

Quarterly report to shareholders

Second quarter 2024

Financial highlights

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Income				
Revenues	4,085	3,830	8,328	7,758
Net income (loss) attributable to common shares	963	250	2,166	1,563
per common share – basic	\$0.93	\$0.24	\$2.09	\$1.53
Comparable EBITDA ¹	2,694	2,474	5,784	5,249
Comparable earnings	978	981	2,262	2,214
per common share	\$0.94	\$0.96	\$2.18	\$2.16
Cash flows				
Net cash provided by operations	1,655	1,510	3,697	3,584
Comparable funds generated from operations	1,826	1,754	4,262	3,820
Capital spending ²	1,591	2,991	3,488	6,024
Acquisitions, net of cash acquired	—	(164)	—	(302)
Dividends declared				
per common share	\$0.96	\$0.93	\$1.92	\$1.86
Basic common shares outstanding (millions)				
– weighted average for the period	1,037	1,027	1,037	1,024
– issued and outstanding at end of period	1,037	1,029	1,037	1,029

1 Additional information on Segmented earnings (losses), the most directly comparable GAAP measure, can be found in the Consolidated results section.

2 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.

Management's discussion and analysis

July 31, 2024

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, 2024 and should be read with the accompanying unaudited Condensed consolidated financial statements for the three and six months ended June 30, 2024, which have been prepared in accordance with U.S. GAAP.

This MD&A should also be read in conjunction with our December 31, 2023 audited Consolidated financial statements and notes and the MD&A in our 2023 Annual Report. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in our 2023 Annual Report. Certain comparative figures have been adjusted to reflect the current period's presentation.

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 about the new Liquids Pipelines Company, South Bow Corporation, following the anticipated completion of the proposed spinoff transaction of our Liquids Pipelines business (the spinoff Transaction) into a separate publicly listed company, including the management and credit ratings thereof
- expectations regarding the size, structure, timing, conditions and outcome of ongoing and future transactions, including the spinoff Transaction and our asset divestiture program
- 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
- statements related to our GHG emissions reduction goals
- 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
- expected industry, market and economic conditions, 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 benefits from acquisitions, divestitures, the spinoff Transaction and energy transition
- regulatory decisions and outcomes
- planned and unplanned outages and the use 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 benefits from acquisitions, divestitures, the spinoff Transaction and energy transition
- terms, timing and completion of the spinoff Transaction, including the timely receipt of all necessary approvals
- that market or other conditions are no longer favourable to completing the spinoff Transaction
- business disruption during the period prior to or directly following the spinoff Transaction
- our ability to successfully implement our strategic priorities, including the Focus Project, 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
- impact of energy transition on our business
- economic conditions 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 2023 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).

NON-GAAP MEASURES

This MD&A references the following non-GAAP measures:

- comparable EBITDA
- comparable EBIT
- comparable earnings
- comparable earnings per common share
- funds generated from operations
- comparable funds generated from operations
- net capital expenditures.

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. Discussions throughout this MD&A on the factors impacting comparable earnings are consistent with the factors that impact net income (loss) attributable to common shares, except where noted otherwise. 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 adjust for the following specific items:

- gains or losses on sales of assets or assets held for sale
- valuation allowances and adjustments resulting from changes in legislation and enacted tax rates
- legal, contractual, bankruptcy and other settlements, including non-recurring third-party settlements
- impairment of goodwill, plant, property and equipment, equity investments and other assets
- acquisition, integration and restructuring costs, including costs related to our Focus Project, the spinoff Transaction and the ownership transfer of the NGTL System from Nova Gas Transmission Ltd (NGTL Ltd.) to NGTL GP Ltd. (NGTL GP) on behalf of NGTL Limited Partnership (NGTL LP) (NGTL System Ownership Transfer)
- unrealized fair value adjustments related to risk management activities of Bruce Power's funds invested for post-retirement benefits
- unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities.

We exclude from comparable measures the unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities. These derivatives generally provide effective economic hedges but do not meet the criteria for hedge accounting. The changes in fair value, including our proportionate share of changes in fair value related to Bruce Power are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

In third quarter 2023, we announced plans to separate into two independent, investment-grade, publicly listed companies through the spinoff Transaction. On June 4, 2024, shareholders approved the spinoff Transaction and the effective date of the separation is expected to occur in early fourth quarter 2024. A separation management office was established to guide the successful coordination and governance between the two entities, including the development of a separation agreement and transition service agreement. Liquids Pipelines business separation costs related to the spinoff Transaction include internal costs related to separation activities, legal, tax, audit and other consulting fees, which are recognized in the results of our Liquids Pipelines and Corporate segments. These items have been excluded from comparable measures as we do not consider them reflective of our ongoing underlying operations.

TransCanada PipeLines Limited (TCPL) and Transportadora de Gas Natural de la Huasteca (TGNH) are 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 translation of the loan receivable and 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.

In 2023, we accrued an amount for environmental remediation costs related to the Milepost 14 incident. We have insurance policies in place and we believe that it remains probable that the majority of environmental remediation costs will be recovered under our existing insurance coverage. A portion of these insurance proceeds are collectible from our wholly-owned captive insurance subsidiary, which resulted in an impact to net income in the consolidated financial results of TC Energy in second quarter 2023. This amount has been excluded from comparable measures as it is not reflective of our ongoing underlying operations.

In 2022, TGNH and the CFE executed agreements which consolidate a number of operating and in-development natural gas pipelines in central and southeast Mexico under one TSA. As this TSA contains a lease, we have recognized amounts in net investment in leases on our Condensed consolidated balance sheet. In accordance with the requirements of U.S. GAAP, we have recognized an expected credit loss provision related to net investment in leases and certain contract assets in Mexico. The amount of this provision will fluctuate from period to period based on changing economic assumptions and forward-looking information. The provision is an estimate of losses that may occur over the duration of the TSA through 2055. As this provision, as well as a provision related to certain contract assets in Mexico, do not reflect losses or cash outflows that were incurred under this lease arrangement in the current period or from our underlying operations, we have excluded any unrealized changes, net of non-controlling interest, from comparable measures.

The following table identifies our non-GAAP measures against their most directly comparable GAAP measures:

Comparable 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
net capital expenditures	capital expenditures

Quantitative reconciliations of our comparable measures to their GAAP measures are found throughout this MD&A.

Comparable EBITDA and comparable EBIT

Comparable EBITDA represents segmented earnings (losses) adjusted for specific items described in the Comparable measures section above, 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 for a reconciliation to segmented earnings (losses).

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 above. 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 on our Condensed consolidated statement of income, adjusted for specific items. Refer to the Consolidated results section for reconciliations to Net income (loss) attributable to common shares and Net income (loss) per common share.

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 2023 Consolidated financial statements. We believe funds generated from operations is a useful measure of our consolidated operating cash flows because it excludes fluctuations from working capital balances, which do not necessarily reflect underlying operations in the same period, and is used to provide a consistent measure of the cash-generating ability of our businesses. Comparable funds generated from operations is adjusted for the cash impact of specific items described in the Comparable measures section above. Refer to the Financial condition section for a reconciliation to Net cash provided by operations.

Net capital expenditures

Net capital expenditures represents capital expenditures, including 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. We use net capital expenditures as we believe it is a useful measure of our cash flow used for capital reinvestment.

Consolidated results

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Canadian Natural Gas Pipelines	514	(394)	1,015	17
U.S. Natural Gas Pipelines	762	715	1,805	1,794
Mexico Natural Gas Pipelines	266	182	478	436
Liquids Pipelines	270	273	586	449
Power and Energy Solutions	220	255	472	507
Corporate	(26)	(36)	(84)	(38)
Total segmented earnings (losses)	2,006	995	4,272	3,165
Interest expense	(843)	(791)	(1,680)	(1,553)
Allowance for funds used during construction	184	148	341	279
Foreign exchange gains (losses), net	(67)	169	(40)	276
Interest income and other	69	16	146	58
Income (loss) before income taxes	1,349	537	3,039	2,225
Income tax (expense) recovery	(200)	(258)	(493)	(599)
Net income (loss)	1,149	279	2,546	1,626
Net (income) loss attributable to non-controlling interests	(159)	(6)	(330)	(17)
Net income (loss) attributable to controlling interests	990	273	2,216	1,609
Preferred share dividends	(27)	(23)	(50)	(46)
Net income (loss) attributable to common shares	963	250	2,166	1,563
Net income (loss) per common share – basic	\$0.93	\$0.24	\$2.09	\$1.53

Net income (loss) attributable to common shares increased by \$713 million or \$0.69 per common share and \$603 million or \$0.56 per common share for the three and six months ended June 30, 2024 compared to the same periods in 2023. The following specific items were recognized in Net income (loss) attributable to common shares and were excluded from comparable earnings:

2024 results

- an after-tax gain of \$63 million in second quarter 2024 related to the sale of non-core assets in U.S. Natural Gas Pipelines and Canadian Natural Gas Pipelines
- an after-tax unrealized foreign exchange loss of \$3 million and unrealized foreign exchange gain of \$52 million for the three and six months ended June 30, 2024 on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a \$2 million and \$17 million after-tax recovery for the three and six months ended June 30, 2024 on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- after-tax costs of \$42 million for the three and six months ended June 30, 2024 related to the NGTL System Ownership Transfer
- an after-tax charge of \$26 million and \$39 million for the three and six months ended June 30, 2024 due to Liquids Pipelines business separation costs related to the spinoff Transaction
- an after-tax expense of \$26 million related to a non-recurring third-party settlement in first quarter 2024
- an \$8 million after-tax expense in first quarter 2024 related to Focus Project costs.

2023 results

- an after-tax impairment charge of \$809 million and \$838 million for the three and six months ended June 30, 2023 related to our equity investment in Coastal GasLink Pipeline Limited Partnership (Coastal GasLink LP)
- a \$48 million after-tax charge as a result of the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022, which consists of a one-time, pre-tax charge of \$57 million and accrued pre-tax carrying charges of \$5 million
- a \$36 million after-tax accrued insurance expense recorded in second quarter 2023 related to the Milepost 14 incident
- a \$25 million after-tax expense related to Focus Project costs in second quarter 2023
- an after-tax unrealized foreign exchange loss of \$9 million on the peso-denominated intercompany loan between TCPL and TGNH in second quarter 2023
- preservation and other costs for Keystone XL pipeline project assets of \$4 million and \$8 million after tax for the three and six months ended June 30, 2023
- an \$8 million and \$80 million after-tax recovery for the three and six months ended June 30, 2023 on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico.

Net income in both periods included unrealized gains and losses on our proportionate share of Bruce Power's fair value adjustment on funds invested for post-retirement benefits and derivatives related to its risk management activities, as well as unrealized gains and losses from changes in our risk management activities, all of which we exclude along with the above noted items, to arrive at comparable earnings. A reconciliation of Net income (loss) attributable to common shares to comparable earnings is shown in the following table.

RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHARES TO COMPARABLE EARNINGS

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Net income (loss) attributable to common shares	963	250	2,166	1,563
Specific items (net of tax):				
(Gain) loss on sale of non-core assets	(63)	—	(63)	—
Foreign exchange (gains) losses, net – intercompany loan	3	9	(52)	9
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	(2)	(8)	(17)	(80)
NGTL System ownership transfer costs	42	—	42	—
Liquids Pipelines business separation costs	26	—	39	—
Third-party settlement	—	—	26	—
Focus Project costs	—	25	8	25
Coastal GasLink impairment charge	—	809	—	838
Keystone regulatory decisions	—	—	—	48
Milepost 14 insurance expense	—	36	—	36
Keystone XL preservation and other	—	4	—	8
Bruce Power unrealized fair value adjustments	(3)	—	1	(6)
Risk management activities ¹	12	(144)	112	(227)
Comparable earnings	978	981	2,262	2,214
Net income (loss) per common share	\$0.93	\$0.24	\$2.09	\$1.53
Specific items (net of tax):				
(Gain) loss on sale of non-core assets	(0.06)	—	(0.06)	—
Foreign exchange (gains) losses, net – intercompany loan	—	0.01	(0.05)	0.01
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	—	(0.01)	(0.02)	(0.08)
NGTL System ownership transfer costs	0.04	—	0.04	—
Liquids Pipelines business separation costs	0.03	—	0.04	—
Third-party settlement	—	—	0.03	—
Focus Project costs	—	0.02	0.01	0.02
Coastal GasLink impairment charge	—	0.79	—	0.82
Keystone regulatory decisions	—	—	—	0.05
Milepost 14 insurance expense	—	0.03	—	0.03
Keystone XL preservation and other	—	0.01	—	0.01
Bruce Power unrealized fair value adjustments	—	—	—	(0.01)
Risk management activities	—	(0.13)	0.10	(0.22)
Comparable earnings per common share	\$0.94	\$0.96	\$2.18	\$2.16

1 Risk management activities (millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
U.S. Natural Gas Pipelines	(40)	24	(63)	73
Liquids Pipelines	37	—	36	5
Canadian Power	3	(13)	60	(21)
U.S. Power	(7)	—	(11)	1
Natural Gas Storage	20	73	(70)	61
Foreign exchange	(31)	108	(102)	182
Income tax attributable to risk management activities	6	(48)	38	(74)
Total unrealized gains (losses) from risk management activities	(12)	144	(112)	227

COMPARABLE EBITDA TO COMPARABLE EARNINGS

Comparable EBITDA represents segmented earnings (losses) adjusted for the specific items described above and excludes charges for depreciation and amortization. For further information on our reconciliation of comparable EBITDA to segmented earnings (losses) refer to the financial results section for each business segment.

(millions of \$, except per share amounts)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Comparable EBITDA				
Canadian Natural Gas Pipelines	846	780	1,692	1,520
U.S. Natural Gas Pipelines	1,003	925	2,309	2,192
Mexico Natural Gas Pipelines	286	193	500	365
Liquids Pipelines	328	363	735	680
Power and Energy Solutions	227	217	547	498
Corporate	4	(4)	1	(6)
Comparable EBITDA	2,694	2,474	5,784	5,249
Depreciation and amortization	(717)	(694)	(1,436)	(1,371)
Interest expense included in comparable earnings	(843)	(791)	(1,680)	(1,548)
Allowance for funds used during construction	184	148	341	279
Foreign exchange gains (losses), net included in comparable earnings	(51)	70	(8)	103
Interest income and other included in comparable earnings	69	52	146	94
Income tax (expense) recovery included in comparable earnings	(190)	(249)	(523)	(529)
Net (income) loss attributable to non-controlling interests included in comparable earnings	(141)	(6)	(312)	(17)
Preferred share dividends	(27)	(23)	(50)	(46)
Comparable earnings	978	981	2,262	2,214
Comparable earnings per common share	\$0.94	\$0.96	\$2.18	\$2.16

Comparable EBITDA – 2024 versus 2023

Comparable EBITDA increased by \$220 million for the three months ended June 30, 2024 compared to the same period in 2023 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 rate-base earnings on the NGTL System and Foothills
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines primarily due to higher equity earnings from Sur de Texas as a result of the impact of peso-denominated financial exposure and lower income tax expense, as well as incremental earnings from the lateral section of the Villa de Reyes pipeline which was placed in service in third quarter 2023
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines as a result of incremental earnings from projects placed in service, higher realized margins related to our U.S. natural gas marketing business, additional contract sales and increased equity earnings, partially offset by higher operational costs, reflective of increased system utilization across our footprint
- increased Power and Energy Solutions EBITDA mainly attributable to higher contributions from our U.S. marketing business and higher earnings from Canadian Power primarily due to lower natural gas fuel costs and trading activities, net of lower realized power prices, partially offset by increased business development costs and reduced contributions from Bruce Power due to lower generation and increased outage costs associated largely with planned outages
- decreased EBITDA from Liquids Pipelines primarily due to lower margins from liquids marketing activities, partially offset by higher volumes on the Keystone Pipeline System
- the positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations. U.S. dollar-denominated comparable EBITDA increased by US\$84 million compared to 2023 which was translated at a rate of 1.37 in 2024 versus 1.34 in 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA increased by \$535 million for the six months ended June 30, 2024 compared to the same period in 2023 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 rate-base earnings on the NGTL System and Foothills
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines primarily due to higher equity earnings from Sur de Texas as a result of the impact of peso-denominated financial exposure and lower income tax expense, as well as incremental earnings from the lateral section of the Villa de Reyes pipeline which was placed in service in third quarter 2023
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines as a result of incremental earnings from projects placed in service, additional contract sales and increased equity earnings, partially offset by higher operational costs, reflective of increased system utilization across our footprint, lower commodity prices related to our mineral rights business and lower realized margins related to our U.S. natural gas marketing business
- increased EBITDA from Liquids Pipelines primarily due to higher volumes on the Keystone Pipeline System, partially offset by lower margins from liquids marketing activities
- increased Power and Energy Solutions EBITDA mainly attributable to higher realized Alberta natural gas storage spreads, partially offset by lower realized power prices, net of lower natural gas fuel costs in Canadian Power, increased business development costs and reduced contributions from Bruce Power
- the positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations. U.S. dollar-denominated comparable EBITDA increased by US\$206 million compared to 2023 which was translated at a rate of 1.36 in 2024 versus 1.35 in 2023. Refer to the Foreign exchange section for additional information.

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

Comparable earnings – 2024 versus 2023

Comparable earnings decreased by \$3 million or \$0.02 per common share for the three months ended June 30, 2024 compared to the same period in 2023 and was primarily the net effect of:

- changes in comparable EBITDA described above
- higher net income attributable to non-controlling interests primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas Transmission, LLC (Columbia Gas) and Columbia Gulf Transmission, LLC (Columbia Gulf) in fourth quarter 2023
- the impact of hedging activities to manage our foreign exchange exposure to net liabilities in Mexico, partially offset by the revaluation of our peso-denominated net monetary liabilities to U.S. dollars, derivatives used to manage our net exposure to foreign exchange rate fluctuations on U.S. dollar-denominated income and a net realized gain on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH
- higher interest expense primarily due to long-term debt issuances, net of maturities and the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense, partially offset by reduced levels of short-term borrowings and higher capitalized interest
- higher depreciation and amortization reflecting expansion facilities and new projects placed in service and the acquisition of Blue Cloud Wind Farm in second quarter 2023
- lower income tax expense due to the impact of our Mexico foreign exchange exposure and lower flow-through income taxes, partially offset by lower foreign income tax rate differentials
- higher AFUDC primarily due to spending on the Southeast Gateway pipeline project, partially offset by projects placed in service
- higher interest income and other due to higher interest earned on short-term investments.

Comparable earnings increased by \$48 million or \$0.02 per common share for the six months ended June 30, 2024 compared to the same period in 2023 primarily due to the net effect of the following:

- changes in comparable EBITDA described above
- higher net income attributable to non-controlling interests primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf in fourth quarter 2023
- higher interest expense primarily due to long-term debt issuances, net of maturities and the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense, partially offset by reduced levels of short-term borrowings and higher capitalized interest
- the impact of hedging activities to manage our foreign exchange exposure to net liabilities in Mexico, partially offset by the revaluation of our peso-denominated net monetary liabilities to U.S. dollars, derivatives used to manage our net exposure to foreign exchange rate fluctuations on U.S. dollar-denominated income and a net realized gain on the partial repayment of the peso-denominated intercompany loan between TCPL and TGNH
- higher depreciation and amortization reflecting expansion facilities and new projects placed in service and the acquisitions of Fluvanna Wind Farm and Blue Cloud Wind Farm (Texas Wind Farms) in 2023
- higher AFUDC primarily due to spending on the Southeast Gateway pipeline project, partially offset by projects placed in service
- higher interest income and other due to higher interest earned on short-term investments
- lower income tax expense primarily due to the impact of our Mexico foreign exchange exposure, partially offset by lower foreign income tax rate differentials.

Comparable earnings per common share for the three and six months ended June 30, 2024 reflect the dilutive effect of common shares issued in 2023.

Outlook

Comparable EBITDA and comparable earnings

Our overall comparable EBITDA and comparable earnings per common share outlooks for 2024 remain consistent with our 2023 Annual Report. Our outlook does not take into consideration the impact of the spinoff Transaction. Shareholders of TC Energy approved the spinoff Transaction; however, it remains subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

We continue to monitor developments in energy markets, our construction projects, regulatory proceedings and progress on the remainder of our asset divestiture program for any potential impacts on our 2024 comparable EBITDA and comparable earnings per common share.

Consolidated capital expenditures

Our expected total capital expenditures for 2024 as outlined in our 2023 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 that are expected to generate significant growth in earnings and cash flows. In addition, many of these projects are expected to advance our goals to reduce our own carbon footprint, as well as that of our customers.

Our capital program consists of approximately \$31 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. Tolling arrangements in our Liquids Pipelines business provide for the recovery of maintenance capital expenditures.

During the six months ended June 30, 2024, we placed approximately \$1.2 billion of natural gas pipeline capacity projects into service along our extensive North American asset footprint. In addition, approximately \$0.9 billion of maintenance capital expenditures were incurred.

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 2023 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 below. 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, primarily Coastal GasLink and Bruce Power.

(billions of \$)	Expected in-service date	Estimated project cost	Project costs incurred at June 30, 2024
Canadian Natural Gas Pipelines			
NGTL System	2024	0.7	0.6
	2026+	0.8	0.1
Coastal GasLink Pipeline ^{1,2}	2024/2028	5.5	4.7
Regulated maintenance capital expenditures	2024-2026	2.3	0.3
U.S. Natural Gas Pipelines			
Modernization and other ³	2024-2026	US 1.7	US 1.0
Delivery market projects	2025	US 1.3	US 0.2
Heartland project	2027	US 0.9	—
Other capital	2024-2028	US 1.1	US 0.3
Regulated maintenance capital expenditures	2024-2026	US 2.2	US 0.4
Mexico Natural Gas Pipelines			
Villa de Reyes – south section ⁴	—	US 0.4	US 0.3
Tula ⁵	—	US 0.4	US 0.3
Southeast Gateway	2025	US 4.5	US 3.2
Liquids Pipelines			
Blackrod Connection project	2026	0.3	—
Recoverable maintenance capital expenditures	2024-2026	0.2	—
Power and Energy Solutions			
Bruce Power – Unit 3 MCR	2026	1.1	0.7
Bruce Power – Unit 4 MCR	2028	0.9	0.2
Bruce Power – life extension ⁶	2024-2027	1.8	0.8
Other			
Non-recoverable maintenance capital expenditures ⁷	2024-2026	0.4	0.1
		26.5	13.2
Foreign exchange impact on secured projects ⁸		4.6	2.1
Total secured projects (Cdn\$)		31.1	15.3

- 1 Mechanical completion was achieved in November 2023. Commercial in-service of the Coastal GasLink pipeline will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada. Refer to the Recent developments – Canadian Natural Gas Pipelines section for additional information.
- 2 The estimated project cost includes our share of anticipated partner equity contributions for the Cedar Link project of \$50 million, with a planned in-service date of 2028.
- 3 Includes 100 per cent of the capital expenditures related to our modernization program on Columbia Gas, as well as certain large-scope maintenance projects across our U.S. natural gas pipelines footprint due to their discrete nature and timing 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. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.
- 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 updated cost estimate. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.
- 6 Reflects amounts to be invested under the Asset Management program, other life extension projects and the incremental uprate initiative.
- 7 Includes non-recoverable maintenance capital expenditures from all segments and are primarily related to our Mexico, Power and Energy Solutions and other assets.
- 8 Reflects U.S./Canada foreign exchange rate of 1.37 at June 30, 2024.

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	
	2024	2023	2024	2023
NGTL System	598	553	1,199	1,075
Canadian Mainline	195	194	383	379
Other Canadian pipelines ¹	53	33	110	66
Comparable EBITDA	846	780	1,692	1,520
Depreciation and amortization	(342)	(331)	(687)	(647)
Comparable EBIT	504	449	1,005	873
Specific items:				
Gain (loss) on sale of non-core assets	10	—	10	—
Coastal GasLink impairment charge	—	(843)	—	(856)
Segmented earnings (losses)	514	(394)	1,015	17

1 Includes results from Foothills, Ventures LP, Great Lakes Canada and our proportionate share of income related to investments in TQM and Coastal GasLink, as well as general and administrative and business development costs related to our Canadian Natural Gas Pipelines.

For the three months ended June 30, 2024, Canadian Natural Gas Pipelines segmented earnings were \$514 million compared to segmented losses of \$394 million for the same period in 2023. Canadian Natural Gas Pipelines segmented earnings for the six months ended June 30, 2024 increased by \$998 million compared to the same period in 2023. These amounts 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 \$10 million in second quarter 2024
- a pre-tax impairment charge of \$843 million and \$856 million for the three and six months ended June 30, 2023, respectively, related to our equity investment in Coastal GasLink LP. Refer to Note 6, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

Net income and comparable EBITDA for our rate-regulated Canadian natural gas pipelines are primarily affected by our approved ROE, investment base, the level of deemed common equity and incentive earnings. Changes in depreciation, financial charges and income taxes also impact comparable EBITDA, but 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	
	2024	2023	2024	2023
Net income				
NGTL System	197	191	392	381
Canadian Mainline	60	57	115	111
Average investment base				
NGTL System			19,413	18,714
Canadian Mainline			3,635	3,666

Net income for the NGTL System increased by \$6 million and \$11 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 mainly due to a higher average investment base resulting from continued system expansions. The NGTL System is operating under the 2020-2024 Revenue Requirement Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity. This settlement provides the NGTL System the opportunity to increase depreciation rates if tolls fall below specified levels and an incentive mechanism for certain operating costs where variances from projected amounts are shared with our customers.

Net income for the Canadian Mainline increased by \$3 million and \$4 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. 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 \$66 million and \$172 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to the net effect of:

- higher flow-through income taxes, depreciation and financial charges, as well as higher rate-base earnings on the NGTL System due to continued system expansions
- higher flow-through income taxes, financial charges and depreciation, as well as higher rate-base earnings on Foothills primarily due to the NGTL System/Foothills West Path Delivery Program completed during 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by \$11 million and \$40 million for the three and six months ended June 30, 2024 compared to the same periods in 2023, primarily reflecting incremental depreciation on the NGTL System from expansion facilities that were placed in service.

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	
	2024	2023	2024	2023
Columbia Gas ¹	366	359	804	754
ANR	137	134	326	326
Columbia Gulf ¹	59	49	121	108
Great Lakes	41	31	110	85
GTN	39	47	94	100
Portland ¹	25	25	52	54
Other U.S. pipelines ²	66	43	194	199
Comparable EBITDA	733	688	1,701	1,626
Depreciation and amortization	(175)	(174)	(353)	(349)
Comparable EBIT	558	514	1,348	1,277
Foreign exchange impact	206	177	482	444
Comparable EBIT (Cdn\$)	764	691	1,830	1,721
Specific items:				
Gain (loss) on sale of non-core assets	38	—	38	—
Risk management activities	(40)	24	(63)	73
Segmented earnings (losses) (Cdn\$)	762	715	1,805	1,794

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

2 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 \$47 million and \$11 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 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, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations compared to the same periods in 2023. 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\$45 million and US\$75 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and was primarily due to the net effect of:

- incremental earnings from growth and modernization projects placed in service, as well as increased earnings from additional contract sales on ANR and Great Lakes
- increased equity earnings from Iroquois and Northern Border
- lower realized earnings related to our U.S. natural gas marketing business primarily due to lower margins for the six months ended June 30, 2024
- decreased earnings due to higher operational costs, reflective of increased system utilization across our footprint
- decreased earnings from our mineral rights business mainly due to lower commodity prices.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by US\$1 million and US\$4 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to new projects placed in service.

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	
	2024	2023	2024	2023
TGNH ^{1,2}	61	57	124	113
Topolobampo	39	39	78	79
Guadalajara	15	16	30	33
Mazatlán	18	18	34	33
Sur de Texas ³	77	14	102	12
Comparable EBITDA	210	144	368	270
Depreciation and amortization	(17)	(17)	(34)	(33)
Comparable EBIT	193	127	334	237
Foreign exchange impact	70	44	120	84
Comparable EBIT (Cdn\$)	263	171	454	321
Specific item:				
Expected credit loss provision on net investment in leases and certain contract assets in Mexico ²	3	11	24	115
Segmented earnings (losses) (Cdn\$)	266	182	478	436

1 TGNH includes the operating sections of the Tamazunchale, Villa de Reyes and Tula 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 increased by \$84 million and \$42 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included a recovery of \$3 million and \$24 million, respectively (2023 – recovery of \$11 million and \$115 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. Refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

A stronger U.S. dollar for the three and six months ended June 30, 2024 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 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Mexico Natural Gas Pipelines increased by US\$66 million and US\$98 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to the net effect of:

- higher equity earnings primarily due to the foreign exchange impacts on the revaluation of peso-denominated liabilities as a result of a weaker Mexican peso and lower 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
- higher earnings in TGNH primarily related to the lateral section of the Villa de Reyes pipeline which was placed in commercial service in third quarter 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was generally consistent for the three and six months ended June 30, 2024 compared to the same periods in 2023.

Liquids 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	
	2024	2023	2024	2023
Keystone Pipeline System	313	347	704	649
Intra-Alberta pipelines ¹	17	17	34	35
Other	(2)	(1)	(3)	(4)
Comparable EBITDA	328	363	735	680
Depreciation and amortization	(86)	(85)	(171)	(169)
Comparable EBIT	242	278	564	511
Specific items:				
Liquids Pipelines business separation costs	(9)	—	(14)	—
Keystone regulatory decisions	—	—	—	(57)
Keystone XL preservation and other	—	(5)	—	(10)
Risk management activities	37	—	36	5
Segmented earnings (losses)	270	273	586	449
Comparable EBITDA denominated as follows:				
Canadian dollars	94	94	194	185
U.S. dollars	172	199	399	366
Foreign exchange impact	62	70	142	129
Comparable EBITDA	328	363	735	680

1 Intra-Alberta pipelines include Grand Rapids and White Spruce.

Liquids Pipelines segmented earnings decreased by \$3 million and increased by \$137 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax charge of \$9 million and \$14 million for the three and six months ended June 30, 2024 (2023 – nil) incurred due to Liquids Pipelines business separation costs related to the spinoff Transaction. Refer to the Recent developments – Liquids Pipelines section for additional information
- a \$57 million pre-tax charge recorded in first quarter 2023 as a result of the FERC Administrative Law Judge initial decision issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022
- pre-tax preservation and other costs of \$5 million and \$10 million for the three and six months ended June 30, 2023 related to the preservation and storage of the Keystone XL pipeline project assets
- unrealized gains and losses from changes in the fair value of derivatives related to our liquids marketing business.

A stronger U.S. dollar for the three and six months ended June 30, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. operations compared to the same periods in 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Liquids Pipelines decreased by \$35 million and increased by \$55 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the net effect of:

- lower margins from liquids marketing activities, primarily in second quarter 2024, in part due to the commencement of incremental WCSB egress capacity
- higher contribution from uncontracted volumes on the Keystone Pipeline System in 2024 compared to 2023 as a result of Milepost 14 incident-related capacity impacts in 2023
- higher throughput on the U.S. Gulf Coast section of the Keystone Pipeline System driven by an increase in contracted volumes.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was generally consistent for the three and six months ended June 30, 2024 compared to the same periods in 2023.

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	
	2024	2023	2024	2023
Bruce Power ¹	150	159	331	334
Canadian Power	87	80	168	182
Natural Gas Storage and other ²	(10)	(22)	48	(18)
Comparable EBITDA	227	217	547	498
Depreciation and amortization	(27)	(22)	(53)	(40)
Comparable EBIT	200	195	494	458
Specific items:				
Bruce Power unrealized fair value adjustments	4	—	(1)	8
Risk management activities	16	60	(21)	41
Segmented earnings (losses)	220	255	472	507

1 Represents our share of equity income from Bruce Power.

2 Includes non-controlling interest in the 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 decreased by \$35 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 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 \$10 million and \$49 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the net effect of:

- increased Natural Gas Storage and other results due to higher realized Alberta natural gas storage spreads primarily in first quarter 2024 and higher contributions from our U.S. marketing business, partially offset by increased business development costs in second quarter 2024
- increased Canadian Power financial results for the three months ended June 30, 2024 were primarily from higher contributions from trading activities. Lower realized power prices, net of lower natural gas fuel costs, partially offset the positive second quarter trading activities and resulted in decreased financial results for the six months ended June 30, 2024
- reduced contributions from Bruce Power primarily due to lower generation and increased operating and outage costs, partially offset by a higher contract price and realized gains on funds invested for post-retirement benefits and risk management activities in first quarter 2024. Refer to the Bruce Power section for additional information.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by \$5 million and \$13 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the acquisition of the Texas Wind Farms in the first half of 2023.

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	
	2024	2023	2024	2023
Items included in comparable EBITDA and comparable EBIT are comprised of:				
Revenues ¹	487	473	1,012	979
Operating expenses	(244)	(239)	(497)	(475)
Depreciation and other	(93)	(75)	(184)	(170)
Comparable EBITDA and comparable EBIT²	150	159	331	334
Bruce Power – other information				
Plant availability ^{3,4}	78%	94%	85%	95%
Planned outage days ⁴	116	13	160	13
Unplanned outage days	15	13	21	38
Sales volumes (GWh) ⁵	4,685	4,841	10,226	10,241
Realized power price per MWh ⁶	\$102	\$98	\$98	\$95

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.

In second quarter, planned maintenance was completed on Units 5 to 8 with no further planned maintenance in 2024.

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	
	2024	2023	2024	2023
Comparable EBITDA and comparable EBIT	4	(4)	1	(6)
Specific items:				
Third-party settlement	—	—	(34)	—
Liquids Pipelines business separation costs	(20)	—	(31)	—
Focus Project costs	—	(32)	(10)	(32)
NGTL System ownership transfer costs	(10)	—	(10)	—
Segmented earnings (losses)	(26)	(36)	(84)	(38)

Corporate segmented losses decreased by \$10 million and increased by \$46 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. 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 \$20 million and \$31 million for the three and six months ended June 30, 2024 (2023 – nil) from Liquids Pipelines business separation costs related to the spinoff Transaction. Refer to the Recent developments – Liquids Pipelines section for additional information
- a pre-tax charge of \$10 million for the six months ended June 30, 2024 (2023 - \$32 million) related to Focus Project costs. Refer to the Recent developments – Corporate section for additional information
- pre-tax costs of \$10 million related to the NGTL System Ownership Transfer. Refer to the Recent developments – Corporate section for additional information.

Comparable EBITDA and comparable EBIT for Corporate increased by \$8 million and \$7 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to U.S. state tax refunds.

INTEREST EXPENSE

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Interest expense on long-term debt and junior subordinated notes				
Canadian dollar-denominated	(220)	(231)	(445)	(441)
U.S. dollar-denominated	(470)	(397)	(944)	(761)
Foreign exchange impact	(172)	(136)	(338)	(264)
	(862)	(764)	(1,727)	(1,466)
Other interest and amortization expense	(47)	(69)	(87)	(154)
Capitalized interest	66	42	134	72
Interest expense included in comparable earnings	(843)	(791)	(1,680)	(1,548)
Specific item:				
Keystone regulatory decisions	—	—	—	(5)
Interest expense	(843)	(791)	(1,680)	(1,553)

Interest expense increased by \$52 million and \$127 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and included accrued carrying charges of \$5 million for the six months ended June 30, 2023 as a result of a pre-tax charge related to the FERC Administrative Law Judge initial decision on Keystone, which has been removed from our calculation of Interest expense included in comparable earnings.

Interest expense included in comparable earnings increased by \$52 million and \$132 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the net effect of:

- long-term debt issuances, net of maturities. Refer to 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
- reduced levels of short-term borrowings
- higher capitalized interest, largely due to funding related to our investment in Coastal GasLink LP.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Canadian dollar-denominated	8	20	17	53
U.S. dollar-denominated	128	95	238	167
Foreign exchange impact	48	33	86	59
Allowance for funds used during construction	184	148	341	279

AFUDC increased by \$36 million and \$62 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. The decrease in Canadian dollar-denominated AFUDC is primarily related to NGTL System expansion projects placed in service during 2023. The increase in U.S. dollar-denominated AFUDC is mainly the result of capital expenditures on the Southeast Gateway pipeline project, partially offset by the suspension of AFUDC on the assets under construction for the Tula pipeline project due to the delay of an FID.

FOREIGN EXCHANGE GAINS (LOSSES), NET

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Foreign exchange gains (losses), net included in comparable earnings	(51)	70	(8)	103
Specific items:				
Foreign exchange gains (losses), net – intercompany loan ¹	15	(9)	70	(9)
Risk management activities	(31)	108	(102)	182
Foreign exchange gains (losses), net	(67)	169	(40)	276

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

Foreign exchange losses were \$67 million and \$40 million for the three and six months ended June 30, 2024 compared to foreign exchange gains of \$169 million and \$276 million in the same periods in 2023. 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 losses included in comparable earnings were \$51 million and \$8 million for the three and six months ended June 30, 2024 compared to foreign exchange gains of \$70 million and \$103 million in the same periods in 2023. The changes were primarily due to the net effect of:

- realized losses in 2024 compared to realized gains in 2023 on derivatives used to manage our foreign exchange exposure to net liabilities in Mexico
- foreign exchange gains in 2024 compared to foreign exchange losses in 2023 on the revaluation of our peso-denominated net monetary liabilities to U.S. dollars
- lower net realized losses on derivatives used to manage our net exposure to foreign exchange rate fluctuation on U.S. dollar-denominated income
- 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	
	2024	2023	2024	2023
Interest income and other included in comparable earnings	69	52	146	94
Specific item:				
Milepost 14 insurance expense	—	(36)	—	(36)
Interest income and other	69	16	146	58

Interest income and other increased by \$53 million and \$88 million for the three and six months ended June 30, 2024 compared to the same periods in 2023, and included a \$36 million accrued insurance expense in second quarter 2023 related to the Milepost 14 incident, which has been removed from our calculation of Interest income and other included in comparable earnings.

Interest income and other included in comparable earnings increased by \$17 million and \$52 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 due to higher interest earned on short-term investments and 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	
	2024	2023	2024	2023
Income tax (expense) recovery included in comparable earnings	(190)	(249)	(523)	(529)
Specific items:				
Gain (loss) on sale of non-core assets	15	—	15	—
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	(1)	(3)	(7)	(35)
NGTL System ownership transfer costs	(32)	—	(32)	—
Liquids Pipelines business separation costs	3	—	6	—
Third-party settlement	—	—	8	—
Focus Project costs	—	7	2	7
Coastal GasLink impairment charge	—	34	—	18
Keystone regulatory decisions	—	—	—	14
Keystone XL preservation and other	—	1	—	2
Bruce Power unrealized fair value adjustments	(1)	—	—	(2)
Risk management activities	6	(48)	38	(74)
Income tax (expense) recovery	(200)	(258)	(493)	(599)

Income tax expense decreased by \$58 million and \$106 million for the three and six months ended June 30, 2024 compared to the same periods in 2023. The income tax impacts on specified items referenced throughout the MD&A have been removed from our calculation of Income tax expense included in comparable earnings.

Income tax expense included in comparable earnings decreased by \$59 million for three months ended June 30, 2024 compared to the same period in 2023 primarily due to the impact of our Mexico foreign exchange exposure and lower flow-through income taxes, partially offset by lower foreign income tax rate differentials.

Income tax expense included in comparable earnings decreased by \$6 million for the six months ended June 30, 2024 compared to the same period in 2023 primarily due to the impact of our Mexico foreign exchange exposure, partially offset by lower foreign income tax rate differentials.

NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

(millions of \$)	Non-Controlling Interests Ownership at June 30, 2024	three months ended June 30		six months ended June 30	
		2024	2023	2024	2023
Columbia Gas and Columbia Gulf	40.0%	(129)	—	(290)	—
Portland Natural Gas Transmission System	38.3%	(11)	(10)	(23)	(21)
Texas Wind Farms ¹	—	9	4	11	4
TGNH	13.01%	(10)	—	(10)	—
Net (income) loss attributable to non-controlling interests included in comparable earnings		(141)	(6)	(312)	(17)
Specific item:					
Foreign exchange (gains) losses, net – intercompany loan	13.01%	(18)	—	(18)	—
Net (income) loss attributable to non-controlling interests		(159)	(6)	(330)	(17)

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.

During the three months ended June 30, 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.

Net income attributable to non-controlling interests increased by \$153 million and \$313 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 and includes the non-controlling interest portion of the unrealized foreign exchange gains and losses on the TGNH peso-denominated intercompany loan payable to TCPL, which has been removed from our calculation of Net (income) loss attributable to non-controlling interests included in comparable earnings.

Net income attributable to non-controlling interests included in comparable earnings increased by \$135 million and \$295 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf to Global Infrastructure Partners in fourth quarter 2023 and the 13.01 per cent non-controlling equity interest in TGNH to the CFE, which was completed in second quarter 2024.

PREFERRED SHARE DIVIDENDS

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Preferred share dividends	(27)	(23)	(50)	(46)

Preferred share dividends increased by \$4 million for the three and six months ended June 30, 2024 compared to the same periods in 2023 primarily due to the dividend rate reset on Series 7 preferred shares on April 30, 2024.

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 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, 2024 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, which include our U.S. and Mexico Natural Gas Pipelines operations, along with the majority of our Liquids Pipelines business.

PRE-TAX U.S. DOLLAR-DENOMINATED INCOME AND EXPENSE ITEMS

(millions of US\$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Comparable EBITDA				
U.S. Natural Gas Pipelines	733	688	1,701	1,626
Mexico Natural Gas Pipelines	210	144	368	270
Liquids Pipelines	172	199	399	366
	1,115	1,031	2,468	2,262
Depreciation and amortization	(241)	(240)	(486)	(480)
Interest expense on long-term debt and junior subordinated notes	(470)	(397)	(944)	(761)
Allowance for funds used during construction	128	95	238	167
Net (income) loss attributable to non-controlling interests included in comparable earnings and other	(112)	(13)	(238)	(44)
	420	476	1,038	1,144
Average exchange rate – U.S. to Canadian dollars	1.37	1.34	1.36	1.35

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, 2024	18.28
June 30, 2023	17.15
December 31, 2023	16.91
December 31, 2022	19.50

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	
	2024	2023	2024	2023
Comparable EBITDA - Mexico Natural Gas Pipelines ¹	55	(29)	45	(74)
Foreign exchange gains (losses), net included in comparable earnings	(45)	99	(1)	172
Income tax (expense) recovery included in comparable earnings	62	(62)	40	(113)
Net (income) loss attributable to non-controlling interests included in comparable earnings ²	(4)	—	(4)	—
	68	8	80	(15)

1 Includes the foreign exchange impacts from the Sur de Texas joint venture recorded in Income 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

NGTL System

In the six months ended June 30, 2024, the NGTL System placed approximately \$0.5 billion of capacity projects in service.

2023 NGTL System Intra-Basin Expansion

The NGTL System Intra-Basin Expansion consists of new pipeline and compressor stations and is underpinned by new firm-service contracts with 15-year terms. All assets have been placed in service, with a capital cost for the expansion of \$0.5 billion.

NGTL System Revenue Requirement Settlement and Multi-Year Growth Plan

On July 31, 2024, we approved capital allocation for a multi-year growth plan for expansion facilities on the NGTL System. We have also reached unanimous support from customers for a five-year negotiated revenue requirement settlement commencing on January 1, 2025.

The settlement enables an investment framework that supports our Board of Directors' approval to allocate approximately \$3.3 billion of capital towards progression of a new multi-year growth plan. It is comprised of multiple distinct projects with targeted in-service dates between 2027 and 2030 that are subject to final company and regulatory approvals. The completion of the multi-year growth plan will enable approximately 1.0 Bcf/d of incremental system throughput.

The settlement maintains an ROE of 10.1 per cent on 40 per cent deemed common equity while increasing NGTL System depreciation rates, with an incentive that allows the NGTL System the opportunity to further increase depreciation rates if tolls fall below specified levels, or if growth projects are undertaken. The settlement introduces a new incentive mechanism to reduce both physical emissions and emissions compliance costs, which builds on the incentive mechanism for certain operating costs where variances from projected amounts and emissions savings are shared with our customers. A provision for review exists in the settlement if tolls exceed a pre-determined level or if final company approvals of the multi-year growth plan are not obtained. We have filed an application with the CER requesting approval of the settlement.

Sale of Equity Interest in the NGTL System and Foothills Pipeline Assets

On July 30, 2024, we announced that we have entered into an agreement to sell a 5.34 per cent minority equity interest (Agreement) in the NGTL System and the Foothills Pipeline assets (together, Partnership Assets) to an Indigenous-owned investment partnership for a gross purchase price of \$1.0 billion. The Agreement is backed by the Alberta Indigenous Opportunities Corporation (AIOC) and was negotiated by a consortium committee (Consortium) representing specific Indigenous Communities across Alberta, British Columbia and Saskatchewan (Communities).

The AIOC will provide the Communities with a \$1.0 billion equity loan guarantee to support the newly-formed Indigenous-owned investment partnership. Once finalized, the Communities will enter into definitive agreements as co-investors in the Partnership Assets through the Indigenous-owned investment partnership.

The Consortium will present the Agreement to the Communities for review, and each independent Community will determine their participation in the opportunity, exercising their right to self-determination. Following the review, the Communities will commence formal authorization of their participation. The transaction and transaction size are not contingent on any given Community, nor on all Communities, electing to participate.

The transaction is expected to close in third quarter 2024, subject to receipt of Band Council and Settlement Resolutions by participating Communities and financing.

Coastal GasLink

Coastal GasLink Pipeline

Post-construction reclamation activities remain underway and are expected to continue through 2024. The project remains on track with its cost estimate of approximately \$14.5 billion. Commercial in-service of the Coastal GasLink pipeline will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada.

Coastal GasLink LP continues to pursue cost recovery, including certain arbitration proceedings which involve claims by, and the defense of certain claims against, Coastal GasLink LP. With the exception of the settlement with SA Energy Group, these claims have not yet been conclusively determined, but our expectation is that these proceedings are likely to result in cost recoveries. Refer to Note 16, Commitments, contingencies and guarantees, of our Condensed consolidated financial statements for additional information.

In June 2024, Coastal GasLink LP successfully completed a \$7.15 billion refinancing of its existing construction credit facility through a private bond offering of senior secured notes to Canadian and U.S. investors. Proceeds from the offering were used to repay the majority of the outstanding \$8.0 billion balance on Coastal GasLink LP's construction credit facility. The remaining balance on the credit facility was settled through the use of proceeds from the unwinding of interest rate swap agreements associated with hedging the underlying interest rate exposure.

Cedar Link

In June 2024, Coastal GasLink LP sanctioned the Cedar Link project following an announcement by Cedar LNG joint venture partners, Haisla Nation and Pembina Pipeline Corporation, of a positive FID for the construction of the Cedar LNG project, a proposed floating liquefied natural gas facility to be constructed in Kitimat, B.C.

The Cedar Link project is an expansion of the Coastal GasLink pipeline that is expected to enable delivery of up to 0.4 Bcf/d of natural gas to the Cedar LNG facility. With an estimated cost of \$1.2 billion, the expansion project includes the addition of a new compressor station, connector pipeline and meter station to Coastal GasLink's existing pipeline infrastructure.

Funding for the expansion will be provided through project-level credit facilities of up to \$1.5 billion, secured by Coastal GasLink LP in June 2024, and equity funding to be provided by Coastal GasLink LP partners, including us. The incremental funds available through the project-level credit facilities and potential cash AFUDC payments provide additional contingency to mitigate future funding requirements for Coastal GasLink LP should costs exceed initial estimates of \$1.2 billion. Each of the LNG Canada participants and Cedar LP have an independent option, exercisable within 90 days of FID, to elect to make cash AFUDC payments on a quarterly basis throughout construction. To the extent these options are exercised, funds available through project-level credit facilities will be reduced from \$1.5 billion to a maximum of \$1.3 billion. We estimate our share of equity contributions required to fund the Cedar Link project will be approximately \$50 million. All major regulatory permits have been received and construction began in July 2024. The planned in-service date for the Cedar Link project is 2028, subject to the completion of plant commissioning activities at the Cedar LNG facility.

U.S. NATURAL GAS PIPELINES

Portland Natural Gas Transmission System

On March 4, 2024, we announced that TC Energy and its partner Northern New England Investment Company, Inc., a subsidiary of Énergir L.P. (Énergir), entered into a purchase and sale agreement to sell Portland Natural Gas Transmission System (PNGTS) to BlackRock, through a fund managed by its Diversified Infrastructure business, and investment funds managed by Morgan Stanley Infrastructure Partners (the Purchaser), for expected proceeds of approximately \$1.5 billion (US\$1.1 billion), which includes the Purchaser's assumption of US\$250 million of Senior Notes outstanding at PNGTS. The transaction is expected to close in third quarter 2024, subject to regulatory approvals and customary closing conditions. Refer to Note 8, Assets held for sale, of our Condensed consolidated financial statements for additional information.

Gillis Access Project

In March 2024, the Gillis Access project, a 68 km (42 mile) greenfield pipeline system that connects gas production sourced from the Gillis hub to downstream markets in southeast Louisiana, was placed in service. The capital cost of this project was approximately US\$0.3 billion.

MEXICO NATURAL GAS PIPELINES

TGNH Strategic Alliance with the CFE

In 2022, we announced a strategic alliance with Mexico's state-owned electric utility, the CFE, and we reached an FID to develop and construct the Southeast Gateway pipeline, a 1.3 Bcf/d, 715 km (444 mile) offshore natural gas pipeline to serve the southeast region of Mexico with an expected in-service by mid-2025 and an estimated project cost of US\$4.5 billion.

We continue to work with our partner, the CFE, to complete the south section of the Villa de Reyes pipeline. The in-service date will be determined upon resolution of outstanding stakeholder issues. Additionally, we continue to evaluate the development and completion of the Tula pipeline with the CFE, which is subject to a future FID. Due to the delay of an FID, recording AFUDC on the assets under construction for the Tula pipeline project was suspended in late 2023.

In accordance with the terms of our strategic alliance, during the three months ended June 30, 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 in TGNH. Provided that CFE's contractual commitments are met related to land acquisition, community relations and permitting support, the CFE's equity in TGNH would build up to a maximum of 15 per cent upon the in-service of Southeast Gateway pipeline. Refer to Note 15, TGNH Strategic Alliance, of our Condensed consolidated financial statements for additional information.

LIQUIDS PIPELINES

Spinoff of Liquids Pipelines Business

In 2023, we announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of our Liquids Pipelines business into its own entity named South Bow Corporation (South Bow). On June 4, 2024, shareholders of TC Energy approved the spinoff Transaction. Under the spinoff Transaction, common shareholders of TC Energy as of the record date to be established for the spinoff Transaction will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow common share. The spinoff has received the requisite tax rulings in Canada and the U.S. and remains subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions. We anticipate that the effective separation date will occur in early fourth quarter 2024.

We have incurred pre-tax Liquids Pipelines business separation costs related to the spinoff Transaction of \$29 million (\$26 million after tax) and \$45 million (\$39 million after tax) for the three and six months ended June 30, 2024, respectively. For the three and six months ended June 30, 2024, separation costs of \$9 million and \$14 million, respectively, were included in the results of our Liquids Pipelines business segment and \$20 million and \$31 million, respectively, were included in the Corporate segment. These costs have been excluded from comparable measures.

At closing of the spinoff Transaction, TC Energy and South Bow will enter into a separation agreement providing that TC Energy expects to indemnify South Bow for 86 per cent of total net liabilities and costs associated with the Milepost 14 incident and the existing variable toll disputes on the Keystone Pipeline System (excluding any future impacts to the variable toll) subject to a maximum liability to South Bow of \$30 million for those two matters. Any amounts that may ultimately be payable in respect of these liabilities and costs above the current accrued amount are indeterminable at this time.

Blackrod Connection Project

We are developing the Blackrod Connection project, which will consist of a 25 km (16 mile) crude oil pipeline and a 25 km (16 mile) natural gas lateral; and associated facilities to provide crude oil transportation from International Petroleum Corporation's Blackrod project to the Grand Rapids Pipeline System. The expected total capital cost of the project is approximately \$0.3 billion with a targeted in-service date of early 2026. The Blackrod Connection project is supported by long-term committed contracts.

Final FERC Decision

In 2019 and 2020, three Keystone customers initiated complaints before FERC and the CER regarding certain costs within the variable toll calculation. In February 2023, FERC released its initial decision in respect of the complaint, which addressed previously charged tolls between 2018 and 2022. On July 25, 2024, FERC released its Order on Initial Decision (Order) in respect of the complaint. We continue to assess the impact of this Order, with amounts to be finalized upon submission of a compliance filing in third quarter 2024; however, we do not expect it to have a material impact on our financial statements.

NAFTA Claim Request for Arbitration

In 2021, TC Energy filed a Request for Arbitration to formally initiate a legacy North American Free Trade Agreement (NAFTA) claim to recover economic damages resulting from the revocation of the Presidential Permit for the Keystone XL pipeline project. The U.S. objected on the basis that the transition provisions under the United States-Mexico-Canada Agreement (USMCA) that protect investments made while NAFTA was in force apply only in connection with actions taken before July 1, 2020, when USMCA replaced NAFTA. The arbitral Tribunal adjudicating the claim issued a split decision on July 12, 2024, in which the majority of the panel agreed with the U.S. position and concluded that it did not have jurisdiction to hear TC Energy's claim. TC Energy is currently assessing the decision to determine whether there are grounds to challenge it.

CORPORATE

NGTL System Ownership Transfer

On April 1, 2024, ownership of the NGTL System was transferred from Nova Gas Transmission Ltd. to NGTL GP Ltd. on behalf of NGTL Limited Partnership as part of an ordinary course corporate reorganization to support business optimization and facilitate future minority ownership of the NGTL System, including participation from Indigenous groups. Refer to the Recent developments – Canadian Natural Gas Pipelines section for additional information. The reorganization will not impact the operations of the NGTL System. As a limited partnership, NGTL LP is not subject to Canadian corporate income taxes. The related income tax obligations are those of the partners.

For the three and six months ended June 30, 2024, we incurred costs of \$42 million after tax related to the NGTL System Ownership Transfer, which has been excluded from our calculation of comparable measures.

2016 Columbia Pipeline Acquisition Lawsuit

In 2023, the Delaware Chancery Court (the Court) issued its decision in the class action lawsuit commenced by former shareholders of Columbia Pipeline Group Inc. (CPG) related to the acquisition of CPG by TC Energy in 2016. 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.

On May 15, 2024, the Court allocated responsibility for the total sale process damages of US\$398 million in the amount of 50 per cent to the former Columbia CEO and CFO, collectively, and 50 per cent to TC Energy. Pursuant to the Final Order and Judgment (Final Judgment), TC Energy's allocated share of the sale process claim damages is US\$199 million, plus US\$153 million in interest as of June 14, 2024. The Court also entered judgment related to a disclosure claim for which TC Energy's allocated share of damages is US\$84 million, plus US\$64 million in interest as of June 14, 2024. The damages for the two claims are not cumulative and TC Energy would only be required to pay the greater of the sale process damages and disclosure claim damages after final determination of those amounts on appeal.

TC Energy disagrees with many of the Court's findings and believes the Court's ruling departs from established Delaware law. TC Energy has filed a notice of appeal of the Court's decision and anticipates that the appeal will conclude by mid-2025. During the appeal process, in lieu of paying the judgment, TC Energy posted an appeal bond in the amount of US\$380 million, which approximates the amount of the Final Judgment plus nine months of post-judgment interest. Our legal assessment is that it is not probable that TC Energy will incur a loss upon completion of the appeal process, and therefore, we have not accrued a provision for this claim at June 30, 2024.

2023 Canada Federal Budget

On March 28, 2023, the Canadian Federal Government delivered its 2023 Budget. As part of this budget, several changes were announced to interest deductibility rules, global minimum tax proposals and other tax measures. On June 20, 2024, two pieces of Canadian legislation, Bill C-59 and Bill C-69 were enacted into law, which, among other things, included the excessive interest and financing expenses limitation (EIFEL) rules and the Global Minimum Tax Act. We do not expect a material impact on our financial performance and cash flows as a result of the new legislation.

Appointment of Executive Vice-President and CFO

On April 3, 2024, we announced that the Board of Directors appointed Sean O'Donnell, previously Senior Vice-President, Capital Markets and Corporate Planning, to succeed Joel Hunter as Executive Vice-President and Chief Financial Officer effective May 15, 2024.

Focus Project

In late 2022, we launched the Focus Project to identify opportunities to improve safety, productivity and cost-effectiveness. To date, we have identified a broad set of opportunities expected to further enhance safety, as well as improve operational and financial performance over the long term.

Certain initiatives have been implemented and we expect to continue designing and implementing additional initiatives beyond 2024, with benefits in the form of enhanced productivity and cost-effectiveness expected to be realized in the future.

For the six months ended June 30, 2024 we have incurred pre-tax costs of \$22 million (2023 – \$69 million) for the Focus Project primarily related to severance costs, of which \$10 million (2023 – \$32 million primarily external consulting) was recorded in Plant operating costs and other in the Condensed consolidated statement of income and was removed from comparable amounts. An additional \$10 million for the six months ended June 30, 2024 (2023 – \$15 million) was recorded in Plant operating costs and other with offsetting revenues related to costs recoverable through regulatory and commercial tolling structures, the net effect of which had no impact on net income. As at June 30, 2024, \$2 million (2023 – \$22 million) was allocated to capital projects.

Asset Divestiture Program

The announced sale of our ownership interest in PNGTS in first quarter 2024, the CFE's equity injection resulting in a 13.01 per cent equity interest in TGNH in second quarter 2024, as well as the announced sale of an equity interest in the NGTL System and Foothills Pipeline assets on July 30, 2024, collectively contribute to our deleveraging goal. We continue to evaluate incremental capital rotation opportunities within our \$3 billion asset divestiture program to further strengthen our financial position.

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, 2024, our current assets totaled \$10.5 billion and current liabilities amounted to \$13.8 billion, leaving us with a working capital deficit of \$3.3 billion compared to a deficit of \$0.4 billion at December 31, 2023. 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 \$9.8 billion of TCPL committed revolving credit facilities, of which \$8.2 billion of short-term borrowing capacity remains available, net of \$1.6 billion backstopping outstanding commercial paper balances, and arrangements for a further \$2.0 billion of demand credit facilities, of which \$1.0 billion remains available as of June 30, 2024
- additional \$1.5 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, which were undrawn as of June 30, 2024
- access to capital markets, including through securities issuances, incremental credit facilities, portfolio management activities and DRP, if deemed appropriate.

CASH PROVIDED BY OPERATING ACTIVITIES

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Net cash provided by operations	1,655	1,510	3,697	3,584
Increase (decrease) in operating working capital	172	177	516	117
Funds generated from operations	1,827	1,687	4,213	3,701
Specific items:				
Liquids Pipelines business separation costs, net of current income tax	27	—	42	—
(Gain) loss on sale of non-core assets, net of current income tax	(39)	—	(39)	—
Third-party settlement, net of current income tax	—	—	26	—
NGTL System ownership transfer costs	10	—	10	—
Focus Project costs, net of current income tax	—	27	9	27
Keystone regulatory decisions, net of current income tax	—	—	—	48
Milepost 14 insurance expense	—	36	—	36
Keystone XL preservation and other, net of current income tax	—	4	—	8
Current income tax (recovery) expense on risk management activities	1	—	1	—
Comparable funds generated from operations	1,826	1,754	4,262	3,820

Net cash provided by operations

Net cash provided by operations increased by \$145 million and \$113 million for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023 primarily due to higher funds generated from operations and 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 \$72 million and \$442 million for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023 primarily due to increased comparable EBITDA, higher distributions received from operating activities of our equity investments, which includes receipt of a \$200 million distribution from Coastal GasLink LP related to an incentive payment that TC Energy accrued in December 2023, partially offset by higher interest expense and realized losses in 2024 compared to realized gains in 2023 on derivatives used to manage our exposure to net liabilities in Mexico that give rise to foreign exchange gains and losses.

CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Capital spending				
Capital expenditures	(1,333)	(2,018)	(2,912)	(3,903)
Capital projects in development	(13)	(26)	(33)	(104)
Contributions to equity investments	(245)	(947)	(543)	(2,017)
	(1,591)	(2,991)	(3,488)	(6,024)
Loans to affiliate (issued) repaid, net	—	—	—	250
Acquisitions, net of cash acquired	—	(164)	—	(302)
Proceeds from sale of assets, net of transaction costs	48	—	48	—
Other distributions from equity investments	—	—	30	16
Keystone XL contractual recoveries	3	5	5	5
Deferred amounts and other	(143)	(120)	(133)	9
Net cash (used in) provided by investing activities	(1,683)	(3,270)	(3,538)	(6,046)

Capital expenditures in 2024 were incurred primarily for the development of the Southeast Gateway pipeline, Columbia Gas and ANR projects, as well as maintenance capital expenditures. Lower capital expenditures in 2024 compared to 2023 reflect reduced spending on expansion of the NGTL System and Columbia Gas projects.

Contributions to equity investments decreased in 2024 compared to 2023 mainly due to lower contributions to Coastal GasLink LP, as well as reduced draws on the subordinated loan by Coastal GasLink LP which are accounted for as in-substance equity contributions.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

(millions of \$)	three months ended June 30		six months ended June 30	
	2024	2023	2024	2023
Notes payable issued (repaid), net	1,181	(1,429)	1,558	(3,654)
Long-term debt issued, net of issue costs	(1)	1,442	661	8,453
Long-term debt repaid	(1,258)	(350)	(1,662)	(460)
Disposition of equity interest, net of transaction costs	464	—	426	—
Dividends and distributions paid	(1,103)	(628)	(2,374)	(1,363)
Contributions from non-controlling interest	5	—	5	—
Common shares issued, net of issue costs	—	1	—	4
Net cash (used in) provided by financing activities	(712)	(964)	(1,386)	2,980

Dividends and distributions paid increased in 2024 compared to 2023 mainly due to the impact of common shares issued from treasury under the DRP in 2023, as well as higher distributions paid in 2024 as a result of the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf to Global Infrastructure Partners in fourth quarter 2023.

Long-term debt issued

The following table outlines significant long-term debt issuances in the six months ended June 30, 2024:

(millions of Canadian \$, unless otherwise noted)					
Company	Issue date	Type	Maturity date	Amount	Interest rate
Columbia Pipelines Holding Company LLC					
	January 2024	Senior Unsecured Notes	January 2034	US 500	5.68%

Long-term debt repaid/retired

The following table outlines significant long-term debt repaid in the six months ended June 30, 2024:

(millions of Canadian \$, unless otherwise noted)					
Company	Repayment date	Type	Amount	Interest rate	
TransCanada Pipelines Limited					
	June 2024	Medium Term Notes	750	Floating	
ANR Pipeline Company					
	February 2024	Senior Unsecured Notes	US 125	7.38%	
Nova Gas Transmission Ltd.					
	March 2024	Debentures	100	9.90%	
TC Energía Mexicana, S. de R.L. de C.V.					
	Various	Senior Unsecured Term Loan	US 265	Floating	
	Various	Senior Unsecured Revolving Credit Facility	US 185	Floating	

DIVIDENDS

On July 31, 2024, we declared quarterly dividends on our common shares of \$0.96 per share payable on October 31, 2024 to shareholders of record at the close of business on September 27, 2024.

SHARE INFORMATION

At July 26, 2024, we had approximately 1.0 billion issued and outstanding common shares and approximately 7 million outstanding options to buy common shares, of which 5 million were exercisable.

Shareholders of the Series 7 preferred shares had the option to convert to Series 8 preferred shares by providing notice on or before April 15, 2024. As the total number of Series 7 preferred shares tendered for conversion did not meet the established threshold, no Series 7 preferred shares were subsequently converted into Series 8 preferred shares.

CREDIT FACILITIES

At July 26, 2024, we had a total of \$9.9 billion of TCPL committed revolving credit facilities, of which \$7.6 billion of short-term borrowing capacity remains available, net of \$2.3 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further \$2.0 billion of demand credit facilities, of which \$1.0 billion remains available.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments at June 30, 2024 have decreased by approximately \$0.6 billion from those reported at December 31, 2023, reflecting normal course fulfillment of construction contracts.

There were no material changes to our contractual obligations in second quarter 2024 or to payments due in the next five years or thereafter. Refer to our 2023 Annual Report for additional information about our contractual obligations.

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 2023 Annual Report for additional information about the risks we face in our business which have not changed materially since December 31, 2023, 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, cross-currency interest rate swaps and foreign exchange options, as appropriate.

COUNTERPARTY CREDIT RISK

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

- cash and cash equivalents
- accounts receivable and certain contractual recoveries
- 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 2023 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, 2024, we had no significant credit risk concentrations and no significant amounts past due or impaired. We recorded a pre-tax recovery of \$3 million and \$24 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, 2024, respectively (2023 – pre-tax recovery of \$11 million and \$115 million, respectively). Refer to Note 14, Risk management and financial instruments, 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.

RELATED PARTY TRANSACTIONS

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Coastal GasLink LP

We hold a 35 per cent equity interest in Coastal GasLink LP and have been contracted to develop, construct and operate the Coastal GasLink pipeline.

TC Energy Subordinated Loan Agreement

TC Energy has a subordinated loan agreement with Coastal GasLink LP under which draws by Coastal GasLink LP will fund the remaining \$0.8 billion (December 31, 2023 – \$0.9 billion) equity requirement related to the estimated capital cost to complete the Coastal GasLink pipeline. At June 30, 2024, the total capacity committed by TC Energy and Coastal GasLink LP under this subordinated loan agreement was \$3.4 billion.

Any amounts outstanding on this loan will be repaid by Coastal GasLink LP to TC Energy, once final project costs are known, which will be determined after the pipeline is placed in service. Coastal GasLink LP partners, including TC Energy, will contribute equity to Coastal GasLink LP to ultimately fund Coastal GasLink LP's repayment of this subordinated loan to TC Energy. We expect that, in accordance with contractual terms, these additional equity contributions will be predominantly funded by TC Energy but will not result in a change to our 35 per cent ownership. The total amount drawn on this loan at June 30, 2024 was \$2,570 million (December 31, 2023 – \$2,520 million). The carrying value of this loan was \$550 million at June 30, 2024 (December 31, 2023 – \$500 million) due to the impairment charges recognized to date.

Subordinated Demand Revolving Credit Facilities

We have subordinated demand revolving credit facilities with Coastal GasLink LP to provide additional short-term liquidity and funding flexibility to the project. The facilities bear interest at floating market-based rates and have capacity of \$120 million with outstanding balances of nil at June 30, 2024 (December 31, 2023 – nil).

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, 2024	December 31, 2023
Other current assets	846	1,285
Other long-term assets	161	155
Accounts payable and other	(832)	(1,143)
Other long-term liabilities	(215)	(106)
	(40)	191

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	
	2024	2023	2024	2023
Derivative Instruments Held for Trading¹				
Unrealized gains (losses) in the period				
Commodities	8	72	(21)	130
Foreign exchange	(31)	108	(102)	182
Realized gains (losses) in the period				
Commodities	156	142	358	330
Foreign exchange	(98)	82	(47)	139
Derivative Instruments in Hedging Relationships				
Realized gains (losses) in the period				
Commodities	15	(23)	18	(12)
Interest rate	(14)	(10)	(27)	(16)

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 held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

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 14, 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, 2024, 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 2024 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 2023 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.

In the determination of the fair value utilized in the quantitative goodwill impairment test performed in 2023 for the Columbia reporting unit, we performed a discounted cash flow analysis using projections of future cash flows and applied a risk-adjusted discount rate and terminal value multiple which involved significant estimates and judgments. It was determined that the fair value of the Columbia reporting unit exceeded its carrying value, including goodwill. Although goodwill was not impaired, the estimated fair value in excess of the carrying value was less than 10 per cent. There is a risk that reductions in future cash flow forecasts and adverse changes in other key assumptions could result in a future impairment of a portion of the goodwill balance relating to Columbia.

Accounting changes

Our significant accounting policies have remained unchanged since December 31, 2023 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 2023 Annual Report.

Quarterly results

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

(millions of \$, except per share amounts)	2024			2023			2022	
	Second	First	Fourth	Third	Second	First	Fourth	Third
Revenues	4,085	4,243	4,236	3,940	3,830	3,928	4,041	3,799
Net income (loss) attributable to common shares	963	1,203	1,463	(197)	250	1,313	(1,447)	841
Comparable earnings	978	1,284	1,403	1,035	981	1,233	1,129	1,068
Per share statistics:								
Net income (loss) per common share – basic	\$0.93	\$1.16	\$1.41	(\$0.19)	\$0.24	\$1.29	(\$1.42)	\$0.84
Comparable earnings per common share	\$0.94	\$1.24	\$1.35	\$1.00	\$0.96	\$1.21	\$1.11	\$1.07
Dividends declared per common share	\$0.96	\$0.96	\$0.93	\$0.93	\$0.93	\$0.93	\$0.90	\$0.90

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 Canadian Natural Gas Pipelines, U.S. Natural Gas Pipelines and Mexico Natural Gas Pipelines segments, 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 Liquids Pipelines, quarter-over-quarter revenues and segmented earnings (losses) are affected by:

- regulatory decisions
- newly constructed assets being placed in service
- acquisitions and divestitures
- demand for uncontracted transportation services
- liquids marketing activities and commodity prices
- developments outside of the normal course of operations
- certain fair value adjustments.

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.

We exclude from comparable measures the unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities. These derivatives generally provide effective economic hedges but do not meet the criteria for hedge accounting. We also exclude from comparable measures our proportionate share of the unrealized gains and losses from changes in the fair value of Bruce Power's funds invested for post-retirement benefits and derivatives related to its risk management activities. These changes in fair value are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

In second quarter 2024, comparable earnings also excluded:

- an after-tax gain of \$63 million in second quarter 2024 related to the sale of non-core assets in U.S. Natural Gas Pipelines and Canadian Natural Gas Pipelines
- an after-tax unrealized foreign exchange loss of \$3 million on the peso-denominated intercompany loan between TCPL and TGNH, net of non-controlling interest
- a \$2 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest
- after-tax costs of \$42 million related to the NGTL System Ownership Transfer
- an after-tax charge of \$26 million due to Liquids Pipelines business separation costs related to the spinoff Transaction.

In first quarter 2024, comparable earnings also excluded:

- an after-tax unrealized foreign exchange gain of \$55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a \$15 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax expense of \$26 million related to a non-recurring third-party settlement
- an after-tax charge of \$13 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- an \$8 million after-tax expense related to Focus Project costs.

In fourth quarter 2023, comparable earnings 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
- an \$18 million after-tax recovery related to the net impact of a U.S. minimum tax recovery on the 2021 Keystone XL asset impairment charge and other and a gain on the sale of Keystone XL project assets, partially offset by adjustments to the estimate for contractual and legal obligations related to termination activities
- an after-tax unrealized foreign exchange loss of \$55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a \$25 million after-tax loss on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax charge of \$23 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- a \$9 million after-tax expense related to Focus Project costs
- carrying charges of \$4 million after tax as a result of a charge related to the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022
- preservation and other costs for Keystone XL pipeline project assets of \$4 million after tax.

In third quarter 2023, comparable earnings also excluded:

- an after-tax impairment charge of \$1,179 million related to our equity investment in Coastal GasLink LP
- a \$14 million after-tax expense related to Focus Project costs
- an after-tax charge of \$11 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- preservation and other costs for Keystone XL pipeline project assets of \$2 million after tax
- an after-tax net unrealized foreign exchange gain of \$20 million on the peso-denominated intercompany loan between TCPL and TGNH.

In second quarter 2023, comparable earnings also excluded:

- an after-tax impairment charge of \$809 million related to our equity investment in Coastal GasLink LP
- a \$36 million after-tax accrued insurance expense related to the Milepost 14 incident
- a \$25 million after-tax expense related to Focus Project costs
- an after-tax net unrealized foreign exchange loss of \$9 million on the peso-denominated intercompany loan between TCPL and TGNH
- preservation and other costs for Keystone XL pipeline project assets of \$4 million after tax
- an \$8 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico.

In first quarter 2023, comparable earnings also excluded:

- a \$72 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- \$48 million after-tax charge as a result of the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022 which consists of a one-time pre-tax charge of \$57 million and accrued pre-tax carrying charges of \$5 million
- an after-tax impairment charge of \$29 million related to our equity investment in Coastal GasLink LP
- preservation and other costs for Keystone XL pipeline project assets of \$4 million after tax.

In fourth quarter 2022, comparable earnings also excluded:

- an after-tax impairment charge of \$2.6 billion related to our equity investment in Coastal GasLink LP
- a \$64 million after-tax expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- a \$20 million after-tax charge due to the CER decision on Keystone issued in December 2022 in respect of a tolling-related complaint pertaining to amounts reflected in 2021 and 2020
- preservation and other costs for Keystone XL pipeline project assets of \$8 million after tax
- a \$5 million after-tax net expense related to the 2021 Keystone XL asset impairment charge and other due to a U.S. minimum tax, partially offset by the gain on the sale of Keystone XL project assets and reduction to the estimate for contractual and legal obligations related to termination activities
- a \$1 million income tax expense for the settlement related to prior years' income tax assessments in Mexico.

In third quarter 2022, comparable earnings also excluded:

- preservation and other costs for Keystone XL pipeline project assets of \$3 million after tax.