

Consolidated statement of income

year ended December 31 (millions of Canadian dollars, except per share amounts)	2014	2013	2012
Revenues			
Natural Gas Pipelines	4,913	4,497	4,264
Liquids Pipelines	1,547	1,124	1,039
Energy	3,725	3,176	2,704
	10,185	8,797	8,007
Income from Equity Investments (Note 8)	522	597	257
Operating and Other Expenses			
Plant operating costs and other	2,973	2,674	2,577
Commodity purchases resold	1,836	1,317	1,049
Property taxes	473	445	434
Depreciation and amortization	1,611	1,485	1,375
	6,893	5,921	5,435
Gain on Sale of Assets (Note 25)	117	–	–
Financial Charges/(Income)			
Interest expense (Note 15)	1,198	985	976
Interest income and other	(91)	(34)	(85)
	1,107	951	891
Income before Income Taxes	2,824	2,522	1,938
Income Tax Expense (Note 16)			
Current	145	43	181
Deferred	686	568	285
	831	611	466
Net Income	1,993	1,911	1,472
Net Income Attributable to Non-Controlling Interests (Note 18)	153	125	118
Net Income Attributable to Controlling Interests	1,840	1,786	1,354
Preferred Share Dividends (Note 20)	97	74	55
Net Income Attributable to Common Shares	1,743	1,712	1,299
Net Income per Common Share (Note 19)			
Basic and Diluted	\$2.46	\$2.42	\$1.84
Dividends Declared per Common Share	\$1.92	\$1.84	\$1.76
Weighted Average Number of Common Shares (millions)			
Basic	708	707	705
Diluted	710	708	706

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated statement of comprehensive income

year ended December 31 (millions of Canadian dollars)	2014	2013	2012
Net Income	1,993	1,911	1,472
Other Comprehensive Income/(Loss), Net of Income Taxes			
Foreign currency translation gains and losses on net investments in foreign operations	517	383	(129)
Change in fair value of net investment hedges	(276)	(239)	44
Change in fair value of cash flow hedges	(69)	71	48
Reclassification to Net Income of gains and losses on cash flow hedges	(55)	41	138
Unrealized actuarial gains and losses on pension and other post-retirement benefit plans	(102)	67	(73)
Reclassification to Net Income of actuarial gains and losses and prior service costs on pension and other post-retirement benefit plans	18	23	22
Other Comprehensive Income/(Loss) on equity investments	(204)	234	(70)
Other Comprehensive Income/(Loss) (Note 21)	(171)	580	(20)
Comprehensive Income	1,822	2,491	1,452
Comprehensive Income Attributable to Non-Controlling Interests	283	191	97
Comprehensive Income Attributable to Controlling Interests	1,539	2,300	1,355
Preferred Share Dividends	97	74	55
Comprehensive Income Attributable to Common Shares	1,442	2,226	1,300

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Consolidated statement of cash flows

year ended December 31 (millions of Canadian dollars)	2014	2013	2012
Cash Generated from Operations			
Net income	1,993	1,911	1,472
Depreciation and amortization	1,611	1,485	1,375
Deferred income taxes (Note 16)	686	568	285
Income from equity investments (Note 8)	(522)	(597)	(257)
Distributed earnings received from equity investments (Note 8)	579	605	376
Employee post-retirement benefits expense, net of funding (Note 22)	37	50	9
Gain on sale of assets (Note 25)	(117)	–	–
Equity AFUDC (Note 9)	(95)	(19)	(15)
Unrealized losses/(gains) on financial instruments	74	(35)	22
Other	22	32	17
(Increase)/decrease in operating working capital (Note 24)	(189)	(326)	287
Net cash provided by operations	4,079	3,674	3,571
Investing Activities			
Capital expenditures (Note 4)	(3,550)	(4,264)	(2,595)
Capital projects under development (Note 4)	(807)	(488)	(3)
Equity investments	(256)	(163)	(652)
Acquisitions, net of cash acquired (Note 25)	(241)	(216)	(214)
Proceeds from sale of assets, net of transaction costs (Note 25)	196	–	–
Deferred amounts and other	514	11	208
Net cash used in investing activities	(4,144)	(5,120)	(3,256)
Financing Activities			
Dividends on common shares (Note 19)	(1,345)	(1,285)	(1,226)
Dividends on preferred shares (Note 20)	(94)	(71)	(55)
Distributions paid to non-controlling interests	(178)	(166)	(135)
Notes payable issued/(repaid), net	544	(492)	449
Long-term debt issued, net of issue costs	1,403	4,253	1,491
Repayment of long-term debt	(1,069)	(1,286)	(980)
Common shares issued	47	72	53
Preferred shares issued, net of issue costs	440	585	–
Partnership units of subsidiary issued, net of issue costs	79	384	–
Preferred shares of subsidiary redeemed (Note 18)	(200)	(200)	–
Net cash (used in)/provided by financing activities	(373)	1,794	(403)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	–	28	(15)
(Decrease)/Increase in Cash and Cash Equivalents	(438)	376	(103)
Cash and Cash Equivalents			
Beginning of year	927	551	654
Cash and Cash Equivalents			
End of year	489	927	551

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheet

at December 31 (millions of Canadian dollars)	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	489	927
Accounts receivable	1,313	1,122
Inventories	292	251
Other (Note 5)	1,446	847
	3,540	3,147
Plant, Property and Equipment (Note 7)	41,774	37,606
Equity Investments (Note 8)	5,598	5,759
Regulatory Assets (Note 9)	1,297	1,735
Goodwill (Note 10)	4,034	3,696
Intangible and Other Assets (Note 11)	2,704	1,955
	58,947	53,898
LIABILITIES		
Current Liabilities		
Notes payable (Note 12)	2,467	1,842
Accounts payable and other (Note 13)	2,896	2,155
Accrued interest	424	388
Current portion of long-term debt (Note 15)	1,797	973
	7,584	5,358
Regulatory Liabilities (Note 9)	263	229
Other Long-Term Liabilities (Note 14)	1,052	656
Deferred Income Tax Liabilities (Note 16)	5,275	4,564
Long-Term Debt (Note 15)	22,960	21,892
Junior Subordinated Notes (Note 17)	1,160	1,063
	38,294	33,762
EQUITY		
Common shares, no par value (Note 19)	12,202	12,149
Issued and outstanding: December 31, 2014 – 709 million shares December 31, 2013 – 707 million shares		
Preferred shares (Note 20)	2,255	1,813
Additional paid-in capital	370	401
Retained earnings	5,478	5,096
Accumulated other comprehensive loss (Note 21)	(1,235)	(934)
Controlling interests	19,070	18,525
Non-controlling interests (Note 18)	1,583	1,611
	20,653	20,136
	58,947	53,898

Commitments, Contingencies and Guarantees (Note 26)

Subsequent Events (Note 27)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

On behalf of the Board:



Russell K. Girling
Director



Kevin E. Benson
Director

Consolidated statement of equity

year ended December 31 (millions of Canadian dollars)	2014	2013	2012
Common Shares			
Balance at beginning of year	12,149	12,069	12,011
Shares issued on exercise of stock options (Note 19)	53	80	58
Balance at end of year	12,202	12,149	12,069
Preferred Shares			
Balance at beginning of year	1,813	1,224	1,224
Shares issued under public offering, net of issue costs	442	589	–
Balance at end of year	2,255	1,813	1,224
Additional Paid-In Capital			
Balance at beginning of year	401	379	380
Issuance of stock options, net of exercises	3	(2)	(1)
Dilution impact from TC PipeLines, LP units issued (Note 25)	9	29	–
Redemption of subsidiary's preferred shares	(6)	(5)	–
Impact of asset drop downs to TC Pipelines, LP (Note 25)	(37)	–	–
Balance at end of year	370	401	379
Retained Earnings			
Balance at beginning of year	5,096	4,687	4,628
Net income attributable to controlling interests	1,840	1,786	1,354
Common share dividends	(1,360)	(1,301)	(1,240)
Preferred share dividends	(98)	(76)	(55)
Balance at end of year	5,478	5,096	4,687
Accumulated Other Comprehensive Loss			
Balance at beginning of year	(934)	(1,448)	(1,449)
Other comprehensive (loss)/income	(301)	514	1
Balance at end of year	(1,235)	(934)	(1,448)
Equity Attributable to Controlling Interests	19,070	18,525	16,911
Equity Attributable to Non-Controlling Interests			
Balance at beginning of year	1,611	1,425	1,465
Net income attributable to non-controlling interests			
TC PipeLines, LP	136	93	91
Preferred share dividends of TCPL	2	20	22
Portland	15	12	5
Other comprehensive income/(loss) attributable to non-controlling interests	130	66	(21)
Issuance of TC PipeLines, LP units			
Proceeds, net of issue costs	79	384	–
Decrease in TransCanada's ownership of TC PipeLines, LP	(14)	(47)	–
Distributions declared to non-controlling interests	(182)	(166)	(135)
Redemption of subsidiary's preferred shares	(194)	(195)	–
Foreign exchange and other	–	19	(2)
Balance at end of year	1,583	1,611	1,425
Total Equity	20,653	20,136	18,336

The accompanying notes to the consolidated financial statements are an integral part of these statements.