ATCO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for preparing the consolidated financial statements of ATCO Ltd. (the Company) in accordance with International Financial Reporting Standards, which include amounts based on estimates and judgments. Management is also responsible for the preparation of the Management's Discussion and Analysis and other financial information contained in the Company's Annual Report, and ensures that it is consistent with the consolidated financial statements.

Management has established internal accounting and financial reporting control systems, which are subject to periodic review by the Company’s internal auditors, to meet its responsibility for reliable and accurate reporting. Integral to these control systems are a code of ethics and management policies that provide guidance and direction to employees, as well as a system of corporate governance that provides oversight to the Company’s operating, reporting and risk management activities.

The consolidated financial statements are approved by the Board of Directors on the recommendation of the Audit & Risk Committee. The Audit & Risk Committee is comprised entirely of independent directors. The Audit & Risk Committee meets regularly with management and the independent auditors to review material accounting and financial reporting matters, to assure that management is carrying out its responsibilities and to review and approve the consolidated financial statements.

PricewaterhouseCoopers LLP, our independent auditors, are engaged to perform an audit of the consolidated financial statements and expresses a professional opinion on the results. The Independent Auditor's Report to the Share Owners appears on the following page. PricewaterhouseCoopers LLP have full and independent access to the Audit & Risk Committee and management to discuss their audit and related matters.

[Original signed by N.C. Southern]
Chair & Chief Executive Officer

[Original signed by K. Patrick]
Executive Vice President, Chief Financial & Investment Officer

February 25, 2026

Independent auditor’s report

To the Share Owners of ATCO Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ATCO Ltd. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company’s consolidated financial statements comprise:

- the consolidated statements of earnings for the years ended December 31, 2025 and 2024;
- the consolidated statements of comprehensive income for the years ended December 31, 2025 and 2024;
- the consolidated balance sheets as at December 31, 2025 and 2024;
- the consolidated statements of changes in equity for the years ended December 31, 2025 and 2024;
- the consolidated statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of goodwill and property, plant and equipment for cash generating units in the ATCO EnPower segment Refer to note 13 – Property, plant and equipment, note 16 – Goodwill, note 23 – Material judgments, estimates and assumptions, and note 33 – Material accounting policies to the consolidated financial statements. The Company had $124 million of goodwill and $22,420 million of property, plant and equipment (PP&E) as at December 31, 2025. Goodwill is tested for impairment annually, or more frequently if there is an indicator of impairment. Goodwill impairment is tested at the cash generating unit (CGU) level. When impairment indicators of PP&E exist, assets that cannot be tested individually for impairment are assessed at the CGU level to which the assets belong, which is the smallest identifiable group of	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amounts of the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs, which included the following: – Tested the appropriateness of the methods used by management. – Tested underlying data used in the discounted cash flow models. – Evaluated the reasonableness of significant assumptions by (i) comparing forecasted merchant pricing with external market and industry data; (ii) comparing forecasted generation with external industry data and

Key audit matter	How our audit addressed the key audit matter
assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. Management exercises material judgment when determining the recoverable amount in an impairment assessment. During the year, management identified impairment indicators and performed impairment assessments on the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs in the ATCO EnPower segment. The recoverable amounts of the CGUs were based on a fair value less cost of disposal method using discounted cash flow models. The determination of the recoverable amounts included the following significant assumptions: forecasted merchant pricing, forecasted generation and discount rates. Management's estimates of forecasted merchant pricing and generation were supported by third party analyses and based on engineering studies, respectively (management's experts). During the year ended December 31, 2025, the Company recognized a goodwill impairment expense of $121 million related to the Forty Mile Wind CGU and a PP&E impairment expense of $225 million related to the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs. We considered this a key audit matter due to the material judgment by management in developing the significant assumptions to determine the recoverable amounts. This in turn resulted in significant audit effort and subjectivity in performing procedures to test the recoverable amounts determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	results historically achieved; and (iii) assessing whether these significant assumptions were consistent with evidence obtained in other areas of the audit. The work of management's experts was used in performing the procedures to evaluate the reasonableness of the forecasted merchant pricing and generation assumptions. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. – Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the appropriateness of the discounted cash flow models, and the reasonableness of the discount rates used within the models. • Tested the disclosures made in the consolidated financial statements with regard to the significant assumptions in the impairment assessments for the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs.

Key audit matter	How our audit addressed the key audit matter
Assessment of unbilled revenue related to the ATCO Energy Systems segment Refer to note 4 – Revenues and note 23 – Material judgments, estimates and assumptions to the consolidated financial statements. The Company had $146 million of unbilled revenue related to the ATCO Energy Systems segment as at December 31, 2025. The revenue recognized by the Company from the regulated distribution of natural gas and electricity includes an estimate of consumption by customers that has not yet been billed (unbilled revenue). The estimate is derived from unbilled gas and electricity distribution services supplied to customers and is based on historical consumption patterns. Management applies judgment to the measurement and value of the estimated consumption. We considered this a key audit matter due to (i) the significance of the unbilled revenue, (ii) the judgment applied by management to estimate the consumption, and (iii) the significant auditor effort in performing procedures to test the estimated amount of unbilled revenue.	Our approach to addressing the matter included the following procedures, among others: • Tested the reasonableness of the estimate of unbilled revenue through evidence obtained from events occurring up to the date of the auditor's report, which included the following: – Tested a sample of billings made after December 31, 2025 and compared the relevant amounts of these billings to the corresponding estimate of unbilled revenue recorded. – Agreed the pricing applied to a sample of billings to externally published rates. • Tested the operating effectiveness of internal controls relating to unbilled revenue, including information technology (IT) general controls of the relevant IT systems that management uses for billings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Courtney Kolla.

[Original signed by "PricewaterhouseCoopers LLP"]

Chartered Professional Accountants
Calgary, Alberta
February 25, 2026

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Year Ended December 31 2025	2024
Revenues	4	**5,143**	4,942
Costs and expenses			
Salaries, wages and benefits	3	**(711)**	(738)
Energy transmission and transportation		**(347)**	(315)
Plant and equipment maintenance		**(260)**	(270)
Fuel costs		**(120)**	(108)
Purchased power		**(211)**	(225)
Materials and consumables		**(738)**	(621)
Depreciation, amortization, and impairments	11, 12, 13, 14, 16	**(1,413)**	(811)
Franchise fees		**(307)**	(296)
Property and other taxes		**(86)**	(84)
Derivative financial instruments gains	20	**56**	64
Other	5	**(268)**	(273)
		(4,405)	(3,677)
Earnings from investment in associate company	25	**31**	24
Earnings from investment in joint ventures	27	**91**	73
Operating profit		**860**	1,362
Interest income		**67**	86
Interest expense	6	**(556)**	(548)
Net finance costs		**(489)**	(462)
Earnings before income taxes		**371**	900
Income tax expense	7	**(110)**	(189)
Earnings for the year		**261**	711
Earnings attributable to:			
Class I and Class II Shares		**150**	430
Non-controlling interests	28	**111**	281
		261	711
Earnings per Class I and Class II Share	8	**$1.34**	$3.83
Diluted earnings per Class I and Class II Share	8	**$1.33**	$3.83

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year Ended December 31	
(millions of Canadian Dollars)	Note	2025	2024
Earnings for the year		**261**	711
Other comprehensive (loss) income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits (1)	15	**4**	5
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges (2)	20	**(39)**	(27)
Foreign currency translation adjustment (3)		**2**	30
Share of other comprehensive income (loss) in associate company (3)	25	**1**	(1)
Share of other comprehensive (loss) income of joint ventures (3)	27	**(3)**	5
		(39)	7
Other comprehensive (loss) income		**(35)**	12
Comprehensive income for the year		**226**	723
Comprehensive income attributable to:			
Class I and Class II Shares		**132**	428
Non-controlling interests		**94**	295
		226	723

(1) Net of income taxes of $(1) million for the year ended December 31, 2025 (2024 - $(2) million).
(2) Net of income taxes of $11 million for the year ended December 31, 2025 (2024 - $11 million).
(3) Net of income taxes of nil (2024 - nil).

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

		December 31	
(millions of Canadian Dollars)	**Note**	**2025**	**2024**
ASSETS			
Current assets			
Cash and cash equivalents	19	**1,004**	374
Marketable securities	9	**353**	339
Accounts receivable and contract assets	10	**835**	1,018
Finance lease receivables	11	**14**	13
Inventories	12	**146**	155
Prepaid expenses and other current assets	20	**274**	246
		2,626	2,145
Non-current assets			
Property, plant and equipment	13	**22,420**	21,788
Intangibles	14	**1,094**	1,076
Right-of-use assets	11	**162**	137
Goodwill	16	**124**	244
Retirement benefit asset	15	**51**	59
Investment in joint ventures	27	**268**	261
Investment in associate company	25	**501**	510
Finance lease receivables	11	**99**	112
Deferred income tax assets	7	**119**	91
Other assets	20	**204**	301
Total assets		**27,668**	26,724
LIABILITIES			
Current liabilities			
Bank indebtedness	19	**27**	280
Accounts payable and accrued liabilities		**936**	1,062
Lease liabilities	11	**28**	23
Provisions and other current liabilities	20	**87**	113
Long-term debt	17	**377**	77
		1,455	1,555
Non-current liabilities			
Deferred income tax liabilities	7	**2,381**	2,288
Retirement benefit obligations	15	**235**	248
Customer contributions	10	**2,165**	2,088
Lease liabilities	11	**147**	125
Other liabilities	20	**284**	236
Long-term debt	17	**12,652**	11,474
Total liabilities		**19,319**	18,014
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	18	**215**	191
Contributed surplus		**16**	17
Retained earnings		**4,313**	4,423
Accumulated other comprehensive (loss) income		**(22)**	1
		4,522	4,632
Non-controlling interests	28	**3,827**	4,078
Total equity		**8,349**	8,710
Total liabilities and equity		**27,668**	26,724

See accompanying Notes to Consolidated Financial Statements.

[Original signed by N.C. Southern]
DIRECTOR

[Original signed by N.M. Steinberg]
DIRECTOR

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 2023		187	14	4,216	6	4,423	4,075	8,498
Earnings for the year	28	–	–	430	–	430	281	711
Other comprehensive income (loss)	28	–	–	–	(2)	(2)	14	12
Gain on retirement benefits transferred to retained earnings	15	–	–	3	(3)	–	–	–
Shares issued		–	–	–	–	–	19	19
Dividends [1]	18, 28	–	–	(220)	–	(220)	(324)	(544)
Share-based compensation	29	4	3	–	–	7	1	8
Changes in ownership interest in subsidiary company [2]		–	–	(11)	–	(11)	11	–
Other		–	–	5	–	5	1	6
December 31, 2024		191	17	4,423	1	4,632	4,078	8,710
Earnings for the year	28	**–**	**–**	**150**	**–**	**150**	**111**	**261**
Other comprehensive loss	28	**–**	**–**	**–**	**(18)**	**(18)**	**(17)**	**(35)**
Gain on retirement benefits transferred to retained earnings	15	**–**	**–**	**3**	**(3)**	**–**	**–**	**–**
Net redemption of equity preferred shares by subsidiary company	28	**–**	**–**	**–**	**–**	**–**	**(49)**	**(49)**
Shares issued [3]		**21**	**–**	**–**	**–**	**21**	**18**	**39**
Shares purchased and cancelled		**(1)**	**–**	**(25)**	**–**	**(26)**	**–**	**(26)**
Dividends [1]	18, 28	**–**	**–**	**(227)**	**–**	**(227)**	**(326)**	**(553)**
Share-based compensation	18, 29	**4**	**(1)**	**–**	**–**	**3**	**3**	**6**
Changes in ownership interest in subsidiary company [2]		**–**	**–**	**(10)**	**–**	**(10)**	**10**	**–**
Other		**–**	**–**	**(1)**	**(2)**	**(3)**	**(1)**	**(4)**
December 31, 2025		**215**	**16**	**4,313**	**(22)**	**4,522**	**3,827**	**8,349**

(1) For the year ended December 31, 2025, dividends paid to non-controlling interests of $326 million (2024 - $324 million) include nil (2024 - $19 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program. Effective July 11, 2024, Canadian Utilities Limited suspended its dividend reinvestment program.

(2) For the year ended December 31, 2025, the changes in ownership interest in subsidiary company are related to shares issued under the stock option plan to non-controlling interests (2024 - related to Canadian Utilities Limited's dividend reinvestment program).

(3) For the year ended December 31, 2025, Class I and II shares issued include $2 million (2024 - nil) in legal and other fees related to the Company's plan of arrangement to exchange Class II Shares held by non-controlling shareholders to Class I Shares that was completed on December 11, 2025.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Year Ended December 31 2025	2024
Operating activities			
Earnings for the year		**261**	711
Adjustments to reconcile earnings to cash flows from operating activities	19	**2,180**	1,594
Changes in non-cash working capital	19	**43**	(108)
Cash flows from operating activities		**2,484**	2,197
Investing activities			
Additions to property, plant and equipment		**(1,702)**	(1,691)
Proceeds on disposal of property, plant and equipment		**20**	1
Additions to intangibles		**(138)**	(113)
Acquisition, net of cash acquired	24	**(33)**	(40)
Investment in joint ventures	27	**(11)**	(4)
Investment in marketable securities	9	**(16)**	(15)
Changes in non-cash working capital	19	**(43)**	29
Other		**24**	35
Cash flows used in investing activities		**(1,899)**	(1,798)
Financing activities			
Issue of long-term debt	17, 19	**2,460**	1,038
Repayment of long-term debt	17, 19	**(978)**	(523)
Issue of equity preferred shares by subsidiary company	28	**201**	–
Redemption of equity preferred shares by subsidiary company	28	**(250)**	–
Repayment of lease liabilities	11	**(34)**	(26)
Issue of Class A Shares by subsidiary company		**18**	–
Net (purchase) issue of Class I Shares		**(3)**	3
Dividends paid to Class I and Class II Share owners	18	**(227)**	(220)
Dividends paid to non-controlling interests	28	**(326)**	(305)
Interest paid		**(555)**	(533)
Other		**(15)**	(22)
Cash flows from (used in) financing activities		**291**	(588)
Increase (decrease) in cash position		**876**	(189)
Foreign currency translation		**7**	(5)
Beginning of year		**94**	288
End of year [(1)]	19	**977**	94

(1) Cash position includes $29 million which is not available for general use by the Company (2024 - $10 million).

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)

1. THE COMPANY AND ITS OPERATIONS

ATCO Ltd. was incorporated under the laws of the province of Alberta and is listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. ATCO Ltd. is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

ATCO Ltd. is engaged in the following business activities:

- Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services);
- Neltume Ports (ports and transportation logistics) (included in ATCO Investments);
- Retail Energy (electricity and natural gas retail sales, and home maintenance solutions) (included in ATCO Investments). For the period from January 1, 2024 until the date of transfer on August 1, 2024, Retail Energy activities were conducted in Canadian Utilities Limited's Financing & Other; and
- Canadian Utilities Limited, including:
    - ATCO Energy Systems (electricity and natural gas transmission and distribution, and international electricity operations);
    - ATCO EnPower (energy storage, electricity generation, industrial water solutions, and cleaner fuels); and
    - ATCO Australia (natural gas distribution and electricity generation operations).

Commencing in 2025, Canadian Utilities Limited renamed its Corporate & Other segment to Financing & Other to reflect its remaining primary activities, which include corporate financing, headquarters and support functions. Furthermore, ATCO Ltd. simplified its operating segment structure by combining Neltume Ports and ATCO Ltd.'s Corporate & Other segments into a newly-formed ATCO Investments operating segment (see Note 3).

The consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries (see Note 26). The statements also include the accounts of ATCO Ltd.'s investments in joint arrangements (see Note 27) and an associate company (see Note 25). In these consolidated financial statements, "the Company" means ATCO Ltd., its subsidiaries, joint arrangements and the associate company.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared according to International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

The Board of Directors (Board) authorized these consolidated financial statements for issue on February 25, 2026.

BASIS OF MEASUREMENT

The consolidated financial statements are prepared on a historic cost basis, except for marketable securities, derivative financial instruments, retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

The Company's material accounting policies are described in Note 33. These policies have been consistently applied to all years presented, except where new or amended IFRS Accounting Standards permit prospective application.

FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars. Each entity within the Company determines its own functional currency based on the primary economic environment in which it operates.

USE OF JUDGMENTS AND ESTIMATES

Management makes judgments and estimates that could materially affect how policies are applied, how amounts in the consolidated financial statements are reported, and how contingent assets and liabilities are disclosed. Most often these judgments and estimates concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an on-going basis; changes to accounting estimates are recognized prospectively. The material judgments, estimates and assumptions are described in Note 23.

3. SEGMENTED INFORMATION

SEGMENT DESCRIPTIONS AND PRINCIPAL OPERATING ACTIVITIES

The Company's operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, and the other members of the Executive Committee ("the Senior Management Team").

The accounting policies applied by the segments are the same as those applied by the Company, except for those used in the calculation of adjusted earnings. Intersegment transactions are measured at the exchange amount, as agreed to by the related parties.

Commencing in 2025, the Company simplified its operating segment structure by combining Neltume Ports and ATCO Ltd.'s Corporate & Other segments into a newly-formed ATCO Investments operating segment. The change in reportable segment had no impact to the Company’s previously reported historical consolidated balance sheets and the consolidated statements of earnings, comprehensive income, cash flows and changes in equity. Comparative segment results previously reported have been reclassified to reflect this change in the reportable operating segments.

Management has determined that the operating subsidiaries in the reportable segments below share similar economic characteristics, as such, they have been aggregated.

The descriptions and principal operating activities of the realigned segments are as follows:

<table>
<tr><td colspan="3">Structures & Logistics</td><td>The Structures & Logistics segment includes ATCO Structures & Logistics. This segment offers workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services.</td></tr>
<tr><td colspan="3">ATCO Investments</td><td>The ATCO Investments segment includes the Company's 40 per cent equity interest in Neltume Ports S.A., a business that operates seventeen port facilities and six port operation services businesses located in Chile, Uruguay, Argentina, Brazil and the United States; ATCO Energy, a retail electricity and natural gas business, and a home maintenance solution provider; ATCO Land and Development, a business that holds commercial real estate for sale, lease and development; and Ashcor, a business engaged in the recycling and marketing of ash, a waste byproduct of electricity generation. ATCO Investments also includes ATCO Ltd.'s corporate financing, headquarters and support functions.</td></tr>
<tr><td rowspan="5">Canadian Utilities Limited</td><td rowspan="2">ATCO Energy Systems</td><td>Electricity</td><td>The ATCO Energy Systems (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan, and the Company's 50 per cent ownership interest in LUMA Energy, LLC, which provides international electricity operations.</td></tr>
<tr><td>Natural Gas</td><td>The ATCO Energy Systems (Natural Gas) segment includes ATCO Gas and ATCO Pipelines. These businesses provide integrated natural gas transmission and distribution services throughout Alberta and in the Lloydminster area of Saskatchewan.</td></tr>
<tr><td colspan="2">ATCO EnPower</td><td>The ATCO EnPower segment includes ATCO Renewables and ATCO Next Energy. These businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Northwest Territories, Ontario, Mexico and Chile.</td></tr>
<tr><td colspan="2">ATCO Australia</td><td>The ATCO Australia segment includes ATCO Gas Australia, which provides regulated natural gas distribution services in Western Australia, and ATCO Power Australia, which provides electricity generation.</td></tr>
<tr><td colspan="2">Financing & Other</td><td>Financing & Other includes Canadian Utilities Limited's corporate financing, headquarters and support functions. In the first quarter of 2025, the Corporate & Other segment was renamed Financing & Other to reflect its primary business activities. For the period from January 1, 2024 until the date of sale on August 1, 2024, ATCO Energy Ltd. (ATCO Energy), a retail electricity and natural gas business, and a home maintenance solution provider was included in Financing and Other (See Note 32).</td></tr>
</table>

Results by operating segment for the year ended December 31 are shown below:

2025 2024			Canadian Utilities Limited							
	Structures & Logistics	ATCO Investments	ATCO Energy Systems [1]	ATCO EnPower	ATCO Australia	Financing & Other [2]	CU Elims	Total	ATCO Elims	ATCO Total
Revenues - external	**1,286**	**253**	**3,108**	**251**	**243**	**2**	**–**	**3,604**	**–**	**5,143**
	1,114	133	3,071	236	241	147	–	3,695	–	4,942
Revenues - intersegment	**(4)**	**34**	**–**	**77**	**–**	**25**	**(16)**	**86**	**(116)**	**–**
	–	20	–	77	–	37	(67)	47	(67)	–
Revenues	**1,282**	**287**	**3,108**	**328**	**243**	**27**	**(16)**	**3,690**	**(116)**	**5,143**
	1,114	153	3,071	313	241	184	(67)	3,742	(67)	4,942
Operating (expenses) income [3]	**(1,005)**	**(278)**	**(1,504)**	**(203)**	**(118)**	**(16)**	**16**	**(1,825)**	**116**	**(2,992)**
	(884)	(1)	(1,513)	(178)	(144)	(280)	67	(2,048)	67	(2,866)
Depreciation, amortization and impairments	**(98)**	**(22)**	**(667)**	**(529)**	**(88)**	**(9)**	**–**	**(1,293)**	**–**	**(1,413)**
	(87)	(13)	(587)	(54)	(58)	(12)	–	(711)	–	(811)
Earnings from investment in associate company	**–**	**31**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31**
	–	24	–	–	–	–	–	–	–	24
Earnings from investment in joint ventures	**3**	**–**	**72**	**11**	**5**	**–**	**–**	**88**	**–**	**91**
	–	–	57	11	5	–	–	73	–	73
Net finance costs	**(19)**	**(12)**	**(372)**	**(32)**	**(33)**	**(21)**	**–**	**(458)**	**–**	**(489)**
	(15)	(15)	(371)	(31)	(14)	(16)	–	(432)	–	(462)
Earnings (loss) before income taxes	**163**	**6**	**637**	**(425)**	**9**	**(19)**	**–**	**202**	**–**	**371**
	128	148	657	61	30	(124)	–	624	–	900
Income tax (expense) recovery	**(43)**	**5**	**(127)**	**58**	**(1)**	**(2)**	**–**	**(72)**	**–**	**(110)**
	(34)	(22)	(135)	(13)	(8)	23	–	(133)	–	(189)
Earnings (loss) for the year	**120**	**11**	**510**	**(367)**	**8**	**(21)**	**–**	**130**	**–**	**261**
	94	126	522	48	22	(101)	–	491	–	711
Adjusted earnings (loss)	**121**	**52**	**337**	**23**	**36**	**(51)**	**–**	**345**	**–**	**518**
	104	37	333	23	25	(41)	–	340	–	481
Total assets	**1,628**	**1,874**	**20,179**	**1,841**	**1,601**	**1,172**	**(257)**	**24,536**	**(370)**	**27,668**
	1,501	1,714	19,628	2,287	1,543	579	(250)	23,787	(278)	26,724
Capital expenditures [4]	**240**	**33**	**1,399**	**89**	**100**	**12**	**–**	**1,600**	**–**	**1,873**
	182	27	1,399	104	89	19	–	1,611	–	1,820

Elims - Intersegment Eliminations

(1) *Includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in ATCO Energy Systems are disclosed below.*

(2) *Commencing in 2025, Canadian Utilities Limited's Corporate & Other segment was renamed to Financing & Other to reflect its primary business activities which include corporate financing, headquarters and support functions.*

(3) *Includes total costs and expenses, excluding depreciation, amortization and impairments expense.*

(4) *Includes additions to property, plant and equipment, intangibles and $33 million of interest capitalized during construction for the year ended December 31, 2025 (2024 - $16 million).*

Results of the operating segments included in ATCO Energy Systems for the year ended December 31 are shown below:

2025	ATCO Energy Systems			
2024	**Electricity**	**Natural Gas**	**AES Elims**	**Total**
Revenues - external	**1,436**	**1,672**	**–**	**3,108**
	1,417	1,654	–	3,071
Revenues - intersegment	**9**	**4**	**(13)**	**–**
	6	3	(9)	–
Revenues	**1,445**	**1,676**	**(13)**	**3,108**
	1,423	1,657	(9)	3,071
Operating expenses (1)	**(560)**	**(957)**	**13**	**(1,504)**
	(565)	(957)	9	(1,513)
Depreciation, amortization and impairments	**(360)**	**(307)**	**–**	**(667)**
	(333)	(254)	–	(587)
Earnings from investment in joint ventures	**72**	**–**	**–**	**72**
	57	–	–	57
Net finance costs	**(228)**	**(144)**	**–**	**(372)**
	(229)	(142)	–	(371)
Earnings before income taxes	**369**	**268**	**–**	**637**
	353	304	–	657
Income tax expense	**(67)**	**(60)**	**–**	**(127)**
	(66)	(69)	–	(135)
Earnings for the year	**302**	**208**	**–**	**510**
	287	235	–	522
Adjusted earnings	**205**	**132**	**–**	**337**
	208	125	–	333
Total assets	**11,753**	**8,428**	**(2)**	**20,179**
	11,477	8,152	(1)	19,628
Capital expenditures (2)	**664**	**735**	**–**	**1,399**
	761	638	–	1,399

Elims - Intersegment Eliminations

(1) Includes total costs and expenses, excluding depreciation, amortization and impairments expense.

(2) Includes additions to property, plant and equipment, intangibles and $31 million of interest capitalized during construction for the year ended December 31, 2025 (2024 - $15 million).

GEOGRAPHIC INFORMATION

Financial information by geographic area for the year ended and as at December 31 is summarized below.

Revenues - external

	2025	2024
Canada	**4,215**	4,045
Australia	**611**	594
Other	**317**	303
Total	**5,143**	4,942

Non-current assets

	Property, Plant and Equipment		Intangible Assets		Other Assets [1]		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Canada	**20,340**	19,840	**1,069**	1,051	**399**	412	**21,808**	21,303
Australia	**1,589**	1,490	**18**	18	**78**	77	**1,685**	1,585
South America	**46**	45	**1**	1	**492**	500	**539**	546
Other	**445**	413	**6**	6	**35**	20	**486**	439
Total	**22,420**	21,788	**1,094**	1,076	**1,004**	1,009	**24,518**	23,873

(1) Other assets exclude financial instruments, retirement benefit assets, deferred income tax assets and goodwill.

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to Class I and II Shares after adjusting for:

- the timing of revenues and expenses for rate-regulated activities;
- one-time gains and losses;
- unrealized gains and losses on mark-to-market forward and swap commodity contracts;
- impairments; and
- items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings used by the Senior Management Team to assess segment performance and allocate resources. Other accounts in the consolidated financial statements have not been adjusted as they are not used by the Senior Management Team for those purposes.

The reconciliation of adjusted earnings and earnings for the year ended December 31 is shown below:

2025			Canadian Utilities Limited					
2024	**Structures & Logistics**	**ATCO Investments**	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**Financing & Other**	**Total**	**ATCO Total**
Adjusted earnings (loss)	**121**	**52**	**337**	**23**	**36**	**(51)**	**345**	**518**
	104	37	333	23	25	(41)	340	481
Impairments	**(1)**	**(5)**	**(22)**	**(214)**	**(11)**	**–**	**(247)**	**(253)**
	–	–	–	–	–	–	–	–
Transition of managed IT services	**(1)**	**(1)**	**(8)**	**(1)**	**–**	**–**	**(9)**	**(11)**
	–	–	–	–	–	–	–	–
Restructuring	**–**	**(1)**	**(5)**	**(1)**	**(1)**	**–**	**(7)**	**(8)**
	(10)	–	(19)	(2)	(1)	(1)	(23)	(33)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**–**	**(31)**	**–**	**(1)**	**–**	**–**	**(1)**	**(32)**
	–	75	–	2	–	(47)	(45)	30
Rate-regulated activities	**–**	**–**	**(35)**	**–**	**(20)**	**–**	**(55)**	**(55)**
	–	–	(26)	–	(13)	–	(39)	(39)
IT Common Matters decision	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**	**(3)**
	–	–	(12)	–	–	–	(12)	(12)
ATCO Electric settlement	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(4)	–	–	–	(4)	(4)
Other [(1)]	**–**	**(3)**	**–**	**(1)**	**(1)**	**(1)**	**(3)**	**(6)**
	–	14	–	–	–	(7)	(7)	7
Earnings (loss) attributable to Class I and Class II Shares	**119**	**11**	**264**	**(195)**	**3**	**(52)**	**20**	**150**
	94	126	272	23	11	(96)	210	430
Earnings attributable to non-controlling interests								**111**
								281
Earnings for the year								**261**
								711

(1) On August 1, 2024, the ownership of ATCO Energy Ltd. was transferred from Canadian Utilities Limited to ATCO Ltd. Canadian Utilities Limited recorded a loss of $14 million ($7 million after non-controlling interests), which was eliminated on consolidation with ATCO Ltd.

The reconciliation of adjusted earnings and earnings for the operating segments included in ATCO Energy Systems for the year ended December 31 are shown below:

2025	**ATCO Energy Systems**		
2024	**Electricity**	**Natural Gas**	**Total**
Adjusted earnings	**205**	**132**	**337**
	208	125	333
Impairments	**(6)**	**(16)**	**(22)**
	–	–	–
Transition of managed IT services	**(3)**	**(5)**	**(8)**
	–	–	–
Restructuring	**(3)**	**(2)**	**(5)**
	(8)	(11)	(19)
Rate-regulated activities	**(34)**	**(1)**	**(35)**
	(40)	14	(26)
IT Common Matters decision	**(2)**	**(1)**	**(3)**
	(7)	(5)	(12)
ATCO Electric settlement	**–**	**–**	**–**
	(4)	–	(4)
Earnings attributable to Class I and Class II Shares	**157**	**107**	**264**
	149	123	272

Impairments and write-offs

In the fourth quarter of 2025, impairments and write-offs of $253 million (after-tax and non-controlling interests (NCI)) were recorded for certain assets and cash-generating units, including:

	Note	**Impairments (pre-tax)**	**Impairments (after-tax and NCI)**
Inventories	12	30	12
Property, plant and equipment	13	345	142
Intangibles	14	55	23
Goodwill	16	121	63
Other		21	13
		572	**253**

ATCO EnPower:

Impairments and asset write-offs of $482 million (pre-tax), $214 million (after-tax and NCI), in ATCO EnPower mainly related to the Alberta renewables portfolio that was primarily driven by elevated curtailment from inadequate transmission infrastructure and electricity grid deficiencies, which are expected to worsen under the Alberta Electric System Operator's new Optimal Transmission Planning and Restructured Energy Market regulatory reforms. These impacts, combined with existing market conditions (oversupply of electricity driving low power prices and weak carbon pricing), further amplify the financial impact, resulting in the impairments.

ATCO Australia:

An asset write-off of $30 million (pre-tax), $11 million (after-tax and NCI), in ATCO Gas Australia related to the phasing out of an aging liquefied petroleum gas (LPG) distribution network (Network) in Albany, Western Australia. The write-off was driven by an extensive review of the Network, noting that many of the pipes are nearing the end of their service life and would require significant investment to continue operations.

ATCO Energy Systems:

Impairments and asset write-offs of $54 million (pre-tax), $22 million (after-tax and NCI), in ATCO Energy Systems mainly related to certain hydrogen assets in ATCO Gas Distribution which were impaired due to the uncertainty of utility hydrogen regulations being considered by the Government of Alberta, and certain electricity generation assets in ATCO Electric Transmission which are no longer in service.

Other Segments:

Impairments of $5 million (pre-tax), $5 million (after-tax), in ATCO Investments and $1 million (pre-tax), $1 million (after-tax), in Structures & Logistics relate to individually insignificant impairments for assets that no longer have any economic value.

Transition of managed IT services

For the year ended December 31, 2025, the Company recognized IT transition costs of $11 million (after-tax and NCI). The transition costs were primarily related to activities to shift from a single-vendor service provider to a hybrid model of multiple new vendors and internal teams. The transition activities commenced on January 1, 2025 and are substantially complete at December 31, 2025. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Restructuring

For the year ended December 31, 2025, the Company recorded restructuring costs of $8 million (after-tax and NCI) (2024 - $33 million (after-tax and NCI)) that were mainly related to staff reductions and associated severance costs. This restructuring is a continuation of the restructuring activities that commenced in 2024. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Unrealized gains and losses on mark-to-market forward and swap commodity contracts

The Company's electricity generation and electricity and natural gas retail businesses enter into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts where hedge accounting is not applied, or due to hedge ineffectiveness where hedge accounting is applied, together with reclassifications of unrealized gains or losses from other comprehensive income or loss related to both the electricity generation business and retail business, are recognized in the ATCO EnPower and ATCO Investments segments, respectively. The Senior Management Team believes that removal of the unrealized gains and losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

Rate-regulated activities

ATCO Electric Transmission, ATCO Electric Distribution, ATCO Electric Yukon, Naka Power Utilities (NWT), Naka Power Utilities (Yellowknife), ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as the Regulated Utilities.

There is currently no specific guidance under IFRS Accounting Standards for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

The Company considers standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles taking into account a more likely than not recognition threshold in accounting for rate-regulated activities in its internal reporting provided to the Senior Management Team, which believes that earnings presented in this manner are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulator's decisions on revenues.

Rate-regulated activities - Second Generation Performance Based Regulation (PBR2) Re-openers

In June 2023, the Alberta Utilities Commission (AUC) initiated a proceeding for ATCO Electric Distribution and ATCO Gas as the re-opener clause was triggered by both utilities' earnings in 2022, the final year of PBR2. The PBR2 re-opener thresholds were triggered as a result of both utilities' earnings being either +/- 500 basis points from the approved Return-On-Equity (ROE) in one year or +/- 300 basis points from the approved ROE in two consecutive years.

On May 22, 2024, the AUC issued a decision to re-open the PBR2 plan and advanced to the second phase of the proceeding (Phase I Decision). The AUC claimed that the distribution businesses failed to quantify or attribute all efficiency gains under PBR2 to specific programs or initiatives. An appeal with the Alberta Court of Appeal (ACA) was filed on the Phase I Decision of the proceeding.

On May 28, 2025, the AUC issued a second decision related to the PBR2 re-opener proceeding to refund $35 million to the customers of ATCO Electric Distribution and $36 million to the customers of ATCO Gas over a six-month period, from September 1, 2025 to February 28, 2026 (Phase II Decision). In regard to the Phase II Decision, a review and variance and a permission to appeal (PTA) were filed with the AUC and the ACA, respectively, on June 27, 2025. On September 22, 2025, the PTA of the Phase II Decision was granted by the ACA. The Phase I and Phase II appeals have been combined into a single proceeding before the ACA and will be heard in April 2026. On October 6, 2025, the AUC denied the application to review and vary the Phase II Decision.

ATCO Electric Distribution and ATCO Gas were the only utilities in Alberta to lower rates in 2023 due to efficiencies being passed onto customers. The after-the-fact requirement to track cost efficiencies at a granular level is inconsistent with the Performance Based Regulation principles and past AUC decisions. As ATCO Electric Distribution and ATCO Gas are appealing the Phase I and Phase II Decisions of the PBR2 re-opener proceeding with the ACA, and the Company believes it will more likely than not succeed on appeal, no impact to adjusted earnings has been recognized for the year ended December 31, 2025 related to the PBR2 re-opener decisions.

Rate-regulated activities - Timing Adjustments

Rate-regulated accounting differs from IFRS Accounting Standards in the following ways:

	Timing Adjustment	Items	RRA Treatment	IFRS Accounting Standards Treatment
1.	Additional revenues billed in current year	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
2.	Revenues to be billed in future years	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3.	Regulatory decisions received	Regulatory decisions received which relate to current and prior years.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior years when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS Accounting Standards.
4.	Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For the year ended December 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	2025	2024
Additional revenues billed in current year		
Future removal and site restoration costs (1)	**71**	65
Revenues to be billed in future years		
Deferred income taxes (2)	**(82)**	(76)
Impact of warmer temperatures (3)	**(5)**	(5)
Impact of inflation on rate base (4)	**(15)**	(9)
Settlement of regulatory decisions and other items		
PBR2 re-opener proceeding refund to customers (5)	**(19)**	–
Other (6)	**(5)**	(14)
	(55)	(39)

(1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future years.

(2) Income taxes are billed to customers when paid by the Company.

(3) ATCO Gas Distribution's customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal temperatures in the current year are refunded to or recovered from customers in future years.

(4) The inflation-indexed portion of ATCO Gas Australia's (part of ATCO Australia) rate base is billed to customers through the recovery of depreciation in subsequent years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current year for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related asset.

(5) In connection with the PBR2 re-opener proceeding (Phase II Decision), ATCO Electric Distribution and ATCO Gas Distribution refunded $10 million (after-tax and NCI) and $9 million (after-tax and NCI), respectively, to customers for the year ended December 31, 2025.

(6) In 2024, ATCO Gas Distribution recorded a decrease in earnings of $3 million (after-tax and NCI) related to payments of gas pipeline system load balancing costs, ATCO Electric Distribution recorded a decrease in earnings of $2 million (after-tax and NCI) related to deferral of generation expenses and $2 million (after-tax and NCI) related to final rate decisions, and ATCO Gas Australia recorded a decrease in earnings of $2 million (after-tax and NCI) related to certain software projects associated with its final Access Arrangement period (AA6) decision.

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the year ended December 31, 2025 was $3 million (after-tax and NCI) (2024 - $12 million (after-tax and NCI)).

ATCO Electric settlement

On June 24, 2024, AUC Enforcement and ATCO Electric filed a joint submission seeking the AUC's approval of a settlement agreement involving two historical matters ATCO Electric had previously identified and self-reported to AUC Enforcement staff. The settlement agreement included an administrative penalty of $3 million, and a refund to customers through a billing adjustment to the Alberta Electric System Operator of $4 million. On September 25, 2024, the AUC approved the settlement agreement as filed.

For the year ended December 31, 2024, the Company recognized costs of $4 million (after-tax and NCI) related to ATCO Electric's settlement agreement. These costs were comprised of the administrative penalty, refund to customers and legal and other costs related to the settlement agreement. As these costs are not in the normal course of business, they were excluded from adjusted earnings.

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the year ended December 31 is shown below:

2025 / 2024	Structures & Logistics	ATCO Investments (1)	ATCO Energy Systems: Electricity (3)	ATCO Energy Systems: Natural Gas (3)	ATCO Energy Systems: Total	ATCO EnPower	ATCO Australia (4)	CU Financing & Other (1),(2)	Total
Revenue Streams									
Rendering of Services									
Distribution services	**–**	**–**	**610**	**1,008**	**1,618**	**–**	**207**	**–**	**1,825**
	–	–	590	1,010	1,600	–	179	–	1,779
Transmission services	**–**	**–**	**669**	**367**	**1,036**	**–**	**–**	**–**	**1,036**
	–	–	663	356	1,019	–	–	–	1,019
Modular structures - services	**383**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**383**
	301	–	–	–	–	–	–	–	301
Logistics and facility operations and maintenance services	**106**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106**
	94	–	–	–	–	–	–	–	94
Lodging and support	**113**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113**
	133	–	–	–	–	–	–	–	133
Customer contributions	**–**	**–**	**36**	**23**	**59**	**–**	**3**	**–**	**62**
	–	–	38	22	60	–	5	–	65
Franchise fees	**–**	**–**	**42**	**265**	**307**	**–**	**–**	**–**	**307**
	–	–	40	256	296	–	–	–	296
Retail electricity and natural gas services	**–**	**194**	**–**	**–**	**–**	**–**	**–**	**–**	**194**
	–	76	–	–	–	–	–	142	218
Storage and industrial water	**–**	**–**	**–**	**–**	**–**	**107**	**–**	**–**	**107**
	–	–	–	–	–	94	–	–	94
Total rendering of services	**602**	**194**	**1,357**	**1,663**	**3,020**	**107**	**210**	**–**	**4,133**
	528	76	1,331	1,644	2,975	94	184	142	3,999
Sale of Goods									
Electricity generation and delivery	**–**	**–**	**–**	**–**	**–**	**87**	**7**	**–**	**94**
	–	–	–	–	–	91	8	–	99
Commodity sales	**–**	**37**	**–**	**–**	**–**	**27**	**–**	**–**	**64**
	–	33	–	–	–	22	–	–	55
Modular structures - goods	**447**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**447**
	375	–	–	–	–	–	–	–	375
Total sale of goods	**447**	**37**	**–**	**–**	**–**	**114**	**7**	**–**	**605**
	375	33	–	–	–	113	8	–	529
Lease income									
Finance lease	**–**	**–**	**5**	**–**	**5**	**–**	**7**	**–**	**12**
	–	–	3	–	3	2	8	–	13
Operating lease	**220**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**220**
	202	–	–	–	–	–	–	–	202
Total lease income	**220**	**–**	**5**	**–**	**5**	**–**	**7**	**–**	**232**
	202	–	3	–	3	2	8	–	215
Other (5)	**17**	**22**	**74**	**9**	**83**	**30**	**19**	**2**	**173**
	9	24	83	10	93	27	41	5	199
Total	**1,286**	**253**	**1,436**	**1,672**	**3,108**	**251**	**243**	**2**	**5,143**
	1,114	133	1,417	1,654	3,071	236	241	147	4,942

(1) *For the period from January 1, 2024 until the date of transfer on August 1, 2024 to ATCO Ltd., Retail Energy business activities were reported in the CU Financing & Other segment. For the year ended December 31, 2025, $29 million of unbilled revenue from retail electricity and natural gas energy services is reported in the ATCO Investments segment (2024 - $24 million). At December 31, 2025, $29 million of the unbilled revenue is included in ATCO Investments' accounts receivable and contract assets (2024 - $24 million).*

(2) *Commencing in 2025, Canadian Utilities Limited's Corporate & Other segment was renamed to Financing & Other.*

(3) *For the year ended December 31, 2025, Electricity and Natural Gas segments include $146 million of unbilled revenue (2024 - $135 million). At December 31, 2025, $146 million of the unbilled revenue is included in accounts receivable and contract assets (2024 - $135 million).*

(4) *For the year ended December 31, 2025, ATCO Australia segment includes $29 million of unbilled revenue (2024 - $26 million). At December 31, 2025, $29 million of the unbilled revenue is included in accounts receivable and contract assets (2024 - $26 million).*

(5) *Other revenues of $173 million (2024 - $199 million) include revenues generated from electricity and natural gas infrastructure installation services, management fees from joint ventures, facility charge agreements and maintenance services rendered to certain customers.*

REMAINING PERFORMANCE OBLIGATIONS

The Company is party to performance obligations, which have a duration of more than one year, are not subject to the right-to-invoice practical expedient, and do not include variable consideration which is constrained (remaining performance obligations). At December 31, 2025, the most significant remaining performance obligations are as follows:

(i) the Company's 35-year service agreement to operate the Fort McMurray 500 kV Transmission line that amounts to $0.7 billion (2024 - $0.7 billion). The remaining duration of the agreement is 29 years. The Company expects that approximately 2 per cent of the amount will be recognized as revenue for the year ending December 31, 2026, subject to satisfaction of related performance obligations;

(ii) provision of storage and industrial water services over the life of the contracts that in aggregate approximates $0.4 billion (2024 - $0.4 billion). The remaining duration of the contracts range between 3 to 20 years. The Company expects that approximately 28 per cent of the amount will be recognized as revenue for the year ending December 31, 2026, subject to satisfaction of related performance obligations; and

(iii) manufacturing of transportable workforce housing and space rental products under the terms of fixed price contracts that in aggregate approximates $0.2 billion (2024 - $0.1 billion). The remaining duration of the contracts range between 1 to 2 years. The Company expects that approximately 85 per cent will be recognized as revenue for the year ending December 31, 2026, subject to satisfaction of related performance obligations.

5. OTHER COSTS AND EXPENSES

Other costs and expenses include rent, utilities, goods and services such as professional fees, contractor costs, technology-related expenses, advertising, insurance and other general and administrative expenses. For the year ended December 31, 2025, other costs and expenses also included income from emission credits and allowances of $19 million (2024 - $17 million), income related to turbine availability guarantees of $12 million (2024 - $13 million) and unrealized losses from marketable securities of $2 million (2024 - unrealized gains of $20 million) (see Note 9). In 2024, other costs and expenses also included an administrative penalty related to the ATCO Electric settlement decision of $3 million (see Note 3).

6. INTEREST EXPENSE

Interest expense primarily arises from interest on long-term debentures. The components of interest expense for the year ended December 31 are summarized below.

	2025	2024
Long-term debt	**526**	489
Short-term debt [1]	**34**	50
Retirement benefits net interest expense *(Note 15)*	**11**	12
Amortization of deferred financing charges	**4**	3
Interest expense on lease liabilities *(Note 11)*	**6**	5
Other	**8**	5
	589	564
Less: interest capitalized *(Notes 13, 14)*	**(33)**	(16)
	556	548

(1) *For the years ended December 31, 2025 and December 31, 2024, interest expense on short-term debt is related to the issuance of commercial paper. At December 31, 2025 and 2024, the Company's outstanding balance of commercial paper was nil.*

Borrowing costs capitalized to property, plant and equipment and intangibles in 2025 were calculated by applying a weighted average interest rate of 4.20 per cent (2024 - 4.78 per cent) to expenditures on qualifying assets.

7. INCOME TAXES

INCOME TAX EXPENSE

The income tax rate for 2025 is 23.0 per cent (2024 - 23.0 per cent).

The components of income tax expense for the year ended December 31 are summarized below.

	2025	2024
Current income tax expense		
Canada	**26**	36
Australia	**16**	19
United States	**1**	3
Puerto Rico	**3**	3
Other	**2**	2
Adjustment in respect of prior years	**(1)**	(5)
	47	58
Deferred income tax expense		
Reversal of temporary differences	**62**	144
Amount relating to change in tax rates	**–**	1
Scientific, Research and Experimental Development credits	**(2)**	(5)
Adjustment in respect of prior years	**3**	(9)
	63	131
	110	189

The reconciliation of statutory and effective income tax expense for the year ended December 31 is as follows:

	2025		2024	
Earnings before income taxes	**371**	**%**	900	%
Income taxes, at statutory rates	**85**	**23.0**	207	23.0
Equity earnings	**(26)**	**(7.0)**	(20)	(2.2)
Foreign tax rate variance	**9**	**2.4**	10	1.1
Non-deductible items	**2**	**0.5**	2	0.2
Tax from non-controlled partnership	**7**	**1.9**	(1)	(0.1)
Tax cost on equity preferred share financing	**7**	**1.9**	7	0.8
Previously unrecognized deferred income tax assets	**(4)**	**(1.1)**	(3)	(0.3)
Investment tax credit	**(4)**	**(1.1)**	(8)	(0.9)
Unrecognized deferred tax asset related to impairments	**29**	**7.8**	–	–
Other	**5**	**1.3**	(5)	(0.6)
	110	**29.6**	189	21.0

INCOME TAX ASSETS AND LIABILITIES

Income tax assets and liabilities in the consolidated balance sheets at December 31 are summarized below.

	Balance Sheet Presentation	2025	2024
Income tax assets			
Current	Prepaid expenses and other current assets	**75**	50
Deferred	Deferred income tax assets	**119**	91
		194	141
Income tax liabilities			
Current	Provisions and other current liabilities	**24**	20
Deferred	Deferred income tax liabilities	**2,381**	2,288
		2,405	2,308

DEFERRED INCOME TAXES

The changes in deferred income tax assets are as follows:

Movements	Property, Plant and Equipment	Intangibles	Reserves	Tax Loss Carry Forwards and Tax Credits	Retirement Benefit Obligations	Other	Total
December 31, 2023	(2)	(1)	2	54	8	14	75
Credit (charge) to earnings	1	(4)	(3)	36	(1)	(1)	28
Charge to other comprehensive income	–	–	(9)	–	–	(1)	(10)
Foreign exchange adjustment	–	–	–	(1)	–	–	(1)
Other	3	–	(1)	(2)	–	(1)	(1)
December 31, 2024	2	(5)	(11)	87	7	11	91
Credit (charge) to earnings	**(2)**	**11**	**10**	**6**	**–**	**(2)**	**23**
Credit to other comprehensive loss	**–**	**–**	**1**	**–**	**–**	**–**	**1**
Foreign exchange adjustment	**1**	**–**	**–**	**1**	**–**	**–**	**2**
Other	**(3)**	**4**	**2**	**(1)**	**–**	**–**	**2**
December 31, 2025	**(2)**	**10**	**2**	**93**	**7**	**9**	**119**

The Company does not expect any deferred income tax assets to reverse within the next twelve months.

The changes in deferred income tax liabilities are as follows:

Movements	Property, Plant and Equipment	Intangibles	Reserves	Tax Loss Carry Forwards and Tax Credits	Retirement Benefit Obligations	Other	Total
December 31, 2023	2,235	145	4	(153)	(83)	4	2,152
Charge (credit) to earnings	151	10	(1)	6	(2)	(5)	159
(Credit) charge to other comprehensive income	–	–	(20)	–	1	–	(19)
Foreign exchange adjustment	1	–	–	(2)	–	1	–
Other	–	–	–	(3)	–	(1)	(4)
December 31, 2024	2,387	155	(17)	(152)	(84)	(1)	2,288
Charge (credit) to earnings	**92**	**6**	**(1)**	**(3)**	**–**	**(8)**	**86**
(Credit) charge to other comprehensive loss	**–**	**–**	**(10)**	**–**	**1**	**–**	**(9)**
Acquisition *(Note 24)*	**8**	**–**	**–**	**–**	**–**	**–**	**8**
Foreign exchange adjustment	**3**	**–**	**–**	**1**	**–**	**(1)**	**3**
Other	**6**	**(1)**	**(1)**	**(1)**	**–**	**2**	**5**
December 31, 2025	**2,496**	**160**	**(29)**	**(155)**	**(83)**	**(8)**	**2,381**

The Company does not expect any of its deferred income tax liabilities to reverse within the next twelve months.

At December 31, 2025, the Company had $1,033 million of non-capital tax losses and credits which expire between 2026 and 2045 and $65 million of tax losses which do not expire. The Company recognized deferred income tax assets of $248 million for these losses and credits.

The Company had $119 million of aggregate temporary differences for investments in subsidiaries, branches and joint ventures for which deferred income tax liabilities were not recognized (2024 - $119 million). The Company had $152 million of aggregate temporary differences for which no deferred tax assets were recognized (2024 - $156 million).

Pillar Two Model Rules

In 2024, the Federal Government of Canada enacted the Global Minimum Tax Act (GMTA), which includes the Pillar Two model rules. These rules apply to the Company beginning in 2024 and consist of an Income Inclusion Rule and a Qualified Domestic Minimum Top-up Tax. An undertaxed profit rule was proposed in August 2024 but was not enacted and has not been re-introduced. Similar Pillar Two legislation has been enacted in Australia, the Netherlands, and Hungary. The United States has a Global Intangible Low-Taxed Income regime which operates alongside and similarly to Pillar Two. No legislation has been proposed in Puerto Rico, Chile, or Mexico.

The adoption of the GMTA and other similar legislation in countries where the Company operates did not have a material impact to the Company's consolidated financial statements.

8. EARNINGS PER SHARE

Earnings per Class I Non-Voting (Class I) and Class II Voting (Class II) Share are calculated by dividing the earnings attributable to Class I and Class II Shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options on the weighted average Class I and Class II Shares outstanding.

The earnings and average number of shares used to calculate earnings per share for the year ended December 31 are as follows:

	2025	2024
Average shares		
Weighted average shares outstanding	**112,302,201**	112,173,530
Effect of dilutive stock options	**360,123**	108,349
Weighted average dilutive shares outstanding	**112,662,324**	112,281,879
Earnings for earnings per share calculation		
Earnings for the year	**261**	711
Non-controlling interests	**(111)**	(281)
Earnings attributable to Class I and Class II Shares	**150**	430
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$1.34**	$3.83
Diluted earnings per Class I and Class II Share	**$1.33**	$3.83

9. MARKETABLE SECURITIES

The Company's marketable securities, which are actively managed by an external investment manager, consist of investment-grade corporate bonds and debentures, private fixed-income funds, bank loans and commercial mortgage funds, and government bonds.

Marketable securities at December 31 are comprised of:

	2025	2024
Corporate bonds and debentures	**137**	130
Private fixed income funds	**117**	111
Bank loans and commercial mortgage funds	**95**	93
Government bonds	**4**	5
	353	339

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the year ended December 31, 2025, realized gains of $16 million (2024 - $15 million) were recognized in interest income, and unrealized losses of $2 million (2024 - unrealized gains of $20 million), resulting from fair value changes, were recognized in other costs and expenses in the consolidated statements of earnings.

10. BALANCES FROM CONTRACTS WITH CUSTOMERS

Balances from contracts with customers are comprised of accounts receivable and contract assets and customer contributions.

ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

At December 31, accounts receivable and contract assets are as follows:

	2025	2024
Trade accounts receivable and contract assets	**813**	999
Other accounts receivable	**22**	19
	835	1,018
Contract assets included in other assets	**4**	6
	839	1,024

A reconciliation of the changes in trade accounts receivable and contract assets for the year ended December 31 is as follows:

	2025	2024
Beginning of year	**1,005**	860
Revenue from satisfied performance obligations	**4,956**	4,762
Customer billings and other items not included in revenue	**751**	1,028
Credit loss allowance	**(5)**	(6)
Acquisition (*Note 24)*	**1**	57
Payments received	**(5,891)**	(5,696)
End of year	**817**	1,005

CUSTOMER CONTRIBUTIONS

Certain additions to property, plant and equipment, in ATCO Energy Systems and ATCO Australia, are made with the assistance of non-refundable cash contributions from customers. These contributions are made when the estimated revenue is less than the cost of providing service or where the customer needs special equipment. Since these contributions will provide customers with on-going access to the supply of natural gas or electricity, they represent deferred revenues and are recognized in revenues over the life of the related asset.

Changes in customer contributions balance for the year ended December 31 are summarized below.

	2025	2024
Beginning of year	**2,088**	2,041
Receipt of customer contributions	**137**	108
Amortization	**(62)**	(65)
Foreign exchange rate adjustment and other	**2**	4
End of year (1)	**2,165**	2,088

(1) At December 31, 2025, customer contributions in ATCO Energy Systems and ATCO Australia were $2,077 million (2024 - $2,008 million) and $88 million (2024 - $80 million), respectively.

11. LEASES

THE COMPANY AS LESSOR

The Company is party to certain arrangements that convey the right to use electricity generation and non-regulated electricity transmission assets. These arrangements are classified as finance leases, with the Company as the lessor.

At December 31, 2025 and 2024, the Company's operating leases include rentals of modular structures.

Finance leases

The total net investment in finance leases at December 31 is shown below. Finance lease income is recognized in revenues.

	2025	2024
Net investment in finance leases		
Finance lease - gross investment	**180**	204
Unearned finance income	**(67)**	(79)
	113	125
Current portion	**14**	13
Non-current portion	**99**	112
	113	125
Gross receivables from finance leases		
In one year or less	**26**	25
In more than one year, but not more than five years	**85**	103
In more than five years	**69**	76
	180	204
Net investment in finance leases		
In one year or less	**14**	13
In more than one year, but not more than five years	**58**	69
In more than five years	**41**	43
	113	125

For the year ended December 31, 2025, $2 million (2024 - $2 million) of contingent rent was recognized as income from these finance leases.

Operating leases

The aggregate future minimum lease payments receivable under non-cancellable operating leases at December 31 are:

	2025	2024
Minimum lease payments receivable		
In one year or less	**89**	86
In more than one year, but not more than five years	**52**	87
	141	173

For the years ended December 31, 2025 and 2024, no contingent rent was recognized as income from these operating leases.

THE COMPANY AS LESSEE

Right-of-use assets

The Company's right-of-use assets mainly relate to the lease of land and buildings. A reconciliation of the changes in the carrying amount of right-of-use assets for the year ended December 31 is as follows:

	2025	2024
Cost		
Beginning of year	**228**	185
Additions	**55**	38
Acquisition *(Note 24)*	**–**	12
Disposals	**(3)**	(8)
Foreign exchange rate adjustment	**–**	1
End of year	**280**	228
Accumulated depreciation		
Beginning of year	**91**	71
Depreciation	**29**	24
Disposals	**(2)**	(4)
End of year	**118**	91
Net book value	**162**	137

Lease liabilities

The Company has recognized lease liabilities mainly in relation to the arrangements to lease land and buildings. A reconciliation of movements in lease liabilities for the year ended December 31 is as follows:

	2025	2024
Beginning of year	**148**	121
Additions	**55**	38
Acquisition *(Note 24)*	**–**	14
Disposals	**–**	(5)
Interest expense *(Note 6)*	**6**	5
Lease payments	**(34)**	(26)
Foreign exchange rate adjustment	**–**	1
End of year	**175**	148
Less: amounts due within one year	**(28)**	(23)
End of year	**147**	125

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

In one year or less	**36**
In more than one year, but not more than five years	**87**
In more than five years	**131**
	254

Other

For the year ended December 31, 2025, $15 million (2024 - $10 million) was expensed in relation to short-term leases, and less than $1 million (2024 - less than $1 million) was expensed for leases with variable payments and low values.

12. INVENTORIES

Inventories at December 31 are comprised of:

	2025	2024
Natural gas and fuel in storage	**39**	37
Raw materials and consumables	**35**	46
Work-in-progress	**34**	34
Finished goods	**17**	4
Emission credits and allowances *(Note 5)*	**21**	34
	146	155

For the year ended December 31, 2025, inventories of $195 million were used in operations and recognized in costs and expenses in the consolidated statements of earnings (2024 - $378 million).

Inventories with a carrying value of $75 million were pledged as security for liabilities at December 31, 2025 (2024 - $64 million).

IMPAIRMENT

At December 31, 2025, the Company recognized an inventory impairment loss of $30 million (pre-tax), reducing its emission credits and allowances inventory from historical cost to its net realizable value of $21 million. This write-down was due to uncertainty associated with proposed government reforms to Alberta's Technology Innovation and Emissions Reduction Regulation announced in December 2025. The impairment was charged to depreciation, amortization and impairments expense in the consolidated statement of earnings, reflecting the reduced economic benefit of this inventory.

13. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment for the year ended December 31 is as follows:

	Utility Transmission & Distribution	Energy Generation & Storage	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2023	23,321	1,548	1,089	524	979	959	28,420
Additions	64	5	12	1,473	157	16	1,727
Transfers	1,014	35	37	(1,152)	–	66	–
Retirements and disposals	(105)	(2)	(8)	–	(68)	(56)	(239)
Acquisition (Note 24)	–	–	5	–	–	6	11
Foreign exchange rate adjustment	(25)	(12)	3	(1)	15	(2)	(22)
Changes to asset retirement costs	–	(14)	–	–	–	–	(14)
December 31, 2024	24,269	1,560	1,138	844	1,083	989	29,883
Additions	**70**	**1**	**6**	**1,462**	**185**	**18**	**1,742**
Acquisition *(Note 24)*	**–**	**44**	**–**	**–**	**–**	**–**	**44**
Transfers	**1,081**	**33**	**24**	**(1,214)**	**2**	**74**	**–**
Retirements and disposals	**(137)**	**(18)**	**(22)**	**(34)**	**(120)**	**(54)**	**(385)**
Foreign exchange rate adjustment	**49**	**10**	**3**	**1**	**(12)**	**5**	**56**
Changes to asset retirement costs	**19**	**(8)**	**–**	**–**	**–**	**1**	**12**
December 31, 2025	**25,351**	**1,622**	**1,149**	**1,059**	**1,138**	**1,033**	**31,352**
Accumulated depreciation and impairments							
December 31, 2023	6,237	240	274	–	298	514	7,563
Depreciation	536	53	25	–	60	62	736
Retirements and disposals	(95)	(2)	(7)	–	(35)	(53)	(192)
Foreign exchange rate adjustment	(7)	(4)	1	–	(3)	1	(12)
December 31, 2024	6,671	287	293	–	320	524	8,095
Depreciation and impairments	**647**	**285**	**26**	**33**	**65**	**70**	**1,126**
Retirements and disposals	**(133)**	**(18)**	**(19)**	**(33)**	**(55)**	**(51)**	**(309)**
Foreign exchange rate adjustment	**13**	**3**	**1**	**–**	**(3)**	**6**	**20**
December 31, 2025	**7,198**	**557**	**301**	**–**	**327**	**549**	**8,932**
Net book value							
December 31, 2024	17,598	1,273	845	844	763	465	21,788
December 31, 2025	**18,153**	**1,065**	**848**	**1,059**	**811**	**484**	**22,420**

The additions to property, plant and equipment included $24 million of interest capitalized during construction for the year ended December 31, 2025 (2024 - $14 million).

ASSET RETIREMENT COSTS

Asset retirement costs represent the capitalized expected costs to be incurred for site remediation and other reclamation activities primarily related to the Company's non-regulated energy generation and storage assets in the ATCO EnPower and ATCO Australia operating segments. For accounting purposes, when asset retirement obligations (AROs) are recognized initially, a corresponding increase in asset retirement costs is recognized in property, plant and equipment. Subsequent changes in AROs are reflected in changes in asset retirement costs.

At December 31, 2025, the consolidated balance sheets include AROs of $6 million (2024 - $8 million) in provisions and other current liabilities, and $82 million (2024 - $63 million) in other liabilities. The inflation rate used to determine the AROs ranged from 2.0 per cent to 2.6 per cent (2024 - ranged from 2.0 per cent to 2.3 per cent), and the discount rate used to calculate the present value of the asset retirement costs ranged from 3.4 per cent to 5.0 per cent (2024 - 3.3 per cent to 5.0 per cent).

At December 31, 2025, the total undiscounted estimated future cash flows required to settle the Company's asset retirement obligations, not adjusted for inflation, was $142 million (2024 - $113 million). These costs are expected to be incurred up to the year 2123 (2024 - 2123).

GOVERNMENT GRANTS

The Company receives capital grants from government entities to support the development of qualifying infrastructure projects. These grants are mainly provided in connection with construction of ATCO Electric Transmission's Central East Transfer-Out (CETO) Project which is financed through a credit facility at a below-market rate of interest (see Note 17), electricity grid modernization and rural natural gas system expansion projects, carbon capture and storage, and renewable infrastructure projects. Capital grants are recognized as deferred income when the related conditions have been met and are amortized in earnings systematically over the useful lives of the assets.

As of December 31, 2025, a capital government grant liability of $101 million (2024 - $77 million) is included in other long-term liabilities in the consolidated balance sheets. Proceeds from capital government grants of $33 million (2024 - $51 million) are recorded in other investing activities in the consolidated statements of cash flows.

IMPAIRMENTS AND WRITE-OFFS

Impairments and write-offs charged to depreciation, amortization and impairments expense in the consolidated statement of earnings are as follows:

Assets	**Segment**	**Impairments (pre-tax)**
Alberta renewables portfolio	ATCO EnPower	242
Albany LPG distribution network	ATCO Australia	30
Natural gas distribution hydrogen assets	ATCO Energy Systems	34
Jasper Astoria water power facility	ATCO Energy Systems	11
Other	ATCO EnPower and ATCO Energy Systems	28
		345

Alberta renewables portfolio

The impairment and asset write-off expense of $242 million (pre-tax) in ATCO EnPower is comprised of $225 million (pre-tax) that was recognized as a result of an impairment test carried out for the Cash Generating Units (CGU) included in the following table. The remaining write-off expense of $17 million (pre-tax) relates to assets that are not individually significant and no longer have any economic value to the Company from their use or disposal and were derecognized from property, plant and equipment on the consolidated balance sheets.

The impairment is primarily driven by elevated curtailment from inadequate transmission infrastructure and grid deficiencies which are expected to intensify with the transition to the Alberta Electric System Operator's Optimal Transmission Planning framework replacing Alberta’s long-standing zero-congestion policy, and the forthcoming Restructured Energy Market and associated regulatory reforms. These impacts, combined with existing market conditions (oversupply of electricity driving low power prices and weak carbon pricing), further amplify the financial impact, resulting in an impairment of the carrying value of the CGUs.

The recoverable amounts for these CGUs were estimated based on the fair value less costs of disposal method using discounted cash flow models taking into account discount rates specific to the CGUs, forecasted generation based on engineering studies (including wind curtailment which is assumed to continue until 2030), forecasted merchant pricing based on CGU-specific realized prices supported by third-party analyses, forecasted emission credits pricing and fixed power purchase agreement pricing for contracted volumes based on long term contracts. This valuation technique was categorized as Level 3 on the fair value hierarchy. The estimated costs of disposal are 1.5 per cent of the CGU's fair value and are based on management's experience of previously completed transactions.

A CGU level summary of the impairment test is included below:

Facility/CGU	Recoverable amount [1]	Impairments (pre-tax)
Forty Mile Wind	332	110
Deerfoot Barlow Solar	59	65
Empress Solar	52	50
	443	**225**

(1) The recoverable amount represents the fair value less costs of disposal for the entire CGU.

The recoverable amounts are based on the Company's long-range forecasts for the periods extending to the asset retirements in 2052 and 2058. The key assumptions, with a high degree of subjectivity, are the following:

- Forecast merchant prices used in the wind and solar models ranged between \$31 to \$100 per MWh and between \$40 to \$138 per MWh, respectively, during the forecast period; and
- The discount rate used in the wind model was 7.0 per cent and the discount rates used in the solar models ranged between 5.5 per cent to 6.0 per cent.

A reasonably possible increase of fifty basis points in the discount rate or a reasonably possible reduction of ten percent in the forecasted merchant prices would each result in a decrease to the recoverable amount of approximately \$16 million in the wind model. Reasonably possible changes in key assumptions for the solar models would not result in a material impact on the recoverable amounts of these CGUs.

Albany LPG distribution network

During 2025, ATCO Australia performed an extensive review of its non-regulated Network, noting that many of the pipes are nearing the end of their service life and would require significant investment to convert polyvinyl chloride pipes to polyethylene pipes. This would place an excessive financial burden on the existing customers and would be cost prohibitive noting the alternative for customers to transition to bottled LPG gas. As a result, ATCO Gas Australia announced its intention to phase out the Network over a period of 3 years commencing in the second half of 2026. It was determined that these assets no longer have any economic value and \$30 million (pre-tax) was derecognized from property, plant and equipment on the consolidated balance sheet.

Natural gas distribution hydrogen assets

Following the Hydrogen Strategy for Canada released by the Government of Canada in 2020 along with the Alberta Hydrogen Roadmap released by the Government of Alberta in 2021, ATCO Gas invested \$34 million (pre-tax) in hydrogen blending technology for its natural gas distribution system as part of its decarbonization strategy. Since the release of these Strategies by both the Canadian and Alberta governments, hydrogen legislation has not progressed as expected.

In 2025, Bill 52 further built on the Alberta Hydrogen Roadmap, enabling hydrogen blending into the natural gas distribution system for residential and commercial heating. However, the Bill did not specifically address the recovery of historical investment as expected. Rather it signaled that regulations would be needed to operationalize hydrogen blending, further delaying clarity on a regulatory recovery mechanism.

Lack of clarity has resulted in significant uncertainty that regulations will be implemented in a manner that will allow ATCO Gas to generate revenues through hydrogen blending or recover capital investment through regulatory recovery mechanisms. As a result, an impairment of \$34 million (pre-tax) was charged to depreciation, amortization and impairments expense in the consolidated statements of earnings. No recoverable amount has been identified using either the fair value less costs of disposal or the value in use methods as the assets are not expected to generate future cash flows either through use or sale based on the regulations currently in place.

Jasper Astoria water power facility

In 2025, the Company recognized an impairment of \$11 million (pre-tax) related to the Jasper Astoria water power facility assets in ATCO Electric Transmission, based on a strategic review and valuation completed in 2025, resulting in an assessed fair value of nil.

Other assets

The remaining write-off expense of \$28 million (pre-tax) relates to individually insignificant assets that no longer have value to the Company from their use or disposal.

14. INTANGIBLES

Intangible assets consist mainly of computer software not directly attributable to the operation of property, plant and equipment and land rights. A reconciliation of the changes in the carrying amount of intangible assets for the year ended December 31 is as follows:

	Computer Software	Land Rights	Work-in-Progress	Other	Total
Cost					
December 31, 2023	509	475	277	166	1,427
Additions	11	–	103	2	116
Transfers	62	20	(82)	–	–
Retirements	(50)	–	–	–	(50)
Foreign exchange rate adjustment	(1)	–	–	(1)	(2)
December 31, 2024	531	495	298	167	1,491
Additions	**4**	**–**	**142**	**–**	**146**
Transfers	**38**	**24**	**(63)**	**1**	**–**
Retirements	**(15)**	**–**	**(55)**	**(2)**	**(72)**
Foreign exchange rate adjustment	**1**	**–**	**–**	**1**	**2**
December 31, 2025	**559**	**519**	**322**	**167**	**1,567**
Accumulated amortization and impairments					
December 31, 2023	274	76	–	49	399
Amortization	52	6	–	9	67
Retirements	(50)	–	–	–	(50)
Foreign exchange rate adjustment	(1)	–	–	–	(1)
December 31, 2024	275	82	–	58	415
Amortization and impairments	**56**	**6**	**55**	**10**	**127**
Retirements	**(16)**	**–**	**(55)**	**–**	**(71)**
Foreign exchange rate adjustment	**1**	**–**	**–**	**1**	**2**
December 31, 2025	**316**	**88**	**–**	**69**	**473**
Net book value					
December 31, 2024	256	413	298	109	1,076
December 31, 2025	**243**	**431**	**322**	**98**	**1,094**

The additions to intangibles include interest capitalized during construction of $9 million for the year ended December 31, 2025 (2024 - $2 million).

IMPAIRMENTS AND WRITE-OFFS

In 2025, asset write-offs of $55 million (pre-tax) were recorded which includes $53 million (pre-tax) in respect of Alberta renewable power generation project development costs related to projects that are no longer proceeding. As of December 31, 2025, in light of the significant pressures facing the renewables power generation sector in Alberta, it was determined that these assets no longer have economic value through use or sale. The assets were derecognized from intangibles on the consolidated balance sheets and the write-off was charged to depreciation, amortization and impairments expense in the consolidated statements of earnings.

15. RETIREMENT BENEFITS

The Company maintains registered defined benefit or defined contribution pension plans for most of its employees. It also provides other post-employment benefits (OPEB), principally health, dental and life insurance, for retirees and their dependents. The defined benefit pension plans provide for pensions based on employees' length of service and final average earnings. As of 1997, new employees of Canadian Utilities Limited and its subsidiaries, and, as of 2005, new employees of ATCO Structures & Logistics Ltd., automatically participate in the defined contribution pension plans.

The Company also maintains non-registered, non-funded defined benefit pension plans for certain officers and key employees.

The majority of benefit payments are made from trustee-administered funds; however, there are a number of unfunded plans where the Company makes the benefit payments. Plan assets held in trusts are governed by provincial and federal legislation and regulations, as is the relationship between the Company and the trustee. The Pension Committees of the Boards of Directors of Canadian Utilities Limited and ATCO Structures & Logistics Ltd. are responsible for governance of the funded plans and policy decisions related to benefit design, liability management, and funding and investment, including selection of investment managers and investment options for the plans.

BENEFIT PLAN ASSETS, OBLIGATIONS AND FUNDED STATUS

The changes in Company's pension and OPEB plan assets and obligations for the year ended December 31 are as follows:

	2025		2024	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Market value of plan assets				
Beginning of year	**2,436**	**–**	2,472	–
Interest income	**107**	**–**	109	–
Employer contributions	**2**	**–**	3	–
Benefit payments	**(154)**	**–**	(152)	–
Return on plan assets, excluding amounts included in interest income	**(30)**	**–**	4	–
End of year	**2,361**	**–**	2,436	–
Accrued benefit obligations				
Beginning of year	**2,523**	**102**	2,566	101
Current service cost	**2**	**2**	3	2
Interest cost	**113**	**5**	116	5
Benefit payments from plan assets	**(154)**	**–**	(152)	–
Benefit payments by employer	**(8)**	**(5)**	(8)	(5)
Actuarial (gains) losses	**(26)**	**(9)**	(2)	(1)
End of year	**2,450**	**95**	2,523	102
Funded status				
Net retirement benefit obligations	**89**	**95**	87	102
Included in net retirement benefit obligations are:				
Registered funded defined benefit pension plan asset (1)	**(51)**	**–**	(59)	–
Non-registered, non-funded defined benefit pension plans obligation (2)	**140**	**–**	146	–
OPEB Plans	**–**	**95**	–	102
	89	**95**	87	102

(1) *The registered funded defined benefit pension plan was in an asset position of $51 million at December 31, 2025 due to the impacts of returns on plan assets (2024 - $59 million due to the impacts of returns on plan assets).*

(2) *In the Company's non-registered, non-funded defined benefit pension plans, accrued benefit obligations decreased to $140 million at December 31, 2025 due to an increase in the liability discount rate and experience adjustments (2024 - increased to $146 million due to experience adjustments).*

BENEFIT PLAN COST

The components of benefit plan cost for the year ended December 31 are as follows:

	2025		2024	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Current service cost	**2**	**2**	3	2
Interest cost	**113**	**5**	116	5
Interest income	**(107)**	**–**	(109)	–
Defined benefit plans cost	**8**	**7**	10	7
Defined contribution plans cost	**39**	**–**	39	–
Total cost	**47**	**7**	49	7
Less: capitalized	**(16)**	**(3)**	(15)	(3)
Net cost recognized in earnings	**31**	**4**	34	4

RE-MEASUREMENT OF RETIREMENT BENEFITS

Re-measurements of the pension and OPEB plans for the year ended December 31 are as follows:

	2025		2024	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Gains (losses) on plan assets from:				
Return on plan assets, excluding amounts included in net interest income	**(30)**	**–**	4	–
Gains on plan obligations from:				
Changes in financial assumptions	**26**	**9**	2	1
Gains (losses) recognized in other comprehensive income [1]	**(4)**	**9**	6	1

(1) *Gains net of income taxes were $4 million for the year ended December 31, 2025 (2024 - gains net of income taxes were $5 million).*

PLAN ASSETS

The market values of the Company's defined benefit pension plan assets at December 31 are as follows:

				2025				2024
Plan asset mix	**Quoted**	**Un-quoted**	**Total**	**%**	**Quoted**	**Un-quoted**	**Total**	**%**
Equity securities								
Public								
Canada	**–**	**–**	**–**		1	–	1	
United States	**180**	**–**	**180**		133	–	133	
International	**107**	**–**	**107**		59	–	59	
Private	**–**	**1**	**1**		–	2	2	
	287	**1**	**288**	**12**	193	2	195	8
Fixed income securities								
Government bonds	**1,011**	**–**	**1,011**		1,124	–	1,124	
Corporate bonds and debentures	**564**	**–**	**564**		590	–	590	
Securitizations	**63**	**–**	**63**		119	–	119	
Mortgages	**–**	**80**	**80**		–	96	96	
	1,638	**80**	**1,718**	**73**	1,833	96	1,929	79
Real estate								
Land and building (1)	**–**	**23**	**23**		–	23	23	
Real estate funds	**–**	**176**	**176**		–	184	184	
	–	**199**	**199**	**8**	–	207	207	9
Cash and other assets								
Cash	**31**	**–**	**31**		35	–	35	
Short-term notes and money market funds	**121**	**–**	**121**		65	–	65	
Accrued interest and dividends receivable	**4**	**–**	**4**		5	–	5	
	156	**–**	**156**	**7**	105	–	105	4
	2,081	**280**	**2,361**	**100**	2,131	305	2,436	100

(1) The land and building are leased by the Company.

FUNDING

In 2025, an actuarial valuation for funding purposes as of December 31, 2024 was completed for the registered defined benefit pension plans. The estimated contribution for 2026 is $1 million. The next actuarial valuation for funding purposes must be completed as of December 31, 2027.

WEIGHTED AVERAGE ASSUMPTIONS

The significant assumptions used to determine the benefit plan cost and accrued benefit obligation are as follows:

	2025		2024	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Benefit plan cost				
Discount rate for the year	**4.66 %**	**4.66 %**	4.65 %	4.65 %
Accrued benefit obligations				
Discount rate at December 31	**4.87 %**	**4.87 %**	4.66 %	4.66 %
Long-term inflation rate (1)	**2.00 %**	**n/a**	2.00 %	n/a
Health care cost trend rate:				
Drug costs (2)	**n/a**	**4.83 %**	n/a	4.89 %
Other medical costs	**n/a**	**4.00 %**	n/a	4.00 %
Dental costs	**n/a**	**4.00 %**	n/a	4.00 %

(1) *The long-term inflation rate used to calculate the accrued benefit obligation at December 31, 2025 was 2.00 per cent (2024 - 2.20 per cent for 2024, and 2.00 per cent thereafter).*

(2) *The Company uses a graded drug cost trend rate, which assumes a 4.83 per cent rate per annum (2024 - 4.89 per cent rate per annum), grading down to 4.00 per cent in and after 2040.*

The weighted average duration of the defined benefit obligation is 10.6 years (2024 - 11.1 years).

RISKS

The Company is exposed to a number of risks related to its defined benefit pension plans and OPEB plans. The most significant risks are described below.

Investment risk

The Company makes investment decisions for its funded plans using an asset-liability matching framework. Within this framework, the Company's objective over time is to increase the proportion of plan assets in fixed income securities with maturities that match the expected benefit payments as they fall due. Additionally, due to the long-term nature of the benefit obligations, the strength of the Company, and the belief that a diversified portfolio offers an appropriate risk-return profile, the Company continues to invest in global equity securities, global fixed income and Canadian real estate in addition to Canadian fixed income. The Company has not changed the processes used to manage its risks from previous years.

Interest rate risk

The Company mitigates interest rate risk by holding a large proportion of pension assets in fixed income securities within a portfolio that has been designed to match the interest rate risk profile of the accrued benefit obligations. As such, a decrease in long-term interest rates will result in an increase in the accrued benefit obligations, which will be partially offset by an increase in the value of the plan's fixed income securities. Conversely, a rising interest rate environment would result in the opposite impact on the relationship between the plan's obligations and fixed income investments.

Inflation risk

Accrued benefit obligations are linked to inflation, and higher inflation will lead to increased obligations. For the defined benefit pension plan, inflation risk is mitigated due to the indexing of benefit payments being limited under the plans' terms and conditions.

In addition, the defined benefit plan achieves further inflation risk mitigation by investing in Government of Canada Real Return Bonds, and high-quality Canada real estate assets.

Life expectancy

Should pensioners live longer than assumed, benefit obligations and liabilities will be larger than expected.

SENSITIVITIES

The 2025 sensitivities of significant assumptions used in measuring the Company's pension and OPEB plans are as follows:

		Accrued Benefit Obligation		Net Benefit Plan Cost	
Assumption	**Per cent Change**	**Increase in Assumption**	**Decrease in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	1 %	(243)	288	5	(6)
Long-term inflation rate [1]	1 %	292	(248)	7	(6)
Health care cost trend rate	1 %	5	(5)	–	–
Life expectancy	10 %	73	(66)	2	(2)

(1) The long-term inflation rate for pension plans reflects the fact that pension plan benefit payments have historically been indexed annually to increases in the Canadian Consumer Price Index to a maximum increase of 3.0 per cent per annum.

The above sensitivities have been calculated independently of each other. Actual experience may result in changes in a number of assumptions simultaneously.

16. GOODWILL

The carrying value of goodwill for the ATCO Energy Systems, ATCO EnPower, and Structures & Logistics segments, along with Corporate & Other at December 31 is shown below.

	2025	**2024**
ATCO Energy Systems		
Electricity transmission and distribution	**38**	38
Natural gas transmission and distribution	**33**	33
	71	71
ATCO EnPower	**20**	141
Structures & Logistics	**26**	26
Corporate & Other	**7**	6
	124	244

ATCO Energy Systems, Electricity and Natural Gas segments

The recoverable amount of goodwill is measured based on each segment's fair value less costs of disposal, which is calculated using publicly available enterprise values and price-to-earnings multiples of comparable, actively traded companies.

The Company used average enterprise value-to-earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples of 13.5 and 12.6 (2024 - 13.8 and 12.4) for the Electricity and Natural gas segments, respectively, to calculate fair value less estimated costs of disposal. The estimated costs of disposal are based on management's experience of previously completed business combinations. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy. At December 31, 2025 and 2024, each segment's fair value less costs of disposal was compared to its carrying value and was sufficient to support the carrying value of allocated goodwill.

A decrease in EBITDA multiple by 1, representing management's assessment of a reasonable potential change in the most sensitive fair value measurement inputs, would continue to support the carrying value of the goodwill for the Electricity and Natural gas segments.

ATCO EnPower segment

The goodwill relates to ATCO Renewables Ltd.'s assets within the ATCO EnPower segment that has been allocated to the CGUs for the year ended December 31 as follows:

	2025	**2024**
Adelaide Wind	**20**	20
Forty Mile Wind	**–**	121
	20	141

Adelaide Wind

The Company performed the annual impairment test using an enterprise value-to-EBITDA multiple of 9.3 (2024 - 12.6) to calculate fair value less costs of disposal for the Adelaide Wind facility. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy. At December 31, 2025 and 2024, the CGU's fair value was sufficient to support the carrying value of its goodwill.

A decrease in the EBITDA multiple by 1, representing management's assessment of a reasonable potential change in the most sensitive fair value measurement input, would not impact the results of the impairment test performed.

Forty Mile Wind

In 2025, the Company recognized $121 million of impairment expense relating to the goodwill allocated to the Forty Mile Wind facility. See Note 13 for the events and circumstances that led to the recognition of the impairment loss, the key assumptions and sensitivities used in the impairment test.

17. LONG-TERM DEBT

Long-term debt outstanding at December 31 is as follows:

	Effective Interest Rate	2025	2024
Corporate long-term debt			
CU Inc. debentures - unsecured	4.375% (2024 - 4.357%) (1)	**9,425**	9,055
CU Inc. revolving credit facility, at CORRA, due November 2027 - unsecured	Floating (3)	**125**	–
CU Inc. non-revolving amortizing credit facility, due June 2056 - unsecured	4.291%	**48**	–
CU Inc. other long-term obligation, due June 2027 - unsecured (2)	4.95% (2024 - 7.20%)	**7**	7
Canadian Utilities Limited debentures - unsecured	4.639% (2024 - 4.899%) (1)	**550**	250
Canadian Utilities Limited extendible revolving credit facility, at CORRA rates, due November 2027 - unsecured	Floating (3)	**150**	300
Canadian Utilities Limited hybrid subordinated notes, 5.45%, due December 2055 – unsecured	5.502%	**750**	–
ATCO Ltd. extendible revolving credit facility, at CORRA rates, due November 2028 - unsecured	Floating (3)	**–**	150
ATCO Ltd. extendible revolving credit facility, at CORRA rates, due November 2027 - unsecured	Floating (3)	**–**	100
ATCO Ltd. debentures, due May 2030 - unsecured	3.878%	**250**	–
ATCO Ltd. fixed-to-floating rate subordinated notes, due November 2078 - unsecured	5.50% (4)	**200**	200
		11,505	10,062
Subsidiaries and project finance long-term debt			
ATCO Power Australia (Karratha) Pty Ltd non-revolving credit facility, payable in Australian dollars, at BBSY rates, due June 2029, $26 million AUD (2024 - $32 million AUD)	Floating (3), (5)	**23**	29
ATCO Gas Australia Pty Ltd revolving credit facility (Tranche A), payable in Australian dollars, at BBSY rates, due June 2027, $400 million AUD (2024 - $350 million AUD) - unsecured	Floating (3), (5)	**338**	311
ATCO Gas Australia Pty Ltd revolving credit facility (Tranche B), payable in Australian dollars, at BBSY rates, due August 2026, $375 million AUD (2024 - $375 million AUD) - unsecured	Floating (3), (5)	**343**	333
Electricidad del Golfo, S. de R.L. de C.V. non-revolving credit facility, fully repaid in September 2025	Nil (2024 - 11.31%)	**–**	23
ATCO Renewables Ltd. and ATCO Next Energy Ltd. extendible revolving credit facility, at CORRA rates, due November 2028	Floating (3)	**168**	86
Achernar Limited Partnership amortizing non-revolving credit facility, at CORRA rates, due March 2036	5.86%	**38**	40
ATCO Adelaide Wind Holdings Limited Partnership amortizing non-revolving credit facility, at CORRA rates, due December 2034	Floating (3), (5)	**75**	82
Deerfoot Barlow Solar Limited Partnership amortizing non-revolving credit facility, due June 2049	6.00% (6)	**53**	70
Forty Mile Granlea Wind Limited Partnership amortizing debentures, due September 2033 to June 2046	5.978%	**272**	280
ATCO Investments Ltd. mortgage, at BA rates, due March 2028	Floating (3), (5)	**79**	82
ATCO Structures & Logistics Ltd. revolving credit facility, at CORRA and SOFR rates, due August 2027	Floating (3)	**121**	128
ATCO Structures & Logistics Pty credit facility, payable in Australian dollars, at BBSY rates, due September 2027, $69 million AUD (2024 - $69 million AUD)	Floating (3)	**61**	62
ATCO Sabinco S.A. credit facility, payable in Chilean pesos, at SOFR rates, due August 2027, $17 billion CLP (2024 - $17 billion CLP)	Floating (3)	**24**	24
		1,595	1,550
Total corporate, subsidiaries and project finance long-term debt		**13,100**	11,612
Less: deferred financing charges		**(71)**	(61)
		13,029	11,551
Less: amounts due within one year		**(377)**	(77)
		12,652	11,474

CORRA - Canadian Overnight Repo Rate Average

BA - Bankers' Acceptance

BBSY - Bank Bill Swap Benchmark Rate

SOFR - Secured Overnight Financing Rate

(1) Interest rate is the average effective interest rate weighted by principal amounts outstanding. At December 31, 2025, the CU Inc. unsecured debentures mature from 2028 to 2055 (2024 - from 2028 to 2054) and the Canadian Utilities Limited unsecured debentures mature from 2035 to 2052 (2024 - 2052).

(2) In 2025, the maturity date of the CU Inc. other long-term obligation was extended from June 2026 to June 2027.

(3) In 2025, the above interest rates had additional margin fees at a weighted average rate of 1.17 per cent (2024 - 1.19 per cent). The margin fees are subject to escalation.

(4) The rate of 5.50 per cent is fixed for the period from November 1, 2018 to October 31, 2028. Starting November 1, 2028, and on every interest reset date (February 1, May 1, August 1, November 1) of each year until November 1, 2048, the interest rate will be reset to the three-month BA plus 2.92 per cent. Starting November 1, 2048, and on every interest reset date of each year until November 1, 2078, the interest rate will be reset to BA rate plus 3.67 per cent.

(5) Floating interest rates have been partially or completely hedged with interest rate swap agreements (see Note 20).

(6) At December 31, 2025, Deerfoot Barlow Solar Limited Partnership, an indirect subsidiary of Canadian Utilities Limited, was not in compliance with the long-term debt covenant requiring a minimum projected debt service coverage ratio of 1.00 for its amortizing non-revolving credit facility. Deerfoot Barlow Solar Limited Partnership obtained a waiver from the lender prior to December 31, 2025.

CORPORATE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

CU Inc.

Debenture issuances and repayment:

In September 2025, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $370 million of 4.787 per cent debentures maturing on September 16, 2055 (2024 - In September 2024, CU Inc. issued $410 million of 4.664 per cent debentures maturing September 11, 2054).

On March 6, 2024, CU Inc. repaid $120 million of 6.215 per cent debentures.

Non-revolving unsecured amortizing credit facility debt issuance:

In 2025, CU Inc. borrowed $65 million from its $155 million non-revolving unsecured amortizing credit facility to support the construction of the CETO Project within the Electricity Transmission business (CETO Project Debt). Quarterly repayments on the credit facility commence once the CETO Project reaches commercial operations and continue until June 30, 2056. Additional draws from the facility are expected in 2026 as construction progresses.

The CETO Project Debt was issued at a below-market rate of interest of 2.17 per cent. The difference between the market rate for an equivalent loan and the rate granted is accounted for as a government grant and will be amortized over the useful life of the asset.

As of December 31, 2025, $17 million was recorded as a government grant and is included in other long-term liabilities (see Note 13) and the remaining $48 million was recorded as long-term debt in the consolidated balance sheets.

Canadian Utilities Limited

In September 2025, Canadian Utilities Limited issued $750 million of 5.45 per cent subordinated unsecured fixed-to-fixed rate notes maturing December 22, 2055. The interest rate on the subordinated notes will reset on December 22, 2035, and on every fifth anniversary thereafter until maturity, at an interest rate equal to the five-year Government of Canada yield plus 2.197 per cent, subject to a minimum of 5.45 per cent per annum. The proceeds from the issuance will be used for capital expenditures, repayment of outstanding indebtedness and for other general corporate purposes.

In June 2025, Canadian Utilities Limited issued $300 million of 4.412 per cent unsecured debentures maturing on June 24, 2035. The proceeds from the issuance were used to repay outstanding indebtedness under its extendible revolving credit facility that yielded interest at Canadian Overnight Repo Rate Average (CORRA) plus an applicable margin.

ATCO Ltd.

In May 2025, ATCO Ltd. issued $250 million of 3.878 per cent senior unsecured notes maturing on May 27, 2030. The proceeds from the issuance were used to repay outstanding indebtedness under its extendible revolving credit facilities that yielded interest at CORRA plus an applicable margin.

On September 3, 2024, ATCO Ltd. issued $100 million of long-term debt from an extendible revolving credit facility. In 2025, this amount was repaid by the Company.

SUBSIDIARIES AND PROJECT FINANCE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

Subsidiaries

In September 2025, Electricidad del Golfo, S. de R.L. de C.V., an indirect wholly owned subsidiary of Canadian Utilities Limited, fully repaid the outstanding balance of $335 million Mexican pesos (equivalent of $25 million Canadian dollars) from its non-revolving credit facility.

In 2024, ATCO Gas Australia Pty Ltd, an indirect wholly owned subsidiary of Canadian Utilities Limited, refinanced its $350 million Australian dollars (equivalent of $318 million Canadian dollars) unsecured revolving credit facility (Tranche A) at BBSY (Bank Bill Swap Bid Rate) plus an applicable margin, extending the credit facility's maturity from August 4, 2024 to June 27, 2027. The available amount under the facility also increased by $50 million Australian dollars (equivalent of $45 million Canadian dollars) to $400 million Australian dollars (equivalent of $363 million Canadian dollars). The variable BBSY interest rate is hedged to December 31, 2029 with an interest rate swap agreement which fixes the interest rate at 4.61 per cent.

Project finance

The Company generally maintains ownership and active management of contracted assets, such as electricity generation and energy storage assets. Project finance debt, is commonly used to finance contracted assets using the assets and underlying long-term contracts as support for repayment of the financing.

In July, 2024, Achernar Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, entered into a non-revolving amortizing credit facility of $42 million with a bank lender (Empress Solar Project Finance Debt). The Empress Solar Project Finance Debt amortizes quarterly until March 31, 2036 and bears interest at CORRA plus an applicable margin. The variable CORRA interest rate is hedged until the loan matures with an interest rate swap agreement which fixes the interest rate at 5.86 per cent.

PLEDGED ASSETS

Subsidiaries

The ATCO Next Energy Ltd. and ATCO Renewables Ltd. credit agreement is secured by their present and future properties, assets, and equity interests in certain subsidiaries and joint ventures.

The ATCO Investments Ltd. mortgage is secured by certain real estate assets it holds.

The ATCO Structures & Logistics Ltd., ATCO Structures & Logistics Pty and ATCO Sabinco S.A. credit facilities are individually secured by a general assignment of their present and future properties, assets, undertakings, and equity interests in certain subsidiaries and joint ventures.

At December 31, 2025, the book value of assets pledged to maintain the subsidiaries' credit facilities was $2,425 million (2024 - $2,306 million).

Project finance

The ATCO Power Australia (Karratha) Project Finance Debt is secured by certain assets of the Karratha power generation facility and an assignment of certain contracts and agreements. A guarantee has also been provided by Canadian Utilities Limited to the lender. The Karratha power generation facility is accounted for as a finance lease (see Note 11).

The Empress Solar Project Finance Debt is secured by the assets of the Empress solar generation facility and a pledge of Canadian Utilities Limited's indirect partnership interest in Achernar Limited Partnership.

The Adelaide Wind Project Finance Debt is secured by a pledge of the Canadian Utilities Limited's indirect partnership interest in ATCO Adelaide Wind Holdings Limited Partnership.

The Deerfoot Barlow Solar Project Finance Debt is secured by the assets of the Deerfoot and Barlow solar generation facilities and a pledge of Canadian Utilities Limited's partnership interest in Deerfoot Barlow Solar Limited Partnership.

The Forty Mile Wind Project Finance Debt is secured by the assets of the Forty Mile wind generation facility and a pledge of Canadian Utilities Limited's indirect partnership interest in Forty Mile Granlea Wind Limited Partnership.

At December 31, 2025, the book value of assets pledged to maintain the project finance debts was $788 million (2024 - $1,116 million).

18. CLASS I AND CLASS II SHARES

A reconciliation of the number and dollar amount of outstanding Class I non-voting and Class II voting shares at December 31 is shown below.

AUTHORIZED AND ISSUED

	Class I Non-Voting		Class II Voting		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized:	300,000,000		50,000,000		350,000,000	
Issued and outstanding:						
December 31, 2023	99,733,891	185	12,424,987	2	112,158,878	187
Stock options exercised	76,700	4	–	–	76,700	4
December 31, 2024	99,810,591	189	12,424,987	2	112,235,578	191
Purchased and cancelled	**(513,500)**	**(1)**	**–**	**–**	**(513,500)**	**(1)**
Stock options exercised	**542,675**	**23**	**–**	**–**	**542,675**	**23**
Share-based compensation	**–**	**4**	**–**	**–**	**–**	**4**
Plan of Arrangement	**1,015,067**	**1**	**(882,667)**	**(1)**	**132,400**	**–**
Share Issuance Cost	**–**	**(2)**	**–**	**–**	**–**	**(2)**
December 31, 2025	**100,854,833**	**214**	**11,542,320**	**1**	**112,397,153**	**215**

Class I and Class II Shares have no par value.

DIVIDENDS

The Company declared and paid cash dividends of $2.0180 per Class I and Class II Share for the year ended December 31, 2025 (2024 - $1.9592). The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. The payment and amount of any quarterly dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On January 8, 2026, the Company declared a first quarter dividend of $0.5196 per Class I and Class II Share, payable on March 31, 2026 to share owners of record as of February 26, 2026.

SHARE OWNER RIGHTS

Each Class II Share may be converted into one Class I Share at any time at the share owner's option. If an offer to purchase all Class II Shares is made, and such offer is accepted and taken up by the owners of a majority of the Class II Shares, and if, at the same time, an offer is not made to the Class I Share owners on the same terms and conditions, then the Class I Shares will be entitled to the same voting rights as the Class II Shares. The two share classes rank equally in all other respects, except for voting rights.

NORMAL COURSE ISSUER BID

On March 13, 2025, the Company began a normal course issuer bid (NCIB) to purchase up to 1,996,301 outstanding Class I Shares. The bid will expire on March 12, 2026. The prior year NCIB to purchase up to 1,994,677 outstanding Class I Shares began on March 13, 2024 and expired on March 12, 2025.

For the year ended December 31, 2025, 513,500 Class I Shares were purchased for $26 million resulting in a decrease to share capital of $1 million and a decrease to retained earnings of $25 million (2024 - no Class I Shares were purchased).

PLAN OF ARRANGEMENT

On December 11, 2025, the Company completed a transaction by way of a plan of arrangement to exchange Class II Shares held by non-controlling shareholders to Class I Shares. Under the terms of the arrangement, each Class II Share was exchanged for 1.15 Class I Shares and the transaction resulted in Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family, remaining as the sole holders of Class II Shares. The Class II Shares were delisted from the TSX following the completion of the transaction, and the Class I Shares continue to trade under the symbol "ACO.X".

The cost of the Class II Shares exchanged of $1 million was recorded as a reduction to Class II share capital and an increase to Class I share capital. The Company incurred $2 million in legal and other fees in connection with the arrangement which were recorded as a reduction to Class I share capital.

19. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the year ended December 31 are summarized below.

	2025	2024
Depreciation, amortization and impairments	**1,413**	811
Earnings from investment in associate company	**(31)**	(24)
Dividends received from associate company	**17**	16
Earnings from investment in joint ventures	**(91)**	(73)
Dividends and distributions received from joint ventures	**82**	82
Income tax expense	**110**	189
Unrealized losses on derivative financial instruments	**43**	8
Contributions by customers for extensions to plant	**137**	108
Amortization of customer contributions	**(62)**	(65)
Net finance costs	**489**	462
Income taxes paid	**(63)**	(50)
Interest received	**60**	79
Other	**76**	51
	2,180	1,594

CHANGES IN NON-CASH WORKING CAPITAL

The changes in non-cash working capital for the year ended December 31 are summarized below.

	2025	2024
Operating activities		
Accounts receivable and contract assets	**190**	(100)
Inventories	**(20)**	(32)
Prepaid expenses and other current assets	**(26)**	(23)
Accounts payable and accrued liabilities	**(101)**	47
	43	(108)
Investing activities		
Accounts receivable and contract assets	**(6)**	4
Prepaid expenses and other current assets	**(4)**	(28)
Accounts payable and accrued liabilities	**(33)**	53
	(43)	29

DEBT RECONCILIATION

The reconciliation of the changes in long-term debt for the year ended December 31 is shown below.

	Long-term debt
Liabilities from financing activities	
December 31, 2023	11,048
Net issue of debt	515
Foreign currency translation	(9)
Debt issue costs	(6)
Amortization of deferred financing charges	3
December 31, 2024	11,551
Net issue of debt	**1,482**
Foreign currency translation	**6**
Debt issue costs	**(14)**
Amortization of deferred financing charges	**4**
December 31, 2025	**13,029**

See Note 11 for the reconciliation of the changes in lease liability for the years ended December 31, 2025 and 2024.

CASH POSITION

Cash position at December 31 is comprised of:

	2025	2024
Cash	**946**	362
Short-term investments	**29**	2
Restricted cash (1)	**29**	10
Cash and cash equivalents	**1,004**	374
Bank indebtedness (2)	**(27)**	(280)
	977	94

(1) *Cash balances which are restricted under the terms of joint arrangement agreements are considered not available for general use by the Company.*

(2) *The Company has cash pooling arrangements with certain banks that are used to manage working capital requirements. This allows individual bank accounts participating in these arrangements to be overdrawn from time to time.*

20. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, bank indebtedness and accounts payable and accrued liabilities	Assumed to approximate carrying value due to their short-term nature.
Finance lease receivables	Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2).
Long-term debt and long-term advances due from joint venture	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).
Measured at Fair Value	
Marketable securities	Determined using quoted market prices for the same or similar securities or alternative pricing sources and models with inputs validated by publicly available market providers (Level 2).
Interest rate swaps	Determined using interest rate forward rate yield curves at year-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at year-end (Level 2).
Commodity contracts	Determined using observable year-end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2).
	Determined based on year-end forward curves using unobservable inputs or extrapolation from spot or forward prices in certain commodity contracts (Level 3).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The fair values of the Company's financial instruments measured at amortized cost at December 31 are as follows:

		2025		2024
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**113**	**128**	125	145
Long-term advances due from joint venture (1)	**33**	**31**	35	33
Financial Liabilities				
Long-term debt	**13,029**	**12,469**	11,551	11,184

(1) Long-term advances due from joint venture of $33 million (2024 - $35 million) are recorded in other assets in the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

At December 31, 2025 and 2024, the Company's marketable securities measured at fair value include investment grade corporate bonds and debentures, private fixed income funds, bank loans and commercial mortgage funds, and government bonds (see Note 9).

Derivative financial instruments

The Company's derivative financial instruments measured at fair value include the following:

- interest rate swaps for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt;
- foreign currency forward contracts for the purpose of limiting exposure to exchange rate fluctuations; and
- natural gas and power forward sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

The balance sheet classification and fair values of the Company’s derivative financial instruments are as follows:

	Level 2				Level 3		
	Subject to Hedge Accounting			Not Subject to Hedge Accounting	Subject to Hedge Accounting (1)	Not Subject to Hedge Accounting (2)	
Recurring Measurements	**Interest Rate Swaps**	**Foreign Currency Forward Contracts**	**Commodities (1)**		**Commodities (1)**		**Total Fair Value of Derivatives**
December 31, 2025							
Financial Assets							
Prepaid expenses and other current assets	**2**	**1**	**3**	**1**	**–**	**57**	**64**
Other assets	**14**	**–**	**2**	**–**	**45**	**30**	**91**
Financial Liabilities							
Provisions and other current liabilities	**1**	**1**	**39**	**1**	**–**	**–**	**42**
Other liabilities	**4**	**–**	**18**	**–**	**–**	**–**	**22**
December 31, 2024							
Financial Assets							
Prepaid expenses and other current assets	4	4	1	–	–	66	75
Other assets	7	1	–	–	131	61	200
Financial Liabilities							
Provisions and other current liabilities	1	50	–	–	–	–	51
Other liabilities	4	40	–	–	–	–	44

(1) Derivative financial instruments that are subject to hedge accounting are related to Canadian Utilities Limited's renewable virtual power purchase agreements (PPAs) in its electricity generation business (Level 3) (reported in ATCO EnPower operating segment) and the Company's supply contracts in its retail electricity and natural gas business (Level 2) (reported in the ATCO Investments operating segment). Under the PPAs, Canadian Utilities Limited will receive a fixed price per megawatt hour (MWh) and pay the settled price per MWh from the Alberta Electric System Operator as well as deliver the related renewable energy credits to the PPA counterparty customers. The energy components of the PPAs were designated as cash flow hedges for accounting purposes.

(2) Derivative financial instruments that are not subject to hedge accounting are related to customer contracts in the Company's retail electricity and natural gas business (Level 3) (reported in the ATCO Investments operating segment).

The table below presents the ranges of the most significant unobservable valuation inputs that are used to value Level 3 derivative financial instruments and the increase or decrease to the fair value amount based on a 10 per cent increase or decrease in the inputs.

Valuation Technique	Unobservable Input	Values [(1)]		Sensitivity of Input to Fair Value	
		2025	2024	2025	2024
Forecast pricing model	Forward power prices - Solar [(2)]	**$34 to $72 /MWh**	$16 to $135 /MWh	**9**	8
	Forward power prices - Wind [(2)]	**$28 to $70 /MWh**	$13 to $88 /MWh	**20**	25
Forecast generation volume model	Electricity generation forecast volumes - Solar	**12,863 MWhs**	12,961 MWhs	**2**	3
	Electricity generation forecast volumes - Wind	**33,043 MWhs**	46,415 MWhs	**3**	10
Internal forecasting model	Retail electricity forecast consumption	**41,664 MWhs**	46,619 MWhs	**11**	8
	Retail natural gas forecast consumption	**360,667 GJs**	424,743 GJs	**6**	6

(1) Numbers are calculated based on the monthly average of the unobservable inputs.

(2) Unobservable forward prices are based on forecasts from an independent third party that utilizes observable market data and incorporates solar and wind discounts or premiums specific to Canadian Utilities Limited's electricity generation assets.

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2023 [(1)]	90	139	229
Settlement of derivative contracts	(18)	(72)	(90)
Gains recognized in earnings	4	60	64
Gains recognized in other comprehensive income	55	–	55
December 31, 2024 [(1)]	131	127	258
Settlement of derivative contracts	**(20)**	**(95)**	**(115)**
Gains (losses) recognized in earnings	**(3)**	**55**	**52**
Losses recognized in other comprehensive income	**(63)**	**–**	**(63)**
December 31, 2025 [(1)]	**45**	**87**	**132**

(1) Net financial assets (liabilities) classified as Level 3 at end of year.

For the year ended December 31, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the consolidated statements of earnings:

	2025			2024		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**1**	**14**	**15**	1	12	13
Fuel costs	**(24)**	**–**	**(24)**	(27)	–	(27)
Purchased power	**(32)**	**–**	**(32)**	(14)	–	(14)
Derivative financial instruments [(1)]	**(2)**	**101**	**99**	(6)	78	72
Interest expense	**4**	**–**	**4**	27	–	27
	(53)	**115**	**62**	(19)	90	71
Unrealized losses						
Derivative financial instruments [(1)]	**–**	**(43)**	**(43)**	–	(8)	(8)
Total	**(53)**	**72**	**19**	(19)	82	63

(1) Realized derivative financial instruments gains (losses) and unrealized losses are included in the derivative financial instruments gains (losses) financial statement line item in the consolidated statements of earnings.

Hedge ineffectiveness

For the year ended December 31, 2025, gains as a result of hedge ineffectiveness of $2 million related to derivative financial instruments were recognized in the consolidated statements of earnings (2024 - gains of $3 million).

Changes to other comprehensive income

For the year ended December 31, 2025, unrealized gains before income taxes of $32 million (2024 - unrealized losses before income taxes of $39 million) were recognized in other comprehensive income (OCI), and $82 million of realized gains before income taxes (2024 - realized losses before income taxes of $1 million) were reclassified to the consolidated statements of earnings.

Over the next 12 months, the Company estimates that losses before income taxes of $23 million will be reclassified from accumulated other comprehensive income (AOCI) to earnings.

Notional value and maturity summary

The notional value and maturity dates of the Company's derivative financial instruments outstanding are as follows:

	Subject to Hedge Accounting				Not Subject to Hedge Accounting	
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**	**Natural Gas (1)**	**Power (2)**
December 31, 2025						
Purchases (3)	**–**	**22,535,100**	**2,778,354**	**–**	**–**	**175,200**
Sales (3)	**–**	**741,093**	**6,813,553**	**–**	**21,639,991**	**2,499,840**
Currency						
Canadian dollars	**192**	**–**	**–**	**–**	**–**	**–**
Australian dollars	**771**	**–**	**–**	**–**	**–**	**–**
U.S. dollars	**–**	**–**	**–**	**59**	**–**	**–**
Maturity	**2026-2036**	**2026-2030**	**2026-2038**	**2026-2027**	**2026-2030**	**2026-2030**
December 31, 2024						
Purchases (3)	–	34,422,975	3,191,402	–	–	–
Sales (3)	–	580,162	9,513,570	–	25,484,562	2,797,128
Currency						
Canadian dollars	204	–	–	–	–	–
Australian dollars	757	–	–	–	–	–
U.S. dollars	–	–	–	26	–	–
Maturity	2025-2036	2025-2030	2025-2038	2025	2025-2029	2025-2029

(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.
(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes in the contracts.
(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Netting arrangements and similar agreements provide counterparties the legal right to set-off liabilities against assets received. The following financial assets and financial liabilities are subject to offsetting:

	Effects of Offsetting on the Balance Sheet		
	Gross Amount	Gross Amount Offset	Net Amount Recognized
December 31, 2025			
Financial Assets			
Derivative assets [(1), (2)]	**155**	**–**	**155**
Accounts receivable and contract assets [(3)]	**58**	**(40)**	**18**
Financial Liabilities			
Derivative liabilities [(1), (4)]	**64**	**–**	**64**
December 31, 2024			
Financial Assets			
Derivative assets [(1), (2)]	275	–	275
Accounts receivable and contract assets [(3)]	58	(37)	21
Financial Liabilities			
Derivative liabilities [(1), (4)]	95	–	95

(1) The Company enters into derivative transactions based on master agreements in which there is a set-off provision under certain circumstances, such as default. The agreements do not meet the criteria for offsetting in the consolidated balance sheets since the Company does not presently have a legally enforceable right to set-off. This right is enforceable only if certain credit events occur in the future.

(2) At December 31, 2025, $64 million is included in prepaid expenses and other assets, and $91 million is included in other assets in the consolidated balance sheets (2024 - $75 million and $200 million).

(3) Accounts receivable and contract assets were offset by accounts payable and accrued liabilities.

(4) At December 31, 2025, $42 million is included in provisions and other current liabilities, and $22 million is included in other liabilities in the consolidated balance sheets (2024 - $51 million and $44 million).

21. RISK MANAGEMENT

The Company's Board is responsible for understanding the principal risks of the Company's business, achieving a proper balance between risks incurred and the potential return to share owners, and confirming there are controls in place to effectively monitor and manage those risks with a view to the long-term viability of the Company. The Board established the Audit & Risk Committee to review significant risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Company's ability to achieve its strategic or operational targets. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

The Company is exposed to a variety of risks associated with the use of financial instruments: market risk, credit risk and liquidity risk. The Company may use various derivative financial instruments to manage its exposure in these areas. All such instruments are used to manage risk and are not for trading purposes.

The source of risk exposure and how each is managed is outlined below.

MARKET RISK

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. Interest-bearing assets and liabilities exposed to fair value interest rate risk include marketable securities, short-term debt and long-term debt with fixed interest rates. Interest-bearing assets and liabilities exposed to cash flow interest rate risk include cash and cash equivalents, bank indebtedness and long-term debt with variable interest rates.

The Company's interest-bearing assets that are subject to fair value or cash flow interest rate risk are mitigated by maintaining investments that deliver satisfactory returns while maintaining liquidity.

In respect of interest-bearing liabilities that are subject to fair value or cash flows interest rate risk, the Company's risk management policy is to hedge all material interest rate risk exposures related to long-term financings when the risk is incurred, unless commercial arrangements or mechanisms are in place to offset such interest rate risk.

The Company closely monitors market interest rates and maintains a balance between variable rate and fixed rate borrowings in order to reduce its exposure. The Company has fixed interest rates, either directly or through interest rate swap agreements, on 95 per cent (2024 - 93 per cent) of total long-term debt. Consequently, the exposure to fluctuations in market interest rates is limited.

A 100 basis point increase or decrease in interest rates over the next year would increase or decrease earnings by $1 million (2024 - $4 million) and would increase or decrease OCI by $18 million (2024 - $26 million). The sensitivity analysis is based on management's assessment that a 100 basis point increase or decrease in interest rates is a reasonable potential change over the next year. This analysis has been determined based on the exposure to interest rates for financial instruments outstanding at December 31, 2025.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk from financial instruments denominated in currencies other than the functional currency of an operation and on its net investments in foreign subsidiaries. The majority of this currency risk arises from exposure to the U.S. dollar and Australian dollar. The Company offsets foreign exchange volatility in part by entering into foreign currency derivative contracts and by financing with foreign-denominated debt. The Company's risk management policy is to hedge all material transactions with foreign exchange risks arising from the sale or purchase of goods and services where revenue or the costs to be incurred are denominated in a currency other than the functional currency of the transacting company.

A 10 per cent increase or decrease in the U.S. dollar and Australian dollar would each increase or decrease earnings by $1 million (2024 - nil) and OCI by $11 million (2024 - $1 million). The sensitivity analysis is based on management's assessment that an average 10 per cent increase or decrease in these currencies relative to the Canadian dollar is a reasonable potential change over the next year. This analysis has been determined based on the exposure to foreign exchange for financial instruments outstanding at December 31, 2025.

The sensitivity analysis excludes translation risk associated with the translation of subsidiaries that have a different functional currency than the functional currency of the Company.

Energy commodity price risk

Energy commodity price risk is the risk that the fair value or future cash flows of natural gas and electricity sales and purchases will fluctuate due to changes in market prices. Fluctuations in market prices result from changes in supply and customer demand, fuel costs, market conditions, weather, regulatory policies, and other factors. The Company's natural gas storage, retail energy and electricity generation businesses are exposed to commodity price movements, particularly to the market price of natural gas and electricity.

Anticipated price risks are calculated based on the Company's customer demand requirements and supply requirements to natural gas and electricity. These are consistently observed and analyzed to ensure that operational and commercial strategic policies to mitigate pricing risk are met.

The Company is exposed to seasonal natural gas price spreads in its natural gas storage business. Management mitigates this risk by entering into short-term and long-term firm capacity arrangements, where appropriate.

The Company manages price risk by entering into hedging contracts, including short-term and long-term fixed price sale and purchase contracts. Management actively monitors its derivative transactions in accordance with its risk management policy. This policy sets out pre-defined risks and financial parameters so that price fluctuations do not materially affect the margins the Company ultimately receives.

The Company's natural gas and electricity sale and purchase contracts in its retail energy business, and power purchase agreements in its electricity generation business that qualify as derivative financial instruments are exposed to the variability of forward prices.

A 10 per cent increase or decrease in the forward prices of natural gas or electricity, based on management's assessment that an average 10 per cent increase or decrease in forward prices is a reasonable change over the next year, would increase or decrease earnings or OCI at December 31 is shown below. This analysis has been determined based on the exposure to forward prices for financial instruments outstanding as of December 31.

	2025		2024	
	Earnings	**OCI**	**Earnings**	**OCI**
Forward prices of natural gas	**4**	**7**	4	7
Forward prices of electricity	**9**	**8**	11	11

This analysis assumes that changes in the forward price of natural gas and electricity affects the mark-to-market adjustment of the purchase and sale contracts.

CREDIT RISK

Credit risk is the risk of financial loss due to a counterparty's inability to discharge their contractual obligations to the Company. The Company is exposed to credit risk on its cash and cash equivalents, marketable securities, accounts receivable and contract assets, finance lease receivables and derivative financial instrument assets. The exposure to credit risk represents the total carrying amount of these financial instruments in the consolidated balance sheets.

The Company manages its credit risk on cash and cash equivalents by investing in instruments issued by credit-worthy financial institutions. Credit risk in marketable securities is mitigated by investing in investment grade companies, instruments issued by national and local governments, and bank loans and commercial mortgages with low default risks.

Accounts receivable and contract assets and finance lease receivables credit risk is reduced by transacting with credit-worthy customers in accordance with established credit approval policies, and a large and diversified customer base and through collateral arrangements such as letters of credit, corporate guarantees and cash deposits.

Derivative asset credit risk arises from the possibility that a counterparty to a contract fails to perform according to its terms and conditions. This risk is mitigated by dealing with large, credit-worthy counterparties and continuous monitoring of the counterparty risk exposure. The Company has in certain instances entered into master netting agreements with its derivative counterparties, which provides a right to offset for certain exposures between the parties.

The Company does not have a concentration of credit risk with any counterparty, except for finance lease receivables, which by its nature is with a single counterparty.

Depending on the nature of accounts receivable and contract assets, the Company estimates credit losses based on the expected credit loss rates for respective credit ratings. The summary of the expected credit loss rates for respective credit ratings is shown below.

	High (AA to AAA)	**Medium (BBB to A)**	**Low (BB and below)**
December 31, 2025	0%-0.02%	0.05%-0.13%	0.44%-2.69%
December 31, 2024	0%-0.02%	0.05%-0.14%	0.45%-2.73%

At December 31, 2025, the Company had $148 million of accounts receivable and contract assets classified as Low (BB and below) (2024 - $102 million).

Where the Company believes there is a high probability of a customer default, additional credit allowances are recorded.

The Company's credit loss allowance is included in accounts receivable and contract assets in the consolidated balance sheets. A reconciliation of changes in credit loss allowance for the year ended December 31 is as follows:

	2025	2024
Beginning of year	**17**	11
Credit loss allowance	**6**	8
Utilization of credit loss allowance	**(1)**	(2)
End of year	**22**	17

The aging analysis of trade accounts receivable and contract assets at December 31 is as follows:

	2025	2024
Up to 30 days	**741**	932
31 to 60 days	**41**	33
61 to 90 days	**8**	21
Over 90 days	**23**	13
	813	999

At December 31, 2025, the Company held $230 million in letters of credit for certain counterparty receivables (2024 - $371 million). The Company did not take possession of any collateral it holds as security in 2025 or 2024. The Company has also entered into guarantee arrangements with the parent company of Direct Energy Partnership (NRG Energy) relating to the retail energy supply functions performed by Direct Energy (see Note 30).

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities that are settled in cash or another financial asset. Liquidity risk arises from the Company's general funding needs and in the management of its assets, liabilities and capital structure. The Company considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Cash flows from operations provide a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances, marketable securities, bank borrowings and issuance of long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans are also used under available credit lines to provide flexibility in the timing and amounts of long-term financing.

Lines of credit

At December 31, the Company has the following lines of credit that enable it to obtain financing for general business purposes:

			2025			2024
	Total	Used	Available	Total	Used	Available
Long-term committed	**3,383**	**1,019**	**2,364**	3,568	1,525	2,043
Short-term committed	**343**	**343**	**–**	–	–	–
Uncommitted	**742**	**228**	**514**	715	306	409
	4,468	**1,590**	**2,878**	4,283	1,831	2,452

Long-term committed revolving credit facilities have maturities greater than one year. Uncommitted credit facilities have no set maturity and the lender can demand repayment at any time.

Lines of credit utilized at December 31 are comprised of:

	2025	2024
Long-term debt due within one year	**343**	–
Long-term debt	**988**	1,494
Letters of credit	**259**	337
	1,590	1,831

Commercial paper

The Company is authorized to issue $1.2 billion of commercial paper notes against its long-term committed credit facilities. At December 31, 2025 and 2024, the Company had a nil outstanding balance of commercial paper notes.

Maturity analysis of financial obligations

The table below analyzes the remaining contractual maturities at December 31, 2025 of the Company's financial liabilities based on the contractual undiscounted cash flows.

	2026	2027	2028	2029	2030	2031 and thereafter
Accounts payable and accrued liabilities	**936**	**–**	**–**	**–**	**–**	**–**
Long-term debt:						
Principal	**377**	**862**	**398**	**32**	**279**	**11,182**
Interest payments (1)	**550**	**518**	**502**	**484**	**483**	**8,064**
Derivatives (2)	**22**	**14**	**1**	**1**	**1**	**4**
	1,885	**1,394**	**901**	**517**	**763**	**19,250**

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2025. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivative financial instruments have been estimated using exchange rates and commodity prices in effect at December 31, 2025.

The table below analyzes the remaining contractual maturities at December 31, 2024 of the Company's financial liabilities based on the contractual undiscounted cash flows, as reported in the consolidated financial statements for the year ended December 31, 2024.

	2025	2026	2027	2028	2029	2030 and thereafter
Accounts payable and accrued liabilities	1,062	–	–	–	–	–
Long-term debt:						
Principal	77	921	638	225	29	9,722
Interest payments (1)	518	499	451	427	423	7,624
Derivatives (2)	21	15	8	1	1	1
	1,678	1,435	1,097	653	453	17,347

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2024. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivative financial instruments have been estimated using exchange rates and commodity prices in effect at December 31, 2024.

22. CAPITAL DISCLOSURES

The Company’s objectives when managing capital are to:

1. Safeguard the Company’s ability to continue as a going concern so it can continue to provide returns to share owners and benefits for other stakeholders.
2. Maintain strong investment-grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

The Company considers both its regulated and non-regulated operations, as well as changes in economic conditions and risks impacting its operations, in managing its capital structure. The Company may adjust the dividends paid to share owners, issue or purchase Class I and Class II Shares, issue or redeem preferred shares, and issue or repay short-term debt and long-term debt. Financing decisions are based on assessments by management in line with the Company’s objectives, with a goal of managing the financial risk to the Company as a whole.

While the Company's electricity and natural gas transmission and distribution businesses in Alberta have as their objective to be capitalized according to the AUC-approved capital structure, the Company as a whole is not restricted in the same manner. The Company sets its capital structure relative to risk and to meet financial and operational objectives, while factoring in the decisions of the regulator.

The Company also manages capital to comply with the customary covenants on its debt. A common financial covenant for the Company’s corporate long-term debts and credit facilities is that total debt divided by total capitalization must be less than 75 per cent calculated at the end of each quarter. The Company defines total debt as the sum of bank indebtedness, short-term debt and long-term debt (including its respective current portion). It defines total capitalization as the sum of Class I and Class II shares, contributed surplus, retained earnings, AOCI, non-controlling interests and total debt. Management maintains the debt capitalization ratio well below 75 per cent to sustain access to cost-effective financing.

Debt capitalization does not have a standardized meaning under IFRS Accounting Standards and might not be comparable to similar measures presented by other companies. Also, the definitions of total debt and total capitalization vary slightly in the Company's debt-related agreements.

The Company's capitalization at December 31 is as follows:

	2025	2024
Bank indebtedness	**27**	280
Long-term debt	**13,029**	11,551
Total debt	**13,056**	11,831
Class I and Class II shares	**215**	191
Contributed surplus	**16**	17
Retained earnings	**4,313**	4,423
Accumulated other comprehensive (loss) income	**(22)**	1
Non-controlling interests	**3,827**	4,078
Total equity	**8,349**	8,710
Total capitalization	**21,405**	20,541
Debt capitalization	**61 %**	58 %

Certain subsidiaries and project finance debts, included in long-term debt, are required to maintain minimum twelve month debt service and interest coverage ratios between 1x to 3x, calculated at the end of each quarter. Debt service and interest coverage ratios are calculated based on EBITDA over interest expense, as defined in the agreements.

At December 31, 2025, Deerfoot Barlow Solar Limited Partnership, an indirect subsidiary of Canadian Utilities Limited, was not in compliance with the long-term debt covenant requiring a minimum projected debt service coverage ratio of 1.00 for its amortizing non-revolving credit facility (Deerfoot Barlow Solar Project Finance Debt). Deerfoot Barlow Solar Limited Partnership obtained a waiver from the lender prior to December 31, 2025. The total outstanding balance of the loan subjected to this waiver is $53 million at December 31, 2025.

Except for the Deerfoot Barlow Solar Project Finance Debt, the Company complied with externally imposed requirements on its capital, including financial covenants related to long term debt, credit facilities and project financings for the years ended December 31, 2025 and 2024 and expects to remain in compliance over the next year.

23. MATERIAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Material judgments, estimates and assumptions made by the Company are outlined below.

ACCOUNTING JUDGMENTS

Revenue related items

The Company makes judgments with respect to: determining whether the promised goods and services are considered distinct performance obligations by considering the relationship of such promised goods and services; allocating the transaction price for each distinct performance obligation identified through stand-alone selling price; evaluating when a customer obtains control of the goods or services promised; and evaluating whether the Company acts as principal or agent on certain flow-through charges to customers.

Impairment of financial assets

The impairment loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company makes judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Associates

Judgment is required when assessing the classification of an investment as an associate. When making this assessment, the Company considers the structure of the investment, the legal form of any separate vehicles, the contractual terms of the investment, and other facts and circumstances.

Joint arrangements

Judgment is required in assessing the level of control or influence over an arrangement or on another entity in which the Company holds an interest. Judgment is required when assessing the classification of a joint arrangement as a joint operation or a joint venture. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances.

Impairment of long-lived assets

Long-lived assets consist primarily of property, plant and equipment, intangibles, right-of-use assets, goodwill and equity-accounted investments. Indicators of impairment are considered when evaluating whether or not a long-lived asset is impaired. Factors which could indicate an impairment exists include: significant underperformance relative to historical or projected operating results, significant changes in the way in which an asset is used including the potential impact of climate change and energy transition risks, significant negative industry or economic trends, decline in strategic value, or adverse decisions by regulators and/or governments. Events indicating an impairment may be clearly identifiable or based on an accumulation of individually insignificant events over a period of time. Measurement uncertainty is increased where the Company is not the operator of a facility. The Company continually monitors its operating facilities and the markets and business environment in which it operates. Judgments and assessments about conditions and events are made in order to conclude whether a possible impairment exists. Management exercises material judgment when determining the recoverable amount in an impairment assessment.

Property, plant and equipment and intangibles

The Company makes judgments to: assess the nature of the costs to be capitalized and the time period over which they are capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depreciation and amortization methods and useful lives are appropriate; distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed; and determine the useful lives over which assets are depreciated and amortized.

Leases

The Company evaluates contract terms and conditions to determine whether they contain or are leases based on whether it controls the use of an identified asset (right-of-use asset). Control is considered to exist if the Company has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset.

In the situation where the implicit interest rate in the lease is not readily determined, the Company uses judgment to estimate the incremental borrowing rate for discounting the lease payments. The Company's incremental borrowing rate generally reflects the interest rate that the Company would have to pay to borrow a similar amount at a similar term and with a similar security. The Company estimates the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension or termination option. Certain qualitative and quantitative assumptions are used when evaluating these incentives.

Income taxes

The Company makes judgments with respect to changes in tax legislation, regulations and interpretations thereof. Judgment is also applied to estimating probable outcomes, when temporary differences will reverse, and whether tax assets are realizable. When tax legislation is subject to interpretation, management periodically evaluates positions taken in tax filings and records provisions where appropriate.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Revenue recognition

An estimate of usage not yet billed is included in revenues from the regulated distribution of natural gas and electricity as well as retail electricity and natural gas services. The estimate is derived from unbilled gas and electricity distribution services supplied to customers and is based on historical consumption patterns. Management applies judgment to the measurement and value of the estimated consumption.

Impairment of financial assets

The impairment loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company makes judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Valuation of emission credits and allowances

The determination of the net realizable value associated with the eventual disposition of emissions credits and allowances involves measurement judgments that consider several factors influenced by market and economic conditions outside of the Company's control. In particular, the assumptions applied are sensitive to the expected demand for the Company's emissions credits and allowances in relation to industry supply, demand, and government regulations.

Useful lives of property, plant and equipment and intangibles

Useful lives are estimated based on current facts and past experience taking into account the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecast demand, and the potential for technological obsolescence including the potential impact of climate change and energy transition risks.

Impairment of long-lived assets

The Company continually monitors its long-lived assets and the markets and business environment in which it operates, including regulatory decisions, for indications of asset impairment. Where necessary to determine if an impairment loss is to be recognized, the Company estimates the recoverable amount for the CGU or asset, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is either based on an earnings multiple approach or discounted cash flow model while value in use calculation is based on a discounted cash flow model. These calculations include estimates based on assumptions, such as implied earnings multiples determined by utilizing multiples of comparable public companies and future cash flows that will be produced by the CGU or assets primarily based on forecasted generation, forecasted merchant pricing and forecasted emission credits pricing, discounted at an appropriate rate. Subsequent changes to these estimates or assumptions could significantly impact the recoverable amounts of the CGU or assets.

Leases

Useful lives of right-of-use assets are based on current facts and past experience taking into account the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecast demand, and the potential for technological obsolescence.

Retirement benefits

The Company consults with qualified actuaries when setting the assumptions used to estimate retirement benefit obligations and the cost of providing retirement benefits during the period. These assumptions reflect management's best estimates of the long-term inflation rate, projected salary increases, retirement age, discount rate, health care costs trend rates, life expectancy and termination rates. The discount rate is determined by reference to market yields on high quality corporate bonds. Since the discount rate is based on current yields, it is only a proxy for future yields.

Asset retirement obligations

The Company's estimates regarding asset retirement costs and related obligations change as a result of changes in cost estimates, legal and constructive requirements including the potential impact of climate change and energy transition risks, market rates and technological advancement. The significant assumptions used to record asset retirement obligations include, but are not limited to, expected timing of retirement of an asset, scope and costs of retirement and reclamation activities, rates of inflation and a pre-tax risk-free discount rate. The estimates and assumptions for asset retirement obligations are reviewed at each reporting period. Changes to the estimates or assumptions could significantly impact the carrying values of the asset retirement obligations.

Income taxes

Management periodically evaluates positions taken in tax filings where tax legislation is subject to interpretation, and records provisions where appropriate. The provisions are management's best estimates of the expenditures required to settle the present obligations at the balance sheet date measured using either the most likely amount method or the expected value method based on the sum of the probability-weighted amounts in a range of possible outcomes, depending on which method the Company expects to better estimate the amount of the provision.

Fair value measurements

The Company has material accounting policies and disclosures that require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data, where available. Significant unobservable inputs and valuation adjustments are periodically reviewed. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company uses the evidence obtained from third parties to support measurement valuations.

With respect to business combinations that are accounted under the acquisition method, the Company estimates the fair value of assets acquired, liabilities assumed, and non-controlling interest in the acquiree based on assumptions a marketplace participant would consider. Estimates made in valuing assets acquired include, among other things, future expected cash flows and discount rates. These estimates are based on historical information from the acquired business and relevant market and industry data. The Company generally engages external valuation advisors to assist in the valuation of certain assets acquired and liabilities assumed. Such valuations require management to make estimates and assumptions, especially with respect to property plant and equipment and intangible assets acquired.

24. BUSINESS COMBINATIONS

ACQUISITION OF NORTHSTONE POWER CORP.

On December 18, 2025, ATCO Renewables Ltd., a wholly owned subsidiary of Canadian Utilities Limited, acquired a 100 per cent ownership interest in Northstone Power Corp. ("Northstone"), a privately owned Alberta-based independent gas powered producer located near Grande Prairie, Alberta. The acquisition is reported in the ATCO EnPower segment.

The aggregate consideration paid for Northstone was $31 million, which included cash acquired of $1 million and identifiable assets acquired and liabilities assumed of $30 million. There is no contingent consideration with this acquisition.

The fair values of the identifiable assets acquired and liabilities assumed were as follows:

Assets	
Accounts receivable and contract assets	**1**
Property, plant and equipment	**44**
Total assets	**45**
Liabilities	
Deferred income tax liability	**(8)**
Other liabilities	**(7)**
Total liabilities	**(15)**
Total identifiable net assets acquired	**30**

Given the December 18, 2025, date of the acquisition, Northstone's actual revenues and earnings attributable to Class I and Class II shares did not have a significant impact on the consolidated statements of earnings for the year ended December 31, 2025.

The Company's pro-forma consolidated revenues would have been $5,148 million and earnings attributable to Class I and Class II shares would have been $149 million for the year ended December 31, 2025, if the acquisition had occurred on January 1, 2025. These pro-forma results may not necessarily be indicative of actual results had the acquisition occurred on January 1, 2025.

ACQUISITION OF NRB LIMITED

On August 30, 2024, ATCO Structures & Logistics Ltd., a subsidiary of the Company, acquired a 100 per cent ownership interest in NRB Limited (NRB) for $40 million in cash, subject to a final determination of working capital. The final determination of working capital was completed in March 2025 and resulted in $3 million of additional cash consideration, increasing the total consideration paid to $43 million. NRB is a leading manufacturer of modular industrial, educational and residential buildings with manufacturing facilities located in British Columbia, Alberta, and Ontario, Canada. The acquisition was accounted for as a business acquisition and its results are included in the Structures & Logistics operating segment.

The allocation of the purchase price regarding the fair values of the identifiable assets acquired and liabilities assumed is as follows:

Assets	
Accounts receivable and contract assets	57
Inventories	8
Property, plant and equipment	11
Right-of-use assets	12
Total assets	**88**
Liabilities	
Accounts payable and accrued liabilities	31
Lease liabilities	14
Total liabilities	**45**
Total identifiable net assets acquired	**43**

From the date of acquisition, revenues of $24 million and losses of $7 million attributable to Class I and Class II shares, were included in the consolidated statements of earnings for the year ended December 31, 2024. Acquisition costs of less than $1 million for incremental legal and advisory services fees were incurred and recognized in other costs and expenses for the year ended December 31, 2024.

The Company's pro-forma consolidated revenues would have been $5,015 million and earnings attributable to Class I and Class II shares would have been $414 million for the year ended December 31, 2024, if the acquisition had occurred on January 1, 2024. These pro-forma results may not necessarily be indicative of actual results had the acquisition occurred on January 1, 2024.

25. INVESTMENT IN ASSOCIATE COMPANY

Inversiones ATCO Chile Limitada, a wholly owned subsidiary of the Company, has a 40 per cent interest in Neltume Ports S.A. (Neltume Ports), a port operator and developer with a diversified portfolio of 17 multi-purpose, bulk cargo, and container port facilities and six port operation services. The business is primarily located in Chile with additional operations in Uruguay, Argentina, Brazil and the United States.

The equity interest in Neltume Ports is incorporated into the ATCO Investments segment (see Note 3).

The carrying amount of the investment in Neltume Ports, over which the Company has significant influence, for the year ended December 31 is as follows:

	2025	**2024**
Beginning of year	**510**	464
ATCO's share of earnings	**31**	24
ATCO's share of other comprehensive income (loss)	**1**	(1)
Dividends received	**(17)**	(16)
Foreign exchange	**(24)**	39
End of year	**501**	510

Selected information from the statements of earnings and other comprehensive income (loss) for the year ended December 31 of Neltume Ports is as follows:

	2025	2024
Statements of earnings and other comprehensive income (loss)		
Revenues	**528**	457
Depreciation and amortization	**(86)**	(92)
Interest income	**10**	10
Interest expense	**(5)**	(6)
Income taxes	**(20)**	(12)
Earnings attributable to:		
Neltume Ports' share owners	**78**	61
Non-controlling interests	**4**	6
	82	67
Other comprehensive income (loss) attributable to:		
Neltume Ports' share owners	**1**	(1)
Non-controlling interests	**(4)**	–
	(3)	(1)
ATCO's share of earnings	**31**	24
ATCO's share of other comprehensive income (loss)	**1**	(1)

The summarized financial information from the balance sheets at December 31 of Neltume Ports is provided below.

	2025	2024
Balance sheets		
Cash and cash equivalents	**254**	223
Other current assets	**90**	94
Current assets	**344**	317
Non-current assets	**1,285**	1,368
Total assets	**1,629**	1,685
Financial liabilities [(1)]	**(47)**	(49)
Other current liabilities	**(68)**	(55)
Current liabilities	**(115)**	(104)
Financial liabilities [(1)]	**(72)**	(108)
Other non-current liabilities	**(135)**	(137)
Non-current liabilities	**(207)**	(245)
Total liabilities	**(322)**	(349)
Net assets attributable to:		
Neltume Ports' share owners	**1,252**	1,274
Non-controlling interests	**55**	62
	1,307	1,336
ATCO's share of net assets	**501**	510

(1) Financial liabilities are comprised mainly of long-term debt.

26. SUBSIDIARIES

Principal operating subsidiaries at December 31, 2025 are listed below. Subsidiaries are wholly owned, unless otherwise indicated.

Principal Operating Subsidiaries	Principal Place of Business	Principal Activity
ATCO Structures & Logistics Ltd.	Canada	Workforce housing, modular facilities, construction, site support services and logistics and operations management
Inversiones ATCO Chile Limitada	Chile	Holds 40 per cent investment in associate, Neltume Ports S.A.
ATCO Energy Ltd. (1)	Canada	Electricity and natural gas retailer and a home maintenance solution provider
Canadian Utilities Limited (2)	Canada	Holding company
ATCO Next Energy Ltd.	Canada	Energy storage, industrial water solutions, cleaner fuels and related infrastructure services
ATCO Renewables Ltd.	Canada	Electricity generation and related infrastructure services
2240385 Alberta Ltd.	Canada	Holds 50 per cent investment in joint venture, LUMA Energy, LLC
Electricidad del Golfo, S. de R.L. de C.V.	Mexico	Electricity generation and related infrastructure services
ATCO Gas Australia Pty Ltd	Australia	Natural gas distribution services
ATCO Australia Pty Ltd	Australia	Electricity generation services
CU Inc.	Canada	Holding company
ATCO Electric Ltd. (3)	Canada	Electricity transmission, distribution, and related infrastructure services
ATCO Gas and Pipelines Ltd. (4)	Canada	Natural gas transmission, distribution, and related infrastructure services

(1) On August 1, 2024, Canadian Utilities Limited transferred the ownership of ATCO Energy Ltd. to ATCO Ltd. (see Note 32).

(2) At December 31, 2025, ATCO Ltd. has an ownership interest of 52.4 per cent (2024 - 52.5 per cent).

(3) ATCO Electric Ltd. comprises two divisions, ATCO Electric Transmission and ATCO Electric Distribution.

(4) ATCO Gas and Pipelines Ltd. comprises two divisions, ATCO Gas and ATCO Pipelines.

27. JOINT ARRANGEMENTS

A joint arrangement is one in which two or more parties have joint control. The Company classifies its interest in joint arrangements as either joint ventures or joint operations depending on the Company's rights to the assets and obligations for the liabilities of the arrangements.

JOINT VENTURES

The carrying amount of the investment in joint ventures for the year ended December 31 is as follows:

	Strathcona Storage LP		Other joint ventures			Total
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Beginning of year	**144**	147	**117**	113	**261**	260
The Company's share of net earnings	**11**	10	**80**	63	**91**	73
The Company's share of other comprehensive (loss) income	**–**	–	**(3)**	5	**(3)**	5
Dividends received	**(16)**	(15)	**(66)**	(67)	**(82)**	(82)
Contributions	**5**	2	**6**	2	**11**	4
Foreign exchange and other	**–**	–	**(10)**	1	**(10)**	1
End of year	**144**	144	**124**	117	**268**	261

Strathcona Storage LP

Strathcona Storage Limited Partnership (Strathcona Storage LP) is a partnership that operates hydrocarbon storage facilities at the Alberta Industrial Heartland near Fort Saskatchewan, Alberta. The facility consists of five underground storage salt caverns, which have a combined storage capacity of 544,000 cubic metres (m^3).

ATCO Next Energy Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 60 per cent ownership in Strathcona Storage LP, with the remaining 40 per cent interest held by AltaGas Ltd.

The Company's equity interest in Strathcona Storage LP is included in the ATCO EnPower operating segment.

Selected information from the statements of earnings for the year ended December 31 of Strathcona Storage LP is as follows:

	2025	2024
Statements of earnings		
Revenues	**37**	37
Depreciation and amortization	**(8)**	(8)
Operating expenses	**(11)**	(12)
Earnings	**18**	17
The Company's share of earnings	**11**	10

Strathcona Storage LP had no other comprehensive income for the years ended December 31, 2025 and 2024.

Summarized financial information from the balance sheets at December 31 of Strathcona Storage LP is provided below.

	2025	2024
Balance sheets		
Cash and cash equivalents	**5**	3
Other current assets	**6**	5
Current assets	**11**	8
Non-current assets	**246**	248
Total assets	**257**	256
Current liabilities	**(6)**	(4)
Non-current liabilities	**(11)**	(12)
Total liabilities	**(17)**	(16)
Net assets	**240**	240
The Company's share of net assets	**144**	144

OTHER JOINT VENTURES

At December 31, 2025, other joint ventures of the Company comprise 11 joint ventures (2024 - 11 joint ventures), which include LUMA Energy and Osborne Cogeneration Facility described below.

LUMA Energy

LUMA Energy, LLC (LUMA Energy) is a limited liability company formed to operate Puerto Rico's 32,000 km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority and the Puerto Rico Electric Power Authority (PREPA) over a term of 15 years. Under the terms of the agreement, LUMA Energy will not assume ownership of the electricity transmission and distribution system. The Company provided a guarantee of up to $105 million USD to PREPA in connection with the services to be performed by LUMA Energy under the Operations and Maintenance Agreement.

LUMA Energy currently operates under the terms of a Supplemental Agreement, which was extended on November 30, 2022. The agreement allows LUMA Energy to collect an annualized fixed fee (indexed to inflation) equivalent of $115 million USD. The transition to year one of the Operating and Maintenance Agreement is not expected to occur until PREPA's bankruptcy proceeding is resolved.

2240385 Alberta Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 50 per cent ownership interest in LUMA Energy, with the remaining 50 per cent held by Quanta Services, Inc.

The Company's equity interest in LUMA Energy is reported in ATCO Energy Systems, Electricity operating segment. For the year ended December 31, 2025, the Company's share in net earnings and dividends received amounted to $63 million (2024 - $62 million) and $56 million (2024 - $58 million), respectively.

For the year ended December 31, 2025, the Company recognized revenues of $16 million (2024 - $20 million) primarily for services provided to LUMA Energy at cost.

Osborne Cogeneration Facility

Osborne Cogeneration Pty Ltd is a company that owns and operates a 180 megawatt natural gas-fired combined cycle facility located in South Australia (Osborne cogeneration facility).

ATCO Australia Pty Ltd, a wholly owned subsidiary of Canadian Utilities Limited, indirectly holds a 50 per cent ownership interest in the Osborne cogeneration facility, with the remaining 50 percent held by Origin Energy Limited. The facility's capacity has been contracted with Origin Energy Electricity Ltd. under a PPA that expires December 31, 2027.

The Company's equity interest in Osborne cogeneration facility is reported in the ATCO Australia operating segment. For the year ended December 31, 2025, the Company's share in net earnings and dividends amounted to $5 million (2024 - $5 million) and $5 million (2024 - $5 million), respectively.

Commitments

The joint ventures have contractual obligations in the normal course of business. The Company's total share of these unrecognized commitments, based on contractual undiscounted cash flows, was $31 million at December 31, 2025 (2024 - $34 million).

Dividends and Distributions

The Company requires approval from its joint venture partners before any dividends or distributions can be paid.

JOINT OPERATIONS

The Company's joint operations are comprised primarily of its investment in Atlas CCS Limited Partnership (Atlas Carbon Storage Hub).

The Atlas Carbon Storage Hub is a partnership developing a carbon capture and underground sequestration (CCUS) facility at the Alberta Industrial Heartland near Fort Saskatchewan, Alberta. The facility is expected to have an initial capacity to capture 800,000 tonnes of CO_2 per year and is planned to be operational by late 2028.

ATCO Next Energy Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 50 per cent ownership in the Atlas Carbon Storage Hub, with the remaining 50 per cent held by Shell Canada Limited (Shell Canada). The CCUS facility's initial capacity will be allocated to Shell Canada. For accounting purposes, the Company has applied judgment in determining that the Atlas Carbon Storage Hub is a joint operation, based on the contractual rights, including the partners' rights over the capacity of the CCUS facility, and their obligations to third parties.

The Company's proportionate share in Atlas Carbon Storage Hub's assets and liabilities is included in the ATCO EnPower operating segment. At December 31, 2025, the Company's share in assets and liabilities, included in the consolidated balance sheets amounting to $112 million (2024 - $58 million) and $20 million (2024 - $25 million), respectively, is primarily comprised of property, plant and equipment and accounts payable and accrued liabilities.

28. NON-CONTROLLING INTERESTS

Non-controlling interests (NCI) at December 31 are as follows:

	2025	2024
NCI in Canadian Utilities Limited	**3,830**	4,085
NCI in ATCO Espaciomovil S.A.P.I. de C.V., 85 per cent owned subsidiary of ATCO Structures & Logistics Ltd.	**(3)**	(7)
	3,827	4,078

NCI IN CANADIAN UTILITIES LIMITED

Non-controlling interests in Canadian Utilities Limited are comprised primarily of Canadian Utilities Limited's Class A non-voting shares (Class A) and Class B voting common voting (Class B) shares and Equity Preferred Shares held by Canadian Utilities Limited and CU Inc., and a 25 per cent non-controlling interest in Adelaide Wind Limited Partnership.

Class A and Class B shares

Class A and Class B shares held by non-controlling interests at December 31 are shown below.

	2025	2024
Class A non-voting shares and Class B common shares	%	%
Total ownership interest held	**47.6**	47.5
Proportion of voting rights held (Class B voting common shares of Canadian Utilities Limited)	**0.4**	0.4
Proportion of non-voting rights held (Class A non-voting shares of Canadian Utilities Limited)	**62.8**	62.7

Dividend reinvestment program

Canadian Utilities Limited has a dividend reinvestment program (DRIP) for eligible Class A and Class B share owners who are enrolled in the program. The DRIP allows eligible Class A and Class B share owners of Canadian Utilities Limited to reinvest all or a specified portion of their dividends in additional Class A shares.

The Class A shares are issued from treasury at a two per cent discount to the volume weighted average price of the Class A shares traded on the Toronto Stock Exchange during the last five qualifying trading days preceding the dividend payment date.

Effective July 11, 2024, Canadian Utilities Limited suspended its DRIP.

For the year ended December 31, 2025, non-controlling interests acquired nil (2024 - 631,759) Class A shares of Canadian Utilities Limited, using re-invested dividends of nil (2024 - $19 million). The shares were priced at an average of nil (2024 - $30.14) per share.

Equity Preferred Shares

Equity preferred shares held by non-controlling interests at December 31 are shown below.

	2025	2024
CU Inc. Equity Preferred Shares		
Cumulative Redeemable Preferred Shares, at 2.292% to 4.60%	**190**	190
Canadian Utilities Limited Equity Preferred Shares		
Cumulative Redeemable Second Preferred Shares, at 4.50% to 5.60%	**1,552**	1,601
Issuance costs	**(33)**	(33)
	1,709	1,758

On November 27, 2025, Canadian Utilities Limited issued 8,050,000 Series JJ Preferred Shares yielding 5.60 per cent per annum for $198 million (net of $3 million of issuance costs). Subsequently on December 1, 2025, Canadian Utilities Limited redeemed all 10,000,000 Series FF Preferred Shares for total consideration of $250 million.

Rights and privileges

Preferred shares	Redemption Amount [1]	Quarterly Dividend [2]	Reset Premium [3]	Date Redeemable/Convertible	Convertible To
Cumulative Redeemable Preferred Shares					
Series 1	25.00	0.2875	Does not reset	Currently redeemable	Not convertible
Series 4	25.00	0.14325	1.36 %	June 1, 2026 [4]	Series 5 [5]
Cumulative Redeemable Second Preferred Shares					
Series Y	25.00	0.32475	2.40 %	June 1, 2027 [4]	Series Z [5]
Series AA	25.00	0.30625	Does not reset	September 1, 2017	Not convertible
Series BB	25.00	0.30625	Does not reset	September 1, 2017	Not convertible
Series CC	25.00	0.28125	Does not reset	June 1, 2018	Not convertible
Series DD	25.00	0.28125	Does not reset	September 1, 2018	Not convertible
Series EE	25.00	0.328125	Does not reset	September 1, 2020	Not convertible
Series HH	25.00	0.296875	Does not reset	March 1, 2027 [6]	Not convertible
Series JJ	25.00	0.35 [5]	Does not reset	March 1, 2031 [6]	Not convertible

(1) Plus accrued and unpaid dividends.

(2) Cumulative, payable quarterly as and when declared by the Board.

(3) Dividend rate will reset on the date redeemable/convertible and every five years thereafter at a rate equal to the Government of Canada yield plus the reset premium noted.

(4) Redeemable by the issuing company or convertible by the holder on the date noted and every five years thereafter.

(5) If converted, holders will be entitled to receive quarterly floating rate dividends equal to the Government of Canada Treasury Bill yield plus the reset premium noted. Holders have the option to convert back to the original preferred shares series on subsequent redemption dates.

(6) Subject to a redemption premium of 4 per cent per share. The redemption premium declines by 1 per cent in each succeeding twelve month period from the redeemable date.

Adelaide Wind Limited Partnership

Adelaide Wind Limited Partnership (Adelaide LP) is a partnership that operates wind assets located in Ontario, Canada.

ATCO Renewables Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 75 per cent ownership interest in Adelaide LP, with the remaining 25 per cent interest held by the Aamjiwnaang First Nation. At December 31, 2025, the non-controlling interest amounted to $23 million (2024 - $25 million).

As a controlled subsidiary, Canadian Utilities Limited consolidates Adelaide LP, and its financial information is included in the ATCO EnPower operating segment.

Other

The summarized consolidated financial information for Canadian Utilities Limited, before inter-company eliminations, is provided below.

	2025	2024
Consolidated Statements of Comprehensive Income		
Revenues	**3,690**	3,742
Earnings for the year	**130**	491
Attributable to NCI:		
Earnings for the year	**111**	281
Other comprehensive (loss) income	**(17)**	14
Total comprehensive income	**94**	295
Consolidated Balance Sheets		
Current assets	**1,665**	1,301
Non-current assets	**22,871**	22,486
Current liabilities	**(1,069)**	(1,182)
Non-current liabilities	**(16,869)**	(15,484)
Net assets	**6,598**	7,121
Attributable to NCI	**3,830**	4,085
Consolidated Statements of Cash Flows		
Cash flows from operating activities	**2,061**	1,917
Cash flows used in investing activities	**(1,642)**	(1,409)
Cash flows from (used in) financing activities	**327**	(790)
Increase (decrease) in cash position	**746**	(282)
Dividends paid to NCI		
Class A and Class B share owners (1)	**237**	237
Equity preferred shares	**84**	84
Adelaide Wind Limited Partnership	**5**	3
	326	324

(1) For the year ended December 31, 2024, dividends paid to Class A and Class B non-controlling share owners include $19 million of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.

29. SHARE-BASED COMPENSATION PLANS

PLAN FEATURES

Share based forms of compensation are granted at the discretion of the Corporate Governance – Nomination, Compensation and Succession Committee (GOCOM). Plan features are described below.

Form of compensation	Eligibility	Vesting Period	Term	Settlement
Stock options (1), (2)	Officers and key employees	20% per year over 5 years	10 years	Class I shares (3)
		25% per year over 4 years	8 years	Class I shares (3)
Share appreciation rights (1), (4)	Directors, officers and key employees	20% per year over 5 years	10 years	Cash
	International executives and key employees	4 years	4 years	Cash
Restricted share units (5)	Officers and key employees	25% in years 1 and 2 and 50% in year 3	3 years	Cash

(1) *Exercise price is equal to the weighted average of the trading price of the Class I shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant.*

(2) *Stock Options granted from 2020 onwards vest over 4 years with a term of 8 years. Stock Options that were granted prior to 2020 vest over 5 years with a term of 10 years.*

(3) *Issued from Treasury.*

(4) *Share appreciation rights granted from 2020 onwards vest over 4 years with a term of 4 years. Share appreciation rights that were granted prior to 2020 vest over 5 years with a term of 10 years.*

(5) *Restricted Share Units will be settled in cash equal to the weighted average of the trading price of Class I shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of vesting.*

STOCK OPTION PLAN

Information about the options outstanding and exercisable at December 31 is summarized below.

	2025		2024	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options authorized for grant	**10,200,000**		10,200,000	
Options available for issuance	**6,570,950**		7,268,650	
Outstanding options, beginning of year	**2,837,650**	**$43.18**	2,353,600	$42.64
Granted	**710,000**	**48.82**	661,500	45.46
Exercised	**(542,675)**	**43.33**	(76,700)	38.38
Forfeited	**(11,800)**	**43.78**	(4,250)	42.68
Expired	**(500)**	**46.98**	(96,500)	49.56
Outstanding options, end of year	**2,992,675**	**$44.49**	2,837,650	$43.18
Options exercisable, end of year	**1,384,300**	**$43.32**	1,389,900	$43.26

Options			Outstanding		Exercisable
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$36.41 - $38.40	758,800	4.7	$37.16	474,050	$37.61
$40.38 - $42.77	71,500	2.3	42.04	71,500	42.04
$45.09 - $49.51	2,161,375	5.9	47.13	838,750	46.65
$56.07	1,000	7.9	56.07	–	–
$36.41 - $56.07	2,992,675	5.5	$44.49	1,384,300	$43.32

Compensation expense related to stock options was $4 million in 2025 (2024 - $4 million), with a corresponding increase to contributed surplus.

SHARE APPRECIATION RIGHTS

Information about the share appreciation rights (SARs) outstanding and exercisable at December 31 is summarized below.

		2025		2024
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding SARs, beginning of year	**411,650**	**$45.12**	521,350	$45.91
Granted [(1)]	**19,500**	**48.81**	14,000	45.46
Exercised	**(146,850)**	**43.21**	(9,700)	40.88
Forfeited	**(12,300)**	**46.10**	(6,500)	41.69
Expired	**(1,500)**	**46.98**	(107,500)	49.55
Outstanding SARs, end of year	**270,500**	**$46.51**	411,650	$45.12
SARs exercisable, end of year	**209,000**	**$46.85**	354,650	$45.36

(1) In 2025 and 2024, SARs granted were related to international executives and key employees.

SARs			Outstanding		Exercisable
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$36.41	12,000	1.7	$36.41	–	$–
$40.38 - $42.08	68,000	2.2	42.07	68,000	42.07
$45.40 - $49.51	190,500	2.6	48.73	141,000	49.16
$36.41 - $49.51	270,500	2.4	$46.51	209,000	$46.85

In 2025, compensation expense related to SARs was $1 million due to an increase in the share price of Class I shares (2024 - $1 million). The total carrying value of liabilities arising from SARs at December 31, 2025 was $3 million (2024 - $3 million). The total intrinsic value of all vested SARs at December 31, 2025 was $2 million (2024 - $1 million).

RESTRICTED SHARE UNIT PLAN

Information about the Restricted Share Units (RSUs) outstanding at December 31 is summarized below.

	2025	2024
Outstanding RSUs, beginning of year	**112,298**	–
Granted	**146,750**	111,500
Vested	**(27,331)**	–
Dividends reinvested	**6,574**	2,314
Forfeited	**(8,720)**	(1,516)
Outstanding RSUs, end of year [(1)]	**229,571**	112,298

In 2025, compensation expense related to RSUs was $5 million (2024 - $2 million). The total carrying value of liabilities arising from RSUs at December 31, 2025 was $5 million (2024 - $2 million).

STOCK OPTION, SARs AND RSUs WEIGHTED AVERAGE ASSUMPTIONS

The Company uses the Black-Scholes option pricing model to estimate the weighted average fair value of the stock options and SARs, and the ultimate settlement price of the RSUs granted. The following weighted average assumptions were used:

			2025			2024
	Options	SARs	RSUs	Options	SARs	RSUs
Class I share price	**$48.82**	**$48.81**	**$51.93**	$45.46	$45.46	$39.43
Risk-free interest rate	**2.84 %**	**2.60 %**	**2.70 %**	2.76 %	2.83 %	3.73 %
Share price volatility (1)	**22.25 %**	**16.26 %**	**16.72 %**	24.62 %	16.49 %	17.02 %
Estimated annual Class I share dividend	**4.14 %**	**4.14 %**	**3.89 %**	4.24 %	4.07 %	4.97 %
Expected holding period prior to exercise or settlement	**6.9 years**	**4.0 years**	**2.1 years**	7.0 years	4.0 years	2.2 years

(1) The share price volatility is based on historical data and reflects the assumption that historical volatility over a period similar to the life of the option, SAR or RSU is indicative of future trends, which may not necessarily be indicative of exercise or settlement patterns that may occur.

30. CONTINGENCIES

MEASUREMENT INACCURACIES

Measurement inaccuracies occur from time to time on electricity and gas metering facilities. The measurement adjustments relating to the Canadian utilities are settled between the parties according to the Electricity and Gas Inspections Act (Canada) and related regulations. The AUC may disallow recovery of a measurement adjustment if it finds that controls and timely follow-up are inadequate. The measurement adjustments relating to ATCO Gas Australia are reconciled by the market operator and settled between the parties. Recovery of the costs is via a predetermined allowance contained in the current Access Arrangement.

DIRECT ENERGY PARTNERSHIP RETAIL OBLIGATION

In 2004, ATCO Gas and ATCO Electric Distribution transferred their retail energy supply businesses to Direct Energy Partnership (Direct Energy). The legal obligations of ATCO Gas and ATCO Electric Distribution for the retail functions transferred to Direct Energy, which include the supply of natural gas and electricity to customers as well as billing and customer care, remain if Direct Energy fails to perform. In certain circumstances, the functions will revert to ATCO Gas and/or ATCO Electric Distribution, with no refund of the transfer proceeds to Direct Energy.

NRG Energy Inc. (NRG), Direct Energy’s parent company, provided a $300 million guarantee (2024 - $300 million), supported by $300 million (2024 - $300 million) in letters of credit for Direct Energy’s obligations to ATCO Gas and ATCO Electric Distribution under the transaction agreements. However, there can be no assurance that the coverage under these agreements will be adequate to defray all costs that could arise if the obligations are not met.

OTHER

The Company is party to a number of claims, disputes, lawsuits and other legal matters. The Company believes that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

31. COMMITMENTS

PURCHASE OBLIGATIONS AND OTHER

In addition to commitments disclosed elsewhere in these financial statements, the Company has entered into a number of operating and maintenance agreements and agreements to purchase capital assets. Approximate future undiscounted payments at December 31, 2025 under these agreements are as follows:

	2026	2027	2028	2029	2030	2031 and thereafter
Purchase obligations:						
Operating and maintenance agreements (1)	**747**	**553**	**478**	**346**	**105**	**173**
Capital expenditures	**665**	**5**	**–**	**–**	**–**	**–**
Other	**9**	**6**	**6**	**6**	**6**	**51**
Future lease commitments (2)	**–**	**–**	**–**	**5**	**5**	**73**
	1,421	**564**	**484**	**357**	**116**	**297**

(1) The Company's operating and maintenance agreements include undiscounted Information Technology (IT) service costs. In 2025, IT service transitioned from a single-vendor service provider to a hybrid model of multiple third-party vendors and internal teams (see Note 3).

(2) In December 2025, Canadian Utilities Limited entered into an agreement to lease an office building in Edmonton, Alberta, commencing in December 2028. When the office building is available for use by Canadian Utilities Limited in December 2028, the agreement will be shown as a right-of-use asset and lease liability on the consolidated balance sheets.

Approximate future undiscounted payments for operating and maintenance agreements and agreements to purchase capital assets at December 31, 2024 are as follows:

	2025	2026	2027	2028	2029	2030 and thereafter
Purchase obligations:						
Operating and maintenance agreements (1)	597	508	491	490	410	214
Capital expenditures	718	33	3	–	–	–
Other	23	6	6	6	6	6
Other commitments	13	1	–	–	–	–
	1,351	548	500	496	416	220

(1) The Company's operating and maintenance agreements include undiscounted IT service costs.

PERFORMANCE GUARANTEE OBLIGATIONS

The Company guarantees a certain specified minimum renewable energy availability factor determined every two years on its renewable power purchase agreements (see Note 20). The renewable energy generation facilities are monitored to ensure the availability factor is achieved. The Company evaluates if any amounts are due to counterparties based on not meeting the guaranteed renewable energy availability factor at the end of each reporting period. At December 31, 2025 and 2024, the guaranteed minimum renewable energy availability factor has been met and the Company has recorded no performance guarantee obligations.

32. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATE COMPANIES

Transfer of ATCO Energy

On August 1, 2024, Canadian Utilities Limited completed the transfer of ATCO Energy Ltd. to ATCO Ltd. This transfer was considered a common control transaction between a subsidiary and its parent company. In accordance with the accounting treatment for a common control transaction, the Company recorded the transferred assets and liabilities at their historical carrying amounts. Since Canadian Utilities Limited was consolidated with ATCO Ltd. prior to and after the transaction, the transfer did not have a material impact to the Company's consolidated financial statements.

Other

In transactions with the Company's joint ventures, the Company recognized revenues of $20 million (2024 - $27 million) relating to management fees and other charges.

In transactions with the Company's group pension plans, the Company paid $4 million (2024 - $4 million) in occupancy costs in 2025 relating to property owned by the pension plans.

In a transaction with an entity controlled by a Board member, the Company recognized revenue of $3 million (2024 - Nil) relating to supply of modular buildings.

The Company received $1 million (2024 - less than $1 million) in retail electricity and natural gas services revenue, and incurred $4 million (2024 - $3 million) in advertising, promotion and other expenses from entities related through common control.

At December 31, 2025 and 2024, CU Inc. had unsecured interest-bearing long-term advances due from Naka Power Utilities (NWT) Ltd., a joint venture. Long term advances due from joint venture are recorded in other assets, $33 million (2024 - $35 million), on the consolidated balance sheets.

KEY MANAGEMENT COMPENSATION

Information on management compensation for the year ended December 31 is shown below.

	2025	2024
Salaries and short-term employee benefits	**20**	21
Retirement benefits	**2**	2
Share-based compensation	**11**	8
Other	**5**	2
	38	33

Key management personnel comprise members of the Senior Management Team and the Board, a total of 18 individuals at December 31, 2025 (2024 - 20 individuals).

33. MATERIAL ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Subsidiaries are consolidated from the date control is obtained until the date control ends. Control exists where the Company has power over the investee, exposure or rights to variable returns from the investee and the ability to use its power over the investee to affect returns.

All intra-group balances and transactions are eliminated on consolidation.

Interests in subsidiaries owned by other parties are included in non-controlling interests (NCI). NCI in subsidiaries are identified separately from equity attributable to Class I and Class II owners of the Company. Earnings and each component of OCI are attributed to the Class I and Class II owners of the Company and to NCI, even if this results in the NCI having a deficit balance. Earnings attributable to the Class I and Class II owners are determined after adjusting for dividends on equity preferred shares held by NCI.

Changes in the Company's ownership interests that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company's interest and the NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Class I and Class II owners of the Company.

ASSOCIATES

Associates are those entities over which the Company has significant influence, but not control or joint control, over the financial and operating policies. This is generally the case where the group holds between 20 per cent and 50 per cent of the voting rights.

Associates are equity accounted. Under this method, the Company's interests in associates are initially recognized at cost. The interests are subsequently adjusted to recognize the Company's share of post-acquisition profits or losses, movements in other comprehensive income (OCI) and dividends or distributions received.

The Company's interests in associates are tested for recoverability when events or circumstances indicate a possible impairment. An impairment loss is recognized in earnings when the carrying value of the Company's interest in an individual associate is higher than its recoverable amount. The recoverable amount is the higher of fair value less disposal costs and value in use. An impairment loss may be reversed if there is objective evidence that a change in the estimated recoverable amount of the investment is warranted.

JOINT ARRANGEMENTS

A joint arrangement can be classified as either a joint operation or joint venture and represents the contractually agreed sharing of control by two or more parties. A joint operation is an arrangement in which the Company has the rights and obligations to the corresponding assets and liabilities of the arrangement, whereas a joint venture is an arrangement in which the Company has the rights to the net assets of the arrangement.

Joint operations are proportionately consolidated by including the Company's share of assets, liabilities, revenues, expenses and OCI in the respective consolidated accounts.

Joint ventures are equity accounted. Under this method, the Company's interests in joint ventures are initially recognized at cost. The interests are subsequently adjusted to recognize the Company's share of post-acquisition profits or losses, movements in OCI and dividends or distributions received.

The Company's interests in joint ventures are tested for recoverability when events or circumstances indicate a possible impairment. An impairment loss is recognized in earnings when the carrying value of the Company's interest in an individual joint venture is higher than its recoverable amount. The recoverable amount is the higher of fair value less disposal costs and value in use. An impairment loss may be reversed if there is objective evidence that a change in the estimated recoverable amount of the investment is warranted.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value at the acquisition date. Acquisition costs are expensed in the period incurred.

REVENUE RECOGNITION

Revenue is allocated to the respective performance obligations based on relative transaction prices, and is recognized as goods and services are delivered to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for the goods transferred or services delivered. The amount of revenue recognized reflects the time value of money where a significant financing component has been identified.

Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment depending on the nature of the change.

Where the amount of goods and services delivered to the customer corresponds directly to the amount invoiced, the Company recognizes revenue equal to what it has the right to invoice.

Where the Company arranges for another party to provide a specified good or service (that is, it does not control the specified good or service provided by another party before that good or service is transferred to the customer), only revenues net of payments to the other party for the goods or services provided are recognized.

Non-cash considerations received from the Company's customers are included in the amount of revenue recognized and measured at fair value.

Costs incurred directly to obtain or fulfill a contract are capitalized and amortized to expense over the life of the contract.

Electricity generation and delivery

Revenue from electricity generation, capacity, and related products is derived from power purchase agreements (PPAs) or the sale of electricity to the merchant market. The Company considers bundled energy and related products, including emission credits and allowances, within the PPAs to be distinct performance obligations. A portion of the agreed price in the PPA is allocated to each of the distinct performance obligations.

Certain PPAs are accounted for as derivative financial instruments. Amounts recognized in revenues consist of the electricity generated and delivered based on rates prevailing in the spot market, adjusted for cash settlements and effectiveness of the financial derivative instruments.

Revenue from the sale of electricity to the merchant market is recognized based on rates prevailing in the spot market.

Revenue from related products bundled in the PPA is recognized when the electricity is generated. If the related products are not bundled, revenue is recognized when the product is delivered to the customer.

Electricity and natural gas transmission

Revenue from electricity and natural gas transmission services is recognized when service is provided to customers and is measured in proportion to the amount it has the right to invoice under the contract.

Customer contributions for extensions to plant are recognized as revenue over the life of the related asset.

Electricity and natural gas distribution

Revenue from distribution of electricity and natural gas is recognized when the services are provided to the customer based on metered consumption, which is adjusted periodically to reflect differences between estimated and actual consumption. Distribution of regulated and non-regulated electricity and natural gas is based on tariff-approved rates established by the Alberta Electric System Operator and Natural Gas Exchange and rates stipulated in the contracts, respectively. The Company recognizes revenue in an amount that corresponds directly with the services delivered and the amount invoiced.

Customer contributions for extensions to plant are recognized as revenue over the life of the related asset.

Gas storage and transportation

Revenue from hydrocarbon storage and transportation is recognized as the service is rendered to customers based on the length of the required service and contracted schedule of injections and withdrawals from the storage facilities.

Modular structures and related services

Revenue on manufactured modular structures is recognized upon delivery to or acceptance by the customer. Revenue from certain long-term contracts that relate to highly customized modular structures is recognized over time based on the costs incurred.

Lease revenue

Operating lease revenue from the rental of modular structures and other equipment is recognized over the term of the rental contract.

Certain PPAs are accounted for as finance leases. Finance lease income is recognized using a consistent rate of return based on the balance of the outstanding receivable recorded as net investment in finance leases. Amounts received in excess of finance lease income over the lease payments in a given period are considered a reduction in the principal balance of the net investment in finance leases.

Franchise fees

Municipal governments charge franchise fees to the utilities in Canada for the exclusive right to provide service in their community. These costs are charged to customers through rates approved by the regulator. Franchise fees do not represent a separate performance obligation to a customer and are recovered through utility transmission and distribution prices. The recovery is part of the provision of continuous electricity and natural gas transmission and distribution service performance obligation. Franchise fees invoiced to customers are recognized as revenues.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized as an expense in salaries, wages and benefits as employees render service. These benefits include wages, salaries, social security contributions, short-term compensated absences, incentives and non-monetary benefits, such as medical care. Costs for employee services incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

Termination benefits are recognized as an expense in salaries, wages and benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that includes the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

INCOME TAXES

Income taxes are the sum of current and deferred taxes. Income tax is recognized in earnings, except to the extent it relates to items recorded in OCI or in equity.

Current tax is calculated on taxable earnings using rates enacted or substantively enacted at the balance sheet date in the jurisdictions in which the Company operates.

The liability method is used to determine deferred income tax on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax is calculated using the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized. If expected tax rates change, deferred income taxes are adjusted to the new rates.

Deferred income tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of other assets and liabilities in a transaction, other than a business combination, that does not affect accounting or taxable earnings. The tax effect of temporary differences from investments in subsidiaries and joint arrangements are not accounted for where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognized only when it is probable that future taxable earnings will be available against which the temporary differences can be applied.

Current income tax assets and liabilities are offset where the Company has the legally enforceable right to offset and the Company intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are offset where the Company has a legally enforceable right to set off tax assets and liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank, bankers' acceptances, certificates of deposit issued or guaranteed by credit worthy financial institutions and federal government issued short-term investments with maturities generally of 90 days or less at purchase.

MARKETABLE SECURITIES

Marketable securities primarily consist of highly-liquid investment grade corporate bonds and debentures, private fixed income funds, bank loans and commercial mortgage funds, and government bonds. Any distributions received, including interest income from the securities, are reinvested immediately. Generally, the securities are redeemable within seven business days.

INVENTORIES

Natural gas and fuel in storage, raw materials, work-in-progress and finished goods

Inventories are valued at the lower of cost or net realizable value. The cost of inventories that are interchangeable is assigned using the weighted average cost method. For inventories that are not interchangeable, cost is assigned using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

The cost of inventories is comprised of all purchase, conversion and other costs to bring inventories to their present condition and location. Purchase costs consist of the purchase price, import duties, non-recoverable taxes, transport, handling and other costs directly attributable to the purchase of finished goods, materials or services. Conversion costs include direct material and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods. The standard cost method is used to approximate cost in the Company's Structures & Logistics manufacturing operations.

Emission credits and allowances

Emission performance and offset credits that are internally generated are recorded at cost and are carried at the lower of cost and net realizable value. The cost of emission performance and offset credits is determined based on prevailing market rates at the time the credits are generated. Net realizable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the purchase or construction of the asset, such as materials, labour, borrowing costs incurred during construction, contracted services and asset retirement costs. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits will flow to the Company and the cost can be measured reliably.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period to the next major overhaul, which varies from three to eight years. The cost of repair and maintenance activities performed every two years or less which do not enhance or extend the useful life of the asset are expensed when incurred.

Borrowing costs attributable to a construction period of substantial duration are added to the cost of the asset. The effective interest method is used to calculate capitalized interest using specified rates for specific borrowings and a weighted average rate for general borrowings. Interest capitalization starts when borrowing costs and expenditures are incurred at the onset of construction and ends when construction is substantially complete.

The Company allocates the amount initially recognized in property, plant and equipment to its significant components and depreciates each component separately. Assets are depreciated mainly on a straight-line basis over their estimated useful lives. No depreciation is provided on land and construction work-in-progress.

The carrying amount of an asset is derecognized when it is replaced, disposed of from its use or when there is no future economic benefit. When an asset is derecognized, any resulting gain or loss is recorded in earnings.

Depreciation periods for the principal categories of property, plant and equipment are shown in the table below.

	Useful Life	Average Useful Life	Average Depreciation Rate
Utility transmission and distribution:			
Electricity transmission equipment	25 to 67 years	52 years	1.9 %
Electricity distribution equipment	15 to 103 years	43 years	2.3 %
Gas transmission equipment	8 to 81 years	42 years	2.4 %
Gas distribution plant and equipment	3 to 120 years	40 years	2.5 %
Energy generation and storage:			
Gas-fired generation	10 to 15 years	13 years	7.6 %
Hydroelectric generation	43 to 50 years	47 years	2.2 %
Solar power generation	20 to 35 years	30 years	3.3 %
Wind power generation	30 years	30 years	3.3 %
Storage and other infrastructure	3 to 100 years	30 years	3.3 %
Buildings	4 to 73 years	40 years	2.5 %
Other:			
Rental assets	17 years	17 years	5.9 %
Other plant, equipment and machinery	2 to 100 years	18 years	5.6 %

Depreciation methods and the estimated residual values and useful lives of assets are reviewed on an annual basis. Any changes in these accounting estimates are recorded prospectively.

INTANGIBLES

Intangible assets are recorded at cost less accumulated amortization and any recognized impairment losses. The Company amortizes intangible assets on a straight-line basis over their useful lives. Useful life is not longer than 10 years for computer software and between 35 and 80 years for land rights based on the contractual life of the underlying agreements. Software work-in-progress is not amortized as the software is not available for use.

Intangible assets are derecognized when they are disposed of or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds, if any, are recognized in earnings.

Amortization methods and useful lives of assets are reviewed annually. Any changes in these accounting estimates are recorded prospectively.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

Property, plant and equipment and intangible assets with finite lives are tested for recoverability when events or circumstances indicate a possible impairment. Assets that cannot be tested individually for impairment are assessed at the cash generating unit (CGU) level to which the assets belong, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. The recoverable amount is the greater of the CGU's fair value less disposal costs and its value in use. An impairment loss may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable amount is warranted. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

GOVERNMENT GRANTS

The Company receives subsidies and incentives from government entities (collectively, government grants) to subsidize capital project costs and operating and financing expenses.

Government grants are recognized when the grant conditions are met. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value.

Government grants related to capital projects are recognized in other non-current liabilities as deferred income and amortized over the useful lives of the assets in earnings. Proceeds received from grants related to capital projects are included in other investing activities in the consolidated statements of cash flows.

Government grants related to income that compensate operating costs and financing costs are recorded as deferred income, and deducted against the related operating costs and financing costs, respectively, when incurred. Proceeds received from grants related to operating costs and financing costs are included in operating activities and financing activities, respectively, of the consolidated statements of cash flows.

The economic benefit of a loan received from a government-controlled financial institution at a below-market rate of interest is measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates. The economic benefit is treated as a government grant related to either capital projects or income depending on the costs the loan is intended to compensate.

GOODWILL

Goodwill is not amortized. The carrying value of goodwill is tested for impairment annually or more frequently if there is an indicator of impairment. Impairment is tested at the CGU or group of CGUs level. If the carrying value of the CGU or group of CGUs to which goodwill has been assigned exceeds its recoverable amount, then any excess of the carrying value of a CGU's or group of CGUs' goodwill over its recoverable amount is expensed and is not subsequently reversed.

LEASES

The Company as a lessor

A finance lease exists when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts due from lessees under finance leases are recorded as finance lease receivables. They are initially recognized at amounts equal to the present value of the minimum lease payments receivable. Payments that are part of the leasing arrangement are divided between a reduction in the finance lease receivable and finance lease income. Finance lease income is recognized so as to produce a constant rate of return on the Company’s investment in the lease and is included in revenues.

The Company as a lessee

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A right-of-use asset representing the right to use the underlying asset with a corresponding lease liability is recognized when the leased asset becomes available for use by the Company.

The right-of-use asset is recognized at cost and is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis. The cost of the right-of-use asset is based on the following:

- the amount of initial recognition of related lease liability;
- adjusted by any lease payments made on or before inception of the lease;
- increased by any initial direct costs incurred; and
- decreased by lease incentives received and any costs to dismantle the leased asset.

The lease term includes consideration of an option to extend or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities are initially recognized at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

The payments related to short-term leases and low-value leases are recognized in earnings over the lease term and are included in other expenses.

PROVISIONS

The Company recognizes provisions when:

(i) there is a current legal or constructive obligation as a result of a past event;

(ii) a probable outflow of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate of the obligation can be made.

Current legal or constructive obligations arising from onerous contracts are recognized as provisions when the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognized in interest expense.

CONTINGENCIES

Contingent liabilities are potential obligations and contingent assets are potential assets, that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events and whose existence is not wholly within the control of the Company.

Contingent liabilities, when identified, are assessed as either probable, possible or remote. Contingent liabilities are recognized in the consolidated financial statements when it is probable that future events will confirm them and when they can be reasonably estimated. Contingent liabilities assessed as possible are disclosed, together with a possible loss range, when determinable, in the notes to the consolidated financial statements. Contingent liabilities assessed as remote are neither recognized nor disclosed in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements.

Determining contingencies inherently involves the exercise of judgment and the calculation of the estimated outcomes of future events. Actual results could differ from the estimates.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (AROs) are legal and constructive obligations connected with the retirement of tangible long-lived assets. These obligations are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Cash flows for AROs are adjusted to take risks and uncertainties into account and are discounted using a pre-tax, risk-free discount rate.

Initially, an ARO is recorded in provisions, included in other liabilities, with a corresponding increase to property, plant and equipment. Subsequently, the carrying amount of the provision is accreted over the estimated time period until the obligation is to be settled; the accretion expense is recognized as interest expense. The asset is depreciated over its estimated useful life. Revaluations of the ARO at each reporting period take into account changes in estimated future cash flows and the discount rate.

FINANCIAL INSTRUMENTS

The Company classifies financial assets when they are first recognized as amortized cost or fair value through profit or loss. Classification is determined based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at amortized cost if the financial asset is:

(i) held for the purpose of collecting contractual cash flows, and

(ii) the contractual cash flows of the financial asset solely represent payments of principal and interest.

All other financial assets are classified as fair value through profit or loss.

Financial liabilities are classified as amortized cost or fair value through profit or loss.

Amortized cost

Financial instruments classified as amortized cost are initially measured at fair value and subsequently measured at their amortized cost using the effective interest method.

Fair value through profit or loss

Financial instruments classified as fair value through profit or loss are initially measured at fair value with subsequent changes in fair value recognized in earnings.

Transaction costs

Transaction costs directly attributable to the purchase or issue of financial assets or financial liabilities that are not classified as fair value through profit or loss are added to the fair value of such assets or liabilities when initially recognized. Transaction costs for long-term debt are amortized over the life of the respective financial liability using the effective interest method. The Company's long-term debt and Class I and II shares are presented net of their respective transaction costs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet:

(i) if there is a legally enforceable right to offset the recognized amounts, and

(ii) if the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

Financial assets are derecognized:

(i) when the right to receive cash flows from the financial assets has expired or been transferred, and

(ii) the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

Fair value hierarchy

The Company uses quoted market prices when available to estimate fair value. Models incorporating observable market data, along with transaction specific factors, are also used to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgment as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company applies settlement date accounting to the purchases and sales of financial assets. Settlement date accounting means recognizing an asset on the day it is received by the Company and recognizing the disposal of an asset on the day it is delivered by the Company. Any gain or loss on disposal is also recognized on that day.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

At each reporting date, the Company assesses whether there is evidence that a financial asset or group of financial assets is impaired. If such evidence exists, an impairment loss is recognized in earnings.

Impairment losses on financial assets carried at amortized cost are calculated as the difference between the amortized cost and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses on financial assets carried at amortized cost may be reversed in whole or in part if there is evidence that a change in the estimated recoverable amount is warranted. The revised recoverable amount cannot exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

The Company applies the expected credit loss allowance matrix based on historical credit loss experience, aging of financial assets, default probabilities, forward-looking information specific to the counterparty, and industry-specific economic outlooks.

For accounts receivable and contract assets and finance lease receivables, the Company estimates credit loss allowances at initial recognition and throughout the life of the receivable. For receivable under service concession arrangement, the Company estimates credit loss allowances from possible default events within the twelve months after the balance sheet date.

DERIVATIVE FINANCIAL INSTRUMENTS

Contracts settled net in cash or in another financial asset are classified as derivatives, unless they meet the Company's own use requirements.

All derivative financial instruments are measured at fair value. The gain or loss that results from changes in fair value of the derivative is recognized in earnings immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in earnings depends on the hedging relationship.

Where the Company elects to apply hedge accounting, the Company documents the relationship between the derivative and the hedged item at inception of the hedge, based on the Company's risk management policies. A qualitative assessment of the effectiveness of the hedging relationship is performed at each reporting period if both the critical terms of the hedging relationship and the economic relationship between the hedged item and hedging instrument continue to remain the same or similar. If the mismatch in terms is significant, a quantitative assessment may be required. Ineffectiveness, if any, is measured at the end of each reporting period.

If the risk management hedge ratio used to form the economic relationship of the hedged item and hedging instrument changes, rebalancing of the hedging relationship is required. Under this circumstance, an adjustment to the quantities of the hedged item or hedging instrument would be allowed to realign the hedging relationship in accordance with the appropriate risk management hedge ratio. The Company can only discontinue hedge accounting prospectively if there is no longer an economic relationship between the hedged item and hedging instrument, the risk management objective changes, the derivative no longer is designated as a hedging instrument, or the underlying hedged item is derecognized.

Cash flow hedges

The Company enters into interest rate swaps, foreign currency forward contracts and natural gas and forward power purchase and sale contracts to offset the risk of volatility in the variable cash flows arising from a recognized asset or liability, a highly probable forecast transaction or a firm commitment in a foreign currency transaction. The effective portion of changes in fair value of the derivative is recognized in OCI, whereas the ineffective portion is recognized in earnings immediately. Sources of hedge ineffectiveness can occur as a result of credit risk, change in hedge ratio, changes in the timing of payment, and forecast adjustments leading to over-hedging. The cumulative gain or loss in accumulated other comprehensive income (AOCI) is transferred to earnings when the hedged item affects earnings. If a forecast transaction results in the recognition of a non-financial asset or liability, the amount in AOCI is added to the initial cost of the non-financial asset or liability.

If the Company discontinues hedge accounting, the cumulative gain or loss in AOCI is transferred to earnings at the same time as the hedged item affects earnings.

The amount in AOCI is immediately transferred to earnings if the hedged item is derecognized or it is probable that a forecast transaction will not occur in the originally specified time frame.

RETIREMENT BENEFITS

The Company accrues for its obligations under defined benefit pension and other post-employment benefits (OPEB) plans.

Pension plan assets at the balance sheet date are reported at fair value. Accrued benefit obligations at the balance sheet date are determined using a discount rate that reflects market interest rates. The rates are equivalent to those on high quality corporate bonds that match the timing and amount of expected benefit payments.

The cost for defined benefit plans includes net interest expense. This expense is calculated by applying the discount rate to the net defined benefit asset or liability at the beginning of the year plus projected contributions and benefit payments during the year.

Gains and losses resulting from experience adjustments and changes in assumptions used to measure the accrued benefit obligations are recognized in OCI in the period in which they occur. Those gains and losses are then transferred directly to retained earnings.

Employer contributions to the defined contribution pension plans are expensed as employees render service.

For defined benefit pension plans and OPEB plans, service cost is recognized as an expense in salaries, wages and benefits, and net interest expense is recognized in interest expense. The cost of defined contribution pension plans is recognized as an expense in salaries, wages and benefits. Past service costs are recognized immediately in earnings in the period of a plan amendment or curtailment. The change in the present value of the defined benefit pension plans resulting from a curtailment is accounted for as a past service cost. When retirement benefit costs for employee services are incurred in constructing an asset and meet asset recognition criteria, they are included in the related property, plant and equipment or intangible asset.

SHARE-BASED COMPENSATION PLANS

The Company expenses stock options granted by ATCO Ltd. and its subsidiary, Canadian Utilities Limited. The Company determines the fair value of the options on the date of grant. The fair value is recognized over the vesting period of the options granted by applying graded vesting, adjusted for estimated forfeitures. The fair value of the ATCO Ltd. options is recorded in salaries, wages and benefits expense and contributed surplus. Contributed surplus is reduced as the ATCO Ltd. options are exercised, and the amount initially recorded in contributed surplus is credited to Class I and Class II Share capital. The fair value of the Canadian Utilities Limited options is recorded in salaries, wages and benefits expense and non-controlling interests.

SARs and RSUs are cash-settled and are measured at fair value. The fair value is recognized over the vesting period of the SARs and RSUs granted by applying graded vesting, adjusted for estimated forfeitures. The fair value of SARs and RSUs is recorded in salaries, wages and benefits expense and accounts payable and accrued liabilities and other non-current liabilities. The liabilities are re-measured at each reporting period.

RELATED PARTY TRANSACTIONS

Transactions with related parties in the normal course of business are measured at the exchange amount. Transfers of assets or business combinations between entities under common control are measured at the carrying amount.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities and non-monetary assets and liabilities measured at fair value denominated in a foreign currency are adjusted to reflect the exchange rate at the balance sheet date. Gains or losses on translation of these monetary and non-monetary items are recognized in earnings. Non-monetary items not measured at fair value are not retranslated after they are first recognized.

Foreign operations

The assets and liabilities of subsidiaries whose functional currencies are other than Canadian dollars are translated into Canadian dollars at the exchange rate at the balance sheet date. Revenues and expenses are translated at the average monthly exchange rates during the period, which approximates the foreign exchange rates on the dates of the transactions. Gains or losses on translation are included in OCI.

If the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in earnings.

The exchange rates for the major currencies used in the preparation of the consolidated financial statements were as follows:

	Exchange Rates as at December 31		Average Exchange Rates for Year Ended December 31	
	2025	**2024**	**2025**	**2024**
U.S. dollar	**1.3703**	1.4361	**1.3978**	1.3698
Australian dollar	**0.9144**	0.8888	**0.9009**	0.9035

NEW OR AMENDED IFRS ACCOUNTING STANDARDS ADOPTED

No new or amended standards were adopted during the current year that have a material effect on the 2025 consolidated financial statements.

IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

Certain new or amended IFRS Accounting Standards were recently issued by the International Accounting Standards Board (IASB). The following outlines the IFRS Accounting Standards that are applicable to, or may have a future material effect on, the Company's consolidated financial statements or note disclosures.

Agreements referencing nature-dependent electricity

In December 2024, the IASB issued amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures* to improve the reporting of the financial effects of nature-dependent electricity agreements, often structured as power purchase agreements. The amendments clarify the application of the own-use requirements, permit hedge accounting when these agreements are used as hedging instruments, and introduce new disclosure requirements to assist users of financial statements in understanding the effects of these agreements. The amendments are effective for annual periods beginning on or after January 1, 2026. The Company has completed its assessment of the amendments and they are not expected to have a significant impact on its consolidated financial statements when adopted on January 1, 2026.

Settlement by electronic payments

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments,* to clarify the date of recognition and derecognition of financial assets and liabilities, with a new exception for financial liabilities settled using electronic forms of payment. The amendments are effective for annual periods beginning on or after January 1, 2026. The Company has completed its assessment of the amendments and they are not expected to have a significant impact on its consolidated financial statements when adopted on January 1, 2026.

Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements,* which will replace IAS 1, *Presentation of Financial Statements.* IFRS 18 sets out the requirements for presentation and disclosures in financial statements with focus on the income statement and reporting of management-defined performance measures (often referred to as non-GAAP measures). The new standard is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

To facilitate the transition to IFRS 18, the Company has established a project team to evaluate the impact on financial reporting systems and accounting processes required for adoption, and continues to assess the impact of the standard on its consolidated financial statements.

Disclosures about uncertainties in the financial statements

In November 2025, the IASB issued illustrative examples as part of its project, Disclosures about *Uncertainties in the Financial Statements*, which show how an entity discloses uncertainties in its financial statements. The examples do not change requirements in the IFRS accounting standards but give an illustration of how the requirements should be applied in practice. The Company continues to assess the impact of this guidance on its consolidated financial statements.