TC Energy reports solid first quarter 2025 results

Expect to place approximately $8.5 billion of projects into service in 2025, tracking to roughly 15 per cent under budget

Announced $2.4 billion of new natural gas and nuclear power generation growth projects

CALGARY, Alberta – May 1, 2025 – TC Energy Corporation (TSX, NYSE: TRP) (TC Energy or the Company) released its first quarter results today. François Poirier, TC Energy's President and Chief Executive Officer commented, "As natural gas and electricity are forecasted to drive the majority of growth in final energy consumption through 2035, we are pleased to announce two new growth projects that represent strategic investments in North America's energy future. We have approved the Northwoods project on our ANR system, designed to serve electric generation demand in the U.S. Midwest, including data centres and overall economic growth." Poirier continued, "Demonstrating our commitment to delivering long-lived value through investment in high-quality, emission-less nuclear power generation, we have also sanctioned Unit 5 at Bruce Power for its Major Component Replacement. Backed by long-term contracts with credible counterparties and attractive build multiples[1], these projects collectively highlight our disciplined strategy and our ability to capture high-value, low-risk opportunities across our portfolio."

Financial Highlights

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

- First quarter 2025 financial results from continuing operations[2]:
  - Comparable earnings[3] of $1.0 billion or $0.95 per common share compared to $1.1 billion or $1.02 per common share in first quarter 2024
  - Net income attributable to common shares of $1.0 billion or $0.94 per common share compared to $1.0 billion or $0.95 per common share in first quarter 2024
  - Comparable EBITDA[2] of $2.7 billion, similar to first quarter 2024
  - Segmented earnings of $2.0 billion compared to $1.9 billion in first quarter 2024
- Reaffirming 2025 outlook:
  - **Comparable EBITDA** is expected to be $10.7 to $10.9 billion[4]
  - **Comparable earnings per common share (EPS)** outlook remains consistent with our 2024 Annual Report, and is expected to be lower than 2024
  - **Capital expenditures** are anticipated to be $6.1 to $6.6 billion on a gross basis, or $5.5 to $6.0 billion of net capital expenditures[5]
- Declared a quarterly dividend of $0.85 per common share for the quarter ending June 30, 2025.

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

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

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

[4] Based on USD/CAD foreign exchange rate of 1.35.

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

Operational Highlights

- Canadian Natural Gas Pipelines deliveries averaged 27.6 Bcf/d, up eight per cent compared to first quarter 2024
  - Total NGTL System deliveries set a new record of 17.8 Bcf on February 18, 2025
  - Canadian Mainline receipts averaged 5.0 Bcf/d, an increase of 14 per cent compared to first quarter 2024
- U.S. Natural Gas Pipelines daily average flows were 31.0 Bcf/d, up five per cent compared to first quarter 2024
  - GTN set a new all-time record of 3.2 Bcf on February 19, 2025
  - Deliveries to LNG facilities averaged 3.5 Bcf/d, up five per cent compared to first quarter 2024
- Mexico Natural Gas Pipelines flows averaged 3.1 Bcf/d, six per cent higher than first quarter 2024
  - Set a daily flow record of 4.1 Bcf on March 31, 2025
- Bruce Power achieved 87 per cent availability in first quarter 2025, reflecting a planned outage on Unit 5
- Cogeneration power plant fleet achieved 98.6 per cent availability in first quarter 2025, attributed to fewer forced outages and spring outages completed successfully ahead of plan.

Project Highlights

- The Southeast Gateway pipeline is ready for service. CFE has agreed to our contracted rate and accepted all requirements for in-service. Approval of our regulated rates from the Comisión Nacional de Energía (CNE) is expected by the end of May, at which time we anticipate the in-service of the Southeast Gateway pipeline. While 100 per cent of our capacity is contracted with the CFE and we have no requests for interruptible service, approval of the regulated rate by the CNE is normal course prior to commencing service. The 1.3 Bcf/d, 715-kilometre natural gas pipeline was constructed approximately 13 per cent under the original cost estimate in less than three years from the project's final investment decision
- Approved the Northwoods project, an expansion project on our ANR system designed to provide 0.4 Bcf/d of capacity to serve natural gas-fired electric generation demand in the U.S. Midwest, including data centres and overall economic growth. The project has an anticipated in-service date of late 2029 with an estimated cost of approximately US$0.9 billion, and expects to deliver a compelling build multiple in the range of five to seven times
- Received approval of the Unit 5 Major Component Replacement (MCR) final cost and schedule estimate from the Ontario Independent Electricity System Operator (IESO) on April 2, 2025. The $1.1 billion Unit 5 MCR is expected to commence in fourth quarter 2026 with a return to service in early 2030
- ANR and GLGT each filed Section 4 Rate Cases with FERC requesting an increase to their respective maximum transportation rates expected to become effective November 1, 2025, subject to refund. We will pursue a collaborative process to find a mutually beneficial outcome with our customers through settlement.

(millions of $, except per share amounts)	three months ended March 31 2025	2024[1]
Income		
Net income (loss) attributable to common shares from continuing operations	**978**	988
per common share – basic	**$0.94**	$0.95
Segmented earnings (losses)		
Canadian Natural Gas Pipelines	**516**	501
U.S. Natural Gas Pipelines	**1,109**	1,043
Mexico Natural Gas Pipelines	**211**	212
Power and Energy Solutions	**135**	252
Corporate	**(5)**	(61)
Total segmented earnings (losses)	**1,966**	1,947
Comparable EBITDA from continuing operations		
Canadian Natural Gas Pipelines	**890**	846
U.S. Natural Gas Pipelines	**1,367**	1,306
Mexico Natural Gas Pipelines	**233**	214
Power and Energy Solutions	**224**	320
Corporate	**(5)**	(16)
Comparable EBITDA from continuing operations	**2,709**	2,670
Depreciation and amortization	**(678)**	(635)
Interest expense included in comparable earnings	**(840)**	(780)
Allowance for funds used during construction	**248**	157
Foreign exchange gains (losses), net included in comparable earnings	**(10)**	43
Interest income and other	**51**	75
Income tax (expense) recovery included in comparable earnings	**(292)**	(281)
Net (income) loss attributable to non-controlling interests included in comparable earnings	**(177)**	(171)
Preferred share dividends	**(28)**	(23)
Comparable earnings from continuing operations	**983**	1,055
Comparable earnings per common share from continuing operations	**$0.95**	$1.02

(millions of $, except per share amounts)	three months ended March 31 2025	2024
Cash flows[2]		
Net cash provided by operations[3]	**1,359**	2,042
Comparable funds generated from operations[3,4]	**1,949**	2,436
Capital spending[5]	**1,809**	1,897
Disposition of equity interest, net of transaction costs[6]	**—**	(38)
Dividends declared		
per common share	**$0.85** [7]	$0.96
Basic common shares outstanding (millions)		
– weighted average for the period	**1,039**	1,037
– issued and outstanding at end of period	**1,040**	1,037

1 Results reflect continuing operations.

2 Includes continuing and discontinued operations.

3 Represents three months of Liquids Pipelines earnings in first quarter 2024 compared to Liquids Pipelines earnings of nil for the three months ended March 31, 2025. Refer to the Discontinued operations section and the 2024 Annual Report for additional information.

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

5 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.

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

7 Reflects TC Energy's proportionate allocation following the spinoff Transaction.

CEO Message

Throughout the first three months of 2025, **TC Energy showcased the strength of our business** and our position as an industry leading natural gas and power and energy solutions company. While evolving macroeconomic conditions continue to contribute to market uncertainty, **we have reaffirmed our 2025 outlook** based on our highly contracted, low-risk business with 97 per cent of our comparable EBITDA underpinned by rate-regulation and/or long-term take-or-pay contracts. We delivered strong operational and financial results, achieving approximately one per cent growth in both comparable EBITDA and segmented earnings compared to first quarter 2024, despite removing a second unit from service at Bruce Power for its MCR. These results continue to demonstrate the overall resiliency of our business. We remain focused on maximizing the value of our assets through safety and operational excellence, executing our selective portfolio of growth projects and ensuring financial strength and agility as we deliver solid growth, low risk and repeatable performance for our shareholders.

The **Southeast Gateway pipeline** is now ready for service, representing a significant milestone in project execution. The 1.3 Bcf/d, 715-kilometre natural gas pipeline was constructed approximately 13 per cent under the original cost estimate in less than three years from the project's final investment decision. Our partner and customer, CFE, has agreed to our contracted rate and accepted all requirements for in-service. We are jointly working with the CNE and the Secretary of Energy to obtain the approval of the regulatory rates, required for interruptible service. While 100 per cent of our capacity is contracted with the CFE and we have no requests for interruptible service, approval of the regulated rate by the CNE is normal course and required by Mexican regulation prior to commencing service. We expect to receive CNE approval by the end of May, at which time we anticipate the in-service of the Southeast Gateway pipeline. Southeast Gateway in-service will represent an important inflection point for TC Energy, contributing significant long-term contracted cash flow to our overall growth profile. The Government of Mexico has announced plans to bring approximately 29 gigawatts of new installed capacity online by 2030, including approximately 8.5 gigawatts of capacity from new natural gas plants[1]. The Southeast Gateway project is a critical component of this plan, strategically positioned to support operations of 10 of 14 planned natural gas power plants that support the country's transition to lower-emitting, more reliable sources of energy while driving economic growth and energy security.

As natural gas and electricity are forecasted to drive the majority of growth in final energy consumption through 2035, TC Energy's portfolio of natural gas and power assets are presented with attractive in-corridor opportunities with visibility through the end of the decade. Reflecting this opportunity, we have **sanctioned the Northwoods project on our ANR system** in the range of a five to seven times build multiple. Under a 20 year, take-or-pay contract, the estimated US$0.9 billion project is designed to serve natural gas-fired electric generation demand in the U.S. Midwest, including data centres and overall economic growth. The estimated in-service date of the 0.4 Bcf/d capacity project is late 2029. The Northwoods project exemplifies our strategic focus on executing high value, in-corridor, low-risk projects at attractive build multiples, underpinned by long-term take-or-pay contracts with creditworthy counterparties, allowing us to continue to deliver solid growth, low risk and repeatable performance.

Looking forward, led by a three-fold increase in LNG exports, strong growth in power generation driven by coal-to-gas conversions and data centre demand, we expect our assets will play a pivotal role in the delivery of reliable, affordable and sustainable energy. **Our origination pipeline remains one of the most robust we have seen in decades**, with several projects in advanced stages of development, largely related to coal-to-gas conversions and data centre demand growth. Over the past six months, we have sanctioned approximately $4 billion of new capital projects and believe we have line of sight to an increased cadence of project announcements in the second half of 2025 and into 2026. While we anticipate the majority of incremental capital would be weighted toward the end of the decade, we have added capital expenditures in 2025 and 2026 that further enhances our comparable EBITDA growth profile in 2027 and beyond, while ensuring the safety and reliability of our systems. These investments directly support service provided to our customers and their requests for capacity additions. Consistent with our disciplined approach to capital allocation, we expect projects to align with our target of five to seven times build multiples and underpinned by long-term contracts with strong counterparties.

[1] Source: Government of Mexico, CFE fourth quarter 2024 investor presentation

As electricity demand in Ontario is anticipated to grow 75 per cent by 2050[1], **Bruce Power** continues play a critical role. On April 2, 2025, we received approval of the Unit 5 MCR final cost and schedule estimate from the Ontario IESO. The $1.1 billion Unit 5 MCR is expected to commence in fourth quarter 2026 with a return to service in early 2030. As we progress the refurbishment program at Bruce Power, the team remains focused on achieving the highest level of reliability, availability and safety performance at the site. On January 31, 2025, Unit 4 was removed from service to commence its MCR program, with a return to service expected in 2028. Unit 3 MCR and Unit 4 MCR continue to advance on plan for both cost and schedule. The average 2025 plant availability percentage, excluding the Unit 3 and Unit 4 MCR programs, is expected to be in the low-90 per cent range, and reflects planned maintenance on Unit 2 anticipated in the third quarter of 2025. The MCR program provides TC Energy with line of sight to meaningful growth capital at attractive returns through the end of the decade, backed by a long-term contract to 2064 with the Ontario IESO.

We continue to expect approximately **$8.5 billion of projects to be placed into service in 2025**, which includes the Southeast Gateway pipeline project. Our focus on project execution is a cornerstone of our strategic priorities. For the remaining projects anticipated to be placed in service in 2025, we are tracking to schedule and below initial cost estimates. High-grading projects remains a priority to optimize returns to maximize value. We will continue to sanction projects with a compelling risk/return profile to fill our $6.0 billion annual net capital expenditure limit and extend the duration of our project backlog, ensuring visibility to growth opportunities through 2030. Through this, we can continue to organically grow comparable EBITDA to support our three to five per cent dividend growth target and further reduce leverage over time.

TC Energy's Board of Directors approved a quarterly common share dividend of $0.85 per common share for the quarter ending June 30, 2025, equivalent to $3.40 per common share on an annualized basis.

[1] Source: Ontario Independent Electricity System Operator (IESO)

Teleconference and Webcast

We will hold a teleconference and webcast on Thursday, May 1, 2025 at 6:30 a.m. (MDT) / 8:30 a.m. (EDT) to discuss our first quarter 2025 financial results and Company developments. Presenters will include François Poirier, President and Chief Executive Officer; Sean O'Donnell, Executive Vice-President and Chief Financial Officer; and other members of the executive leadership team.

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

A live webcast of the teleconference will be available on TC Energy's website at TC Energy — Events and presentations or via the following URL: https://www.gowebcasting.com/13942. The webcast will be available for replay following the meeting.

A replay of the teleconference will be available two hours after the conclusion of the call until midnight EDT on May 8, 2025. Please call 1-855-669-9658 (Canada/U.S.) or 1-412-317-0088 (International toll) and enter passcode 6585702.

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

About TC Energy

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

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

Forward-Looking Information

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

Non-GAAP and Supplementary Financial Measure

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

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

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

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Quarterly report to shareholders

First quarter 2025

Management's discussion and analysis

April 30, 2025

This management's discussion and analysis (MD&A) contains information to help the reader make investment decisions about TC Energy Corporation (TC Energy). It discusses our business, operations, financial position, risks and other factors for the three months ended March 31, 2025 and should be read with the accompanying unaudited Condensed consolidated financial statements for the three months ended March 31, 2025, which have been prepared in accordance with U.S. GAAP.

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

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

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

Assumptions

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

Risks and uncertainties

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

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

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

FOR MORE INFORMATION

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

Financial highlights

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

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

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

	three months ended March 31	
(millions of $, except per share amounts)	**2025**	**2024**[1]
Income		
Revenues	**3,623**	3,509
Net income (loss) attributable to common shares	**978**	1,203
from continuing operations	**978**	988
from discontinued operations	—	215
Net income (loss) per common share – basic	**$0.94**	$1.16
from continuing operations	**$0.94**	$0.95
from discontinued operations	—	$0.21
Comparable EBITDA[2]	**2,709**	3,090
from continuing operations	**2,709**	2,670
from discontinued operations	—	420
Comparable earnings[2]	**983**	1,284
from continuing operations	**983**	1,055
from discontinued operations	—	229
Comparable earnings per common share[2]	**$0.95**	$1.24
from continuing operations	**$0.95**	$1.02
from discontinued operations	—	$0.22
Dividends declared		
per common share	**$0.85** [3]	$0.96
Basic common shares outstanding (millions)		
– weighted average for the period	**1,039**	1,037
– issued and outstanding at end of period	**1,040**	1,037

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

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

3 Reflects dividends declared following the Spinoff Transaction.

(millions of $)	three months ended March 31 2025	2024
Cash flows[1]		
Net cash provided by operations[2,3]	**1,359**	2,042
Comparable funds generated from operations[2,3]	**1,949**	2,436
Capital spending[4]	**1,809**	1,897
Disposition of equity interest, net of transaction costs[5]	**—**	(38)

1 Includes continuing and discontinued operations.

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

3 Represents three months of Liquids Pipelines earnings in first quarter 2024 compared to Liquids Pipelines earnings of nil for the three months ended March 31, 2025. Refer to the Discontinued operations section and our 2024 Annual Report for additional information.

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

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

Consolidated results

(millions of $, except per share amounts)	three months ended March 31 2025	2024[1]
Canadian Natural Gas Pipelines	**516**	501
U.S. Natural Gas Pipelines	**1,109**	1,043
Mexico Natural Gas Pipelines	**211**	212
Power and Energy Solutions	**135**	252
Corporate	**(5)**	(61)
Total segmented earnings (losses)	**1,966**	1,947
Interest expense	**(840)**	(780)
Allowance for funds used during construction	**248**	157
Foreign exchange gains (losses), net	**43**	27
Interest income and other	**51**	75
Income (loss) from continuing operations before income taxes	**1,468**	1,426
Income tax (expense) recovery from continuing operations	**(293)**	(244)
Net income (loss) from continuing operations	**1,175**	1,182
Net income (loss) from discontinued operations, net of tax	**—**	215
Net income (loss)	**1,175**	1,397
Net (income) loss attributable to non-controlling interests	**(169)**	(171)
Net income (loss) attributable to controlling interests	**1,006**	1,226
Preferred share dividends	**(28)**	(23)
Net income (loss) attributable to common shares	**978**	1,203
Net income (loss) per common share – basic	**$0.94**	$1.16
from continuing operations	**$0.94**	$0.95
from discontinued operations	**—**	$0.21

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

(millions of $)	three months ended March 31 2025	2024[1]
Amounts attributable to common shares		
Net income (loss) from continuing operations	**1,175**	1,182
Net (income) loss attributable to non-controlling interests	**(169)**	(171)
Net income (loss) attributable to controlling interests from continuing operations	**1,006**	1,011
Preferred share dividends	**(28)**	(23)
Net income (loss) attributable to common shares from continuing operations	**978**	988
Net income (loss) from discontinued operations, net of tax	**—**	215
Net income (loss) attributable to common shares	**978**	1,203

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

Net income (loss) attributable to common shares from continuing operations decreased by $10 million or $0.01 per common share for the three months ended March 31, 2025 compared to the same period in 2024.

NON-GAAP MEASURES

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

Comparable measures

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

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

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

The following table identifies our non-GAAP measures against their most directly comparable GAAP measures. These measures are applicable to each of our continuing operations and discontinued operations. Quantitative reconciliations of our comparable measures to their GAAP measures and a discussion of specific adjustments made for the three months ended March 31, 2025 and comparative period are found throughout this MD&A.

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

Comparable EBITDA and comparable EBIT

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

Funds generated from operations and comparable funds generated from operations

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

Comparable earnings and comparable earnings per common share

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

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

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

2025 results

- pre-tax unrealized foreign exchange gains, net of $3 million on the peso-denominated intercompany loan between TransCanada PipeLines Limited (TCPL) and Transportadora de Gas Natural de la Huasteca (TGNH), net of non-controlling interest
- a pre-tax recovery of $2 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico, net of non-controlling interest.

2024 results

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

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

	three months ended March 31	
(millions of $, except per share amounts)	2025	2024[1]
Net income (loss) attributable to common shares from continuing operations	**978**	988
Specific items (pre tax):		
Foreign exchange (gains) losses, net – intercompany loan[2]	**(3)**	(55)
Expected credit loss provision on net investment in leases and certain contract assets in Mexico[3]	**(2)**	(21)
Third-party settlement	**—**	34
Focus Project costs[4]	**—**	10
Bruce Power unrealized fair value adjustments	**(10)**	5
Risk management activities[5]	**19**	131
Tax related to specific items[6]	**1**	(37)
Comparable earnings	**983**	1,055
Net income (loss) per common share from continuing operations	**$0.94**	$0.95
Specific items (net of tax)	**0.01**	0.07
Comparable earnings per common share from continuing operations	**$0.95**	$1.02

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

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

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

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

5

Risk management activities	three months ended March 31	
(millions of $)	2025	2024
U.S. Natural Gas Pipelines	**(6)**	(23)
Canadian Power	**(41)**	57
U.S. Power	**(1)**	(4)
Natural Gas Storage	**(29)**	(90)
Foreign exchange	**58**	(71)
	(19)	(131)
Income tax attributable to risk management activities	**5**	32
Total unrealized gains (losses) from risk management activities	**(14)**	(99)

6 Refer to the Corporate section for additional information.

COMPARABLE EBITDA TO COMPARABLE EARNINGS - FROM CONTINUING OPERATIONS

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

	three months ended March 31	
(millions of $, except per share amounts)	2025	2024[1]
Canadian Natural Gas Pipelines	**890**	846
U.S. Natural Gas Pipelines	**1,367**	1,306
Mexico Natural Gas Pipelines	**233**	214
Power and Energy Solutions	**224**	320
Corporate	**(5)**	(16)
Comparable EBITDA from continuing operations	**2,709**	2,670
Depreciation and amortization	**(678)**	(635)
Interest expense	**(840)**	(780)
Allowance for funds used during construction	**248**	157
Foreign exchange gains (losses), net included in comparable earnings	**(10)**	43
Interest income and other	**51**	75
Income tax (expense) recovery included in comparable earnings	**(292)**	(281)
Net (income) loss attributable to non-controlling interests included in comparable earnings	**(177)**	(171)
Preferred share dividends	**(28)**	(23)
Comparable earnings from continuing operations	**983**	1,055
Comparable earnings per common share from continuing operations	**$0.95**	$1.02

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

Comparable EBITDA from continuing operations – 2025 versus 2024

Comparable EBITDA increased by $39 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to the net effect of the following:

- increased EBITDA in Canadian Natural Gas Pipelines mainly due to higher flow-through costs and increased contributions from Coastal GasLink
- decreased Power and Energy Solutions EBITDA mainly attributable to reduced contributions from Bruce Power primarily due to the commencement of the Unit 4 Major Component Replacement (MCR), lower realized power prices in Canadian Power and lower realized Alberta natural gas storage spreads
- decreased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines mainly due to decreased earnings as a result of the sale of Portland Natural Gas Transmission System (PNGTS), which was completed in August 2024 and lower earnings from our equity investments, partially offset by incremental earnings from projects placed in service and additional contract sales
- a positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent comparable EBITDA in our U.S. dollar-denominated operations, which was translated at a rate of 1.43 in 2025 versus 1.35 in 2024. 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 from continuing operations – 2025 versus 2024

Comparable earnings decreased by $72 million or $0.07 per common share for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to the net effect of the following:

- changes in comparable EBITDA described above
- higher interest expense primarily due to lower capitalized interest, the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense and long-term debt issuances and maturities
- risk management activities used to manage our foreign exchange exposure to net liabilities in Mexico and to U.S. dollar-denominated income
- higher depreciation and amortization primarily due to higher depreciation rates on the NGTL System under the 2025-2029 Revenue Requirement Settlement
- lower interest income and other due to lower interest earned on short-term investments
- higher income tax expense primarily due to higher flow-through income taxes, partially offset by a change in the geographic and business mix of earnings
- higher AFUDC primarily due to capital expenditures on the Southeast Gateway pipeline project and U.S. natural gas pipeline projects.

Supplementary financial measure

Net capital expenditures

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

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

Outlook

Comparable EBITDA and comparable earnings

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

Consolidated capital expenditures

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

Capital program

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

Our capital program consists of approximately $28 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. During the three months ended March 31, 2025, we incurred $0.3 billion of maintenance capital expenditures.

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

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

Secured projects

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

(billions of $)	Expected in-service date	Estimated project cost	Project costs incurred at March 31, 2025
Canadian Natural Gas Pipelines[1]			
NGTL System	2026	0.7 [2]	0.4
	2027+	0.2 [2]	—
Regulated maintenance capital expenditures	2025-2027	2.5	0.2
U.S. Natural Gas Pipelines			
VR project	2025	US 0.5	US 0.3
WR project	2025	US 0.7	US 0.3
Gillis Access – Extension	2026-2027	US 0.4	US 0.1
Heartland project	2027	US 0.9	US 0.1
Northwoods project	2029	US 0.9	—
Pulaski and Maysville projects	2029	US 0.7	—
Southeast Virginia Energy Storage project	2030	US 0.3	—
Other capital[3]	2025-2028	US 1.8	US 0.6
Regulated maintenance capital expenditures	2025-2027	US 2.3	US 0.1
Mexico Natural Gas Pipelines			
Villa de Reyes – South section[4]	—	US 0.4	US 0.3
Tula[5]	—	US 0.4	US 0.3
Southeast Gateway	2025	US 3.9	US 3.8
Power and Energy Solutions			
Bruce Power – Unit 3 MCR	2026	1.1	0.9
Bruce Power – Unit 4 MCR[6]	2028	0.9	0.3
Bruce Power – Unit 5 MCR[6]	2030	1.1	0.2
Bruce Power – life extension[7]	2025-2031	1.8	0.6
Other			
Non-recoverable maintenance capital expenditures[8]	2025-2027	0.4	—
		21.9	**8.5**
Foreign exchange impact on secured projects[9]		**5.8**	**2.6**
Total secured projects (Cdn$)		**27.7**	**11.1**

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

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

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

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

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

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

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

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

9 Reflects U.S./Canada foreign exchange rate of 1.44 at March 31, 2025.

Canadian Natural Gas Pipelines

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

	three months ended March 31	
(millions of $)	**2025**	**2024**
NGTL System	**637**	601
Canadian Mainline	**178**	188
Other Canadian pipelines[1]	**75**	57
Comparable EBITDA	**890**	846
Depreciation and amortization	**(374)**	(345)
Comparable EBIT and Segmented earnings (losses)	**516**	501

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

For the three months ended March 31, 2025, Canadian Natural Gas Pipelines segmented earnings increased by $15 million compared the same period in 2024.

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

NET INCOME AND AVERAGE INVESTMENT BASE

	three months ended March 31	
(millions of $)	**2025**	**2024**
Net income		
NGTL System	**198**	195
Canadian Mainline	**57**	55
Average investment base		
NGTL System	**19,365**	19,444
Canadian Mainline	**3,643**	3,622

Net income for the NGTL System for the three months ended March 31, 2025 was generally consistent with the same period in 2024. The NGTL System is operating under the 2025-2029 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 with higher depreciation rates and the opportunity to further increase depreciation rates with an incentive if tolls fall below specified levels, or if growth projects are undertaken. It also includes incentive mechanisms to reduce both physical emissions and emission compliance costs, while also providing incentive for certain operating costs where variances from projected amounts and emissions savings are shared with customers.

Net income for the Canadian Mainline for the three months ended March 31, 2025 was generally consistent with the same period in 2024. 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 $44 million for the three months ended March 31, 2025 compared to the same period in 2024 due to the net effect of:

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

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $29 million for the three months ended March 31, 2025 compared to the same period in 2024, primarily reflecting higher depreciation rates on the NGTL System under the 2025-2029 Revenue Requirement Settlement.

U.S. Natural Gas Pipelines

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

	three months ended March 31	
(millions of US$, unless otherwise noted)	**2025**	**2024**
Columbia Gas[1]	**452**	438
ANR	**198**	189
Columbia Gulf[1]	**54**	62
Great Lakes	**71**	69
GTN	**60**	55
PNGTS[1,2]	**—**	27
Other U.S. pipelines[3]	**118**	128
Comparable EBITDA	**953**	968
Depreciation and amortization	**(176)**	(178)
Comparable EBIT	**777**	790
Foreign exchange impact	**338**	276
Comparable EBIT (Cdn$)	**1,115**	1,066
Specific item:		
Risk management activities	**(6)**	(23)
Segmented earnings (losses) (Cdn$)	**1,109**	1,043

1 Includes non-controlling interest. Refer to the Corporate section for additional information.
2 The sale of PNGTS was completed in August 2024.
3 Reflects comparable EBITDA from our ownership in our mineral rights business (CEVCO), North Baja, Gillis Access, Tuscarora, Bison, Crossroads and our share of equity income from Northern Border, Iroquois, Millennium and Hardy Storage, our U.S. natural gas marketing business, as well as general and administrative and business development costs related to our U.S. natural gas pipelines.

U.S. Natural Gas Pipelines segmented earnings increased by $66 million for the three months ended March 31, 2025 compared to the same period in 2024 and included unrealized gains and losses from changes in the fair value of derivatives related to our U.S. natural gas marketing business, which have been excluded from our calculation of comparable EBITDA and comparable EBIT.

A stronger U.S. dollar for the three months ended March 31, 2025 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations compared to the same period in 2024. Refer to the Foreign exchange section for additional information.

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

Comparable EBITDA for U.S. Natural Gas Pipelines decreased by US$15 million for the three months ended March 31, 2025 compared to the same period in 2024 and was primarily due to the net effect of:

- decreased earnings as a result of the sale of PNGTS, which was completed in August 2024
- decreased equity earnings from Iroquois and Millennium
- decreased earnings due to higher operational costs, reflective of increased system utilization across our footprint and higher property taxes from projects placed in service
- incremental earnings from growth and modernization projects placed in service, as well as increased earnings from additional contract sales on ANR and GTN.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased by US$2 million for the three months ended March 31, 2025 compared to the same period in 2024 due to the impact of the sale of PNGTS in August 2024, partially offset by 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).

	three months ended March 31	
(millions of US$, unless otherwise noted)	**2025**	**2024**
TGNH[1,2]	**64**	63
Sur de Texas[3]	**26**	25
Topolobampo	**39**	39
Guadalajara	**17**	15
Mazatlán	**17**	16
Comparable EBITDA	**163**	158
Depreciation and amortization	**(17)**	(17)
Comparable EBIT	**146**	141
Foreign exchange impact	**63**	50
Comparable EBIT (Cdn$)	**209**	191
Specific item:		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico[2]	**2**	21
Segmented earnings (losses) (Cdn$)	**211**	212

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 for the three months ended March 31, 2025 was generally consistent with the same period in 2024 and included an unrealized recovery of $2 million (2024 – recovery of $21 million), 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 12, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

A stronger U.S. dollar for the three months ended March 31, 2025 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. dollar-denominated operations in Mexico compared to the same period in 2024. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Mexico Natural Gas Pipelines for the three months ended March 31, 2025 was generally consistent with the same period in 2024.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the three months ended March 31, 2025 was consistent with the same period in 2024.

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).

	three months ended March 31	
(millions of $)	**2025**	**2024**
Bruce Power[1]	**132**	181
Canadian Power	**45**	81
Natural Gas Storage and other[2]	**47**	58
Comparable EBITDA	**224**	320
Depreciation and amortization	**(28)**	(26)
Comparable EBIT	**196**	294
Specific items:		
Bruce Power unrealized fair value adjustments	**10**	(5)
Risk management activities	**(71)**	(37)
Segmented earnings (losses)	**135**	252

1 Represents our share of equity income from Bruce Power.

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

Power and Energy Solutions segmented earnings decreased by $117 million for the three months ended March 31, 2025 compared to the same period in 2024 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

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

Comparable EBITDA for Power and Energy Solutions decreased by $96 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to the net effect of:

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

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the three months ended March 31, 2025 was generally consistent with the same period in 2024.

BRUCE POWER

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

	three months ended March 31	
(millions of $, unless otherwise noted)	**2025**	**2024**
Items included in comparable EBITDA and comparable EBIT are comprised of:		
Revenues[1]	**501**	525
Operating expenses	**(274)**	(253)
Depreciation and other	**(95)**	(91)
Comparable EBITDA and comparable EBIT[2]	**132**	181
Bruce Power – other information		
Plant availability[3,4]	**87%**	92%
Planned outage days[4]	**65**	44
Unplanned outage days	**13**	6
Sales volumes (GWh)[5]	**4,645**	5,541
Realized power price per MWh[6]	**$106**	$94

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

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

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

4 Excludes MCR outage days.

5 Sales volumes include deemed generation, if applicable.

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

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

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

Corporate

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

	three months ended March 31	
(millions of $)	**2025**	**2024**[1]
Comparable EBITDA	**(5)**	(16)
Depreciation and amortization	**—**	(1)
Comparable EBIT	**(5)**	(17)
Specific items:		
Third-party settlement	**—**	(34)
Focus Project costs	**—**	(10)
Segmented earnings (losses)	**(5)**	(61)

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

Corporate segmented losses decreased by $56 million for the three months ended March 31, 2025 compared to the same period in 2024. Corporate segmented losses included the following specific items, which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax expense of $34 million (US$25 million) in first quarter 2024 related to a non-recurring third-party settlement
- a pre-tax charge of $10 million for the three months ended March 31, 2024 related to Focus Project costs.

Comparable EBITDA for Corporate increased by $11 million for the three months ended March 31, 2025 compared to the same period in 2024, primarily due to shared costs in 2024 related to TC Energy's corporate services and governance functions that were not allocated to discontinued operations.

INTEREST EXPENSE

	three months ended March 31	
(millions of $)	**2025**	**2024**[1]
Interest expense on long-term debt and junior subordinated notes		
Canadian dollar-denominated	**(195)**	(225)
U.S. dollar-denominated	**(429)**	(474)
Foreign exchange impact	**(187)**	(166)
	(811)	(865)
Other interest and amortization expense	**(32)**	(40)
Capitalized interest	**3**	68
Interest expense allocated to discontinued operations	**—**	57
Interest expense	**(840)**	(780)

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

Interest expense included in comparable earnings increased by $60 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to the net effect of:

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

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

	three months ended March 31	
(millions of $)	**2025**	**2024**
Canadian dollar-denominated	**11**	9
U.S. dollar-denominated	**166**	110
Foreign exchange impact	**71**	38
Allowance for funds used during construction	**248**	157

AFUDC increased $91 million for the three months ended March 31, 2025 compared to the same period in 2024. The increase in U.S. dollar-denominated AFUDC is mainly the result of capital expenditures on the Southeast Gateway pipeline project and U.S. natural gas pipeline projects, partially offset by the suspension of AFUDC on the south section of the Villa de Reyes pipeline effective March 1, 2025 due to ongoing construction delays on the project pending the resolution of outstanding stakeholder issues.

FOREIGN EXCHANGE GAINS (LOSSES), NET

	three months ended March 31	
(millions of $)	**2025**	**2024**
Foreign exchange gains (losses), net included in comparable earnings	**(10)**	43
Specific items:		
Foreign exchange gains (losses), net – intercompany loan[1]	**(5)**	55
Risk management activities	**58**	(71)
Foreign exchange gains (losses), net	**43**	27

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

Foreign exchange gains (losses), net changed by $16 million for the three months ended March 31, 2025 compared to the same period in 2024. The following specific items have been removed from our calculation of Foreign exchange gains (losses), net included in comparable earnings:

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

Foreign exchange gains (losses), net included in comparable earnings changed by $53 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to risk management activities used to manage our foreign exchange exposure to net liabilities in Mexico and to U.S. dollar-denominated income.

INTEREST INCOME AND OTHER

(millions of $)	three months ended March 31 2025	three months ended March 31 2024[1]
Interest income and other	**51**	75

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

Interest income and other decreased by $24 million for the three months ended March 31, 2025 compared to the same period in 2024 due to lower interest earned on short-term investments.

INCOME TAX (EXPENSE) RECOVERY

(millions of $)	three months ended March 31 2025	three months ended March 31 2024[1]
Income tax (expense) recovery included in comparable earnings	**(292)**	(281)
Specific items:		
Foreign exchange gains (losses), net - intercompany loan	**(2)**	—
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(1)**	(6)
Third-party settlement	**—**	8
Focus Project costs	**—**	2
Bruce Power unrealized fair value adjustments	**(3)**	1
Risk management activities	**5**	32
Income tax (expense) recovery	**(293)**	(244)

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

Income tax expense increased by $49 million for the three months ended March 31, 2025 compared to the same period in 2024. The income tax impacts on specified items referenced throughout the MD&A have been reflected in our calculation of Income tax expense included in comparable earnings.

Income tax expense included in comparable earnings increased by $11 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to higher flow-through income taxes, partially offset by a change in the geographic and business mix of earnings.

NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

(millions of $)	Non-Controlling Interests Ownership at March 31, 2025	three months ended March 31	
		2025	**2024**
Columbia Gas and Columbia Gulf	40%	**(171)**	(161)
PNGTS[1]	—	**—**	(12)
Texas Wind Farms[2]	100%	**10**	2
TGNH[3]	13.01%	**(16)**	—
Net (income) loss attributable to non-controlling interests included in comparable earnings		**(177)**	(171)
Specific item:			
Foreign exchange (gains) losses, net – intercompany loan		**8**	—
Net (income) loss attributable to non-controlling interests		**(169)**	(171)

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

2 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.

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

Net income attributable to non-controlling interests decreased by $2 million for the three months ended March 31, 2025 compared to the same period in 2024 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 $6 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to the sale of the 13.01 per cent non-controlling equity interest in TGNH to the CFE in second quarter 2024 and the foreign exchange impacts resulting from a stronger U.S. dollar on the Canadian dollar equivalent. This was partially offset by the divestiture of PNGTS in third quarter of 2024.

PREFERRED SHARE DIVIDENDS

(millions of $)	three months ended March 31	
	2025	**2024**
Preferred share dividends	**(28)**	(23)

Preferred share dividends increased by $5 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to the dividend rate resets on Series 1, 7 and 9 preferred shares in 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 may also impact comparable earnings. As our U.S. dollar-denominated operations continue to grow, this exposure increases. A portion of the U.S. dollar-denominated comparable EBITDA exposure is naturally offset by U.S. dollar-denominated amounts below comparable EBITDA within Depreciation and amortization, Interest expense and other income statement line items. A portion of the remaining exposure is actively managed on a rolling forward basis up to three years using foreign exchange derivatives; however, the natural exposure beyond that period remains. The net impact of the U.S. dollar movements on comparable earnings during the three months ended March 31, 2025 after considering natural offsets and economic hedges was not significant.

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

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

	three months ended March 31	
(millions of US$)	**2025**	**2024**[1]
Comparable EBITDA		
U.S. Natural Gas Pipelines	**953**	968
Mexico Natural Gas Pipelines	**163**	158
	1,116	1,126
Depreciation and amortization	**(193)**	(195)
Interest expense on long-term debt and junior subordinated notes	**(429)**	(474)
Interest expense allocated to discontinued operations	**—**	42
Allowance for funds used during construction	**166**	110
Net (income) loss attributable to non-controlling interests included in comparable earnings and other	**(115)**	(126)
	545	483
Average exchange rate – U.S. to Canadian dollars	**1.43**	1.35

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

FOREIGN EXCHANGE RELATED TO MEXICO NATURAL GAS PIPELINES

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

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

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

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

March 31, 2025	**20.45**
March 31, 2024	16.63
December 31, 2024	20.87
December 31, 2023	16.91

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

	three months ended March 31	
(millions of $)	**2025**	**2024**
Comparable EBITDA - Mexico Natural Gas Pipelines[1]	**(11)**	(10)
Foreign exchange gains (losses), net included in comparable earnings	**17**	44
Income tax (expense) recovery included in comparable earnings	**(14)**	(22)
Net (income) loss attributable to non-controlling interests included in comparable earnings[2]	**1**	—
	(7)	12

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

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

Recent developments

CANADIAN NATURAL GAS PIPELINES

Coastal GasLink

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

U.S. NATURAL GAS PIPELINES

ANR and GLGT Section 4 Rate Case

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

Northwoods Project

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

MEXICO NATURAL GAS PIPELINES

TGNH Strategic Alliance with the CFE

In August 2022, we announced a strategic alliance with Mexico’s state-owned electric utility, the CFE, for the development of new natural gas infrastructure in central and southeast Mexico. In connection with the strategic alliance, we reached an FID to develop and construct the Southeast Gateway pipeline. The 1.3 Bcf/d, 715 km (444 mile) natural gas pipeline is ready for service and was constructed approximately 13 per cent under the original cost estimate of US$4.5 billion. Approval of our regulated rates from the Comisión Nacional de Energía (CNE) is expected by the end of May 2025, at which time we anticipate in-service of the Southeast Gateway pipeline.

During second quarter 2024, upon the CFE’s equity injection of US$340 million as well as non-cash consideration in recognition of the completion of certain contractual obligations, including land acquisition and permitting support, the CFE became a partner in TGNH with a 13.01 per cent equity interest. Provided that the 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 with the in-service of the Southeast Gateway pipeline and subsequent receipt of regulatory approvals, and will increase to approximately 35 per cent upon expiry of the contract in 2055.

POWER AND ENERGY SOLUTIONS

Bruce Power Life Extension

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

CORPORATE

2016 Columbia Pipeline Acquisition Lawsuit

In 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, including any additional interest assessed to the date of payment.

TC Energy disagrees with many of the Court's findings and believes the Court's ruling departs from established Delaware law. TC Energy has appealed the decision to the Delaware Supreme Court and a final decision is expected in 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 March 31, 2025.

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 March 31, 2025, our current assets totaled $7.0 billion and current liabilities amounted to $10.2 billion, leaving us with a working capital deficit of $3.2 billion compared to a deficit of $4.8 billion at December 31, 2024, excluding discontinued operations. Our working capital deficiency is considered to be in the normal course of business and is managed through:

- our ability to generate predictable cash flows from operations
- a total of $8.0 billion of TCPL committed revolving credit facilities, of which $6.7 billion of short-term borrowing capacity remains available, net of $1.3 billion backstopping outstanding commercial paper balances, and arrangements for a further $2.0 billion of demand credit facilities, of which $1.1 billion remains available as of March 31, 2025
- additional $2.2 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, of which $2.0 billion of short-term borrowing capacity remains available, net of $0.2 billion backstopping outstanding commercial paper balances as of March 31, 2025
- our access to capital markets, including through securities issuances, incremental credit facilities, capital rotation and DRP, if deemed appropriate.

CASH PROVIDED BY OPERATING ACTIVITIES[1,2]

	three months ended March 31	
(millions of $)	**2025**	**2024**
Net cash provided by operations	**1,359**	2,042
Increase (decrease) in operating working capital	**590**	344
Funds generated from operations	**1,949**	2,386
Specific items:		
Third-party settlement, net of current income tax	—	26
Liquids Pipelines business separation costs, net of current income tax	—	15
Focus Project costs, net of current income tax	—	9
Comparable funds generated from operations	**1,949**	2,436

1 Includes continuing and discontinued operations.

2 Represents three months of Liquids Pipelines earnings in first quarter 2024 compared to Liquids Pipelines earnings of nil for the three months ended March 31, 2025. Refer to the Discontinued operations section and our 2024 Annual Report for additional information.

Net cash provided by operations

Net cash provided by operations decreased by $683 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to lower funds generated from operations and the timing of working capital changes.

Comparable funds generated from operations

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

Comparable funds generated from operations decreased by $487 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to lower comparable EBITDA and lower distributions from our equity investments.

CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

(millions of $)	three months ended March 31 2025	three months ended March 31 2024
Capital spending		
Capital expenditures	**(1,560)**	(1,579)
Capital projects in development	**(4)**	(20)
Contributions to equity investments	**(245)**	(298)
	(1,809)	(1,897)
Other distributions from equity investments	**5**	30
Deferred amounts and other	**68**	12
Net cash (used in) provided by investing activities	**(1,736)**	(1,855)

Net cash used in investing activities decreased by $119 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to lower contributions to equity investments.

Capital expenditures incurred for the three months ended March 31, 2025 were primarily for the advancement of the Columbia Gas and ANR projects, Southeast Gateway pipeline, as well as maintenance capital expenditures. Lower capital expenditures for the three months ended March 31, 2025 compared to the same period in 2024 reflect reduced spending on the Southeast Gateway pipeline, partially offset by increased spending on the Columbia Gas and ANR projects.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

(millions of $)	three months ended March 31 2025	three months ended March 31 2024
Notes payable issued (repaid), net	**1,147**	377
Long-term debt issued, net of issue costs	**2,427**	662
Long-term debt repaid	**(2,009)**	(404)
Junior subordinated notes issued, net of issue costs	**1,054**	—
Disposition of equity interest, net of transaction costs	**—**	(38)
Dividends and distributions paid	**(1,103)**	(1,271)
Common shares issued, net of issue costs	**30**	—
Net cash (used in) provided by financing activities	**1,546**	(674)

Long-term debt issued

The following table outlines significant long-term debt issuances in the three months ended March 31, 2025:

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

Long-term debt repaid/retired

(millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
Columbia Pipelines Operating Company LLC				
	March 2025	Senior Unsecured Notes[1]	US 1,000	4.50%
TC PipeLines, LP				
	March 2025	Senior Unsecured Notes	US 350	4.38%
TC Energía Mexicana, S. de R.L. de C.V.				
	March 2025	Senior Unsecured Term Loan	US 30	Floating

1 The notes were fully repaid and retired in March 2025. Related unamortized fair value adjustment of $3 million, related to the acquisition of CPG was included in Interest expense in the Condensed consolidated statement of income.

Junior subordinated notes issued

In February 2025, TCPL issued US$750 million of junior subordinated notes maturing in 2065 with a fixed interest rate of 7.00 per cent per year until June 1, 2030, and resetting every five years thereafter. We intend to use the net proceeds from the issuance to fund the redemption price of the US$750 million in aggregate principal amount of outstanding Trust Notes - Series 2015-A issued by TransCanada Trust, a wholly owned financing trust subsidiary of TCPL, in May 2025 pursuant to their terms. Prior to such redemption, the funds will be used to reduce other indebtedness of TC Energy and for general corporate purposes. Refer to Note 8, Junior Subordinated Notes, of our Condensed consolidated financial statements for additional information.

DIVIDENDS

On May 1, 2025, we announced a quarterly dividend on our outstanding common shares of $0.85 per share payable on July 31, 2025 to shareholders of record at the close of business on June 30, 2025.

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

SHARE INFORMATION

At April 28, 2025, we had approximately 1.0 billion issued and outstanding common shares and approximately 3.7 million outstanding options to buy common shares, of which 3.2 million were exercisable.

CREDIT FACILITIES

At April 28, 2025, we had a total of $7.9 billion of TCPL committed revolving credit facilities, of which $6.7 billion of short-term borrowing capacity remains available, net of $1.2 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further $2.0 billion of demand credit facilities, of which $1.1 billion remains available.

In addition, we have $2.1 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, of which $2.1 billion of borrowing capacity remains available at April 28, 2025.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments at March 31, 2025 increased by approximately $0.4 billion from those reported at December 31, 2024, reflecting new contractual commitments entered into for construction on U.S. natural gas pipelines, primarily related to the construction costs associated with ANR and other pipeline projects, partially offset by normal course fulfillment of construction contracts.

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

Discontinued operations

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

RESULTS FROM DISCONTINUED OPERATIONS

(millions of $, except per share amounts)	three months ended March 31 2024[1]
Segmented earnings (losses) from discontinued operations	319
Interest expense	(57)
Interest income and other	2
Income (loss) from discontinued operations before income taxes	264
Income tax (expense) recovery	(49)
Net income (loss) from discontinued operations, net of tax	215
Net income (loss) per common share from discontinued operations - basic	$0.21

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

NON-GAAP MEASURES

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

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

(millions of $, except per share amounts)	three months ended March 31 2024[1]
Net income (loss) from discontinued operations, net of tax	215
Specific items (pre tax):	
Liquids Pipelines business separation costs[2]	16
Risk management activities	1
Taxes related to specific items[3]	(3)
Comparable earnings from discontinued operations	229
Net income (loss) per common share from discontinued operations	$0.21
Specific items (net of tax)	0.01
Comparable earnings per common share from discontinued operations	$0.22

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

2 During first quarter 2024, a pre-tax charge of $16 million related to Liquids Pipelines business separation costs from the Spinoff Transaction was recognized in Net income (loss) from discontinued operations, net of tax and excluded from our calculation of comparable earnings from discontinued operations.

3 The income tax impacts on the specified items mentioned in the table above have been removed from our calculation of Income tax expense included in comparable earnings from discontinued operations below.

COMPARABLE EBITDA TO COMPARABLE EARNINGS - FROM DISCONTINUED OPERATIONS

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

	three months ended March 31
(millions of $, except per share amounts)	**2024**[1]
Comparable EBITDA from discontinued operations	420
Depreciation and amortization	(84)
Interest expense	(57)
Interest income and other	2
Income tax (expense) recovery included in comparable earnings	(52)
Comparable earnings from discontinued operations	229
Comparable earnings per common share from discontinued operations	$0.22

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

Financial risks and financial instruments

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

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

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

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

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

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

COUNTERPARTY CREDIT RISK

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

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

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

We review financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. We use historical credit loss and recovery data, adjusted for our judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other. At March 31, 2025, we had no significant credit risk concentrations and no significant amounts past due or impaired. We recorded a pre-tax recovery of $2 million on the expected credit loss provision on the TGNH net investment in leases and certain contract assets in Mexico for the three months ended March 31, 2025 (2024 – pre-tax recovery of $21 million). Refer to Note 12, 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.

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 $)	March 31, 2025	December 31, 2024
Other current assets	**549**	347
Other long-term assets	**96**	122
Accounts payable and other	**(679)**	(507)
Other long-term liabilities	**(135)**	(209)
	(169)	(247)

Unrealized and realized gains (losses) on derivative instruments

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

	three months ended March 31	
(millions of $)	2025	2024
Derivative Instruments Held for Trading[1]		
Unrealized gains (losses) in the period		
Commodities	**(75)**	(29)
Foreign exchange	**58**	(71)
Realized gains (losses) in the period		
Commodities	**(29)**	202
Foreign exchange	**(8)**	51
Interest rate	**2**	—
Derivative Instruments in Hedging Relationships		
Realized gains (losses) in the period		
Commodities	**9**	3
Foreign exchange	**1**	—
Interest rate	**(9)**	(13)

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

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

Other information

CONTROLS AND PROCEDURES

Management, including our President and CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as at March 31, 2025, as required by the Canadian securities regulatory authorities and by the SEC and concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

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

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY CHANGES

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

Impairment of goodwill

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

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

Accounting changes

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

Quarterly results

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

	2025	2024[1]				2023[1]		
(millions of $, except per share amounts)	First	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	**3,623**	**3,577**	**3,358**	**3,327**	**3,509**	**3,504**	**3,225**	**3,148**
Net income (loss) attributable to common shares	**978**	**971**	**1,457**	**963**	**1,203**	**1,463**	**(197)**	**250**
from continuing operations	978	1,069	1,338	804	988	1,249	(325)	76
from discontinued operations	—	(98)	119	159	215	214	128	174
Comparable earnings[2]	**983**	**1,094**	**1,074**	**978**	**1,284**	**1,403**	**1,035**	**981**
from continuing operations	983	1,094	894	822	1,055	1,192	848	767
from discontinued operations	—	—	180	156	229	211	187	214
Per share statistics:								
Net income (loss) per common share – basic	**$0.94**	**$0.94**	**$1.40**	**$0.93**	**$1.16**	**$1.41**	**($0.19)**	**$0.24**
from continuing operations	$0.94	$1.03	$1.29	$0.78	$0.95	$1.20	($0.31)	$0.07
from discontinued operations	—	($0.09)	$0.11	$0.15	$0.21	$0.21	$0.12	$0.17
Comparable earnings per common share[2]	**$0.95**	**$1.05**	**$1.03**	**$0.94**	**$1.24**	**$1.35**	**$1.00**	**$0.96**
from continuing operations	$0.95	$1.05	$0.86	$0.79	$1.02	$1.15	$0.82	$0.75
from discontinued operations	—	—	$0.17	$0.15	$0.22	$0.20	$0.18	$0.21
Dividends declared per common share[3]	**$0.85**	**$0.8225**	**$0.96**	**$0.96**	**$0.96**	**$0.93**	**$0.93**	**$0.93**

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

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

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

FACTORS AFFECTING QUARTERLY FINANCIAL INFORMATION BY BUSINESS SEGMENT

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

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

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

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

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

FACTORS AFFECTING FINANCIAL INFORMATION BY QUARTER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a pre-tax impairment charge of $843 million related to our equity investment in Coastal GasLink LP
- a pre-tax expense of $32 million related to Focus Project costs
- pre-tax unrealized foreign exchange losses, net of $9 million on the peso-denominated intercompany loan between TCPL and TGNH
- a pre-tax recovery of $11 million on the expected credit loss provision related to TGNH net investment in leases and certain contract assets in Mexico.

Condensed consolidated statement of income

(unaudited - millions of Canadian $, except per share amounts)	three months ended March 31 2025	2024
Revenues		
Canadian Natural Gas Pipelines	**1,371**	1,384
U.S. Natural Gas Pipelines	**1,858**	1,672
Mexico Natural Gas Pipelines	**226**	214
Power and Energy Solutions	**162**	239
Corporate	**6**	—
	3,623	3,509
Income (Loss) from Equity Investments	**305**	339
Operating and Other Expenses		
Plant operating costs and other	**1,010**	1,023
Commodity purchases resold	**50**	47
Property taxes	**224**	196
Depreciation and amortization	**678**	635
	1,962	1,901
Financial Charges		
Interest expense	**840**	780
Allowance for funds used during construction	**(248)**	(157)
Foreign exchange (gains) losses, net	**(43)**	(27)
Interest income and other	**(51)**	(75)
	498	521
Income (Loss) from Continuing Operations before Income Taxes	**1,468**	1,426
Income Tax Expense (Recovery) from Continuing Operations		
Current	**83**	58
Deferred	**210**	186
	293	244
Net Income (Loss) from Continuing Operations	**1,175**	1,182
Net Income (Loss) from Discontinued Operations, Net of Tax	**—**	215
Net Income (Loss)	**1,175**	1,397
Net income (loss) attributable to non-controlling interests	**169**	171
Net Income (Loss) Attributable to Controlling Interests	**1,006**	1,226
Preferred share dividends	**28**	23
Net Income (Loss) Attributable to Common Shares	**978**	1,203
Amounts Attributable to Common Shares		
Net income (loss) from continuing operations	**1,175**	1,182
Net income (loss) attributable to non-controlling interests	**169**	171
Net income (loss) attributable to controlling interests from continuing operations	**1,006**	1,011
Preferred share dividends	**28**	23
Net income (loss) attributable to common shares from continuing operations	**978**	988
Net income (loss) from discontinued operations, net of tax	**—**	215
Net Income (Loss) Attributable to Common Shares	**978**	1,203
Net Income (Loss) per Common Share - Basic and Diluted		
Continuing operations	**$0.94**	$0.95
Discontinued operations	**—**	$0.21
	$0.94	$1.16
Weighted Average Number of Common Shares (millions)		
Basic	**1,039**	1,037
Diluted	**1,040**	1,037

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

	three months ended March 31	
(unaudited - millions of Canadian $)	**2025**	**2024**
Net Income (Loss)	**1,175**	1,397
Other Comprehensive Income (Loss), Net of Income Taxes		
Foreign currency translation gains and losses on net investment in foreign operations	**(41)**	473
Change in fair value of net investment hedges	**1**	(9)
Change in fair value of cash flow hedges	**3**	8
Reclassification to net income of (gains) losses on cash flow hedges	**1**	—
Other comprehensive income (loss) on equity investments	**(12)**	91
	(48)	563
Comprehensive Income (Loss)	**1,127**	1,960
Comprehensive income (loss) attributable to non-controlling interests	**149**	406
Comprehensive Income (Loss) Attributable to Controlling Interests	**978**	1,554
Preferred share dividends	**28**	23
Comprehensive Income (Loss) Attributable to Common Shares	**950**	1,531

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

(unaudited - millions of Canadian $)	three months ended March 31 2025	2024
Cash Generated from Operations		
Net income (loss)	**1,175**	1,397
Depreciation and amortization	**678**	719
Deferred income taxes	**210**	143
(Income) loss from equity investments	**(305)**	(356)
Distributions received from operating activities of equity investments	**336**	545
Employee post-retirement benefits funding, net of expense	**2**	4
Equity allowance for funds used during construction	**(164)**	(100)
Unrealized (gains) losses on financial instruments	**17**	100
Expected credit loss provision	**(2)**	(20)
Foreign exchange (gains) losses, net – intercompany loan	**5**	(55)
Other	**(3)**	9
(Increase) decrease in operating working capital	**(590)**	(344)
Net cash provided by operations	**1,359**	2,042
Investing Activities		
Capital expenditures	**(1,560)**	(1,579)
Capital projects in development	**(4)**	(20)
Contributions to equity investments	**(245)**	(298)
Other distributions from equity investments	**5**	30
Deferred amounts and other	**68**	12
Net cash (used in) provided by investing activities	**(1,736)**	(1,855)
Financing Activities		
Notes payable issued (repaid), net	**1,147**	377
Long-term debt issued, net of issue costs	**2,427**	662
Long-term debt repaid	**(2,009)**	(404)
Junior subordinated notes issued, net of issue costs	**1,054**	—
Disposition of equity interest, net of transaction costs	**—**	(38)
Dividends on common shares	**(855)**	(965)
Dividends on preferred shares	**(28)**	(23)
Common shares issued, net of issue costs	**30**	—
Distributions to non-controlling interests and other	**(220)**	(283)
Net cash (used in) provided by financing activities	**1,546**	(674)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**(8)**	49
Increase (Decrease) in Cash and Cash Equivalents, Including Cash Balances Classified as Assets Held for Sale	**1,161**	(438)
Cash balances classified as assets held for sale	**—**	(47)
Increase (Decrease) in Cash and Cash Equivalents	**1,161**	(485)
Cash and Cash Equivalents - Beginning of period	**801**	3,678
Cash and Cash Equivalents - End of period	**1,962**	3,193

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

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian $)		March 31, 2025	December 31, 2024
ASSETS			
Current Assets			
Cash and cash equivalents		**1,962**	801
Accounts receivable		**2,586**	2,611
Inventories		**777**	747
Other current assets		**1,713**	1,339
Current assets of discontinued operations		**234**	235
		7,272	5,733
Plant, Property and Equipment	net of accumulated depreciation of $35,955 and $35,397, respectively	**77,996**	77,501
Net Investment in Leases		**2,472**	2,477
Equity Investments		**10,698**	10,636
Restricted Investments		**3,152**	2,998
Regulatory Assets		**2,793**	2,682
Goodwill		**13,645**	13,670
Other Long-Term Assets		**2,394**	2,410
Long-Term Assets of Discontinued Operations		**123**	136
		120,545	118,243
LIABILITIES			
Current Liabilities			
Notes payable		**1,529**	387
Accounts payable and other		**4,489**	5,297
Dividends payable		**900**	874
Accrued interest		**820**	828
Current portion of long-term debt		**2,473**	2,955
Current liabilities of discontinued operations		**113**	170
		10,324	10,511
Regulatory Liabilities		**5,485**	5,303
Other Long-Term Liabilities		**988**	1,051
Deferred Income Tax Liabilities		**7,209**	6,884
Long-Term Debt		**45,891**	44,976
Junior Subordinated Notes		**12,099**	11,048
Long-Term Liabilities of Discontinued Operations		**110**	110
		82,106	79,883
EQUITY			
Common shares, no par value		**30,136**	30,101
Issued and outstanding:	March 31, 2025 – 1,040 million shares December 31, 2024 – 1,039 million shares		
Preferred shares		**2,499**	2,499
Accumulated deficit		**(5,147)**	(5,241)
Accumulated other comprehensive income (loss)		**205**	233
Controlling Interests		**27,693**	27,592
Non-Controlling Interests		**10,746**	10,768
		38,439	38,360
		120,545	118,243

Commitments, Contingencies and Guarantees (Note 13)

Variable Interest Entities (Note 14)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

	three months ended March 31	
(unaudited - millions of Canadian $)	**2025**	2024
Common Shares		
Balance at beginning of period	**30,101**	30,002
Shares issued:		
Exercise of stock options	**35**	—
Balance at end of period	**30,136**	30,002
Preferred Shares		
Balance at beginning and end of period	**2,499**	2,499
Additional Paid-In Capital		
Balance at beginning of period	**—**	—
Exercise and forfeitures of stock options	**(2)**	—
Disposition of equity interests, net of transaction costs	**—**	11
Reclassification of additional paid-in capital deficit to accumulated deficit	**2**	(11)
Balance at end of period	**—**	—
Accumulated Deficit		
Balance at beginning of period	**(5,241)**	(2,997)
Net income (loss) attributable to controlling interests	**1,006**	1,226
Common share dividends	**(884)**	(996)
Preferred share dividends	**(26)**	(21)
Reclassification of additional paid-in capital deficit to accumulated deficit	**(2)**	11
Balance at end of period	**(5,147)**	(2,777)
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period	**233**	49
Other comprehensive income (loss) attributable to controlling interests	**(28)**	328
Balance at end of period	**205**	377
Equity Attributable to Controlling Interests	**27,693**	30,101
Equity Attributable to Non-Controlling Interests		
Balance at beginning of period	**10,768**	9,455
Net income (loss) attributable to non-controlling interests	**169**	171
Other comprehensive income (loss) attributable to non-controlling interests	**(20)**	235
Disposition of equity interests	**—**	(6)
Distributions declared to non-controlling interests	**(171)**	(282)
Balance at end of period	**10,746**	9,573
Total Equity	**38,439**	39,674

See accompanying Notes to the Condensed consolidated financial statements.

Notes to Condensed consolidated financial statements

(unaudited)

1. BASIS OF PRESENTATION

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

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

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

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

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

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

Use of Estimates and Judgments

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

2. ACCOUNTING CHANGES

Changes in Accounting Policies for 2025

Income Taxes

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

Future Accounting Changes

Disaggregation of Income Statement Expenses

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

3. DISCONTINUED OPERATIONS

Spinoff of Liquids Pipelines Business

Presentation of Discontinued Operations

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

Income from Discontinued Operations

	three months ended March 31
(unaudited - millions of Canadian $)	**2024**
Revenues	734
Income (Loss) from Equity Investments	17
Operating and Other Expenses	
Plant operating costs and other	210
Commodity purchases resold	108
Property taxes	30
Depreciation and amortization	84
	432
Segmented Earnings (Losses) from Discontinued Operations	319
Financial Charges	
Interest expense	57
Interest income and other	(2)
	55
Income (Loss) from Discontinued Operations before Income Taxes	264
Income tax expense (recovery)	49
Net Income (Loss) from Discontinued Operations, Net of Tax	215

Assets and Liabilities of Discontinued Operations

(unaudited - millions of Canadian $)	March 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Other current assets	**234**	235
	234	235
Other Long-Term Assets	**123**	136
	357	371
LIABILITIES		
Current Liabilities		
Accounts payable and other	**113**	170
	113	170
Other Long-Term Liabilities	**110**	110
	223	280

Cash Flows from Discontinued Operations

	three months ended March 31	
(unaudited - millions of Canadian $)	**2025**	**2024**
Net cash (used in) operations	**(56)**	(33)
Net cash (used in) provided by investing activities	**—**	(2)

4. SEGMENTED INFORMATION

three months ended March 31, 2025 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	**1,371**	**1,858**	**226**	**162**	**6**	**3,623**
Intersegment revenues[2]	**—**	**26**	**—**	**—**	**(26)**	**—**
	1,371	**1,884**	**226**	**162**	**(20)**	**3,623**
Income (loss) from equity investments	**30**	**98**	**34**	**143**	**—**	**305**
Operating costs[2]	**(511)**	**(621)**	**(25)**	**(142)**	**15**	**(1,284)**
Depreciation and amortization	**(374)**	**(252)**	**(24)**	**(28)**	**—**	**(678)**
Segmented Earnings (Losses)	**516**	**1,109**	**211**	**135**	**(5)**	**1,966**
Interest expense						**(840)**
Allowance for funds used during construction						**248**
Foreign exchange gains (losses), net						**43**
Interest income and other						**51**
Income (Loss) from Continuing Operations before Income Taxes						**1,468**
Income tax (expense) recovery from continuing operations						**(293)**
Net Income (Loss) from Continuing Operations						**1,175**
Net Income (Loss) from Discontinued Operations, Net of Tax						**—**
Net Income (Loss)						**1,175**
Net (income) loss attributable to non-controlling interests						**(169)**
Net Income (Loss) Attributable to Controlling Interests						**1,006**
Preferred share dividends						**(28)**
Net Income (Loss) Attributable to Common Shares						**978**
Capital Spending[3]						
Capital expenditures	**416**	**804**	**305**	**30**	**5**	**1,560**
Capital projects in development	**—**	**—**	**—**	**4**	**—**	**4**
Contributions to equity investments	**—**	**54**	**—**	**191**	**—**	**245**
	416	**858**	**305**	**225**	**5**	**1,809**

1 Includes intersegment eliminations.

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

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

three months ended March 31, 2024 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Power and Energy Solutions	Corporate [1]	Total
Revenues	1,384	1,672	214	239	—	3,509
Intersegment revenues[2]	—	26	—	—	(26)	—
	1,384	1,698	214	239	(26)	3,509
Income (loss) from equity investments	6	126	30	177	—	339
Operating costs[2]	(544)	(541)	(9)	(138)	(34) [3]	(1,266)
Depreciation and amortization	(345)	(240)	(23)	(26)	(1) [3]	(635)
Segmented Earnings (Losses)	501	1,043	212	252	(61)	1,947
Interest expense						(780)
Allowance for funds used during construction						157
Foreign exchange gains (losses), net						27
Interest income and other						75
Income (Loss) from Continuing Operations before Income Taxes						1,426
Income tax (expense) recovery from continuing operations						(244)
Net Income (Loss) from Continuing Operations						1,182
Net Income (Loss) from Discontinued Operations, Net of Tax						215
Net Income (Loss)						1,397
Net (income) loss attributable to non-controlling interests						(171)
Net Income (Loss) Attributable to Controlling Interests						1,226
Preferred share dividends						(23)
Net Income (Loss) Attributable to Common Shares						1,203
Capital Spending[4]						
Capital expenditures	341	584	615	17	5	1,562
Capital projects in development	—	—	—	20	—	20
Contributions to equity investments	112	—	—	186	—	298
	453	584	615	223	5	1,880
Discontinued operations						17
						1,897

1 Includes intersegment eliminations.

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

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

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

Total Assets by Segment

(unaudited - millions of Canadian $)	March 31, 2025	December 31, 2024
Canadian Natural Gas Pipelines	**31,085**	31,167
U.S. Natural Gas Pipelines	**56,829**	56,304
Mexico Natural Gas Pipelines	**16,426**	15,995
Power and Energy Solutions	**10,309**	10,217
Corporate	**5,539**	4,189
	120,188	117,872
Discontinued Operations	**357**	371
	120,545	118,243

5. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three months ended March 31, 2025 and 2024:

three months ended March 31, 2025 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers					
Capacity arrangements and transportation	**1,371**	**1,528**	**113**	**—**	**3,012**
Power generation	**—**	**—**	**—**	**62**	**62**
Natural gas storage and other[1]	**—**	**258**	**32**	**115**	**405**
	1,371	**1,786**	**145**	**177**	**3,479**
Sales-type lease income	**—**	**—**	**81**	**—**	**81**
Other revenues[2]	**—**	**72**	**—**	**(15)**	**57**
	1,371	**1,858**	**226**	**162**	**3,617**
Corporate revenues[3]					**6**
					3,623

1 The Mexico Natural Gas Pipelines segment includes $26 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

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

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

three months ended March 31, 2024 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers					
Capacity arrangements and transportation	1,378	1,416	107	—	2,901
Power generation	—	—	—	100	100
Natural gas storage and other[1,2]	6	214	31	82	333
	1,384	1,630	138	182	3,334
Sales-type lease income	—	—	76	—	76
Other revenues[3]	—	42	—	57	99
	1,384	1,672	214	239	3,509

1 The Canadian Natural Gas Pipelines segment includes $6 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project, which is 35 per cent owned by TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $24 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Includes income from the Company's marketing activities, financial instruments and $31 million of operating lease income. Refer to Note 12, Risk management and financial instruments, for additional information.

Contract Balances

(unaudited - millions of Canadian $)	March 31, 2025	December 31, 2024	Affected line item on the Condensed consolidated balance sheet
Receivables from contracts with customers	**1,462**	1,452	Accounts receivable
Contract assets	**234**	165	Other current assets
Long-term contract assets	**615**	608	Other long-term assets
Contract liabilities[1]	**30**	30	Accounts payable and other

1 During the three months ended March 31, 2025, $13 million (2024 – $23 million) of revenues were recognized that were included in contract liabilities at the beginning of the period.

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

Future Revenues from Remaining Performance Obligations

As at March 31, 2025, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2055 are approximately $27.6 billion, of which approximately $4.7 billion is expected to be recognized during the remainder of 2025.

6. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 20 per cent and 17 per cent for the three months ended March 31, 2025 and 2024, respectively. The increase in the effective income tax rate is primarily due to higher flow-through income taxes and the impact of Mexico foreign exchange exposure.

7. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the three months ended March 31, 2025 included the following:

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

Long-Term Debt Repaid/Retired

Long-term debt repaid by the Company in the three months ended March 31, 2025 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
Columbia Pipelines Operating Company LLC				
	March 2025	Senior Unsecured Notes[1]	US 1,000	4.50%
TC PipeLines, LP				
	March 2025	Senior Unsecured Notes	US 350	4.38%
TC Energía Mexicana, S. de R.L. de C.V.				
	March 2025	Senior Unsecured Term Loan	US 30	Floating

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

Capitalized Interest

In the three months ended March 31, 2025, TC Energy capitalized interest of $3 million (2024 – $68 million) related to capital projects.

8. JUNIOR SUBORDINATED NOTES

Junior subordinated notes issued by the Company in the three months ended March 31, 2025 included the following:

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

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

9. COMMON SHARES AND PREFERRED SHARES

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

	three months ended March 31	
(unaudited - Canadian $, rounded to two decimals)	**2025**	**2024**
per common share	**0.85** [1]	0.96
per Series 1 preferred share	**0.31**	0.22
per Series 2 preferred share	**0.33**	0.43
per Series 3 preferred share	**0.11**	0.11
per Series 4 preferred share	**0.29**	0.39
per Series 5 preferred share	**0.12**	0.12
per Series 6 preferred share	**0.29**	0.41
per Series 7 preferred share	**0.37**	0.24
per Series 9 preferred share	**0.32**	0.24
per Series 10 preferred share	**0.34**	—

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

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

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

three months ended March 31, 2025 (unaudited - millions of Canadian $)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Foreign currency translation gains and losses on net investment in foreign operations	**(40)**	**(1)**	**(41)**
Change in fair value of net investment hedges	**1**	**—**	**1**
Change in fair value of cash flow hedges	**4**	**(1)**	**3**
Reclassification to net income of (gains) losses on cash flow hedges	**2**	**(1)**	**1**
Other comprehensive income (loss) on equity investments	**(17)**	**5**	**(12)**
Other Comprehensive Income (Loss)	**(50)**	**2**	**(48)**

three months ended March 31, 2024 (unaudited - millions of Canadian $)	**Before tax amount**	**Income tax (expense) recovery**	**Net of tax amount**
Foreign currency translation gains and losses on net investment in foreign operations	470	3	473
Change in fair value of net investment hedges	(12)	3	(9)
Change in fair value of cash flow hedges	11	(3)	8
Other comprehensive income (loss) on equity investments	120	(29)	91
Other Comprehensive Income (Loss)	589	(26)	563

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

three months ended March 31, 2025 (unaudited - millions of Canadian $)	**Currency translation adjustments**	**Cash flow hedges**	**Pension and other post-retirement benefit plans adjustments**	**Equity investments**	**Total**
AOCI balance at January 1, 2025	**(402)**	**(16)**	**22**	**629**	**233**
Other comprehensive income (loss) before reclassifications[1]	**(20)**	**3**	**—**	**(10)**	**(27)**
Amounts reclassified from AOCI[2]	**—**	**1**	**—**	**(2)**	**(1)**
Net current period other comprehensive income (loss)	**(20)**	**4**	**—**	**(12)**	**(28)**
AOCI balance at March 31, 2025	**(422)**	**(12)**	**22**	**617**	**205**

1 Other comprehensive income (loss) before reclassifications on currency translation adjustments is net of non-controlling interest losses of $20 million (2024 – gains of $235 million).

2 Gains related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be $23 million ($17 million after tax) at March 31, 2025. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time; however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

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

	three months ended March 31[1]		
(unaudited - millions of Canadian $)	2025	2024	Affected line item in the Condensed consolidated statement of income
Cash flow hedges			
Commodities	**4**	3	Revenues (Power and Energy Solutions)
Interest rate	**(3)**	(3)	Interest expense
Foreign exchange	**(3)**	—	Interest expense and Foreign exchange gains (losses)
	(2)	—	Total before tax
	1	—	Income tax (expense) recovery
	(1)	—	Net of tax
Equity investments			
Equity income (loss)	**2**	5	Income (loss) from equity investments
	—	(1)	Income tax (expense) recovery
	2	4	Net of tax

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

11. EMPLOYEE POST-RETIREMENT BENEFITS

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

	three months ended March 31			
	Pension benefit plans		Other post-retirement benefit plans	
(unaudited - millions of Canadian $)	2025	2024	2025	2024
Service cost[1]	**25**	27	**—**	—
Other components of net benefit cost (recovery)[1]				
Interest cost	**41**	39	**4**	3
Expected return on plan assets	**(63)**	(60)	**(4)**	(3)
	(22)	(21)	**—**	—
Net Benefit Cost (Recovery)	**3**	6	**—**	—

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

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Overview

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

Counterparty Credit Risk

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

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

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

For the three months ended March 31, 2025, the Company recorded a recovery of $2 million (2024 – recovery of $18 million) on the ECL provision before tax with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of nil (2024 – recovery of $2 million) on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. At March 31, 2025, the balance of the ECL provision was $57 million (December 31, 2024 – $59 million) with respect to the net investment in leases associated with the in-service TGNH pipelines and $4 million (December 31, 2024 – $4 million) related to certain other Mexico natural gas pipelines. The ECL provision is driven primarily by a probability of default measure for the counterparty, which is calculated using information published by an external third party.

Other than the ECL provision noted above, the Company had no significant credit losses at March 31, 2025, and there were no significant credit risk concentrations or amounts past due or impaired.

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

Net Investment in Foreign Operations

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

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

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

1 Fair value equals carrying value.

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

3 For the three months ended March 31, 2025 and 2024, Net income (loss) included net realized gains of less than $1 million related to the interest component of cross-currency swap settlements which are reported within Interest expense.

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

(unaudited - millions of Canadian $, unless otherwise noted)	March 31, 2025	December 31, 2024
Notional amount	**26,000 (US 18,100)**	26,000 (US 18,000)
Fair value	**25,700 (US 17,900)**	25,700 (US 17,800)

Non-Derivative Financial Instruments

Fair value of non-derivative financial instruments

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

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

Balance sheet presentation of non-derivative financial instruments

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

(unaudited - millions of Canadian $)	March 31, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, including current portion[1,2]	**(48,364)**	**(48,713)**	(47,931)	(48,318)
Junior subordinated notes	**(12,099)**	**(11,873)**	(11,048)	(10,824)
	(60,463)	**(60,586)**	(58,979)	(59,142)

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

2 Net income (loss) for the three months ended March 31, 2025 included unrealized losses of $88 million (2024 – unrealized gains of $83 million) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships. There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available-for-sale assets summary

The following tables summarize additional information about the Company's restricted investments that were classified as available-for-sale assets:

(unaudited - millions of Canadian $)	March 31, 2025 LMCI restricted investments	March 31, 2025 Other restricted investments[1]	December 31, 2024 LMCI restricted investments	December 31, 2024 Other restricted investments[1]
Fair values of fixed income securities[2,3]				
Maturing within 1 year	**—**	**50**	—	33
Maturing within 1-5 years	**—**	**276**	3	256
Maturing within 5-10 years	**1,609**	**7**	1,578	—
Maturing after 10 years	**35**	**24**	—	—
Fair value of equity securities[2,4]	**1,110**	**80**	1,070	64
	2,754	**437**	2,651	353

1 Other restricted investments have been set aside to fund insurance claim losses to be paid by the Company's wholly-owned captive subsidiary and in 2025, funds have also been set aside to pay for certain active employee medical benefits.

2 Available-for-sale assets are recorded at fair value and included in Other current assets and Restricted investments on the Company's Condensed consolidated balance sheet.

3 Classified in Level II of the fair value hierarchy.

4 Classified in Level I of the fair value hierarchy.

(unaudited - millions of Canadian $)	three months ended March 31			
	2025		2024	
	LMCI restricted investments[1]	Other restricted investments[2]	LMCI restricted investments[1]	Other restricted investments[2]
Net unrealized gains (losses) in the period	**36**	**3**	64	3
Net realized gains (losses) in the period[3]	**(16)**	**—**	(1)	—

1 Unrealized and realized gains (losses) arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory liabilities or regulatory assets.

2 Unrealized and realized gains (losses) on other restricted investments are included in Interest income and other in the Condensed consolidated statement of income.

3 Realized gains (losses) on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair value of derivative instruments

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

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

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

Balance sheet presentation of derivative instruments

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

at March 31, 2025 (unaudited - millions of Canadian $)	**Cash flow hedges**	**Fair value hedges**	**Held for trading**	**Total fair value of derivative instruments**[1]
Other current assets				
Commodities[2]	**22**	**—**	**480**	**502**
Foreign exchange	**9**	**—**	**38**	**47**
	31	**—**	**518**	**549**
Other long-term assets				
Commodities[2]	**13**	**—**	**56**	**69**
Foreign exchange	**—**	**—**	**8**	**8**
Interest rate	**—**	**19**	**—**	**19**
	13	**19**	**64**	**96**
Total Derivative Assets	**44**	**19**	**582**	**645**
Accounts payable and other				
Commodities[2]	**—**	**—**	**(526)**	**(526)**
Foreign exchange	**—**	**—**	**(138)**	**(138)**
Interest rate	**—**	**(15)**	**—**	**(15)**
	—	**(15)**	**(664)**	**(679)**
Other long-term liabilities				
Commodities[2]	**—**	**—**	**(32)**	**(32)**
Foreign exchange	**(20)**	**—**	**(28)**	**(48)**
Interest rate	**—**	**(55)**	**—**	**(55)**
	(20)	**(55)**	**(60)**	**(135)**
Total Derivative Liabilities	**(20)**	**(70)**	**(724)**	**(814)**
Total Derivatives	**24**	**(51)**	**(142)**	**(169)**

1 Fair value equals carrying value.

2 Includes purchases and sales of power and natural gas.

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

1 Fair value equals carrying value.
2 Includes purchases and sales of power and natural gas.

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

Derivatives in fair value hedging relationships

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

	Carrying amount		Fair value hedging adjustments[1]	
(unaudited - millions of Canadian $)	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Long-term debt	**(4,230)**	(3,935)	**11**	98

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

Notional and maturity summary

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

at March 31, 2025 (unaudited)	Power	Natural gas	Foreign exchange	Interest rate
Net sales (purchases)[1]	**9,918**	**47**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**6,559**	**2,950**
Millions of Mexican pesos	**—**	**—**	**15,250**	**—**
Maturity dates	**2025-2044**	**2025-2032**	**2025-2030**	**2030-2034**

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

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

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

Unrealized and Realized Gains (Losses) on Derivative Instruments

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

	three months ended March 31	
(unaudited - millions of Canadian $)	**2025**	**2024**
Derivative Instruments Held for Trading[1]		
Unrealized gains (losses) in the period		
Commodities	**(75)**	(29)
Foreign exchange	**58**	(71)
Realized gains (losses) in the period		
Commodities	**(29)**	202
Foreign exchange	**(8)**	51
Interest rate	**2**	—
Derivative Instruments in Hedging Relationships		
Realized gains (losses) in the period		
Commodities	**9**	3
Foreign exchange	**1**	—
Interest rate	**(9)**	(13)

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

Derivatives in cash flow hedging relationships

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

	three months ended March 31	
(unaudited - millions of Canadian $, pre-tax)	**2025**	**2024**
Gains (losses) in fair value of derivative instruments recognized in OCI[1]		
Commodities	**14**	11
Foreign exchange	**(10)**	—
	4	11

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

Effect of fair value and cash flow hedging relationships

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

	three months ended March 31	
(unaudited - millions of Canadian $)	**2025**	**2024**
Fair Value Hedges		
Interest rate contracts[1]		
Hedged items	**(44)**	(30)
Derivatives designated as hedging instruments	**(9)**	(13)
Cash Flow Hedges		
Reclassification of gains (losses) on derivative instruments from AOCI to Net income (loss)[2,3]		
Commodities[4]	**4**	3
Foreign exchange[5]	**(3)**	—
Interest rate[1]	**(3)**	(3)

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

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

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

4 Presented within Revenues (Power and Energy Solutions) in the Condensed consolidated statement of income.

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

Offsetting of derivative instruments

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

at March 31, 2025 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	**571**	**(478)**	**93**
Foreign exchange	**55**	**(53)**	**2**
Interest rate	**19**	**(6)**	**13**
	645	**(537)**	**108**
Derivative instrument liabilities			
Commodities	**(558)**	**478**	**(80)**
Foreign exchange	**(186)**	**53**	**(133)**
Interest rate	**(70)**	**6**	**(64)**
	(814)	**537**	**(277)**

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

at December 31, 2024 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	418	(290)	128
Foreign exchange	51	(49)	2
	469	(339)	130
Derivative instrument liabilities			
Commodities	(339)	290	(49)
Foreign exchange	(238)	49	(189)
Interest rate	(139)	—	(139)
	(716)	339	(377)

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

With respect to the derivative instruments presented above, the Company provided cash collateral of $179 million and letters of credit of $81 million at March 31, 2025 (December 31, 2024 – $133 million and $59 million, respectively) to its counterparties. At March 31, 2025, the Company held cash collateral of less than $1 million and $90 million letters of credit (December 31, 2024 – less than $1 million and $75 million, respectively) from counterparties on asset exposures.

Credit-risk-related contingent features of derivative instruments

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

Based on contracts in place and market prices at March 31, 2025, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $8 million (December 31, 2024 – $10 million), for which the Company has provided no collateral in the normal course of business. If the credit-risk-related contingent features in these agreements were triggered on March 31, 2025, the Company would have been required to provide collateral equal to the fair value of the related derivative instruments discussed above. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds. The Company has sufficient liquidity in the form of cash and undrawn committed revolving credit facilities to meet these contingent obligations should they arise.

Fair Value Hierarchy

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

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

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

at March 31, 2025 (unaudited - millions of Canadian $)	**Quoted prices in active markets (Level I)**	**Significant other observable inputs (Level II)**[1]	**Significant unobservable inputs (Level III)**[1]	**Total**
Derivative instrument assets				
Commodities	**229**	**295**	**47**	**571**
Foreign exchange	**—**	**55**	**—**	**55**
Interest rate	**—**	**19**	**—**	**19**
Derivative instrument liabilities				
Commodities	**(269)**	**(287)**	**(2)**	**(558)**
Foreign exchange	**—**	**(186)**	**—**	**(186)**
Interest rate	**—**	**(70)**	**—**	**(70)**
	(40)	**(174)**	**45**	**(169)**

1 There were no transfers from Level II to Level III for the three months ended March 31, 2025.

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

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

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

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

	three months ended March 31	
(unaudited - millions of Canadian $)	**2025**	**2024**
Balance at beginning of period	**72**	(11)
Net gains (losses) included in Net income (loss)[1]	**(23)**	55
Transfers to Level II	**(2)**	(3)
Settlements	**(2)**	—
Balance at end of period	**45**	41

1 For the three months ended March 31, 2025, there were unrealized losses of $23 million recognized in Revenues attributed to derivatives in the Level III category that were held at March 31, 2025 (2024 – unrealized gains of $55 million).

13. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

Capital expenditure commitments at March 31, 2025 increased by approximately $0.4 billion from those reported at December 31, 2024, reflecting new contractual commitments entered into for construction on U.S. natural gas pipelines, primarily related to the construction costs associated with ANR and other pipeline projects, partially offset by normal course fulfillment of construction contracts.

Contingencies

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

Coastal GasLink LP

Coastal GasLink LP is in dispute with a number of contractors related to construction of the Coastal GasLink pipeline. Material legal matters pertaining to Coastal GasLink are summarized as follows:

Pacific Atlantic Pipeline Construction Ltd.

Coastal GasLink LP is in arbitration with one of its previous prime contractors, Pacific Atlantic Pipeline Construction Ltd. (PAPC). Coastal GasLink LP terminated its contract with PAPC for cause, due to the failure of PAPC to complete work as scheduled and made a demand on the parental guarantee for payment of the guaranteed obligations. Following Coastal GasLink LP’s demand on the guarantee, in August 2022, PAPC initiated arbitration. As of March 31, 2025, PAPC purports to seek at least $460 million in damages for wrongful termination for cause, termination damages and payments alleged to be outstanding. Coastal GasLink LP disputes the merits of PAPC’s claims and has counterclaimed against PAPC and its parent company and guarantor, Bonatti S.p.A., citing delays and failures by PAPC to perform and manage work in accordance with the terms of its contract. Coastal GasLink LP estimates its damages to be $1.3 billion. PAPC and Bonatti S.p.A. dispute Coastal GasLink LP's claims and assert that Coastal GasLink LP's damages, if any, are subject to a contractual limit of approximately $220 million. The hearing previously scheduled to commence in November 2024 has now been rescheduled to third quarter 2025. At March 31, 2025, the final outcome of this matter cannot be reasonably estimated.

Separately, Coastal GasLink LP has drawn on a $117 million irrevocable standby letter of credit (LOC) provided by PAPC based on a bona fide belief that Coastal GasLink LP’s damages are in excess of the face value of the LOC. PAPC applied for an injunction restraining Coastal GasLink LP from drawing on the LOC pending the completion of the arbitration between Coastal GasLink LP, PAPC and Bonatti S.p.A., but was unsuccessful. Coastal GasLink LP is now able to use the recovered LOC funds. PAPC and Bonatti S.p.A. have amended their original claims to seek additional damages in relation to the draw on the LOC. The amount claimed has not been articulated beyond the $117 million. The parties have agreed that the issue of damages arising from Coastal GasLink LP's draw on the LOC will be determined, if necessary, at a date subsequent to the arbitration hearing noted above.

Macro Spiecapag Coastal GasLink Joint Venture

Coastal GasLink LP is in arbitration with its former prime contractor, Macro Spiecapag Coastal GasLink Joint Venture (MSJV). In May 2021, Coastal GasLink LP terminated a portion of the work under its contract with MSJV. MSJV continued as prime contractor for the remaining portion of the work; however, it did not complete the remaining work as scheduled. Coastal GasLink LP claims damages in the approximate amount of $560 million for delay, owner indirect costs, contractor replacement costs and repayment of payments made on a without prejudice basis. MSJV has counterclaimed against Coastal GasLink LP for damages for wrongful termination and outstanding costs in the approximate amount of $480 million. An arbitration schedule is expected to be established in second quarter 2025. At March 31, 2025, the final outcome of this matter cannot be reasonably estimated.

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, including any additional interest assessed to the date of payment.

TC Energy disagrees with many of the Court's findings and believes the Court's ruling departs from established Delaware law. TC Energy has appealed the decision to the Delaware Supreme Court and a final decision is expected in 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. The Company's legal assessment is that it is not probable that TC Energy will incur a loss upon completion of the appeal process, and therefore, the Company has not accrued a provision for this claim at March 31, 2025.

Guarantees

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

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

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

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

		March 31, 2025		December 31, 2024	
(unaudited - millions of Canadian $)	**Term**	**Potential exposure[1]**	**Carrying value**	**Potential exposure[1]**	**Carrying value**
Bruce Power	Renewable to 2065	**88**	**—**	88	—
Sur de Texas	Renewable to 2053	**87**	**1**	93	—
Other jointly-owned entities	to 2032	**59**	**1**	59	1
		234	**2**	240	1

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

14. VARIABLE INTEREST ENTITIES

Consolidated VIEs

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

(unaudited - millions of Canadian $)	March 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	**599**	311
Accounts receivable	**886**	839
Inventories	**206**	205
Other current assets	**94**	121
	1,785	1,476
Plant, Property and Equipment	**49,988**	49,904
Equity Investments	**933**	865
Restricted Investments	**993**	950
Regulatory Assets	**82**	53
Goodwill	**477**	479
Other Long-Term Assets	**67**	59
	54,325	53,786
LIABILITIES		
Current Liabilities		
Notes payable	**179**	—
Accounts payable and other	**1,568**	1,866
Accrued interest	**222**	202
Current portion of long-term debt	**117**	2,062
	2,086	4,130
Regulatory Liabilities	**1,295**	1,232
Other Long-Term Liabilities	**81**	70
Deferred Income Tax Liabilities	**8**	7
Long-Term Debt	**13,762**	12,387
	17,232	17,826

Non-Consolidated VIEs

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

(unaudited - millions of Canadian $)	March 31, 2025	December 31, 2024
Balance Sheet Exposure		
Equity investments		
Bruce Power	**7,129**	7,043
Coastal GasLink	**879**	1,006
Other pipeline equity investments	**162**	160
Off-Balance Sheet Exposure[1]		
Bruce Power	**2,650**	1,877
Coastal GasLink[2]	**265**	265
Other pipeline equity investments	**2**	2
Maximum Exposure to Loss	**11,087**	10,353

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

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