from specified renewable sources in the Province of Alberta. The fair value of these contracts is classified in Level III of the fair value hierarchy and is based on the assumption that the contract volumes will be sourced approximately 80 per cent from wind generation, 10 per cent from solar generation and 10 per cent from the market. A portion of these contracts commenced in January 2025.

The following table presents the net change in fair value of derivative assets and liabilities classified as Level III of the fair value hierarchy:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2025	2024	2025	2024
Balance at beginning of period	45	41	72	(11)
Net gains (losses) included in Net income (loss) ¹	39	(38)	16	17
Transfers to Level II	—	—	(2)	(3)
Settlements	(3)	—	(5)	—
Foreign exchange	(1)	—	(1)	—
Balance at end of period	80	3	80	3

1 For the three and six months ended June 30, 2025, there were unrealized gains of \$39 million and \$16 million, respectively, recognized in Revenues attributed to derivatives in the Level III category that were held at June 30, 2025 (2024 – unrealized losses of \$38 million and gains of \$17 million, respectively).

13. TGNH STRATEGIC ALLIANCE

Mexico Natural Gas Pipelines

Transportadora de Gas Natural de la Huasteca (TGNH)

On August 4, 2022, the Company announced a strategic alliance with Mexico's state-owned electric utility, the CFE, for the development of new natural gas infrastructure in central and southeast Mexico.

In second quarter 2024, in accordance with the terms of the Company's strategic alliance, and in exchange for cash and non-cash consideration of \$561 million (US\$411 million), the CFE became a partner in TGNH with a 13.01 per cent equity interest. The transaction was accounted for as an equity transaction of which \$588 million was recognized in Non-controlling interests and \$21 million was recognized as AOCI attributable to the CFE's non-controlling interest. The difference between these amounts and the consideration received was recorded as a reduction to Additional paid-in capital of \$27 million.

Southeast Gateway Pipeline

During second quarter 2025, the Company announced the completion of the Southeast Gateway pipeline. The Company determined that the pipeline is a sales-type lease between TGNH and the CFE that commenced when the asset was made available to the customer. The Company allocated the expected contract consideration to the non-lease component for the provisioning of operating and maintenance services based on the estimated stand-alone selling price using an expected cost plus margin approach which was determined at the inception of the agreement in 2022. The residual amount of consideration from this process was then allocated to the lease component. The Company's estimate of future operating costs at the inception of the contract in 2022 influenced the allocation of contract consideration between lease and non-lease components. This estimate impacted the timing of income recognized under the contract and the calculation of the rate implicit in the lease.

Under a sales-type lease, the Company derecognizes the underlying asset and records a net investment in lease equal to the present value of both the future lease payments and the estimated unguaranteed residual value of the leased asset. The future lease payments and the unguaranteed residual asset value are discounted at the rate implicit in the lease. This is the rate that causes the present value of lease payments and unguaranteed residual value to equal the fair value of the underlying asset. The difference between the carrying amount of the underlying asset and the lower of the fair value of the underlying asset and the sum of the lease receivable is recorded as selling profit or loss in the Condensed consolidated statement of income.

The TGNH pipelines, which includes the Southeast Gateway pipeline, are rate-regulated and the tolls are designed to recover the cost of providing service. On this basis, the Company applied judgment to determine that, at the inception of the lease arrangement, the fair value of the underlying assets approximated the carrying value and the residual value approximated the remaining carrying value at the end of the lease term. The Company estimated that if the assets were purchased at their carrying value, they would yield a return to the purchaser that is in line with current market participant expectations.

The Company recorded a net investment in lease asset of \$6.6 billion (US\$4.8 billion) with no selling profit or losses recorded upon derecognition of the underlying asset. The Company recorded an expected credit loss provision of \$113 million in Plant operating costs and other, relating to the initial net investment in lease balance.

14. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

Capital expenditure commitments at June 30, 2025 increased by approximately \$0.3 billion from those reported at December 31, 2024, reflecting new contractual commitments entered into for construction on U.S. natural gas pipelines, primarily related to the construction costs associated with ANR and other pipeline projects, partially offset by normal course fulfillment of construction contracts.

Contingencies

TC Energy and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. The Company assesses all legal matters on an ongoing basis, including those of its equity investments, to determine if they meet the requirements for disclosure or accrual of a contingent loss. With the potential exception of the matters discussed below, it is the opinion of management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations. The claim below is material and there is a reasonable possibility of loss; however, it has not been assessed as probable and a reasonable estimate of loss cannot be made.

Macro Spiecapag Coastal GasLink Joint Venture

Coastal GasLink LP is in arbitration with its former prime contractor, Macro Spiecapag Coastal GasLink Joint Venture (MSJV). In May 2021, Coastal GasLink LP terminated a portion of the work under its contract with MSJV. MSJV continued as prime contractor for the remaining portion of the work; however, it did not complete the remaining work as scheduled. Coastal GasLink LP claims damages in the approximate amount of \$560 million for delay, owner indirect costs, contractor replacement costs and repayment of payments made on a without prejudice basis. MSJV has counterclaimed against Coastal GasLink LP for damages for wrongful termination and outstanding costs in the approximate amount of \$480 million. A hearing has been scheduled to take place in March 2027. At June 30, 2025, the final outcome of this matter cannot be reasonably estimated.

The following contingencies have been concluded:

Pacific Atlantic Pipeline Construction Ltd.

Coastal GasLink LP and Pacific Atlantic Pipeline Construction Ltd., one of the prime contractors on the Coastal GasLink pipeline, and their parent company Bonatti S.p.A, have reached a mutually acceptable resolution to their disputes. The settlement is not an admission of liability by either party and the parties have mutually released their respective claims in the arbitration. Details of the arbitration and the settlement are confidential, but it does include the retention by Coastal GasLink LP of the letter of credit funds drawn in 2024 and the settlement did not have a material impact on TC Energy's financial statements.

2016 Columbia Pipeline Acquisition Lawsuit

In 2018, former shareholders of Columbia Pipeline Group Inc. (CPG) commenced a class action lawsuit related to the acquisition of CPG by TC Energy in 2016. In 2023, the Delaware Chancery Court (the Court) found that the former CPG executives breached their fiduciary duties, that the former CPG Board breached its duty of care in overseeing the sale process and that TC Energy aided and abetted those breaches. TC Energy's allocated share of damages was an estimated US\$350 million, plus post-judgment interest. TC Energy appealed the decision to the Delaware Supreme Court and on June 17, 2025, the Supreme Court issued its decision reversing the Court's finding of liability against TC Energy. On July 10, 2025, the Court granted the final order vacating its prior judgment and dismissing plaintiffs' claims against TC Energy. As a result, this matter is now concluded in TC Energy's favour with no liability. There is no further right of appeal.

Guarantees

TC Energy and its partner on the Sur de Texas pipeline, IEnova, have jointly guaranteed the financial performance of the entity which owns the pipeline. Such agreements include a guarantee and a letter of credit which are primarily related to the delivery of natural gas.

TC Energy and its joint venture partner on Bruce Power, BPC Generation Infrastructure Trust, have each severally guaranteed certain contingent financial obligations of Bruce Power related to a lease agreement and contractor and supplier services.

The Company and its partners in certain other jointly-owned entities have either (i) jointly and severally, (ii) jointly or (iii) severally guaranteed the financial performance of these entities. Such agreements include guarantees and letters of credit which are primarily related to construction services and the payment of liabilities. For certain of these entities, any payments made by TC Energy under these guarantees in excess of its ownership interest are to be reimbursed by its partners.

The carrying value of these guarantees has been included in Other long-term liabilities on the Condensed consolidated balance sheet. Information regarding the Company's guarantees is as follows:

(unaudited - millions of Canadian \$)		June 30, 2025		December 31, 2024	
		Potential exposure ¹	Carrying value	Potential exposure ¹	Carrying value
Bruce Power	Renewable to 2065	88	—	88	—
Sur de Texas	Renewable to 2053	83	—	93	—
Other jointly-owned entities	to 2032	56	1	59	1
		227	1	240	1

1 TC Energy's share of the potential estimated current or contingent exposure.

15. VARIABLE INTEREST ENTITIES

Consolidated VIEs

A significant portion of the Company's assets are held through VIEs in which the Company holds a 100 per cent voting interest, the VIE meets the definition of a business and the VIE's assets can be used for general corporate purposes. The consolidated VIEs whose assets cannot be used for purposes other than for the settlement of the VIE's obligations, or are not considered a business, were as follows:

(unaudited - millions of Canadian \$)	June 30, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	306	311
Accounts receivable	865	839
Inventories	204	205
Other current assets	164	121
	1,539	1,476
Plant, Property and Equipment	48,576	49,904
Equity Investments	928	865
Restricted Investments	1,058	950
Regulatory Assets	74	53
Goodwill	452	479
Other Long-Term Assets	47	59
	52,674	53,786
LIABILITIES		
Current Liabilities		
Accounts payable and other	1,750	1,866
Accrued interest	199	202
Current portion of long-term debt	119	2,062
	2,068	4,130
Regulatory Liabilities	1,360	1,232
Other Long-Term Liabilities	66	70
Deferred Income Tax Liabilities	7	7
Long-Term Debt	12,970	12,387
	16,471	17,826

Non-Consolidated VIEs

The carrying value of non-consolidated VIEs and the maximum exposure to loss as a result of the Company's involvement with these VIEs are as follows:

(unaudited - millions of Canadian \$)	June 30, 2025	December 31, 2024
Balance Sheet Exposure		
Equity investments		
Bruce Power	7,366	7,043
Coastal GasLink	872	1,006
Other pipeline equity investments	159	160
Off-Balance Sheet Exposure¹		
Bruce Power	2,553	1,877
Coastal GasLink ²	265	265
Other pipeline equity investments	2	2
Maximum Exposure to Loss	11,217	10,353

1 Includes maximum potential exposure to guarantees and future funding commitments.

2 TC Energy is contractually obligated to fund the capital costs to complete the Coastal GasLink pipeline by funding the remaining equity requirements of Coastal GasLink LP through incremental capacity on the subordinated loan agreement with Coastal GasLink LP until final costs are determined. In addition to the subordinated loan agreement, TC Energy has entered into an equity contribution agreement to fund a maximum of \$37 million for its proportionate share of the equity requirements related to the Cedar Link project.