TRANS MOUNTAIN CORPORATION

MANAGEMENT REPORT

For the three and six month periods ended June 30, 2026

August 5, 2026

This Management Report (this "Report") is dated August 5, 2026 and is supplementary to, and should be read in conjunction with, the unaudited condensed consolidated financial statements of Trans Mountain Corporation for the three and six month periods ended June 30, 2026 ("TMC's Financial Statements") as well as the audited consolidated financial statements of Trans Mountain Corporation for the year ended December 31, 2025 and Trans Mountain Corporation's Management Report for the year ended December 31, 2025. TMC's Financial Statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP"). All financial measures in this Report are presented in Canadian dollars unless otherwise indicated.

Throughout this Report, the terms "we", "us", "our", and "TMC" refer to Trans Mountain Corporation and its subsidiaries.

Our Mandate

TMC's mandate is to operate, optimize and grow the Trans Mountain and Puget Sound Pipelines in a commercially viable manner. TMC seeks to operate in compliance with applicable laws, rules and regulations and manage the business in a commercial manner. With the commercial commencement of the expanded pipeline system occurring on May 1, 2024, TMC has completed the expansion in alignment with the shareholder's priority to provide increased access to international markets for Canadian crude oil producers.

About Our Business

TMC is a Federal Crown corporation and is a wholly-owned subsidiary of Canada TMP Finance Ltd. ("TMP Finance"), which in turn is a wholly-owned subsidiary of the Canada Development Investment Corporation ("CDEV"). TMC conducts operations through four entities: Trans Mountain Pipeline ULC, Trans Mountain Canada Inc., Trans Mountain Pipeline L.P. ("TMP LP") and TMP LP's wholly-owned subsidiary, Trans Mountain Pipeline (Puget Sound) LLC. Together these entities own and operate the Trans Mountain Pipeline System, consisting of the expanded Trans Mountain pipeline system and the Puget Sound pipeline ("Puget").

Trans Mountain Pipeline

The Trans Mountain pipeline ("TMPL") has been in operation since 1953 and transports crude oil and refined petroleum products from Alberta to the lower mainland of British Columbia. The mechanical completion and commercial commencement of the Trans Mountain Expansion Project ("TMEP") in the second quarter of 2024 expanded the preexisting pipeline system that begins near Edmonton, Alberta and terminates in Burnaby, British Columbia, with a combined nominal capacity of 890,000 barrels per day ("bpd").

Shippers have long-term transportation contracts on the TMPL extending to 2039 and 2044, covering approximately 80% of its capacity. These shippers represent or are affiliates of some of the largest producing, marketing and refining companies in the Western Canada Sedimentary

Basin and have direct access to large volumes of crude oil and refined products from their business operations.

Puget Sound Pipeline

Puget, owned by Trans Mountain Pipeline (Puget Sound) LLC, has been in operation since 1954. Puget transports crude oil from the Canada-U.S. border near the Sumas Terminal to Washington State refineries in Anacortes and Ferndale.

Puget is approximately 111 kilometers long. One pump station and two tanks with total capacity of approximately 200,000 barrels facilitate movements on the system. The system has total throughput capacity of approximately 240,000 bpd when transporting primarily light oil.

Puget is a common carrier pipeline and the tolls on Puget are set in accordance with the Federal Energy Regulatory Commission ("FERC") rate indexing system. FERC sets ceiling rates annually, which in turn allows Trans Mountain to adjust its rates subject to the ceiling limitation.

Settlement Agreement with Shippers

On June 1, 2023, Trans Mountain filed the Application for Interim Commencement Date Tolls with the Canada Energy Regulator ("CER"). On November 30, 2023, the CER approved Trans Mountain's preliminary interim tolls. At the commencement of service of the TMEP on May 1, 2024, TMC began recording revenue on the basis of these preliminary interim tolls.

On July 7, 2026, Trans Mountain filed a negotiated settlement (the "Settlement Agreement") with the CER covering tolling, tariff and service-related matters on the TMPL. The parties to the Settlement Agreement (the "Settlement") represent the substantial majority of contracted firm shipment volumes on the TMPL and reflect a broad range of commercial interests.

The Settlement, reached following approximately 18 months of extensive engagement and good-faith negotiations with shippers, establishes a comprehensive long-term framework for tolls, tariffs and service on the TMPL, subject to CER approval. It provides greater certainty and predictability for customers and stakeholders, while supporting the long-term operation of the TMPL.

If approved by the CER, the Settlement would:

- Establish a new long-term framework for tolls and service on the TMPL;
- Resolve all issues currently before the CER in Proceeding RH-002-2023;
- Finalize tolls for the period from May 1, 2024 to the day immediately prior to the Settlement effective date;
- Establish the future tolling framework for firm shippers and uncommitted shippers;
- Increase the level of firm capacity on the TMPL from 80% to 90% of nominal pipeline capacity; and
- Align tolling, transportation service and commercial operating terms within a single negotiated framework.

The Settlement also supports implementation of the Transportation Service Agreements that were entered into through the 2026 Firm Contracting Open Season, which ran from April 7, 2026 to June 2, 2026. The firm capacity allocated from that process was conditional upon approval of the Settlement and its associated tolling and service framework.

Trans Mountain has requested CER approval of the Settlement by October 1, 2026 to support implementation of the new framework and a potential January 1, 2027 Settlement effective date. The framework would provide commercial certainty to shippers and other market participants and includes tolls for 15- and 20-year Transportation Service Agreements along with opportunities for firm shippers to extend their contracts. The tolls that are currently in place will continue until such time as the CER renders a decision on the Settlement Agreement and the Settlement tolls come into effect.

Expansion Capacity Open Season

Through its Mainline Optimization Program (the "MOP"), including the drag reducing agent ("DRA") project and targeted facility enhancements, Trans Mountain expects to add up to 300,000 bpd of incremental capacity by the end of 2028.

Having received the first regulatory permit required to advance the program, Trans Mountain anticipates increasing TMPL's nominal capacity, allowing for a potential increase in throughput across the TMPL from 890,000 bpd to 980,000 bpd by the end of 2026, representing an approximate 10% increase in potential throughput, or 90,000 bpd.

The open season for this incremental capacity for the MOP (the "Expansion Capacity Open Season") will run from July 13, 2026 to August 10, 2026.

Proposed West Coast Oil Pipeline

On July 2, 2026, TMC entered into a non-binding Heads of Agreement with the Government of Canada, the Government of Alberta, Alberta Petroleum and Marketing Commission ("APMC") and Pembina Pipeline Corporation ("Pembina") to develop a new approximately one million bpd oil pipeline connecting Bruderheim, Alberta to the west coast of British Columbia (the "West Coast Oil Pipeline").

Subject to definitive agreements to be further negotiated, the Government of Canada, through Trans Mountain, and the Government of Alberta, through APMC, would hold majority interest in the West Coast Oil Pipeline, with Pembina participating as a strategic investor with an ownership interest. TMC has been identified to lead project development, construction and operations.

As part of the process, the Government of Alberta submitted a request for the West Coast Oil Pipeline to be listed as a Project of National Interest by October 1, 2026.

Financial Highlights

Financial Highlights	Three months ended	June 30	Six months ended	June 30
(millions of Canadian dollars, except throughput amounts)	**2026**	**2025**	**2026**	**2025**
Revenues	808	719	1,537	1,448
Adjusted EBITDA[(a)]	606	558	1,158	1,126
Operating income	325	339	596	688
Net income	138	150	235	298
Cash provided by operating activities	410	283	880	620
Adjusted funds from operations[(a)]	437	394	823	794
Dividends declared	300	163	550	356
Capital expenditures incurred	44	69	73	35
Average daily throughput				
BC Deliveries (bpd)	96,000	90,000	85,000	87,000
Puget Sound Pipeline (bpd)	234,000	170,000	239,000	199,000
Westridge Marine Terminal (bpd)	510,000	443,000	465,000	444,000
Mainline deliveries (bpd)	840,000	703,000	789,000	730,000

Financial Position at (millions of Canadian dollars)	**June 30, 2026**	**December 31, 2025**
Cash and cash equivalents and restricted cash	632	481
Total assets	36,370	36,673
Total debt	12,000	12,000

(a) Adjusted EBITDA and adjusted funds from operations are non-GAAP financial measures. See "Non-GAAP Measures".

Revenues

	Three months ended June 30			Six months ended June 30		
(millions of Canadian dollars)	**2026**	**2025**	**% Change**	**2026**	**2025**	**% Change**
Transportation	796	702	13%	1,510	1,415	7%
Leases	11	16	(31%)	25	31	(19%)
Other	1	1	-	2	2	-
Total	**808**	**719**	**12%**	**1,537**	**1,448**	**6%**

Total revenues consist of income from three sources: transportation, leases and other services. TMC has contractually committed revenues associated with committed contracts for transportation service that total approximately 80% of the capacity on the TMPL. For the three and six months ended June 30, 2026, total revenues increased by $89 million to $808 million and $1.54 billion, respectively, compared to $719 million and $1.45 billion in the same periods of the prior year.

Throughput averaged a record 840,000 bpd in the second quarter of 2026, including 91,000 bpd of uncommitted spot volumes, compared to 703,000 bpd in the same period of the prior year, which included 14,000 bpd of uncommitted spot volumes. For the six month period ended June 30, 2026, throughput averaged 789,000 bpd, including 75,000 bpd of uncommitted spot volumes, compared to 730,000 bpd in the same period of the prior year, which included 21,000 bpd of uncommitted spot volumes. The increase in throughput primarily reflects strong market demand resulting from the U.S.-Iran conflict and the corresponding restrictions on Middle East Gulf crude flows.

Transportation revenues increased by $94 million to $796 million in the second quarter of 2026 and by $95 million to $1.51 billion for the six months ended June 30, 2026, compared with the same periods of the prior year. The increases were primarily due to higher throughput, particularly increased uncommitted spot volumes that earn higher average tolls, and the annual 2.5% toll increases effective May 1, 2026 and 2025, respectively.

Lease revenues, which primarily relate to TMC's third-party tank leases, decreased by $5 million to $11 million in the second quarter of 2026 and by $6 million to $25 million for the six months ended June 30, 2026, compared with the same periods in the prior year, primarily due to flow-through cost adjustments on TMC's Edmonton merchant tanks.

Other revenues mainly relate to pipe rack rent revenues earned at TMC's terminals and other minor revenue items.

Operating Expenses

	Three months ended June 30			Six months ended June 30		
(millions of Canadian dollars)	**2026**	**2025**	**% Change**	**2026**	**2025**	**% Change**
Pipeline operating costs	84	75	12%	160	150	7%
Depreciation and amortization	281	219	28%	562	438	28%
Salaries and benefits	57	49	16%	113	98	15%
Taxes, other than income taxes	21	20	5%	42	40	5%
Administration	20	17	18%	35	34	3%
Development costs	20	-	nm	29	-	nm
Total	**483**	**380**	**27%**	**941**	**760**	**24%**

Nm- calculation is not meaningful due to lack of comparability between periods.

Pipeline operating costs increased by $9 million to $84 million for the three months ended June 30, 2026, from $75 million in the same period of the prior year, and by $10 million to $160 million for the six months ended June 30, 2026, from $150 million in the same period of the prior year. The increase was primarily due to higher asset integrity costs, increased power costs resulting from higher throughput, and higher government and community payments, partially offset by lower insurance premiums.

Depreciation and amortization expense increased by $62 million to $281 million for the three months ended June 30, 2026, from $219 million in the same period of the prior year, and by $124 million to $562 million for the six months ended June 30, 2026, from $438 million in the same period of the prior year. The increase reflects higher depreciation rates effective July 1, 2025 following the CER's approval of Trans Mountain's 2024 Depreciation Study.

Salaries and benefits expense increased by $8 million to $57 million for the three months ended June 30, 2026, from $49 million in the same period of the prior year, and by $15 million to $113 million for the six months ended June 30, 2026, from $98 million in the same period of the prior year. Consistent with TMC's plan, the increases were primarily driven by higher compensation costs and workforce growth to support TMPL's operations and development activities.

Taxes, other than income taxes, increased by $1 million to $21 million for the three months ended June 30, 2026, from $20 million in the same period of the prior year, and by $2 million to $42 million for the six months ended June 30, 2026, from $40 million in the same period of the prior year. The increases were primarily due to higher property tax assessments.

Administration expenses increased by $3 million to $20 million for the three months ended June 30, 2026, from $17 million in the same period of the prior year, and by $1 million to $35 million for the six months ended June 30, 2026, from $34 million in the same period of the prior year. The increases were mainly due to costs associated with supporting a larger workforce.

For the three and six months ended June 30, 2026, development costs totalled $20 million and $29 million, respectively, related to optimization initiatives aimed at increasing pipeline capacity by up to 300,000 bpd. These initiatives include the use of drag-reducing agents, which are expected to increase available capacity by approximately 90,000 bpd, and be in service by the end of 2026, the Mainline Optimization Program and other potential operational enhancements that remain subject to final investment decisions.

Operating income

Operating income decreased by $14 million to $325 million for the three months ended June 30, 2026, and by $92 million to $596 million for the six months ended June 30, 2026, compared to the same periods of the prior year. The decreases were primarily due to higher depreciation and amortization expense, development costs, and other operating costs, which more than offset increased revenues.

Interest expense

	Three months ended June 30		**Six months ended June 30**	
(millions of Canadian dollars)	**2026**	**2025**	**2026**	**2025**
Interest on credit facilities - related party	150	150	298	298
Interest income	(5)	(14)	(10)	(17)
Capitalized debt financing costs	(1)	-	(1)	-
Total	**144**	**136**	**287**	**281**

Nm- calculation is not meaningful due to lack of comparability between periods.

Interest expense increased by $8 million to $144 million for the three months ended June 30, 2026, and by $6 million to $287 million for the six months ended June 30, 2026, compared to the same periods of the prior year. The increases were due to lower interest income.

Income Taxes

Income tax expense was $45 million for the three months ended June 30, 2026, compared to $54 million in the same period of the prior year, resulting in an effective tax rate of 24.6% and 26.5%, respectively.

For the six months ended June 30, 2026, income tax expense was $77 million, compared to $111 million in the same period of the prior year, resulting in an effective tax rate of 24.7% and 27.1%, respectively.

The effective tax rates for the three and six month periods ended June 30, 2026 were consistent with the Canadian federal tax rate of 15.0% and the combined provincial tax rates of 9.8%, which total 24.8%.

The effective tax rates for the three and six month periods ended June 30, 2025 were higher than the statutory rate of 24.8% due to foreign dividend withholding tax incurred during the period. In addition, for the six month period ended June 30, 2025, the effective tax rate was higher than the statutory rate due to the permanent tax rate impact of provincial income allocations in the first quarter. Following the commercial commencement of the TMEP, TMC's statutory rate increased from 24.7% to 24.8% as more income is now attributable to the Province of British Columbia, which has a higher corporate tax rate. As a result, the opening deferred income taxes balance increased by $6 million in the first quarter of 2025.

Net Income

While Adjusted EBITDA reflects TMC's operating performance, net income also includes depreciation and amortization expense, financing costs, and income tax expense. Net income decreased by $12 million to $138 million for the three months ended June 30, 2026, and by $63 million to $235 million for the six months ended June 30, 2026, compared to the same periods of the prior year. The decreases were primarily due to higher depreciation and amortization expense, development costs, and other operating costs, partially offset by increased revenues.

Capital Expenditures

	Three months ended June 30		**Six months ended June 30**	
(millions of Canadian dollars)	**2026**	**2025**	**2026**	**2025**
Major projects capital incurred				
Permanent Access Network ("PAN")/TMEP capital	15	49	27	117
Contractor credits/settlements	-	-	-	(122)
Major projects including cash and non-cash items	15	49	27	(5)
Sustaining capital expenditures	29	20	46	40
Capital expenditures incurred	**44**	**69**	**73**	**35**
Changes in non-cash working capital items	1	(17)	58	269
Total capital expenditures	**45**	**52**	**131**	**304**

PAN/TMEP capital expenditures

PAN construction capital expenditures were $15 million and $27 million for the three and six months ended June 30, 2026, respectively, primarily related to completion of the road access network and TMEP related land matters.

For the three and six months ended June 30, 2025, TMEP related capital expenditures were $49 million and $117 million, respectively, primarily related to cleanup, reclamation, and road and civil work. In the first quarter of 2025, settlement agreements reached through the final reconciliation and close-out of contracts with various general construction contractors resulted in capital cost credits of $122 million, resulting in a net credit of $5 million for the six months ended June 30, 2025.

Sustaining capital expenditures

Sustaining capital expenditures were $29 million and $46 million for the three and six months ended June 30, 2026, respectively, primarily related to projects required to maintain the TMPL and Puget in a safe and reliable operating condition, including tank maintenance work.

For the three and six months ended June 30, 2025, sustaining capital expenditures were $20 million and $40 million, respectively, primarily related to projects required to maintain the TMPL and Puget in a safe and reliable operating condition, including tank repair work and meter upgrades at the Anacortes and Ferndale terminals on Puget.

Liquidity and Capital Resources

As at June 30, 2026, TMC's main sources of liquidity and capital resources are cash provided by operating activities and financing from the credit agreement with TMP Finance (the "Credit Agreement"). TMC's primary liquidity and capital resource needs are to fund capital expenditures, make required interest and distribution payments to TMP Finance and fund working capital.

TMC intends to distribute excess cash to TMP Finance in the form of dividends, share repurchases, return of capital or repayment of debt. TMC will retain cash reserves sufficient to meet ongoing operating costs, sustaining and growth capital, and tax requirements. During the three and six month periods ended June 30, 2026, the Board of Directors of TMC declared dividends of $300 million and $550 million, respectively to TMP Finance, of which $50 million was paid subsequent to quarter end. Subsequent to June 30, 2026, the Board of Directors of TMC declared dividends of $100 million. In addition, the return of $300 million to TMP Finance, the entity which holds the Government of Canada's investment in TMC, is also planned as a return of capital transaction.

The Credit Agreement with TMP Finance includes three non-revolving term loan facilities, an Acquisition Facility, a Construction Facility, and a Refinancing Facility, as well as a revolving Working Capital Facility (collectively, the "Facilities"). Other than the Working Capital Facility, no further cash draws are permitted under the Credit Agreement. The Working Capital Facility of $500 million is currently undrawn. The Facilities have an interest rate of 5% on outstanding amounts, require interest to be paid monthly, and mature on August 31, 2032.

The following table summarizes TMC's year to date total cash returns to TMP Finance during the three and six months ended June 30, 2026 and 2025:

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2026**	**2025**	**2026**	**2025**
Guarantee Fee	-	-	-	105
Interest	150	150	298	298
Dividends	300	163	600	326
Total cash returns	**450**	**313**	**898**	**729**

For the six month period ended June 30, 2026, TMC made $898 million in interest and dividend payments to TMP Finance. When combined with the $1,707 million returned in 2025, TMC has returned $2,605 million in cash to our owner since the completion of the TMEP.

TMC has a $100 million third-party uncommitted demand revolving letter of credit facility. As at June 30, 2026, TMC had letters of credit of $81 million issued and outstanding.

TMP LP also has a $550 million undrawn line of credit agreement with TMP Finance (the "Financial Capacity Line of Credit"), which is designed to meet the CER mandated financial capacity requirements. The Financial Capacity Line of Credit matures five years following the date of the advance or as otherwise extended in accordance with the agreement and has an interest rate of 5% on outstanding amounts and a standby fee of 0.3% on the unadvanced portion.

TMC's total capitalization, including share capital contributions from TMP Finance and TMC's total available credit as of June 30, 2026 and outstanding amounts as of June 30, 2026 and December 31, 2025 are shown in the table below. There are no financial covenants.

(millions of Canadian dollars)	Total available credit June 30, 2026	Debt outstanding June 30, 2026	Debt outstanding December 31, 2025
Acquisition Facility	2,506	2,506	2,506
Construction Facility	6,162	6,162	6,162
Refinancing Facility	3,332	3,332	3,332
Working Capital Facility	500	-	-
Financial Capacity Line of Credit	550	-	-
Cash and cash equivalents		(625)	(479)
Total available credit/net debt	**13,050**	**11,375**	**11,521**
Share capital		22,141	22,141
Accumulated net income		1,676	1,441
Accumulated dividends declared		(1,650)	(1,100)
Retained earnings		26	341
Accumulated other comprehensive income		43	33
Total equity		**22,210**	**22,515**
Total capitalization		**33,585**	**34,036**

Summary of Quarterly Results

The following is a summary of selected financial information of TMC for the last eight completed quarters:

(millions of Canadian dollars)	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Revenues	808	729	791	765	719	729	695	666
Adjusted EBITDA	606	552	593	591	558	568	515	512
Net income (loss)	138	97	131	127	150	148	(37)	(68)
Adjusted funds from operations	437	386	407	418	394	400	138	92

Revenues, Adjusted EBITDA and adjusted funds from operations ("AFFO") increased following the commercial commencement of the TMEP on May 1, 2024, and have continued to trend upward as TMPL throughput volumes increased.

Prior to the recapitalization of TMC's balance sheet in December 2024, higher interest expense resulted in net losses in the final two quarters of 2024. Net income reported in 2025 and the first two quarters of 2026 reflects the combined impact of higher Adjusted EBITDA driven by increased TMPL volumes and lower interest expense following the balance sheet recapitalization. Beginning in the third quarter of 2025, net income was also impacted by higher depreciation and amortization expense following the CER's approval of Trans Mountain's 2024 Depreciation Study.

2026 Financial Outlook

For 2026, TMC expects to generate Adjusted EBITDA of between $2.2 billion and $2.3 billion, with total average daily throughput of between 775,000 bpd and 800,000 bpd. Included in Adjusted EBITDA, TMC expects to incur between $100 million and $200 million in development costs related to optimization projects in 2026.

Capital spending is expected to total approximately $0.4 billion, of which approximately $250 million relates to the final road and civil work related to construction of the TMEP, and $170 million relates to sustaining capital projects required to maintain the TMPL and Puget in a safe and reliable operating condition. The current capital spending forecast does not include any amounts related to the recently announced West Coast Oil Pipeline project.

Increased depreciation and amortization expense, as a result of a full year's impact from the higher depreciation rates applied as of July 1, 2025, following the CER approval of Trans Mountain's 2024 Depreciation Study, is expected to result in decreased net income in 2026.

TMC will distribute excess cash to TMP Finance in the form of dividends, share repurchases, return of capital or repayment of debt, subject to the discharge by the Board of Directors of TMC of its fiduciary duties under applicable laws. See "Liquidity and Capital Resources" for more details on TMC's financing arrangements. Based on the forecasted adjusted funds from operations, TMC expects to distribute excess cash to TMP Finance of at least $1.2 billion in 2026.

These projections are based on a number of assumptions that reflect information available as of the date of this Report, including:

- Continued strong demand for transportation to pacific rim markets; and
- Revenues recorded on the basis of the contractual tolls approved by the CER on a preliminary interim basis.

Actual events and results may vary from our expectations and could be significantly different because of assumptions, risks or uncertainties related to our business that occur after the date of this Report. See "*Cautionary Statement regarding Forward-looking Information and Financial Outlook Information*".

Environment, Health and Safety

Our Environment, Health and Safety program tracks our performance in the areas of vehicle safety, worker safety, and releases of the commodities we transport. Tracking against our own historical performance drives continuous improvement which is an integral part of all our programs. The following table provides a summary of TMC's Environment, Health and Safety program for the six months ended June 30, 2026 and 2025:

	Six months ended June 30	
Heath and Safety	**2026**	**2025**
Avoidable Vehicle Incident Rate (per million km driven)	0.00	0.00
Serious Injury or Fatality (SIF) Rate(1)(2)	0.00	N/A
Potential Serious Injury or Fatality (pSIF) Rate(1)(2)	0.09	N/A
Lost Time Incident Rate – Employees(3)	0.00	0.15
Lost Time Incident Rate – Contractors(3)	0.00	0.16
Environment		
Commodity Releases Rate(4)	0.00	0.00
Volume of releases (m^3)	0.0	0.0

(1) Rate is based on estimated combined workforce hours (employees and contractors).
(2) In 2026, TMC commenced the use of SIF and pSIF reporting, as such there is no prior year comparative.
(3) In 2025, TMC reported lost time incident rates for both employees and contractors. Beginning in 2026, TMC began tracking and reporting SIF and pSIF.
(4) Release rates are per 1,000 km of operating pipeline.

While TMC tracks all commodity releases, industry data for releases greater than 1.5 m^3 is the threshold used for performance comparison. There were no commodity releases that met this threshold for the six months ended June 30, 2026.

Sustainability Report

In June 2026, TMC published its annual Sustainability Report sharing TMC's sustainability progress on key environmental, social and governance priorities and key achievements from the past year, a copy of which can be found on our website at www.transmountain.com/sustainability-report.

Non-GAAP measures

Throughout this Report, we make use of certain financial measures that are not specified, defined or determined in accordance with U.S. GAAP and which are not disclosed in TMC's Financial Statements, as we believe such financial measures improve management's ability to evaluate our operating performance and compare results between periods. These are known as non-GAAP financial measures and either exclude an amount that is included in, or include an amount that is excluded from, the composition of the most directly comparable financial measure specified, defined and determined in accordance with U.S. GAAP. Non-GAAP financial measures may not be similar to measures disclosed by other entities. The non-GAAP financial measures discussed below should not be considered in isolation or as an alternative to or more meaningful than revenues, net income, operating income, cash provided by operating activities or other U.S. GAAP financial measures.

Below is a description of each non-GAAP financial measure disclosed in this Report, together with the disclosure of the most directly comparable financial measure that is specified, defined and determined in accordance with U.S. GAAP and a quantitative reconciliation of each non-GAAP financial measure to such directly comparable U.S. GAAP financial measure.

Reconciliation of operating income to Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure we use to evaluate our operating performance and is calculated from its most directly comparable U.S. GAAP financial measure, operating income but excludes the impact of non-cash depreciation and amortization expense. The following table provides a reconciliation of operating income to Adjusted EBITDA:

	Three months ended June 30		**Six months ended June 30**	
(millions of Canadian dollars)	**2026**	**2025**	**2026**	**2025**
Revenues	808	719	1,537	1,448
Less: Operating expenses	(483)	(380)	(941)	(760)
Operating income	**325**	**339**	**596**	**688**
Add: Depreciation and amortization	281	219	562	438
Adjusted EBITDA	**606**	**558**	**1,158**	**1,126**

Adjusted EBITDA increased by $48 million to $606 million for the three months ended June 30, 2026, from $558 million in the same period of the prior year, and by $32 million to $1.16 billion for the six months ended June 30, 2026, from $1.13 billion in the same period of the prior year. The increases were primarily driven by higher revenues in the second quarter of 2026, partially offset by higher development costs and other operating costs.

Reconciliation of cash provided by operating activities to Adjusted Funds from Operations

AFFO is a non-GAAP financial measure we use for our financial capital allocation decisions and is calculated from its most directly comparable U.S. GAAP financial measure, cash provided by operating activities, but removes the impact of changes in non-cash working capital, sustaining capital expenditures and internal-use software expenditures.

AFFO is an important metric as it represents the amount of cash that is available to invest in growth initiatives, make principal repayments on debt, and pay common share dividends or return share capital. Changes in working capital are excluded so cash flow is not distorted by changes that we consider temporary in nature reflecting, among other things, the impact of seasonal factors and timing of receipts and payments.

The following table provides a reconciliation of cash provided by operating activities to AFFO:

	Three months ended June		Six months ended June 30	
(millions of Canadian dollars)	**2026**	**2025**	**2026**	**2025**
Cash provided by operating activities	**410**	**283**	**880**	**620**
Remove: changes in non-cash working capital items	57	134	(7)	219
Remove: sustaining and other capital expenditures (1)	(30)	(23)	(50)	(45)
Adjusted Funds from Operations	**437**	**394**	**823**	**794**

(1) Includes sustaining capital expenditures and internal-use software expenditures.

AFFO increased by $43 million to $437 million for the three months ended June 30, 2026, from $394 million in the same period of the prior year, and by $29 million to $823 million for the six months ended June 30, 2026, from $794 million in the same period of the prior year. The increases were primarily driven by higher revenues in the second quarter, partially offset by increased sustaining and other capital expenditures in 2026.

Risk Factors

We are exposed to a number of risks in our business. Some of the risks impact the energy industry as a whole and others are unique to our operations. The main risks that may affect the business and operations of TMC and its subsidiaries are set forth below.

Regulatory Compliance

TMC and its subsidiaries are subject to a variety of laws and regulations that require it to obtain registrations, licenses, permits and other approvals and undergo inspections in order to operate. There is no guarantee that such approvals can be obtained on a timely basis, or at all, or that they will be issued with acceptable terms and conditions. Regulatory delays, whether as a result of actions by a regulator or intervention by third parties, may result in project economics becoming less favourable. The cost to comply with regulatory requirements can be significant. Pipelines can be subject to common carrier applications to rate setting by regulatory authorities in the event that tolls or tariffs cannot be resolved with shippers. Shippers may also apply to the appropriate regulatory authorities for a review of tolls or tariffs. Tolls for transportation service on the Canadian portion of the TMPL are regulated by the CER. With the commencement of commercial operations on the TMEP on May 1, 2024, all deliveries are now subject to the preliminary interim tolls approved by the CER. In October 2025, Trans Mountain requested, and the CER approved, an abeyance to suspend the regulatory process for determination of formal interim tolls to allow for discussions with its firm shippers to resolve concerns raised by the shippers regarding the interim tolls. In July 2026, Trans Mountain filed a negotiated settlement with the CER regarding tolling, tariff and service-related matters on the TMPL, which remains subject to CER approval. The results of the CER processes may have future impacts on our cash flows.

Operational Risks

Operational risks include, but are not limited to: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities; information systems or processes; the compromise of information systems and control systems; the performance of equipment at levels below those originally intended; adverse conditions affecting marine access and release or spills from shipping vessels loaded at the Westridge Marine Terminal; failure to maintain adequate supplies of spare parts; operator error; labour disputes; demonstrations or protests; catastrophic events, including, but not limited to, those related to climate change and extreme weather events, including wildfires, floods and other natural disasters, earthquakes, epidemics or pandemic outbreaks, terrorism, sabotage, or third-party damage or similar events, many of which are beyond the control of TMC and all of which could result in operational disruptions, damage to assets, related releases or other environmental issues.

Environmental Regulation and Climate Change

TMC's activities are regulated by federal, provincial and municipal environmental laws and regulations, which impose, among other things, obligations with respect to the handling and transportation of hazardous substances, and in connection with spills, releases and emissions of various substances into the environment. Environmental legislation also requires that pipelines and other properties associated with the operations of TMC and its subsidiaries be operated, maintained or abandoned and reclaimed to comply with changing regulations and standards. The TMPL runs through or is adjacent to populated areas. Major equipment failure, a release of toxic substances or pipeline rupture could result in damage to the environment, death or injury and substantial costs and liabilities to third parties.

Public support for climate change action remains high. There has been continued environmental activism and public opposition to development, transportation and utilization of fossil fuels, and in relation to the oil sands in particular. Laws, the political landscape in Canada, regulations, policies, obligations, social attitudes and customer preference relating to climate change and the transition to a lower carbon economy could have an adverse impact on TMC's business, including less demand for our services, increased costs from compliance, litigation and regulatory or litigation outcomes.

Health and Safety

The ownership and operation of the TMPL is subject to hazards of transporting hydrocarbons, including without limitation, spills, leaks, corrosion, vandalism, terrorism, fires and explosions. Any of these hazards can interrupt operations, cause loss of life or personal injury, equipment damage and pollution.

Credit, Liquidity and Availability of Future Financing

The development of our business and ability to carry out our strategy may be dependent on our ability to obtain additional capital, including, but not limited to debt and equity financing. Among other things, unpredictable financial markets, a change in law, market fundamentals, our credit metrics, business operations or investor or lender policy may impede our ability to secure and maintain cost-effective financing and to repay and refinance existing debt as it becomes due. An inability to access capital, on terms acceptable to us, or at all, could affect our ability to make future capital expenditures and to meet our financial obligations as they become due.

Exposure to Counterparties

In the normal course of business, we enter into contractual relationships with shippers, partners, lenders, suppliers and other counterparties for the provision and sale of goods and services. If such counterparties do not fulfill their contractual obligations on a timely basis, or at all, we may suffer financial losses, which could materially impact our business, results of operations and financial condition.

Reliance on Principal Customers

TMC sells services to large customers within its area of operations and relies on several significant shippers. Shippers have long-term transportation contracts on the TMPL extending to 2039 and 2044, covering approximately 80% of its capacity, which results in certain shippers representing 10% or more of total revenues. If for any reason these parties are unable to perform their obligations under the various agreements with us, the revenues of TMC and the operations of TMC could be negatively impacted. In addition, any default by counterparties under such contracts or any expiration or early termination of tolling arrangements, without renewal or replacement may have an adverse effect on TMC’s business and results of operations.

Inflation and Interest Rates

Changes in interest rates could increase our net interest rate exposure and negatively impact our cash flow and financial results. Additionally, TMC is exposed to inflation on non-flow-through operating and capital costs.

Uncommitted Transportation Services

TMC is exposed to volume risk under certain of its transportation services, specifically for uncommitted transportation services. A decrease in uncommitted volumes transported can directly impact TMC’s revenues. The utilization of the TMPL may be impacted by factors such as changing market fundamentals including, among others, lower commodity prices, system maintenance, weather issues and operational incidents.

Reliance on Other Facilities and Third-Parties

Our activities at the Westridge Marine Terminal and with respect to the TMPL are dependent upon interconnections with networks and facilities owned and operated by third parties to facilitate delivery of the product to our facilities for transport and enable the product transported to reach end markets extending beyond our pipeline. These connections are important to our customers as they provide critical transportation routes for delivery of product to our facilities and provide product egress to end markets. Risks may be created as a result of differences in product specifications and pressure; and planned and unplanned outages or curtailments at third-party facilities that restrict deliveries to or from the TMPL; and the availability of marine vessels and marine logistics associated with the expanded Westridge Marine Terminal, many of which are beyond the control of TMC and which may negatively affect TMC and its subsidiaries' operations.

Reliance on Management, Skilled Workforce and Contractors

TMC and its subsidiaries' operations require the retention and recruitment of a skilled workforce, including engineers, technical personnel and other professionals. If we are unable to retain employees and/or recruit new employees of comparable skill, knowledge and experience, our operations could be negatively impacted. TMC and its subsidiaries rely heavily on the use of contractors in its operations, but TMC does not have the same level of control over its contractors as it does employees and as a result may be adversely affected by violations of law, fraud, cost-over runs and other impacts to its operations caused by contractors. In addition, TMC is dependent on senior management in respect to the administration and management of its operations and the loss of the services of key individuals could negatively impact TMC. TMC may not be able to find suitable replacements in a timely manner who have equivalent skill and experience.

Changes in Laws

The midstream industry is subject to regulation and intervention by governments in matters such as environmental protection, tariffs, and abandonment and reclamation activities. The laws may be changed in a manner that could adversely affect TMC or its subsidiaries. In addition, failure to comply with applicable laws or regulations could result in substantial fines or revocation of operating permits and licenses.

Political Uncertainty

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses may lead to uncertainty in energy and financial markets, as well as increased cybersecurity risks. Political events and decisions made in Canada, the U.S. and elsewhere, including changes to federal, provincial, state or municipal governments and/or policies, may create future uncertainty and have an adverse effect on TMC's business and financial results.

Litigation

In the course of its business, TMC and its subsidiaries may be subject to lawsuits and other claims. In recent years there has been an increase in climate and disclosure-related litigation in the energy industry and there is no assurance that TMC will not be impacted by such litigation or other legal proceedings.

Cyber Security

TMC collects and stores sensitive data in the ordinary course of its business, including employee information as well as proprietary business information and that of TMC's customers, suppliers, investors and other stakeholders. Cybersecurity threats include unauthorized access to information technology systems due to hacking, viruses, phishing attacks and system failures. A breach in the security or failure of TMC's information technology could result in operational outages, delays, damage to assets or the environment, reputational harm, lost data and other adverse outcomes for which TMC could be liable and which could result in a material adverse effect on the business, operations or financial results of TMC.

Breach of Confidentiality

Breaches of confidentiality could put TMC at competitive risk and may cause significant damage to its business. There is no assurance that, in the event of a breach of confidentiality, TMC will be able to obtain equitable remedies from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that may be caused by such breach of confidentiality.

Insurance

Although TMC carries commercial general liability insurance and other insurance coverage which it believes is customary for similar business operations, such policies contain limits and there is no assurance that the types of insurance and the amounts for which TMC and its subsidiaries are insured, or the proceeds of such insurance will compensate TMC fully for its losses.

Foreign Exchange Rates

While most of our revenues and business are in Canadian dollars, fluctuations in foreign exchange rates may affect our results, particularly the U.S./Canadian dollar. A change in the value of the Canadian dollar relative to the U.S. dollar will impact U.S. dollar revenues and costs, as expressed in Canadian dollars. Fluctuations of exchange rates are beyond our control and could have an adverse effect on our cash flows and results of operations.

Cautionary Statement regarding Forward-looking Information and Financial Outlook Information

This Report contains certain statements that constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook and may not be appropriate for other purposes. Forward looking information is typically identified by words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “should”, “plan”, “intend”, “target”, “believe” and similar words and expressions suggesting future events or future performance.

In particular, this Report contains forward-looking information including, but not limited to statements regarding the operations of the TMPL; the West Coast Oil Pipeline, including the ownership and governance structure thereof; the listing of the West Coast Oil Pipeline as a Project of National Interest and expected timing for such listing; the Settlement, including the expected effective date, the anticipated benefits of the Settlement to Trans Mountain, CER regulatory approval of the Settlement and potential timing of such approval; the expected increase in firm capacity of TMPL; the post-Settlement tolling framework and anticipated terms of the Settlement; short- and long-term optimization projects including the expected increase in pipeline capacity resulting from such projects and timing for completion of DRA and the Mainline Optimization Program; the Expansion Capacity Open Season, including the additional contracted capacity thereunder and expectations regarding contracted capacity following completion thereof; certain regulatory approvals; TMC's financial outlook for 2026, including expectations regarding Adjusted EBITDA, capital spending, net income, adjusted funds from operations, and depreciation and amortization expense; and the payment of distributions by TMC, including TMC retaining sufficient cash reserves and its expectations regarding the distribution of excess cash to TMP Finance, including the amount of such distributions.

Forward-looking statements do not guarantee future performance. Actual results could be different due to incorrect assumptions, risks or uncertainties related to our business, or events that happen after the date of this Report. There is no assurance that the results or events indicated or suggested by the forward-looking information, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits TMC may derive therefrom).

This forward-looking information reflects our assumptions and expectations based on information available at the time the information was stated. By its nature, forward-looking information is subject to various assumptions, risks and uncertainties which could cause our actual results and achievements to differ materially from the anticipated results or expectations expressed or implied in such information.

Assumptions

Key assumptions on which the forward-looking information contained in this Report is based include, but are not limited to:

- Expected operating and financial results including planned changes in our business;
- Expectations or projections about strategies and goals for system optimization, growth and expansion;
- Expected cash flows and availability of funds from external financing sources;
- Potential costs, schedules and completion dates for planned projects, including projects under construction, permitting and in development;
- Planned and unplanned outages of our pipelines and related assets;
- Integrity and reliability of our assets;
- Expected outcomes relating to regulatory processes and legal proceedings (including expectations regarding the pending final CER approval of the Settlement), and potential changes in laws and regulations;
- That any required commercial agreements can be reached in the manner and on the terms expected by Trans Mountain;
- That there are no unforeseen events preventing the performance of contracts or the completion of relevant projects, and that there are no unforeseen material costs relating to such projects;
- The expected impact of future accounting changes, commitments and contingent liabilities;
- Expected industry, market and economic conditions;
- Future demand for space on our pipeline systems;
- Pace of energy transition;

- Inflation rates and commodity prices; and
- Interest, tax and foreign exchange rates.

Risks and uncertainties

The risks and uncertainties that could cause actual results or events to differ materially from current expectations include, but are not limited to:

- Our ability to successfully implement our strategic priorities and whether they will yield the expected financial and operational results and benefits;
- The operating performance of our pipelines and related assets;
- The available supply and price of energy commodities;
- Performance and credit risk of our counterparties;
- Regulatory and legal decisions and outcomes, and potential changes in laws and regulations;
- The ability of Trans Mountain to receive, in a timely manner, the necessary regulatory approvals in connection with the Settlement;
- The failure to realize the anticipated benefits of the Settlement and optimization projects;
- Indigenous and landowner consultation processes;
- Changes in market commodity prices, the geopolitical environment, widespread epidemics or pandemics, and economic conditions in Canada and globally;
- Construction execution and completion of capital and operations projects, including reliance on the availability, performance and expertise of a suitably skilled and qualified workforce and third-party contractors;
- Demonstrations, protests or civil disobedience that impact construction execution and/or operations;
- The pace of energy transition initiatives in North America and globally;
- Climate change risks, including the effects of unusual weather and natural catastrophes;
- Climate change effects and regulatory and market compliance and other costs associated with climate change;
- Our ability to transport a broad range of oil products and other fuels;
- Reputational risks;
- Increases in costs for labour, equipment and materials;
- Fluctuations in interest, tax and foreign exchange rates;
- Risks related to cyber security, confidentiality, and data integrity;
- Risks related to technological developments;
- Natural hazards (floods, wildfires, landslides, seismic activity, etc.); and
- Those risks and contingencies described under "*Risk Factors*" in this Report.

This Report also contains financial outlook information about TMC's guidance for 2026, including with respect to budgeted capital expenditures, expenses, cost estimates, Adjusted EBITDA, adjusted funds from operations, net income, and distributions of excess cash, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs and the assumptions outlined under "*2026 Financial Outlook*" in this Report.

The forward-looking information and financial outlook information contained in this Report were approved by management as of the date of this Report. To the extent any information in this Report constitutes a "financial outlook", within the meaning of applicable securities laws, such information is being provided for the purpose of providing further information about TMC's future business operations and performance, and readers are cautioned that this information may not be appropriate for any other purpose. While we believe such information has been prepared on a reasonable basis, reflecting management's expectations, estimates and projections regarding future events or circumstances based on assumptions that are reasonable in the circumstances, such information should not be relied upon as necessarily indicative of future results. Forward-looking or financial outlook information should not be used for anything other than its intended purpose, as actual results could vary. Any forward-looking statement in this Report is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. The forward-looking information and statements contained in this Report are expressly qualified by this cautionary statement.