



## MANAGEMENT REPORT

For the three and nine month periods ended September 30, 2022

November 2, 2022



This Management Report (the “Report”) should be read in conjunction with the unaudited condensed consolidated financial statements of Trans Mountain Corporation for the three and nine month periods ended September 30, 2022 (“TMC’s Financial Statements”) as well as the audited consolidated financial statements of Trans Mountain Corporation for the year ended December 31, 2021, and Trans Mountain Corporation’s Management Report for the year ended December 31, 2021. 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 safely operate the existing Trans Mountain Pipeline and Puget Sound Pipeline and to complete the Trans Mountain Expansion Project (“TMEP”) in a timely and commercially viable manner. TMC operates in compliance with applicable laws, rules and regulations and to ensure the business is managed in a commercial manner in accordance with environmental standards and expectations. TMC will complete the expansion in alignment with the Federal Government’s direction and 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., which in turn is a wholly owned subsidiary of the Canada Development Investment Corporation (“CDEV”). TMC conducts operations through four entities: Trans Mountain Pipeline Limited Partnership and its wholly owned subsidiary Trans Mountain Pipeline (Puget Sound) LLC, Trans Mountain Pipeline ULC, and Trans Mountain Canada Inc. Together these entities own and operate the Trans Mountain Pipeline System, consisting of the Trans Mountain pipeline, the Puget Sound pipeline, and the TMEP.

On April 25, 2022, the Governor General in Council, under subsection 7(1) of the *Government Corporations Operation Act*, issued a proclamation that the *Government Corporations Operation Act* no longer applies to Trans Mountain Corporation. This status change to a non-agent Crown corporation allows TMC to borrow from parties other than the Government of Canada.

### 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. In its current configuration, TMPL is approximately 1,150 kilometers long, beginning near Edmonton, Alberta and terminating in Burnaby, British Columbia.



The current design of TMPL supports a pipeline capacity of approximately 300,000 barrels per day (“bpd”) based on a commodity mix of 20% heavy and 80% light. The operational capacity on TMPL will vary on a month-to-month basis depending on the type and proportion of commodities transported, as well as system downtime that may be required to address operational needs such as maintenance.

TMPL is a common carrier pipeline. Transportation service on the pipeline is governed by a tariff, rules and regulations for service and a toll structure, as approved by the Canada Energy Regulator (“CER”).

As of today, TMPL remains the only pipeline that transports petroleum from the Western Canadian Sedimentary Basin to the West Coast. It is also the only pipeline providing Canadian producers with direct access to world market pricing through a Canadian port. This has led to a steady demand for space on the pipeline.

TMPL is in the process of significantly expanding its system from approximately 300,000 bpd to approximately 890,000 bpd, see “Trans Mountain Expansion Project”.

#### Puget Sound Pipeline

The 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-US 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.

#### Trans Mountain Expansion Project

The TMEP completes a twinning of the existing pipeline from Edmonton, Alberta to Burnaby, British Columbia. When constructed, it will create a pipeline system with nominal capacity of 890,000 bpd, an increase from the 300,000 bpd existing capacity. For more information on the TMEP, please see our website at [www.transmountain.com](http://www.transmountain.com).

Shippers have signed contracts for transportation service on the expanded TMPL and have made 15 and 20 year commitments that total roughly 80 per cent of the planned capacity on the expanded Trans Mountain Pipeline. 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.

As of September 30, 2022, the overall project including upfront permitting, regulatory approval, and advance purchase of materials is approximately 73% complete. Construction is approximately 70% complete, with \$16.6 billion in construction capital spending incurred. Trans Mountain expects that 2022 will see peak construction for the TMEP, with thousands of people working at hundreds of sites across Alberta and British Columbia.

With all work fronts active, mechanical completion is anticipated to occur at the end of the third quarter of 2023 with commercial service of the TMEP anticipated to occur late in the fourth quarter of 2023.

#### British Columbia Floods

Early in 2022, the overall performance of the system was impacted by the widespread flooding in British Columbia and Washington State that occurred in the fourth quarter of 2021. Flooding impacted base operations of TMLP, Puget, and the expansion project as discussed more fully below. As a precaution, the operating pipeline was shut down on November 14, 2021, with operations safely restarting at reduced capacity on December 5, 2021. The mainline remained at reduced capacity until January 14, 2022, when full capacity was restored. Trans Mountain's flood response activities for TMLP and Puget continued in 2022, with approximately \$39.4 million in sustaining capital costs incurred in the first nine months of 2022. Trans Mountain expects flood related activities to continue in future periods. The majority of costs related to Trans Mountain's flood response activities for existing operations are anticipated to be recoverable from shippers, insurance or third parties. TMEP related flood costs are significant and are expected to be partially recovered from insurance providers with the balance capitalized to the Project. TMEP has in place insurance coverage to protect against certain events including damage to facilities under construction. TMC has filed claims for recoveries of flood related costs incurred under its insurance policies. During the third quarter of 2022, insurance recoveries of \$9.3 million were recognized related to the TMEP flood costs. Proceeds were used to offset costs incurred by TMEP as a result of the flooding, and a net loss of \$1.0 million was recorded related to self-insured components of the flooding damage claim.

## Financial Highlights

### Non-GAAP measures

We make use of certain financial measures that do not have a standardized meaning under U.S. GAAP because we believe they improve management's ability to evaluate our operating performance and compare results between periods. These are known as non-GAAP measures and may not be similar to measures disclosed by other entities. Adjusted EBITDA is a non-GAAP measure we use to evaluate our operating performance absent the impact of financing decisions, non-cash depreciation and amortization, and non-cash equity AFUDC<sup>1</sup>.

<b>Financial Highlights</b>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
<b>(thousands of Canadian dollars, except throughput amounts)</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue	121,630	107,818	342,574	322,806
Adjusted EBITDA	45,718	46,550	134,143	136,547
Net Income	139,744	74,378	375,738	188,799
Cash provided by operating activities	124,548	125,024	393,935	120,827
Capital expenditures incurred	2,692,242	1,561,112	7,010,237	3,896,214
Average daily throughput				
Mainline deliveries (bpd)	339,000	315,000	323,000	324,000
Puget Sound Pipeline (bpd)	225,000	189,000	207,000	205,000
Westridge Marine Terminal (bpd)	28,000	42,000	33,000	35,000

  

<b>Financial Position at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>(thousands of Canadian dollars)</b>		
Cash and cash equivalents and restricted cash	249,123	188,501
Total assets, including the TMEP work in progress	23,391,886	16,288,422
Total debt	12,509,701	7,552,600

<sup>1</sup> Allowance for Funds Used During Construction. A component of construction cost in regulated utilities representing the cost of capital deployed during construction of new assets. AFUDC contains a cost of borrowed funds component and a return on equity component.

## Revenue

Revenue (thousands of Canadian dollars)	Three months ended September 30			Nine months ended September 30		
	2022	2021	% Change	2022	2021	% Change
Transportation	104,654	91,140	15%	290,474	273,047	6%
Leases	16,293	15,857	3%	50,192	47,762	5%
Other	683	821	(17%)	1,908	1,997	(4%)
<b>Total</b>	<b>121,630</b>	<b>107,818</b>	<b>13%</b>	<b>342,574</b>	<b>322,806</b>	<b>6%</b>

Total revenue consists of income from three sources: transportation, leases and other services. Available capacity on the Trans Mountain pipeline was fully utilized for both the three and nine month periods ended September 30, 2022 and 2021, with system nominations apportioned throughout. For the three month period ended September 30, 2022, total revenue increased by \$13.8 million to \$121.6 million as compared to \$107.8 million in the same period of the prior year. For the nine month period ended September 30, 2022, total revenue increased by \$19.8 million to \$342.6 million as compared to \$322.8 million in the same period of the prior year.

Transportation revenue in the third quarter of 2022 increased by \$13.6 million to \$104.7 million, as compared to \$91.1 million in the same period of the prior year. The increase in transportation revenue is due to higher flow through operating costs, as well as increased revenue on Puget, due to higher throughput and a weaker Canadian dollar. On a year to date basis, transportation revenue for the nine months ended September 30, 2022 increased by \$17.5 million to \$290.5 million as compared to \$273.0 million in the same period of the prior year. The increase is mainly due to higher flow through operating costs and increased revenue on Puget, due to higher throughput and a weaker Canadian dollar.

Lease revenue primarily relates to income earned on TMC's third party tank leases. For the three month period ended September 30, 2022, lease revenue remained relatively constant increasing by \$0.4 million to \$16.3 million, as compared to \$15.9 million in the same period of the prior year. On a year to date basis, lease revenue for the nine months ended September 30, 2022 increased by \$2.4 million to \$50.2 million as compared to \$47.8 million in the same period of the prior year, mainly due to higher flow through costs on TMC's Edmonton merchant tanks in the first quarter of 2022.

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

## Expenses

Expenses (thousands of Canadian dollars)	Three months ended September 30			Nine months ended September 30		
	2022	2021	% Change	2022	2021	% Change
Pipeline operating costs	40,758	31,504	29%	103,988	94,629	10%
Depreciation and amortization	26,005	25,689	1%	77,806	76,618	2%
Salaries and benefits	22,770	19,706	16%	70,099	60,373	16%
Taxes, other than income taxes	9,644	9,038	7%	28,542	27,086	5%
Administration	2,740	1,020	169%	5,802	4,171	39%
<b>Total</b>	<b>101,917</b>	<b>86,957</b>	<b>17%</b>	<b>286,237</b>	<b>262,877</b>	<b>9%</b>

Pipeline operating costs and taxes, other than income taxes, on the TMPL are primarily treated as flow through costs to TMC's customers as per the Incentive Toll Settlement ("ITS") agreement. Depreciation and amortization, salaries and benefits, and administration costs related to the TMPL are largely recovered from customers through the capital recovery and fixed cost components of the ITS.

Pipeline operating costs for the three months ended September 30, 2022 totalled \$40.8 million reflecting an increase of \$9.3 million, as compared to \$31.5 million in the same period of the prior year. The increase is mainly due to higher power costs and integrity work related to right of way maintenance. In the third quarter of 2022, there was also a \$1.0 million self-insurance loss associated with TMEP flood damage recognized in pipeline operating costs, see "British Columbia Floods". On a year to date basis, pipeline operating costs for the nine months ended September 30, 2022 increased by \$9.4 million to \$104.0 million, as compared to \$94.6 million in the same period of the prior year. The increase is due to higher power costs, increased integrity spending for right of way maintenance, higher environmental remediation, increased insurance costs and the flood related self-insurance loss of \$1.0 million noted above.

Depreciation and amortization expense in the third quarter of 2022 increased by \$0.3 million to \$26.0 million, as compared to \$25.7 million in the same period of the prior year. For the nine months ended September 30, 2022, depreciation and amortization increased by \$1.2 million to \$77.8 million, as compared to \$76.6 million in the same period of the prior year. The increase for both the three and nine month periods ended September 30, 2022, as compared to the same periods in the prior year, is mainly due to depreciation and amortization expense incurred on non-TMEP capital additions made in the prior year.

Salaries and benefits expense for the three month period ended September 30, 2022 increased by \$3.1 million to \$22.8 million, as compared to \$19.7 million in the same period of the prior year. On a year to date basis, salaries and benefits expense increased by \$9.7 million to \$70.1 million, as compared to \$60.4 million in the same period of the prior year. The increase for both the three and nine month periods ended September 30, 2022, as compared to the same periods in the prior year, is mainly due to costs associated with a planned increase in the workforce to prepare TMC for its expanded asset post-TMEP and associated business requirements.

Taxes, other than income taxes, in the third quarter of 2022 increased by \$0.6 million to \$9.6 million, as compared to \$9.0 million in the same period of the prior year. For the nine month period ended September 30, 2022 taxes, other than income taxes, increased by \$1.4 million to \$28.5 million, as compared to \$27.1 million in the same period of the prior year. The increase for both the three and nine month periods ended September 30, 2022, as compared to the same periods in the prior year, is mainly due to higher property taxes, primarily on Puget Sound and TMPL regulated assets.

Administration expenses for the three month period ended September 30, 2022 increased by \$1.7 million to \$2.7 million, as compared to \$1.0 million in the same period of the prior year. On a year to date basis, administration expenses for the nine months ended September 30, 2022 increased by \$1.6 million to \$5.8 million, as compared to \$4.2 million in the same period of the prior year. The increase for both the three and nine month periods ended September 30, 2022, as compared to the same periods in the prior year, is mainly due to increased external consulting, legal costs and higher office costs associated with an increased workforce, partially offset by higher capitalized costs associated with the TMEP.

#### ***Adjusted EBITDA***

Adjusted EBITDA for the three month period ended September 30, 2022 decreased by \$0.9 million to \$45.7 million, as compared to \$46.6 million in the same period of the prior year. On a year to date basis, Adjusted EBITDA for the nine months ended September 30, 2022 decreased by \$2.4 million to \$134.1 million, as compared to \$136.5 million in the same period of the prior year. As flow through costs equally impact revenue and expenses, the decrease in Adjusted EBITDA for both the three and nine month periods ended September 30, 2022, as compared to the same periods in the prior year, is mainly due to higher salaries and benefits costs associated with the increased workforce required to prepare TMC for its expanded asset post-TMEP, and associated business requirements, in addition to the \$1.0 million self-insurance loss associated with TMEP flood damage, partially offset by higher revenue on Puget.

#### ***Equity Allowance for funds used during construction ("AFUDC")***

Equity AFUDC for the three month period ended September 30, 2022 increased by \$87.6 million to \$187.9 million, as compared to \$100.3 million in the same period of the prior year. For the nine month period ended September 30, 2022 equity AFUDC increased by \$231.3 million to \$487.2 million, as compared to \$255.9 million in the same period of the prior year. The significant increase for both the three and nine month periods ended September 30, 2022, as compared to the same periods in the prior year, is due to the cumulative impact of capital spending on the TMEP.



### ***Interest expense***

<b>Interest Expense (thousands of Canadian dollars)</b>	<b>Three months ended September 30</b>			<b>Nine months ended September 30</b>		
	<b>2022</b>	<b>2021</b>	<b>% Change</b>	<b>2022</b>	<b>2021</b>	<b>% Change</b>
Interest and commitment fees						
Syndicated Facility	31,756	-	n/a	38,529	-	n/a
Credit Facilities - related party	96,911	82,218	18%	297,326	218,547	36%
Guarantee fee - related party	17,663	-	n/a	27,961	-	n/a
Capitalized debt financing costs	(119,087)	(58,089)	105%	(308,816)	(148,204)	108%
Interest income and other	(2,807)	(1,348)	108%	(6,106)	(3,829)	59%
<b>Interest Expense<sup>(1)</sup></b>	<b>24,436</b>	<b>22,781</b>	<b>7%</b>	<b>48,894</b>	<b>66,514</b>	<b>(26%)</b>

(1) Net of capitalized debt financing costs.

The increase in total interest and commitment fees and capitalized debt financing costs for the three and nine months ended September 30, 2022, as compared to the same period in the prior year, is due to the capital spending on the TMEP and the corresponding increase in long-term debt levels year-over-year. See 'Liquidity and Capital Resources' for more details on TMC's financing arrangements.

### ***Income tax***

Income tax expense for the three and nine month periods ended September 30, 2022 totalled \$45.5 million and \$122.7 million, respectively both reflecting an effective tax rate of 24.6%; as compared to income tax expense for the three and nine month periods ended September 30, 2021 of \$24.3 million and \$61.4 million, respectively reflecting effective tax rates of 24.6% and 24.5%, respectively. The effective tax rates for both the three and nine month periods ended September 30, 2022 and 2021 are consistent with the TMC's statutory rate of 24.67%.

### ***Net Income***

Net income for the three month period ended September 30, 2022 increased by \$65.3 million to \$139.7 million, as compared to \$74.4 million in the same period of the prior year. The increase is due to the \$87.6 million increase in equity AFUDC, partially offset by the \$21.2 million increase in income tax expense, the \$1.6 million increase in interest expense, net of capitalized interest, the \$0.9 million decrease in Adjusted EBITDA, and the \$0.3 million increase in depreciation and amortization expense. The remaining movement in net income relates to changes in foreign exchange gains and losses, and other items.

Net income for the nine month period ended September 30, 2022 increased by \$186.9 million to \$375.7 million, as compared to \$188.8 million in the same period of the prior year. The increase is due to the \$231.3 million increase in equity AFUDC, and the \$17.6 million decrease in interest expense, net of capitalized interest, partially offset by the \$61.3 million increase in income tax expense, the \$2.4 million decrease in Adjusted EBITDA and the \$1.2 million increase in depreciation and amortization expense. The remaining movement in net income relates to changes in foreign exchange gains and losses, and other items.

### ***Capital Expenditures***

<b>Capital Expenditures (thousands of Canadian dollars)</b>	<b>Three months ended September 30</b>		<b>Nine months ended September</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
TMEP construction capital incurred	2,378,492	1,378,771	6,147,341	3,443,059
TMEP carrying costs and other adjustments	306,529	157,902	795,381	403,214
TMEP including cash and non-cash items	2,685,021	1,536,673	6,942,722	3,846,273
Non-TMEP capital	7,221	24,439	67,515	49,941
<b>Total</b>	<b>2,692,242</b>	<b>1,561,112</b>	<b>7,010,237</b>	<b>3,896,214</b>

Capital expenditures for the three and nine months ended September 30, 2022 increased significantly over the same period of the prior year due to construction activity on the TMEP. A total of \$2.4 billion and \$6.1 billion in construction capital was incurred on the TMEP for the three and nine months ended September 30, 2022, respectively. As of September 30, 2022, the overall Project including upfront costs of permitting, regulatory approval, advance purchase of materials and financial carrying costs is approximately 73% complete. Construction is approximately 70% complete, with work at our pump stations and facilities more than 90% complete, while construction in the Lower Mainland is approximately 80% complete. Pipeline construction overall stands at over 60% complete, with approximately 650 kilometres of pipe in the ground.

In Alberta, pipeline construction was completed in the Greater Edmonton area in early 2022. In the Yellowhead region, the final horizontal directional drill is underway and reactivation work through the Jasper-Mount Robson area continued during the period.

Throughout BC work has progressed substantially in 2022. Various construction activities are ongoing in the North Thompson region. In the BC interior, archaeological work is largely complete on the Coldwater re-route, and excavation and tunneling is underway in the Jacko Lake region. In the Coquihalla to Hope region, despite flooding in late 2021 and flood cleanup efforts continuing into 2022, construction contractors were able to mobilize. Artesian water is being successfully controlled in the region and micro tunnel work is ongoing. In the Fraser Valley, boring activities are progressing. In the Lower Mainland, horizontal directional drills were completed and pipe lowering and welding are ongoing.

Construction work continues at the Westridge Marine Terminal and Burnaby Terminal, including ongoing work on 10 of the 14 tanks at Burnaby Terminal. Progress was made onshore and at the foreshore at the Westridge Marine Terminal, including construction work on the berths. Civil engineering work continues to accommodate the final stages of foundation preparation. Drilling of the Burnaby Mountain Tunnel, which is a 2.6-kilometre tunnel that connects the Burnaby Terminal to the Westridge Marine Terminal, was completed in September.

For the three and nine months ended September 30, 2022, non-TMEP capital expenditures totalled \$7.2 million and \$67.5 million, respectively. On a year to date basis, non-TMEP capital includes \$39.4 million in capital expenditures related to the flood response in BC. Remaining capital expenditures for the three and nine months ended September 30, 2022 mainly relate to

routine sustaining capital projects to maintain the TMPL in a safe and reliable operating condition.

## Liquidity and Capital Resources

TMC's primary liquidity and capital resource needs are to fund the ongoing construction of the TMEP, make required interest payments and fund working capital. As at September 30, 2022, TMC's main sources of financing were the Credit Agreement from its parent and the Syndicated Facility, both of which are described in more detail below.

On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the government's commitment to complete the TMEP, however, the Minister stated that TMC needed to secure external financing to fund the remaining costs of the project. On April 25, 2022, TMC's status changed to a non-agent Crown corporation to allow for borrowings from parties other than its parent, TMP Finance. On April 29, 2022, TMC entered into a one year senior unsecured revolving facility for \$10.0 billion with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility contains a six month extension option, and includes a guarantee provided by the Government of Canada. In accordance with TMC's Credit Agreement, upon receipt of external financing, TMC repaid all amounts advanced by TMP Finance to TMC after February 18, 2022 plus interest, totaling approximately \$1.6 billion. There are no other required payments on the borrowings under the Credit Agreement until maturity. Debt outstanding on February 17, 2022 payable to TMP Finance will remain outstanding. Interest will accrue on the unpaid balance in future periods as described below.

TMC has a credit agreement with TMP Finance (the "Credit Agreement") which includes an "Acquisition Facility," a non-revolving term loan facility, and a "Construction Facility," a revolving construction credit facility, to be used primarily to finance the TMEP construction. The facilities have an interest rate of 5% on amounts outstanding. The facilities mature on the earlier of the maturity date, which is August 29, 2025, and in the event of certain changes in ownership.

On April 28, 2022, amendments were made whereby unpaid interest and commitment fees incurred under the Credit Agreement are to be added to the principal amount of the credit facility debt semiannually. Commitment fees were discontinued on May 2, 2022, upon repayment of advances related to the funding requests made after February 18, 2022 and no further cash draws are permitted.

TMP LP also has an undrawn \$500.0 million line of credit agreement with TMP Finance dated March 25, 2019 (the "Financial Capacity Line of Credit") which is designed to meet the CER mandated financial capacity requirements. The Financial Capacity Line of Credit matures 5 years following the date of the advance or as otherwise extended in accordance with the agreement and has an interest rate of 5% on amounts drawn and a standby fee of 0.3% on the unadvanced portion.

TMC's total available credit as of September 30, 2022 and outstanding amounts as of September 30, 2022 and December 31, 2021 are shown in the table below. There are no financial covenants.

<b>(In thousands of Canadian dollars)</b>	<b>Total available credit September 30, 2022</b>	<b>Outstanding amount September 30, 2022</b>	<b>Outstanding amount December 31, 2021</b>
Current debt:			
Syndicated Facility	10,000,000	4,850,000	-
Long term debt			
Acquisition Facility	2,506,350	2,506,350	2,506,350
Construction Facility	5,153,351	5,153,351	5,046,250
Financial Capacity Line of Credit	500,000	-	-
Total long term debt	8,159,701	7,659,701	7,552,600
<b>Total debt</b>	<b>18,159,701</b>	<b>12,509,701</b>	<b>7,552,600</b>

## Summary of Quarterly Results

<b>(thousands of Canadian dollars)</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>
Revenue	121,630	113,276	107,668	120,338	107,818	107,489	107,499	110,756
Adjusted EBITDA	45,718	46,283	42,142	44,673	46,550	45,932	44,065	47,598
Net Income	139,744	128,772	107,222	84,478	74,378	63,093	51,328	46,393

TMPL is a regulated entity governed by the CER and operating under the ITS agreement with its shippers. As a result, revenues have been relatively consistent over the last eight quarters. However, revenues in the second and third quarter of 2022 were higher due to flow through costs primarily related to increased environmental remediation costs and power costs, respectively, while revenues in the fourth quarter of 2021 were higher due to flow through operating costs associated with the flood response in British Columbia.

Adjusted EBITDA has been relatively consistent over the last eight quarters, trending lower mainly due to the costs associated with planned increases in the workforce required to prepare TMC for its expanded asset post-TMEP and the associated business requirements.

Net income has consistently increased over the last eight quarters, due to the cumulative impact of capital spending on the TMEP and the corresponding increase in equity AFUDC which positively impacts net income.

## Environment, Health and Safety

Our Environment, Health and Safety program tracks our performance against our own previous three-year average and that of the pipeline industry 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 and comparing against industry provides a means to assess the effectiveness of our operations against our peers. The following table provides a summary of TMC's Environment, Health and Safety program year to date in 2022:

	2022	Three-year average	
		TMC	Industry <sup>(1)</sup>
<b>Health and Safety</b>			
Avoidable Vehicle Incident Rate (per million miles driven)	0.00	0.09	1.05
Total Recordable Injury Rate <sup>(2)</sup>			
Employees	0.47	0.40	0.55
Contractors	0.83	1.09	1.20
Contractors – TMEP	0.51 <sup>(4)</sup>	N/A	1.00
<b>Environment</b>			
Commodity Releases Rate <sup>(3)</sup>	0.00	0.79	0.23
Volume of releases(m <sup>3</sup> ) <sup>(3)</sup>	0.00	52.15	20.63

(1) Industry rates provided by CEPA (Canadian Energy Pipeline Association) except for Contractor rates which are provided by NAICS (North American Industry Classified System).

(2) Total Recordable Injury Rate: number of recordable incidents X 200,000 divided by number of hours worked.

(3) Release rates are per 1,000 km of operating pipeline.

(4) Measured from the commencement of the project to September 30, 2022.

While TMC tracks all commodity releases, industry data for releases greater than 1.5 m<sup>3</sup> is the threshold used for performance comparison. There have been no commodity releases in 2022 that met this threshold.

## Environment, Social and Governance

In June 2022, TMC published its second annual Environment, Social and Governance (“ESG”) report sharing the company’s ESG performance, a copy of which can be found on our website at [www.transmountain.com/esg-report](http://www.transmountain.com/esg-report).

### Task Force on Climate-Related Financial Disclosures (“TCFD”) Update

TMC is taking a phased approach to identifying and managing climate-related risks. In our 2022 ESG report, we provided disclosures around the four thematic areas contained in the TCFD framework—governance, risk management, strategy, and metrics and targets.

In the last year, TMC:

- Continued progressing our disclosures towards fully meeting the TCFD requirements in 2023 in alignment with the Federal Government requirements;
- Formally added climate-related risks to its Enterprise Risk Management program; and
- Conducted qualitative scenario analysis.

Some of the climate-related physical and transition risks (i.e., risks related to the transition to a low carbon economy) under evaluation include:

**Physical risks:** Physical risks such as heat events, wildfires, winter storms, floods and rising sea levels are evaluated and managed in alignment with our asset integrity program. 2021 tested the resiliency of our assets and programs since TMC effectively responded to three extreme weather events: wildfires, extreme cold and catastrophic flooding.

**Transition-risks:** TMC is evaluating a series of regulatory and market-related transition risks. Some of those risks include changes in oil demand, sustained lower prices, and carbon regulations that impact TMC’s customers. Consumption of motor fuels is one of the primary sources of transportation related greenhouse gas emissions. As the pace of vehicle electrification continues to increase, the demand for oil will be impacted.

In the next ten years, TMC has several sources of resiliency including: our ESG performance and low carbon footprint, several long-term “take-or-pay” contract commitments in place with shippers, and a unique strategic position as the only pipeline system transporting crude oil and refined products to the West Coast with access to the marine terminal, where oil demand is forecasted to remain strong.

**Scenarios:** In early 2022, our senior leaders attended several facilitated workshops to discuss the qualitative impacts of two scenarios developed by the International Energy Agency (IEA): The *Announced Pledges Scenario* (APS) and the *Net Zero Emissions by 2050 Scenario* (NZE). Under the *Announced Pledges Scenario*, we believe TMC will remain resilient to 2050 given the moderate market contraction and moderate oil prices. Under the *Net Zero Emissions by 2050 Scenario*, TMC remains resilient to 2030 but may need to make changes to its business after 2030 given the

potential for low oil price environment and severe demand contraction. In the next few years, we will continue enhancing our understanding of scenarios and monitoring for critical signposts.

#### Environment

TMC has a robust and proactive asset integrity program that includes inline inspections, integrity digs and a control center that monitors pipeline operations 24 hours a day, 7 days a week. In case of an incident, TMC has emergency response plans and its own inventory of emergency response equipment, covering the pipeline, pump stations and the Westridge Marine Terminal. Although the greenhouse gas (GHG) emissions associated with operating a pipeline are relatively small, TMC will be setting targets to reduce and/or offset our scope 1 and scope 2 emissions. Our targets will support the Government of Canada's ambition to reach net zero by 2050.

For the execution of the TMEP, TMC uses a variety of leading-edge environmental practices and technologies. TMC has evaluated and sought to minimize the impacts of construction activities on land, water and air, including considerations of traditional Indigenous knowledge and heritage resources. Construction of the TMEP will generate emissions and as part of TMC's regulatory approvals, TMC committed to offset these construction-related emissions.

#### Social

In alignment with the mandate to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous Peoples, TMC seeks to maximize opportunities for Indigenous people. TMC's hope is that Indigenous communities are positively economically impacted for the long term and are in a more sustainable position than when we first engaged with them, and that a positive legacy endures beyond the completion of the TMEP.

To promote safe operations and construction, TMC has stringent safety regulations, high expectations of its contractors, and is continuously working to improve its safety practices.

#### Governance

TMC's Board of Directors is appointed by CDEV and is composed of 12 members, 8 of whom are considered independent. The Board is responsible for the stewardship of the company with overall responsibility to oversee and supervise management and business activities, while exercising their independent judgment to strengthen management and accountability.

### Business Risks

Refer to TMC's Management Report for the year ended December 31, 2021 for more information about our business risks, which have not changed substantially since December 31, 2021.

#### Existing Operations

There are limited risks due to economic factors on existing operations. Most costs and revenues of the business are in Canadian dollars, resulting in limited foreign exchange exposure. On Puget, revenues and most costs are in U.S. dollars, leading to limited foreign exchange exposure within



the Puget entity, but resulting in some exposure to foreign currency translation when TMC converts Puget's results to Canadian dollars on consolidation.

Tolls for transportation service on the Canadian portion of the existing TMPL are regulated by the CER and governed by the terms of the ITS, which provides significant financial risk mitigation.

TMC's existing operations are subject to a variety of physical hazards and risks typical of most large diameter transmission pipelines. These risks are often mitigated through insurance coverage. In addition to insurance coverage, TMC has financial resources available in the event of a future commodity release including cash on hand and access to lines of credit.

#### TMEP Project Risks

TMC is exposed to project execution risks commensurate with major construction projects of this geography, size and complexity. Completion of the TMEP will require significant capital expenditures, and TMC will require the continued availability of financing in order to complete the TMEP. TMC's ability to service existing and future debt required may depend on a number of factors, including future financial and operating performance, project execution on the TMEP, overall economic conditions, and financial, regulatory, and other factors, many of which are beyond TMC's direct control. TMC's future operating cash flow may not be adequate to service its debt, particularly prior to the in-service date of the TMEP.

### Forward-looking information

In certain sections of this Report we discuss our business strategy and outlook, and comment on financial resources, capital spending, and other expectations of management. This is forward-looking information. We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook. Statements that are forward-looking generally include words like anticipate, expect, believe, may, will, should, estimate, continue or other similar words. Examples of forward-looking statements contained in this Report include, among others, statements regarding the construction, timing, impact, capacity and results of the TMEP; the commitment of shippers on the expanded TMPL; the impact of amendments to TMEP's EAC; the anticipated recovery of certain flood related costs; our ability to respond to physical risks and transition-risks; changes to our business that may be required after 2030; the setting of targets to reduce and/or offset our scope 1 and scope 2 emissions and the impact of such actions on the Government of Canada's emission reduction goals; and our commitment to offset construction-related emissions.

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.

Our forward-looking information is based on assumptions and expectations and is subject to risks and uncertainties, including:



## Assumptions

- Expected operating and financial results including planned changes in our business;
- Expectations or projections about strategies and goals for growth and expansion;
- Expected cash flows and availability of funds from external financing;
- 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, and potential changes in laws and regulations;
- Impacts arising from COVID-19 not becoming significantly more onerous on TMC;
- 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;
- Inflation rates and commodity prices; and
- Interest, tax and foreign exchange rates.

## Risks and uncertainties

- 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;
- Competitive factors in the pipeline sector;
- 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;
- Changes in market commodity prices, the political 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;
- 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;
- 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; and

- Natural hazards (floods, landslides, seismic activity, etc.).

Forward-looking 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.