DISCLAIMER

Due to uncertainty surrounding the application of recent amendments to the *Competition Act* (Canada), this document is provided for historical information purposes only and does not constitute an active or current representation of ATCO Ltd. or any of its related parties. The purpose of this document is to comply with disclosure requirements that were in effect on the date this document was filed; ATCO undertakes no obligation to update such information except as required by applicable law. ATCO remains committed to taking steps to address climate change and continuing to engage in sustainability initiatives.





ATCO LTD.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

ATCO

ANNUAL REPORT 2023

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MESSAGE FROM THE CHAIR & CEO

DELIVERING CERTAINTY IN UNCERTAIN TIMES

Dear ATCO Share Owners,

As I reflect on the past year, I celebrate the collective accomplishments of our ATCO team in advancing our business and shaping the future of ATCO. Together we worked with customers, partners and communities to deliver our essential products and services and progress our purpose of creating prosperity and opportunity for generations to come.

I also acknowledge that it continues to be an unsettling time to be a citizen or business given the volatility and uncertainty around the globe. The ongoing Russian invasion of Ukraine, the conflict in Israel and Palestine and China relationships contribute to additional strife around the globe. Across all our operating areas, there are questions about how society will feed, house and provide the energy people need in an affordable and sustainable manner.

Businesses are seeking to navigate these unstable geo-political forces and the shifting economies around the globe. Governments of all levels are grappling with how to respond to the societal, energy and economic challenges set before them, including Indigenous reconciliation, energy transition and inflation.

In the *Our Operating Environment* section of this report, you can learn more about the broad trends impacting commerce, customers and communities and ATCO's ability to continue to deliver results and capitalize on emerging opportunities.

At ATCO we endeavor to be a stabilizing force with customers and partners, in our communities and for our employees. We do that by having a firm grasp of knowing how and where we can make a difference. We express this imperative for doing the right thing through six strategic tenets that articulate and enshrine our commitment to share owners, customers, partners, communities and employees. I am pleased to share with you some of the achievements from 2023 that demonstrate this commitment.

Valuing A Long-Term Outlook

We continue to develop the ATCO group of companies as a portfolio of investments and businesses that have the wherewithal to deliver our purpose for generations to come. To that end we invested substantial effort across all our businesses in setting a long-term, unified vision.

First, we have enhanced our growth plans to deliver significantly improved market capitalization and provide share owners with consistent and growing Total Shareholder Return along with increased economic and societal impact in the communities that we serve.

Second, we continued investing in our diverse jurisdictions and business lines tied to the essentials of life, our businesses are a meaningful part of our ESG trajectory and ATCO plays an important role in shelter, transportation, security and energy.

Finally, we have supplemented our global management team to reflect our entrepreneurial, imaginative and courageous culture with results-driven and high-performing people. As a globally trusted brand, we will continue to be a locally minded, global company and a leader in improving quality of life.

Our long-term outlook means ATCO seeks to build a tailored portfolio of investments and businesses that balances risk, provides the right mix of yield and growth and delivers upon our 2030 ambitions.

A great example of this is our investment in Neltume Ports. In 2023 Neltume signed a significant contract with the Port Authority of Vancouver in Washington State. This will see Neltume, with its partner Nautilus, operate Terminal 2 in this port for a 30-year period with two 10-year extension options. This opportunity, underpinned by a significant contract for bulk loading, demonstrates our ongoing expansion in North America.

Providing Affordable Solutions for Housing and Community Spaces

With our decades of experience in providing workforce housing and a client list that is global in nature we have the capability to meet the needs of customers and communities around the world.

Our Structures business achieved stellar financial and commercial results in 2023 thanks to continued growth in our space rental business, as well as the first full year of operations in the residential housing sector following the acquisition and integration of Triple M Housing.

The shortage of attainable housing in Canada and elsewhere in the world has resulted in a significant housing crisis. We continue to believe that factory built homes will be a necessary part of the short- and long-term solution to the supply and demand imbalance.

I'm also very pleased with the role our teams were able to play in housing evacuees during the 2023 wildfire response. The Structures team remobilized an existing workforce housing camp from Clearwater, BC to High Level, Alberta and hundreds of evacuees from the Dene Tha' First Nations were welcomed by the ATCO Frontec employees who operated the camp.

Taking A Leadership Role in the Energy Transition

Through our investment in Canadian Utilities, ATCO is providing reliable and resilient energy operations, taking strategic decisions that will contribute to a net-zero future, and pursuing initiatives to integrate cleaner fuels, renewable energy and energy storage.

Moving to lower emitting sources of energy, while maintaining safety, reliability and affordability is the easy-to-articulate, but difficult-to-execute challenge of the energy transition, and we are making excellent progress on this front.

In 2023, we achieved commercial operations of our 39-MW Empress solar facility in Alberta, the entire output of which is being sold under a long-term virtual power purchase agreement with Lafarge Canada's Exshaw cement plant.

We continued to advance our hydrogen initiatives, with ongoing demonstration projects in Alberta and Western Australia blending hydrogen into our existing gas networks. The long-term goal of blending volumes of hydrogen into the network is to lower emissions and utilize natural gas infrastructure as an energy delivery and storage system.

In addition to progressing the development of the Heartland Hydrogen Hub, a proposed 300,00 tonne per year hydrogen production facility in the Fort Saskatchewan area, we also signed a memorandum of understanding (MOU) with the Kansai Electric Power Corporation. Under the MOU we are collaborating with Kansai to develop an integrated clean fuels supply chain between Canada and Japan.

Building Equitable Partnerships with Indigenous Communities

With decades of meaningful Indigenous partnership under our collective belts, our company has been a force for positive change with Indigenous partners and communities.

Last year, Wicehtowak Frontec Services (WFS), a partnership between ATCO Frontec and George Gordon First Nation was awarded a multi-year contract to provide camp support services at BHP's Jansen Discovery Lodge in Saskatchewan, a lodge which was designed and built in 2012 by ATCO Structures. WFS began in 2011 as a 50-50 joint venture, today it's a majority Indigenous-owned company and another example of our commitment to economic reconciliation.

In 2023, we negotiated an agreement for the Chiniki and Goodstoney First Nations to take a majority equity position in our Deerfoot and Barlow solar developments, making them
51 per cent owners in the Calgary facilities.
Not only does this partnership support energy transition and our overall strategy related to renewable generation and Indigenous engagement, it also creates meaningful and long-lasting economic returns for the Chiniki and Goodstoney communities.

Collaborating for the Betterment of Communities

ATCO has always been focused on being an instrument of good. This extends right into the communities we are so proud to serve.

We have deepened our involvement with the Invictus Games, a global program that uses the power of sport to enhance the lives of wounded or unwell members of armed forces (veteran or active member) from around the world. Participants find new meaning, challenge themselves, and reconnect with their team spirit.

In 2023 we were the Presenting Sponsor of Team Canada for the Invictus Games in Düsseldorf, Germany and announced our expanded participation as the Presenting Partner of the 2025 Games in Vancouver and Whistler, Canada. Our support of the military is important to the people of ATCO and gives us a deep sense of satisfaction and purpose knowing we are providing an avenue for veterans and active members to heal, connect, and be celebrated.

To support communities and organizations in their energy transition, we created a new program last year called the *Community Energy Fund*. This grant making program awarded funds to 12 Alberta schools, community groups and municipalities to help them achieve their energy and sustainability goals, with projects that include energy audits, community charging stations, solar panel installations and LED light conversions.

Supporting the Talent and Diversity of the ATCO Team

Our first priority is keeping our people and our communities safe. In 2023, we dealt with unprecedented wildfires in Alberta and the Northwest Territories. In concert with emergency services and communities, ATCO teams delivered a steadfast and coordinated response, with collaboration across our businesses. Their joint effort helped keep our systems available and our people safe.

I encourage you to read the ATCO 2023 Sustainability Report for more information about our commitment to Safety, Diversity, Equity and Inclusion as well as other information about our ESG goals and performance.

I extend my appreciation to our Executive Leadership team for their business success over the past year and their commitment to a unified and inspiring vision for our future.

I also wish to acknowledge and thank the ATCO Board of Directors for their guidance, support and commitment.

On behalf of our Board of Directors, our Executive team, and the people of ATCO, I wish to thank you – our share owners – for your ongoing support and belief in our enterprise and our purpose.

Sincerely yours,



Nancy C. Southern

Chair & Chief Executive Officer,

ATCO Ltd.



ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2023

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the year ended December 31, 2023.

This MD&A was prepared as of February 28, 2024, and should be read with the Company's audited consolidated financial statements (2023 Consolidated Financial Statements) for the year ended December 31, 2023. Additional information, including the Company's Annual Information Form (2023 AIF) is available on SEDAR+ at www.sedarplus.ca.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.7 per cent ownership), ATCO Structures & Logistics Ltd. (ATCO Structures & Logistics) (100 per cent ownership), ATCO Land and Development Ltd. (ATCO Land and Development) (100 per cent ownership), and ASHCOR Technologies Ltd. (Ashcor) (100 per cent ownership). The Company also has an equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

Terms used throughout this MD&A are defined in the Glossary at the end of this document.

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ATCO'S PATH TO 2030

CREATING PROSPERITY AND OPPORTUNITY FOR GENERATIONS TO COME

ATCO is committed to a bold and extraordinary future for our companies and our share owners. ATCO is charting a course towards 2030 with an ambitious set of objectives and targets that will build upon the long corporate history of bringing prosperity and opportunity to the communities we serve.

Incorporating our Core Values

Our actions reflect our core values of safety, integrity, agility, caring, and collaboration. These foundational principles guide us as we balance the short- and long-term economic, environmental and social considerations of our businesses.

As a globally diversified holding company, ATCO focuses on investments in the essential services of Energy, Logistics and Transportation, Water, Food and Agriculture, Real Estate and Shelter. We will continue to explore new investments that align with our core capabilities and provide a pathway to the returns and growth profiles that we require for our portfolio.

Committed to the sustainable future

ATCO's sustainability strategy has always been driven by a pragmatic, long-term perspective, one that prioritizes our sustainability objectives and environmental, social and governance (ESG) performance while safely and reliably delivering affordable products and services to our customers, each and every day.

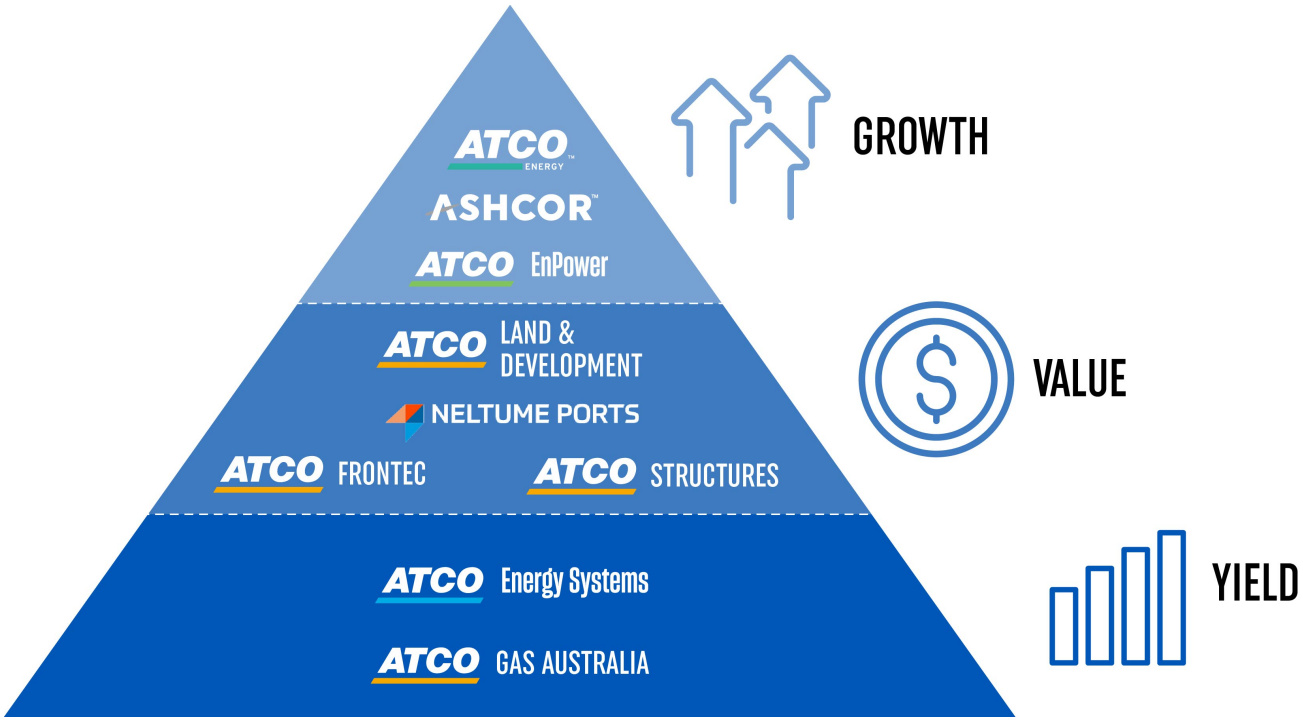
We continue to make strong progress towards our 2030 ESG targets announced in 2022. These 2030 targets include reducing our operational Greenhouse Gas Emissions (GHG) intensity and customer emissions, growing our low carbon energy portfolio and transitional products, increasing economic benefits for Indigenous partners, continuing our focus on safety, and further promoting diversity, equity and inclusion in the workplace. The 2050 net-zero aspiration builds upon the Company's significant progress in recent years in decarbonizing its portfolio.

Details about our progress towards these targets is discussed in this MD&A's "Sustainability, Climate Change and Energy Transition" section and in the Company's annual Sustainability Report, which will be available in May 2024.

ATCO'S STRATEGIES

At the heart of ATCO’s strategy is the desire to be a unified provider of essential services for our customers. The essentials for life are an integral part of global growth and prosperity and are key to our strategy. They are by nature resilient to macroeconomic headwinds, geopolitical conflict and natural disasters. Our unique market position, integrated capabilities, and exceptional customer care combine to create a competitive advantage that is difficult to replicate, and one that continues to deliver value to share owners through earnings and dividend growth.

ATCO is a globally-trusted brand, built on our foundation of excellence, which gives us an advantage as we look towards purpose-driven expansion or acquisition opportunities through each of our business units. We know that to continue to enable long-term prosperity, we need to evaluate different avenues for growth that allow us to remain competitive on a global stage.



At the base of our portfolio we look for a stream of stable and reliable earnings and cash flow for ATCO. This supports new investment and provides surety to our dividends.

Value investments provide a balance between yield and growth and while they likely have some cyclicality, they also generally have the ability to outpace overall economic growth and drive better returns. Recent acquisitions such as the 2022 acquisition of Triple M Housing Ltd. (Triple M Housing) by ATCO Structures, and the increase by Neltume Ports in its ownership position in ports, showcase value investments.

We also look for contributions that are more growth focused. They may have less ability to contribute to the current dividend due to the need for growth capital, but will create meaningful growth for our portfolio in the coming years. Examples of this approach are ATCO EnPower's advancements on renewables and clean fuels investments, and Ashcor's reclaimed ash management (RAM) technology.

Our businesses also continue to pursue diversification opportunities and/or expansion of product offerings through the evaluation of new technologies, non-traditional markets, and integrated services.

STRATEGIC TENETS

Valuing a long-term outlook.

Providing affordable solutions for housing and community spaces.

Taking a leadership role in the energy transition.

Building equitable partnerships with Indigenous communities.

Collaborating for the betterment of communities.

Supporting the talent and diversity of the ATCO team.

OUR COMPANY

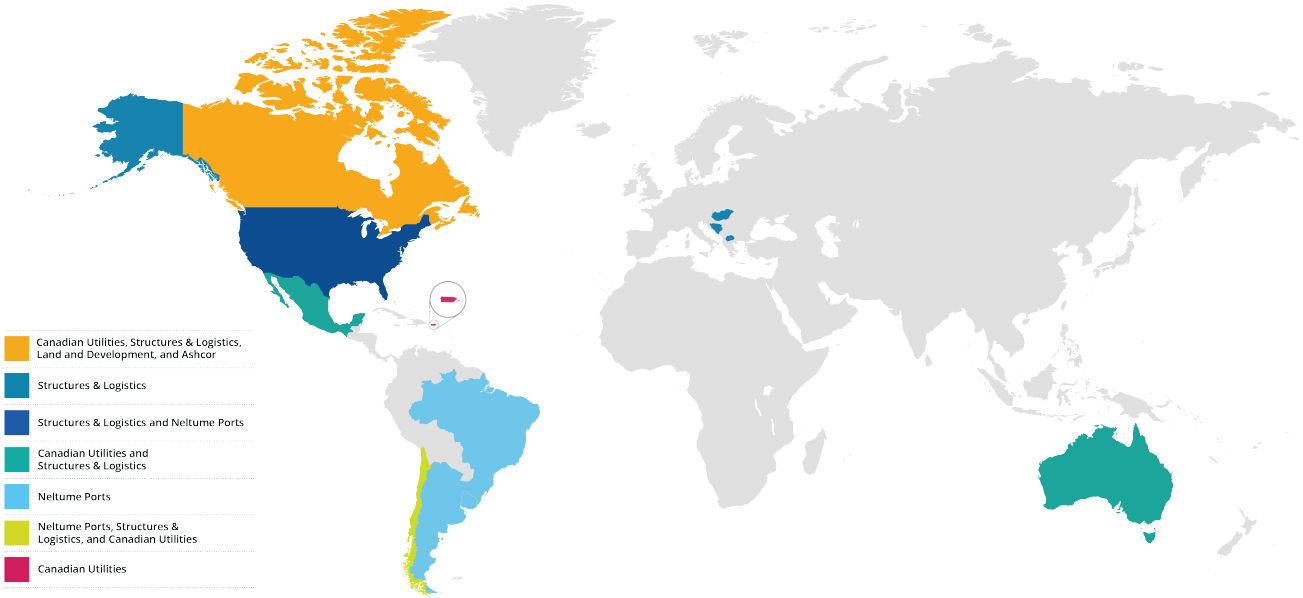
GLOBAL PROFILE

ATCO encompasses two publicly traded companies – ATCO Ltd. (TSX: ACO.X) (TSX: ACO.Y) and Canadian Utilities Limited (TSX: CU).

Principal subsidiaries are Canadian Utilities, of which ATCO owns 52.7 per cent (37.4 per cent of the Class A non-voting shares and 99.6 per cent of the Class B common shares), and ATCO Structures & Logistics, of which ATCO owns 100 per cent of the common shares. ATCO also owns 100 per cent of the common shares of ATCO Land and Development and Ashcor, and 40 per cent of Neltume Ports (the 2023 Consolidated Financial Statements includes our equity-accounted investment in this associate company and also our share of joint venture (JV) investments).

Partnering and investing in life's essentials for a changing world.

From reliable, sustainable energy for homes and businesses to innovative temporary and permanent structures and everything in between, we build communities, energize industries and deliver customer-focused infrastructure solutions. ATCO is privileged to be providing these innovative, sustainable solutions in sectors that are essential to global growth and prosperity with the dedication and support of our approximately 8,000 ATCO employees and the additional 12,100 employees in our non-controlled interests around the world.



As a diversified global corporation, ATCO has investments in the essential services of 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); ATCO Energy Systems (electricity and natural gas transmission and distribution, and international operations); ATCO EnPower (energy storage, energy generation, industrial water solutions, and clean fuels); Retail Energy (electricity and natural gas retail sales, and whole-home solutions); Transportation (ports and transportation logistics); and Commercial Real Estate.



4M+

Total Customers



$25B

Total Assets



31

Years of Annual Dividend Increases



100+ Countries

Long History of Global Operations

OUR BUSINESS UNITS

ATCO reports on the four business units of Structures & Logistics, Neltume Ports, ATCO Corporate & Other, and Canadian Utilities. Each of the operating subsidiaries in these business units share similar economic characteristics and have been aggregated for reporting purposes. Structures & Logistics includes performance details on ATCO Structures and ATCO Frontec, and Canadian Utilities reports on ATCO Energy Systems (rebranded in 2023 from Utilities), ATCO EnPower (rebranded in 2023 from Energy Infrastructure), and Canadian Utilities Corporate & Other. Learn more details about each business unit, including their strategies, below.

Structures & Logistics

ATCO Structures & Logistics' activities are conducted through two complementary businesses: ATCO Structures and ATCO Frontec.

ATCO STRUCTURES

FAST FACTS



38

Operating Locations Worldwide



~27,000

Number of Units in Lease Fleet



7

Manufacturing Locations

ATCO Structures manufactures, sells and leases transportable workforce housing, residential housing, and space rental products.

ATCO Structures aims to generate sustainable earnings growth by increasing our market presence and performance in the regions in which we operate, identifying opportunities to expand into new markets, and delivering exceptional customer service. Our growth strategy in each geography is delivered through continued expansion of our space rentals business line, which provides the infrastructure and skilled personnel to deliver complementary products and services, including workforce housing, residential housing, permanent modular construction, logistics, and site construction services. Our manufacturing capability is a key differentiator in servicing the markets we operate in, affording us the flexibility to build our fleet, offer customized product sales, and provide products and services beyond our core offerings. We continue to grow our business strategically across the globe organically, while supplementing with targeted merger and acquisition opportunities to meet the needs of our growing customer base.

ATCO FRONTEC

FAST FACTS

30	1.9 million	10
Operating Locations Worldwide	Guest Stays at Our Camps	Current Indigenous Partnerships

ATCO Frontec provides facility operations and maintenance services, workforce lodging and support services, defence operations services, and disaster and emergency management services.

ATCO Frontec continues to grow its business as an international provider of integrated operational support services to government, defence and commercial clients. With our expertise in workforce housing camp services, facility operations and maintenance services, defense operations services, and disaster and emergency management, we are able to apply our competitive advantages of being a bundled services provider with proven long-term, collaborative partnerships. We enable our customers to focus on their core business.

Neltume Ports

FAST FACTS

18	5	7,600	46 million
Ports Facilities	Port Operations	Approximate Employees in 5 Countries	Tonnes of Product Handled

ATCO has a 40 per cent interest in Neltume Ports. Neltume Ports is a port operator and developer with a diversified portfolio of multipurpose, bulk cargo and container terminals located primarily in Chile with additional operations in Uruguay, Argentina, Brazil, and the US. In 2023, Neltume Ports handled 46 million tonnes of product, including copper, forestry products, consumer goods and agricultural products.

Neltume Ports' growth will be achieved by improving operational efficiency, increasing volumes and ownership at existing ports, and investing in brownfield, greenfield and acquisition opportunities throughout the Americas. Neltume Ports is focused on continuous improvement initiatives to refine operational practices throughout all facets of its business. Most of Neltume's existing ports are underpinned by long-term contracts or concessions and are strategically located near major resource or agriculture hubs, as well as high density areas of economic importance. The business environment is also supported by key partnerships with shipping lines and cargo owners.

ATCO Corporate & Other

FAST FACTS

11	160,000 tonnes	500+
Commercial Real Estate Properties	RAM Facility Potential CO_2 Reduction per annum	Events hosted by Blue Flame Kitchen

ATCO Corporate & Other contains ATCO Land and Development, a commercial real estate business, Ashcor, a company engaged in the processing and marketing of fly ash, and Fresh Bites Inc., a food service company, including the retail food services brand Blue Flame Kitchen (BFK). ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses associated with credit facilities.

ATCO Land and Development's current portfolio includes 11 commercial real estate properties, including 380,000 square feet of office property, 20,000 square feet of industrial property and 315 acres of land.

Ashcor is at the forefront of the industry, advancing the way we source fly ash by developing an innovative technology to beneficiate ponded and landfill ash. Over the past two decades, Ashcor has expanded its marketing territory to encompass Western Canada, as well as the Northwestern United States and is actively seeking beneficiation opportunities across North America.

Fresh Bites is a food service company that incorporates our legacy retail food services brand BFK. Established in 1997 and acquired by ATCO in 2023, Fresh Bites provides meaningful scale in the wholesale pre-packaged fresh and frozen food industry and compliments BFK's 2022 launch of a branded quick serve and grocer program.

Canadian Utilities

Canadian Utilities is a diversified global energy infrastructure corporation delivering operating and service excellence and innovative business solutions through ATCO Energy Systems (electricity and natural gas transmission and distribution, and international operations); ATCO EnPower (energy storage, energy generation, industrial water solutions, and clean fuels); and Retail Energy (electricity and natural gas retail sales, and whole-home solutions).

ATCO ENERGY SYSTEMS

FAST FACTS

105,000 KM	65,600 KM	84,000+
Powerlines (Owns and Operates)	**Pipelines (Owns and Operates)**	**New Solar Connections by LUMA Energy**

ATCO Energy Systems is our regulated utilities business unit that operates in Canada, Australia, and Puerto Rico. The four regulated utilities (Electricity Transmission, Electricity Distribution, and Natural Gas Transmission and Natural Gas Distribution) in Alberta, Saskatchewan and the northern regions of Canada have delivered reliable electricity and clean-burning natural gas to customers for many decades. International Operations consists of the regulated natural gas distribution business in Western Australia, and the electricity operations business in Puerto Rico through Canadian Utilities' 50 per cent ownership in LUMA Energy, LLC (LUMA Energy).

Our value proposition is delivering essential energy for an evolving world. We do this through safely delivering reliable and affordable energy, responsibly leading an equitable energy transition, investing to serve the growing and changing needs of our customers, and being a trusted partner committed to long-term mutual prosperity.

ATCO ENPOWER

FAST FACTS

544,000 m^3	415 MW	117 PJ
Natural Gas Liquids Storage Capacity	**Renewable Generation (Owns and Operates)**	**Natural Gas Storage Capacity**

ATCO EnPower's energy transition businesses include: hydro, solar, wind, and natural gas electricity generation in Canada, Australia, Mexico, and Chile, as well as natural gas storage, Natural Gas Liquids (NGL) storage, and industrial water solutions in Alberta. ATCO EnPower is also developing its clean fuels business including hydrogen, carbon capture and underground storage projects.

ATCO EnPower has a multifaceted approach to energy transition solutions that involves both innovative technologies and lower carbon energy sources. We focus on delivering reliable, affordable, and clean energy infrastructure that supports our customers' decarbonization objectives and leverages our core competencies and

assets in the Americas and Australia. ATCO EnPower continues to actively explore potential opportunities that will complement our growing portfolio and advocate for public policy that will enable a sustainable transition. Additionally, we continue to optimize and drive growth in our energy storage business. Storage is critical to energy stability and to supporting the reliability of the grid as the world transitions to clean, but more intermittent, sources of energy.

CANADIAN UTILITIES CORPORATE & OTHER

FAST FACTS



~308,000
Residential Sites at ATCOenergy



43%
Rümi's 2023 Customer Growth



4,690
Number of Rümi Home Services Sold in 2023

Canadian Utilities Corporate & Other contains ATCOenergy which provides retail electricity and natural gas services, and Rümi, which provides home products, home maintenance services and professional home advice in Alberta. Canadian Utilities Corporate & Other includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia, and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities Corporate & Other also includes preferred share dividend and debt expenses.

Rümi currently offers approximately 80 services in the Albertan communities of Edmonton and Calgary, and approximately 35 services in the Lethbridge, Red Deer, and Grande Prairie communities.

ATCOenergy is the fourth largest competitive energy retailer in the province of Alberta, offering electricity and natural gas plans to residential and business customers. By the end of 2023, ATCOenergy services a total of 308,000 sites in the residential competitive market which is comprised of 170,000 electricity sites and 138,000 gas sites.

ATCO AUSTRALIA

FAST FACTS



14,700 KM
Pipelines (Owns and Operates)



268 MW
Operating Assets



803,000
Average monthly customers in 2023

Integrated within our other business units for reporting, our ATCO Australia business includes ATCO Gas Australia (reported under ATCO Energy Systems as International Natural Gas Distribution) and the Power business (reported under ATCO EnPower's Electricity Generation segment).

ATCO's growth strategy in Australia is aligned with the country's evolving energy landscape characterized by progressive policies and publicly stated emissions targets. With a focus on renewable energy adoption and the development of firming technologies, such as energy storage solutions and hydrogen production, we aim to substantially increase our capacity to meet the rising demand for clean energy.

OUR OPERATING ENVIRONMENT

We operate in a complex and ever-changing world, so striving to anticipate and understand the broad trends impacting our customers and communities is paramount. This appreciation and understanding of our operating environment allows us to better identify possible challenges while capitalizing on emerging opportunities and continuing to deliver high-performing results.

Key market trends

Global and societal changes can create opportunities or present challenges, and they play an important role in shaping the way we collaborate with our customers, team members, share owners and the communities in which we operate. The following is an examination of the key market trends we are seeing and how we are positioning our businesses to respond.



ENERGY TRANSITION & ENERGY SECURITY

The global energy transition is a complex ongoing process requiring long-term energy strategies, which utilize appropriate technologies and fuels to produce energy that satisfies evolving demand. The energy transition must balance reliability and resilience with affordability while achieving higher energy security and lower emissions toward a net-zero future. With this, the utilities industry is changing to focus on decarbonization, digitalization, decentralization, and evolving customer demand. The worldwide push towards reaching net-zero, evolving regulations to encourage the advancement of new technologies, emissions reduction targets, and government incentives present opportunities for utility companies. ATCO Energy Systems is well positioned to capitalize on these trends. We also believe that new technologies will create opportunities for efficiencies within our utilities businesses to drive down customers' costs.

Additionally, the political and societal push to address climate change is driving further investment into storage and grid balancing solutions to improve system reliability. However, this ongoing transition also brings policy uncertainty and risks, delaying investment decisions that would align with our 2050 net-zero targets.

Extreme weather events such as heat waves, wildfires, ice and frost events, and large storms are becoming more frequent and more intense through the impact of climate change. ATCO is uniquely positioned to provide support to communities and areas effected by these catastrophic events, while working diligently to minimize our impact with our net-zero by 2050 aspiration as well as our initial set of 2030 ESG Targets. We also maintain in-depth emergency response measures for these extreme weather events, including our robust Wildfire Management Plans. When planning for capital investment or acquiring assets, site specific climate and weather factors, such as flood plain mapping and reliability during extreme weather history are considered.



GLOBAL SECURITY AND DEFENSE

Over the last few years we have seen an increase in geopolitical tensions and conflicts. Such geopolitical events can cause varying levels of disruption, which can generate labour shortages in critical trades, persistent global supply chain delays that can affect project productivity and delivery, and directed cybersecurity threats and technology leaks. As part of its corporate strategy, ATCO is vigilant about the increased risks and threats that may impact us. Beyond the business impact, the human toll can be staggering, whether due to hostilities, food insecurity or loss of homes.

We unfortunately only see this global polarization and resulting tension increasing over the years to come. Governments and business will both need to bring all their resources to bear to protect our democracies and civilians. These global security risk further amplify the need for protection of the critical infrastructure in the areas we operate, and to provide support to those impacted by geopolitical events.

ATCO Frontec has a longstanding history of supporting Canada's Department of National Defence, the Canadian Armed Forces, and NATO, largely by providing site support services with an expertise in remote, harsh environments. They can also supply a rapidly deployable camp system to provide humanitarian relief and resolve immediate shelter needs. Employees throughout the ATCO Group of companies are trained in using the Incident

Command Systems (ICS) and have a broad range of skills and expertise that can support the recovery of communities in need or damaged infrastructure.



HOUSING ATTAINABILITY

Housing attainability is an issue impacting many of the communities in which we operate. Canada, notably, faces a critical shortage of housing supply, compounded by large household debts, increasing population, investor speculation, and high inflation and interest rates. The prohibitive cost of housing is impacting low-income households and vulnerable peoples in particular.

We believe innovative solutions to the housing crisis are the path forward. From our partnership with the Homes for Heroes Foundation creating tiny homes across Canada to ATCO Structures' affordable housing projects with the Government of British Columbia from 2019 to 2022, ATCO has a proven record in providing those solutions. The permanent modular construction offered by ATCO Structures is a way to relieve pressure on the housing market with modular construction being up 40 per cent faster than traditional site-built construction. ATCO is also working with governments and not-for-profit agencies to overcome challenges that often stall affordable housing projects.



INDIGENOUS RECONCILIATION

Share owners are increasingly favouring companies that align with their social values, including those that show a commitment towards Indigenous reconciliation. Additionally, principles from the United Nations Declaration on the Rights of Indigenous People Act (UNDRIP) are being incorporated into certain legislative acts, and companies that genuinely pursue equitable partnerships, provide employment opportunities, and have robust Indigenous procurement standards set themselves apart when bidding on government contracts or applying for government projects or grants.

The progress ATCO has made in creating equitable partnerships with Indigenous Communities is a hallmark of our approach to business. This is highlighted by ATCO Frontec's achievements in securing numerous contracts with our Indigenous joint-venture partnerships, ATCO Energy Systems' landmark electricity purchase agreements with remote communities that support reduction of diesel reliance, and ATCO EnPower's equity partnership with the Chiniki and Goodstoney First Nations for the Deerfoot and Barlow solar projects. We believe that creating equitable partnerships for Indigenous communities should be the standard for governments and businesses alike in support of reconciliation and inclusiveness.

We pride ourselves on being a leader in the communities we serve through our various initiatives with Indigenous groups, and local charities. ATCO has incorporated an Indigenous Advisory Board led by senior Indigenous directors from across Canada and they have been instrumental with the advice provided to our businesses.



CHANGING WORKFORCE

ATCO's businesses serve a broad range of people and communities which requires that we attract a broad range of backgrounds and dynamic experience in our workforce. Additionally, in the jurisdictions in which we operate there is a multigenerational workforce with a high number of employees between 55 and 64 years of age. There is a risk of labour shortages as many of our colleagues work towards retirement.

We strive to demonstrate our values to attract potential employees while providing the development, training and leadership for them to thrive. We have an ongoing commitment to inclusion practices, fostering a safe working environment, developing mentors, removing barriers, and providing development and succession planning. This is critical to creating an equitable playing field of opportunity and supporting the internal pipeline of talent on which our future relies. ATCO works to build a community where everyone can bring their whole selves to work and reach their full potential. This strategy holds us accountable, enhances a sense of belonging and drives superior business performance.

THE GLOBAL ECONOMY AND MARKET VOLATILITY

The global impacts of large-scale world events can create challenges for any business. The recent examples of the worldwide pandemic, increasingly destructive weather events, supply chain interruptions, and geopolitical tensions and wars show that a business needs to be ready for anything. By being a forward-looking company, ATCO can, and has, mitigated the impacts such changes bring.

We view total share owner return through a long-term lens, and our corporate actions are consistent with that. Many of our core financial pillars – minimum cash balance, strong focus on access to capital, and adequate leverage – reflect learnings from history. Whether it be capital recycling through asset sales, expanding through new acquisitions or purposeful capital allocation to our existing companies, proactive decisions made across our businesses have allowed us to deliver strong results through various geopolitical events and economic cycles.

PUBLIC DEBT, INFLATION AND INTEREST RATES

Recent years have seen inflation and interest rates increase globally and create challenges for investment and risk to managing operating costs. Additionally, the increased expenditures of governments around the world in response to the COVID-19 pandemic and the accumulated public debt will have lingering impacts on the global economy for years to come. ATCO has operated for over 76 years through other times of high interest rates and rising inflation and our record shows our ability to manage and thrive despite these conditions. We do not view these macroeconomic impacts as transitory, and are actively managing our portfolio with this in mind.

ATCO Structures and ATCO Frontec look to mitigate such risk with carefully constructed contracts by working closely with our partners and vendors in ways that are fair to all parties. ATCO Energy Systems' utility businesses in Alberta, Australia, and Puerto Rico have regulatory mechanisms that take inflation into consideration, providing resiliency for a large portion of our earnings, and ATCO EnPower limits its exposure to the fluctuating commodities market by signing Power Purchase Agreements (PPA). The key to ATCO's success in weathering these conditions is our consistent approach to being proactive when it comes to planning and operations, allowing us to take advantage of opportune times for project purchasing, managing staffing requirements, and taking into account relevant exchange rates.

DIGITIZATION AND ARTIFICIAL INTELLIGENCE (AI)

Artificial Intelligence is a critical topic as companies navigate how and when to apply these fast emerging technologies. AI can range from the personal assistants in phones, generative AI incorporated into different software, to technology providing real-time information to a company. Additionally, many companies are already in the process of digitization to increase operational efficiencies, reliability of information, and managing large amounts of data.

Within ATCO Energy Systems, leveraging data and digitizing our utilities technology remains a key priority and one that will drive continued efficiencies as our system becomes more capable of predicting and responding to customer needs. As part of this process, the last few years have seen us complete a number of digitization and modernization objectives, including the deployment of Advanced Metering Infrastructure (AMI), the latest in metering technology; working towards deploying an Advanced Distribution Management System, a platform for a variety of smart grid functions; as well as implementation of a workforce and asset management program that provides an efficient way to track, manage, and dispatch work to field-based employees based on urgency.

AI has the potential to enhance the capabilities of our digital systems. While our AMI technology is already allowing for faster detection of outages, applied AI could predict infrastructure maintenance. Like all new technologies, proper governance and risk management need to be part of the plan, but the successful integration of AI and digital technologies could provide long-term operational and financial value to our businesses.

OUR CORPORATE GOVERNANCE

Ensuring that our business operates in a transparent, ethical and accountable manner is at the core of creating strong and sustainable value for our share owners and in promoting the Company's well-being over the long term.

Our Board of Directors has designed and implemented a unique and effective system of checks and balances that recognize the need to provide autonomy to our various business units, while prudently managing our financial resources.

Following are some of the highlights of our model for corporate governance. For more information, please see the Governance section of our 2023 Management Proxy Circular, which will be available in April 2024.

Our Board of Directors

The role of our Board has evolved alongside our business, providing oversight to an organization with a growing global footprint and a diverse, yet complementary suite of premier products and services. The Board strives to ensure that its corporate governance practices provide for the effective stewardship of the Company, and it regularly evaluates these practices to ensure they are in keeping with the highest standards.

Key elements of our corporate governance system include the oversight and diligence provided by the Board, the Lead Director, the Audit & Risk Committee and the Corporate Governance - Nomination, Compensation and Succession Committee (GOCOM). Although not required by securities laws, some of our governance tools, such as the use of Designated Audit Directors (DADs), also reinforce the effectiveness and rigor of our governance model.

Much like our business operations, the strength of our Board is due in no small part to the diverse nature of skills, talent and experience each member brings to Board deliberations.

In 1995, ATCO was among the first public companies in Canada to introduce the concept of a Lead Director. Dr. Robert J. Routs is the current Lead Director for ATCO, and was appointed to this position on July 22, 2021. The Lead Director provides the Board with the leadership necessary to ensure independent oversight of management. The Lead Director must be an independent director and is a member of GOCOM.

Designated Audit Directors

Distinctly unique to ATCO are DADs. Each DAD is assigned to one of our business units based on their strengths and experience in various industry sectors. The role of the DADs is to supplement the oversight role of the Audit & Risk Committee.

DADs meet quarterly with senior management of their respective business unit, and annually with internal and external auditors. In addition, they review their respective businesses' financial performance and operating results, discuss risks with management, and report to the Audit & Risk Committee.

PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with our financial performance.

	Year Ended December 31		
($ millions, except per share data and outstanding shares)	**2023**	**2022**	**2021**
Key Financial Metrics			
Revenues	**4,741**	4,978	4,289
Adjusted earnings (loss) [(1)]	**432**	423	382
Structures & Logistics [(1)]	**90**	61	53
Neltume Ports	**22**	14	13
ATCO Corporate & Other [(1)]	**5**	—	6
Canadian Utilities Limited [(1)]			
ATCO Energy Systems [(1)]	**340**	379	336
ATCO EnPower [(1)]	**26**	19	15
Canadian Utilities Corporate & Other [(1)]	**(51)**	(50)	(41)
Adjusted earnings ($ per share)	**3.82**	3.71	3.35
Earnings attributable to Class I and Class II Shares	**432**	370	246
Earnings attributable to Class I and Class II Shares ($ per share)	**3.82**	3.25	2.16
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**3.82**	3.24	2.15
Total assets	**25,358**	24,139	23,004
Long-term debt	**11,048**	10,087	9,852
Class I and Class II Share owners' equity	**4,423**	4,376	4,111
Cash dividends declared per Class I and Class II Share (cents per share)	**1.90**	1.85	1.79
Cash flows from operating activities	**1,965**	2,396	1,864
Capital investment [(2)]	**2,301**	1,650	1,463
Capital expenditures	**1,586**	1,597	1,352
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**113,216**	113,958	114,172
Diluted	**113,378**	114,269	114,450

(1) Total of segments measures (as defined in NI 52-112). The most directly comparable measure reported in accordance with International Financial Reporting Standards is Earnings Attributable to Class I non-voting and Class II voting shares. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

(2) Non-GAAP financial measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with International Financial Reporting Standards is capital expenditures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

REVENUES

Revenues in 2023 were $4,741 million, $237 million lower than the same period in 2022. Lower revenues were mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Base Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the Alberta Utilities Commission (AUC) decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. Lower revenues were also due to lower prices for retail electricity and natural gas in ATCOenergy, ATCO Structures' Bechtel Pluto Train II project reaching substantial completion and lower workforce housing trade activity in the US and Mexico. Lower

revenues were partially offset by higher space rentals activity in ATCO Structures, additional revenue from the acquisition of Triple M Housing in December 2022, and revenues from ATCO EnPower's Forty Mile and Adelaide wind assets acquired in January 2023.

ADJUSTED EARNINGS [(1)]

Our adjusted earnings in 2023 were $432 million or $3.82 per share, compared to $423 million or $3.71 per share for the same period in 2022.

Higher adjusted earnings in 2023 were mainly due to increased space rentals activity in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022, additional earnings from ATCO EnPower's Forty Mile and Adelaide wind assets acquired in January 2023, and Neltume Ports' increased ownership at Puerto Angamos and Terminal Graneles del Norte. Higher adjusted earnings were partially offset by cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, ATCO Structures' Bechtel Pluto Train II project reaching substantial completion, and lower workforce housing trade activity in the US and Mexico.

Additional detail on the financial performance of our business units is discussed in the "Business Unit Performance" section of this MD&A.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were $432 million in 2023, $62 million higher compared to 2022. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

More information on these and other items is included in the "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" section of this MD&A.

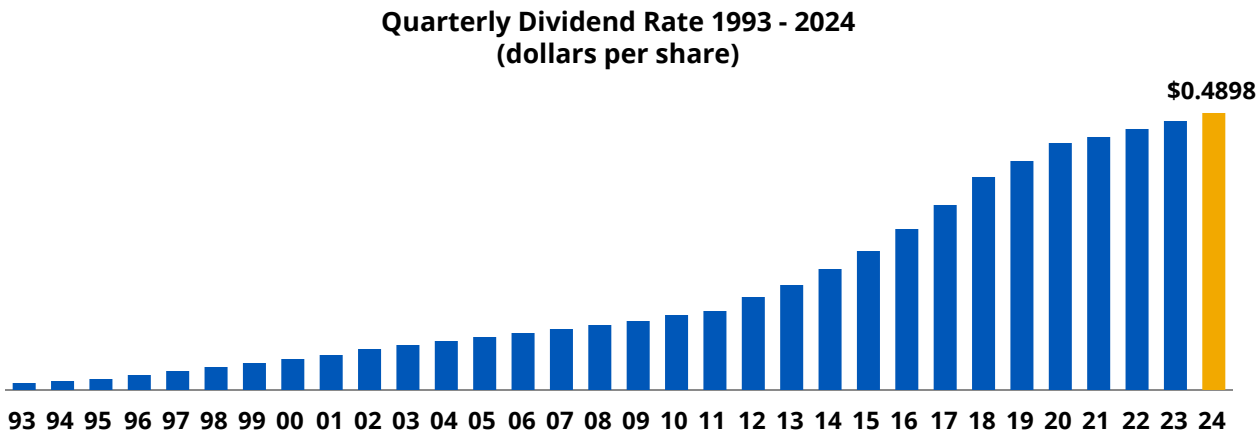
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $1,965 million in 2023, $431 million lower than the same period in 2022. This decrease was mainly due to lower prices for retail electricity and natural gas in ATCOenergy and lower cash flows in 2023 resulting from the recovery of the 2021 deferral of rate increases in 2022 in the Electricity Distribution and Natural Gas Distribution businesses, partly offset by the impact of the acquisitions of Triple M Housing and the Forty Mile and Adelaide wind assets.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 31 years, a track record of which we are very proud. Dividends paid to Class I and Class II Share owners totaled $215 million in 2023. On January 11, 2024, the Board of Directors declared a first quarter dividend of 48.98 cents per share or $1.96 on an annualized basis. ATCO expects to continue to grow its dividends consistent with the sustainable growth of its investments.

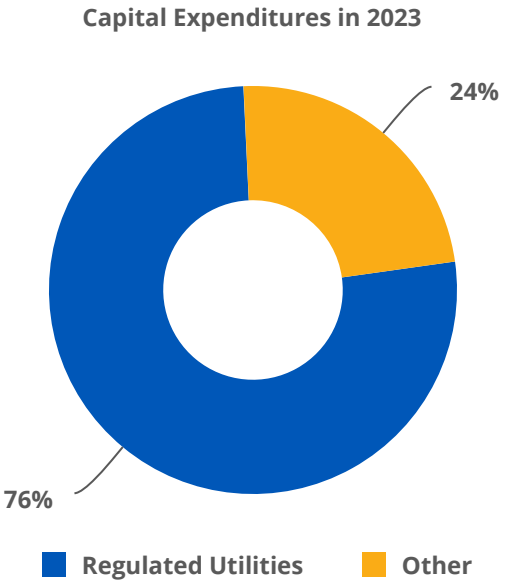
(1) *Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.*



CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Total capital investment of $2,301 million in 2023 was $651 million higher compared to the same period in 2022 mainly due to the first quarter 2023 acquisition of the renewable energy portfolio in Canadian Utilities' ATCO EnPower segment, and ongoing capital investment in the Regulated Utilities.

Total capital expenditures of $1,586 million in 2023 were $11 million lower compared to the same period in 2022 mainly due to decreased capital spending within ATCO EnPower as the Carbon natural gas storage facility expansion project was completed and the Barlow, Deerfoot, and Empress Solar projects reached commercial operations throughout 2023, partially offset by ongoing capital investment in the Regulated Utilities.



Capital expenditures in Canadian Utilities' Regulated Utilities accounted for 76 per cent of the total in the full year of 2023. The remaining 24 per cent was primarily related to ATCO Structures' continued expansion of its space rentals fleet globally, capital spending within Canadian Utilities' ATCO EnPower segment mainly related to the Barlow, Deerfoot and Empress solar projects, and capital spending at Ashcor related to the Reclaimed Ash Management (RAM) mobile project.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

BUSINESS UNIT PERFORMANCE



ATCO Structures & Logistics' activities are conducted through two complementary businesses: ATCO Structures and ATCO Frontec. Diversified by geography, product and service offerings, these businesses meet the needs of customers and communities globally. Together they offer 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.

REVENUES

Structures & Logistics revenues of $239 million and $926 million in the fourth quarter and full year of 2023 were $2 million and $3 million lower than the same periods in 2022 mainly due to ATCO Structures' Bechtel Pluto Train II project reaching substantial completion in the second quarter of 2023, lower workforce housing trade activity in the US, Mexico and Chile, and the closure of ATCO Frontec-operated camps including the Trans Mountain Expansion Project (TMEP) camps. This was partially offset by increased space rentals activity, additional revenue from Triple M Housing acquired in December 2022, increased workforce housing trade sale activity in Canada, and additional revenue at ATCO Frontec-operated camps from new projects including the BHP Jansen Discovery Lodge.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
ATCO Structures [1]	**16**	7	9	**89**	54	35
ATCO Frontec [1]	**(2)**	(3)	1	**1**	7	(6)
Total Structures & Logistics [2]	**14**	4	10	**90**	61	29

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Structures & Logistics adjusted earnings of $14 million in the fourth quarter of 2023 were $10 million higher than the same period in 2022. Higher adjusted earnings were mainly due to strong business performance driven by increased space rentals and workforce housing performance in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, and lower workforce housing rental activity in Canada.

Structures & Logistics adjusted earnings of $90 million in the full year of 2023 were $29 million higher than the same period in 2022. Higher adjusted earnings were mainly due to strong business performance driven by increased space rentals and workforce housing performance in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, lower workforce housing rental activity in Canada, and higher operating costs on ATCO Frontec's Pogo Mine project.

Detailed information about the activities and financial results of the Structures & Logistics businesses is provided in the following sections.

ATCO STRUCTURES

ATCO Structures manufactures, sells and leases space rental products, transportable workforce housing, and residential housing. Space rentals sells and leases mobile office trailers in various sizes and floor plans to suit our customers' needs. Workforce housing delivers modular workforce housing worldwide, including short-term and permanent modular construction, pre-fabricated and relocatable modular buildings. Residential housing manufactures and sells pre-fabricated, modular residential homes.

ATCO Structures adjusted earnings of $16 million and $89 million in the fourth quarter and full year of 2023 were $9 million and $35 million higher than the same periods in 2022 mainly due to strong business performance driven by increased space rentals performance globally, additional earnings from Triple M Housing acquired in December 2022, and improved workforce housing rental performance in the US, Australia, and Chile. Earnings were partially offset by lower workforce housing trade sale activity in the US and lower workforce housing rental activity in Canada.

The following table compares ATCO Structures' rental fleet for the fourth quarter and full year of 2023 and 2022.

	Three Months Ended December 31			Year Ended December 31		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
Global Space Rentals						
Number of units	**24,074**	22,433	7%	**24,074**	22,433	7%
Average utilization *(%)*	**74**	77	(3%)	**75**	79	(4%)
Average rental rate *($ per month)*	**738**	660	12%	**721**	627	15%
Global Workforce Housing						
Number of units	**2,747**	2,652	4%	**2,747**	2,652	4%
Average utilization *(%)*	**63**	78	(15%)	**69**	75	(6%)
Average rental rate *($ per month)*	**1,944**	1,931	1%	**2,027**	1,908	6%

Rental Fleet

Space Rentals

The year-over-year growth of the space rentals fleet is the result of continued strategic expansion in targeted regions of Canada, Australia, the US, and Chile. ATCO Structures has increased the number of units on rent and realized higher average rental rates due to sustained higher demand for space rentals fleet in these regions. Following the easing of distancing requirements related to COVID-19, utilization has returned to the typical seasonal profile with peak activity in the second and third quarters. Utilization has also been impacted by the strategic fleet expansion due to the timing of placing fleet additions on rent.

Workforce Housing

In the prior year, ATCO Structures decreased the size of its workforce housing fleet by selling used and under-utilized fleet assets in Canada, Australia, and the US. Year-over-year fleet growth is in targeted regions with increased demand for workforce housing product, particularly Australia and Chile. The disposal of under-utilized product in the prior year combined with fleet growth in the current year has resulted in decreased utilization. Additionally, the successive conclusion of camp rental terms in each of the first three quarters for the TMEP contributed to progressively lower utilization through 2023. The utilization impact was partially mitigated in the third quarter through redeployment of assets previously on rent for TMEP to other projects, particularly wildfire relief camps in Alberta. With the conclusion of those relief efforts, utilization decreased through the fourth quarter.

Residential Housing

ATCO Structures is a premier manufacturer of modular residential housing through Triple M Housing. ATCO Structures produces single-family modular homes in a variety of configurations with available customizations. Homes are sold through an established dealer network predominantly in Western Canada. During the year, ATCO Structures supplied over 600 new homes produced at Triple M Housing's manufacturing facility in Lethbridge, Alberta.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Western Canada Mine Camp

In the fourth quarter of 2023, ATCO Structures was awarded a $13 million contract to supply a 296-person accommodation complex to be deployed to a gold and silver mine in Western Canada. Delivery of the units is expected in the second quarter of 2024.

Arctic Mining Camp Expansion

In the fourth quarter of 2023, ATCO Structures was awarded a $3 million contract to supply units for a 162-person camp expansion, comprising 4 dorms and connecting corridors, to be deployed to a gold mine in the Canadian Arctic. Delivery of the units is expected in the second quarter of 2024.

United States

Integrated Modular Solutions (IMS)

ATCO Structures was previously awarded a rental contract for units to accommodate personnel for Florida state prisons. Following the conclusion of the rental term in the fourth quarter of 2023, an agreement was executed for the sale of units previously rented to IMS for $5 million.

HROC LLC

In the fourth quarter of 2023, ATCO Structures was awarded a $12 million contract to manufacture, deliver and install 45 workforce housing units to BPX Energy operating sites in West Texas. Manufacturing is scheduled to commence in the first quarter of 2024 with installation expected to be complete by the second quarter of 2024.

Australia

Western Coalfield Project

ATCO Structures was awarded a $12 million contract for the manufacture, transport, and installation of a 102-person accommodation camp for a mine in New South Wales. Manufacturing commenced during the fourth quarter of 2023 and full handover and completion is anticipated in the second quarter of 2024. The contract scope includes supply and installation of generators to power the camp, and water and wastewater treatment plants.

Latin America

Grupo Financiero Banorte (Banorte) Mobile Banking Terminals

During the first quarter of 2023, ATCO Espaciomovil (AEM) manufactured and installed mobile banking terminals for Banorte throughout Mexico. AEM was subsequently contracted in the second quarter to supply a branch office and additional mobile banking terminals to Banorte. Manufacturing and installation works are expected to be completed in the first quarter of 2024. The total value of works awarded to AEM is $4 million.

Chilean Education Sector Projects

ATCO Sabinco was awarded its first significant education sector contract to manufacture, install and rent units to Universidad de Santiago de Chile during the second quarter of 2023. The contract includes 58 space rental units in a classroom and restroom configuration. The initial rental term is one-year with the possibility of extension. Following this initial success, in the fourth quarter of 2023, ATCO Sabinco was awarded a $2 million contract to manufacture, transport and install units for Universidad San Sebastián. The contract includes 29 space rental units configured for use as a healthcare facility by doctors and students in the university-run hospital.

ATCO STRUCTURES 2023 OVERVIEW

Canada

Quebec Hospital Complex

ATCO Structures executed a contract for the sale and installation of a 42-unit modular hospital complex in Quebec. The complex was previously on a long-term rental contract, which concluded earlier in the year. The complex was

dismantled in the third quarter of 2023. Site preparation commenced during the fourth quarter of 2023, and installation in the new location is scheduled for the second quarter of 2024.

Fire Relief Camps

ATCO Structures was previously awarded a rental contract for the rapid-response deployment of a 375-person camp to support the recovery of a Northern Alberta First Nation community that was impacted by wildfires. Installation and the rental term commenced in the second quarter of 2023. Installation concluded in the third quarter, and the rental term concluded in the fourth quarter of 2023.

Additionally, following the conclusion of TMEP's rental term in the second quarter of 2023, the workforce housing camp in Valemount, British Columbia (BC), was re-mobilized to support people displaced by wildfires. The rental term commenced and concluded during the third quarter of 2023.

United States

KBR & Zachry Group Joint Venture (KZJV) - Plaquemines LNG Export Facility

Through the first three quarters of 2023, ATCO Structures was awarded rental contracts for 95 space rental units, supplementing the previously awarded rental contract for 50 units to support the LNG export facility construction in Plaquemines Parish, Louisiana. Rental terms for the 145 units across all contracts range from 30 to 36 months.

TIC (Kiewit)

ATCO Structures was previously awarded a rental contract for 116 units to support a new chemical plant construction project in Orange, Texas. During the second quarter of 2023, ATCO Structures was awarded a rental contract for an additional 31 units for a 36-month rental term. The units were installed during the third quarter of 2023.

Australia

Bechtel Pluto Train II

ATCO Structures reached substantial completion on the 2,200-person accommodation village and the supplemental parallel modular facility during the second quarter of 2023. The final handover of the accommodation village was completed approximately four months ahead of the original project schedule while the supplemental parallel modular facility was completed in line with the original project schedule.

ATCO FRONTEC

ATCO Frontec provides facility operations and maintenance services, workforce lodging and support services, defence operations services, and disaster and emergency management services.

ATCO Frontec adjusted earnings in the fourth quarter of 2023 were $1 million higher than the same period in 2022 mainly due to new projects including the fire relief camp, partially offset by higher operating costs on ATCO Frontec's Pogo Mine project.

ATCO Frontec adjusted earnings in the full year of 2023 were $6 million lower than the same period in 2022 mainly due to the closure of the three TMEP camps throughout the year, prior year earnings from the UK Training Camp Exercise project conducted over the second and third quarters of 2022, and higher operating costs on ATCO Frontec's Pogo Mine project. Lower earnings were partially offset by earnings from new projects, including the fire relief camps.

ATCO FRONTEC RECENT DEVELOPMENTS

Victoria Gold Project

On October 24, 2023, Frontec was awarded a contract to provide camp services to Victoria Gold for a 350-bed camp in the Yukon, Canada. The contract was mobilized as of January 1, 2024 for a 3-year term.

Fire Prevention Services 2016 Ltd. (FPS) Acquisition

In December 2023, ATCO Frontec acquired Fire Prevention Services 2016 Ltd., a full-service fire inspection, testing and maintenance company with operations in Northwest Territories, Nunavut and Alberta. The acquisition extends

Frontec's offering as an operational support services provider for government, defence and commercial clients and will operate as a new business line for ATCO Frontec within Canada.

ATCO FRONTEC 2023 OVERVIEW

Trans Mountain Expansion Project Camps

ATCO Frontec operated three camps for the Trans Mountain Expansion Project as a joint venture operation with Simpcw First Nation. In 2023, the expansion project's move towards completion resulted in the closure of these camps throughout 2023.

Starting in January 2023, the 540-bed camp located in Clearwater, BC, was closed. The second camp, a 600-person camp located in Valemount, BC, closed in May 2023 and in August 2023, the third and final camp, the 550-person Blue River, BC, camp, was closed.

Fire Relief Camps

ATCO Frontec, in partnership with ATCO Structures, launched two fire relief camps in British Columbia and Alberta. In June 2023, ATCO Frontec re-mobilized the above noted TMEP camp, Valemount Lodge in BC, and made it available for people displaced by wildfires. Also in June 2023, ATCO Frontec entered into a contract with Dene Tha' First Nation to provide camp services in High Level, Alberta, until December 2023. The Phase 1 construction camp of 100 rooms opened in June 2023, and the Phase 2 350-room camp opened in July 2023 and closed on schedule in December 2023.

BHP Jansen Discovery Lodge

In February 2023, Wicehtowak Frontec Services (WFS), ATCO Frontec's joint venture partnership with George Gordon Developments Ltd., was awarded a three-and-a-half-year base contract to provide camp support services for the BHP Jansen Discovery Lodge in Saskatchewan. The lodge, which was originally designed and built in 2012 by ATCO Structures, features diverse, high-end amenities, and accommodates up to 2,500 workers. WFS will provide management and administration, food services, retail, housekeeping and janitorial, and maintenance work for the facility. As of April 1, 2023, WFS successfully transitioned to operating the lodge.



Neltume Ports is a port operator and developer with a diversified portfolio of 18 multi-purpose, bulk cargo and container port facilities and 5 port operation services. The business is located primarily in Chile with additional operations in Uruguay, Argentina, Brazil and the US.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Neltume Ports	**5**	2	3	**22**	14	8

Neltume Ports adjusted earnings of $5 million in the fourth quarter of 2023 were $3 million higher than the same period in 2022 mainly due to improved margins across operations within the portfolio of ports.

Neltume Ports adjusted earnings of $22 million in the full year of 2023 were $8 million higher than the same period in 2022 mainly due to increased ownership at Puerto Angamos and Terminal Graneles del Norte, improved margins across operations within the portfolio of ports, and favourable exchange rates.

NELTUME PORTS RECENT DEVELOPMENTS

Terminal Graneleras Uruguayas

Subsequent to year-end, on January 23, 2024, Terminal Graneleras Uruguayas received notification of the extension of its concession to 2042 from the Ministry of Livestock, Agriculture and Fisheries of Uruguay. Neltume Ports has an equity ownership of 54 per cent in Terminal Graneleras Uruguayas.

NELTUME PORTS 2023 OVERVIEW

Vancouver Bulk Terminal Joint Venture

Neltume Ports and its partner, Nautilus International Holding Corporation (Nautilus), entered into a contract during the second quarter of 2023 with the Port Authority of Vancouver in Washington State to operate Terminal 2. The contract is for a 30-year term and allows for the opportunity to renew the contract for two additional terms of 10-years each. The Port of Vancouver is strategically located on the US Pacific coast for export of mineral and other bulk material.

On October 11, 2023, Vancouver Bulk Terminal, a joint venture between Neltume Ports and Nautilus, announced it is working with Solvay, a global leader in the soda ash market, on the development of Terminal 2, Berth 7 at the Port of Vancouver, in Washington State. The newly designed terminal will have the capability to annually export more than 2.5 million tonnes of soda ash, supporting soda ash volumes from Solvay's Green River, Wyoming operations while providing additional export capacity to the North American soda ash industry. Construction to allow for the transfer of soda ash is set to begin in 2024 and is expected to be completed by early 2026.

Puerto Angamos and Terminal Graneles del Norte Ownership Increase

On May 30, 2023, Neltume Ports acquired an additional ten per cent ownership in Puerto Angamos and Terminal Graneles del Norte, raising Neltume Ports' equity ownership in each port from 40 per cent to 50 per cent.

Sagres Ownership Increase

On March 31, 2023, Neltume Ports acquired an additional five per cent ownership in Sagres, raising Neltume Ports' equity ownership from 90 per cent to 95 per cent.



ATCO Corporate & Other contains ATCO Land and Development, Ashcor, and Fresh Bites, a food service company, including retail food services brand Blue Flame Kitchen. ATCO Land and Development is a commercial real estate business that holds investments for sale, lease or development. Ashcor is a company engaged in the processing and marketing of fly ash, predominantly reclaimed from landfills. ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses associated with credit facilities.

REVENUES

ATCO Corporate & Other revenues of $8 million and $19 million in the fourth quarter and full year of 2023 were $8 million and $18 million higher compared to the same periods in 2022 mainly due to increased fly ash sales in Ashcor and higher food services revenues in Fresh Bites, which was acquired by ATCO in 2023.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
ATCO Corporate & Other [(1)]	**6**	8	(2)	**5**	—	5

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

ATCO Corporate & Other adjusted earnings of $6 million in the fourth quarter of 2023 were $2 million lower than the same period in 2022 mainly due to the timing of certain expenses.

ATCO Corporate & Other adjusted earnings of $5 million in the full year of 2023 were $5 million higher compared to the same period in 2022 mainly due to increased earnings from the Ashcor and Fresh Bites businesses.



Canadian Utilities is a diversified global energy infrastructure corporation delivering operating and service excellence and innovative business solutions through ATCO Energy Systems (Electricity and Natural Gas transmission and distribution, and International Operations); ATCO EnPower (Energy Storage, Energy Generation, Industrial Water Solutions, and Clean Fuels); and Retail Energy (Electricity and Natural Gas Retail Sales, and Whole-Home Solutions).

ATCO ENERGY SYSTEMS

REVENUES

ATCO Energy Systems revenues of $852 million and $3,174 million in the fourth quarter and full year of 2023 were $50 million and $210 million lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. In addition, Electricity Transmission revenues were lower due to the settlement of the 2018-2021 Deferral Application as well as the settlement of the 2023-2025 General Tariff Application which reflects ceased collection and a refund of previously collected federal deferred income taxes. These actions do not significantly impact adjusted earnings, however, they will reduce revenues and cash flows from 2023 to 2025, providing rate relief to customers. Lower revenues were partially offset by higher flow-through revenues in Electricity Distribution, growth in rate base in Natural Gas Distribution and Natural Gas Transmission, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity						
Electricity Distribution [(1)]	**23**	17	6	**79**	85	(6)
Electricity Transmission [(1)]	**19**	19	—	**86**	87	(1)
International Electricity Operations [(1)]	**7**	6	1	**25**	27	(2)
Total Electricity [(1)]	**49**	42	7	**190**	199	(9)
Natural Gas						
Natural Gas Distribution [(1)]	**32**	34	(2)	**63**	84	(21)
Natural Gas Transmission [(1)]	**12**	11	1	**48**	47	1
International Natural Gas Distribution [(1)]	**7**	13	(6)	**39**	49	(10)
Total Natural Gas [(1)]	**51**	58	(7)	**150**	180	(30)
Total ATCO Energy Systems [(2)]	**100**	100	—	**340**	379	(39)

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

ATCO Energy Systems adjusted earnings of $100 million in the fourth quarter of 2023 were comparable to the same period in 2022.

ATCO Energy Systems adjusted earnings of $340 million in the full year of 2023 were $39 million lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution. Lower earnings were partially offset by growth in rate base and new cost efficiencies and lower operating costs realized in 2023 in Electricity Distribution and Natural Gas Distribution, and by increased system volumes in International Natural Gas Distribution.

Detailed information about the activities and financial results of the ATCO Energy Systems business segments is provided in the following sections.

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in Northern and Central East Alberta, the Yukon, the Northwest Territories, and in the Lloydminster area of Saskatchewan.

Electricity Distribution adjusted earnings of $23 million in the fourth quarter of 2023 were $6 million higher than the same period in 2022 mainly due to new cost efficiencies realized in 2023.

Electricity Distribution adjusted earnings of $79 million in the full year of 2023 were $6 million lower than the same period in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, partially offset by new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission

Electricity Transmission provides electricity transmission mainly in Northern and Central East Alberta, and in the Lloydminster area of Saskatchewan. Electricity Transmission has a 35-year contract to be the operator of Alberta PowerLine, a 500-km electricity transmission line between Wabamun, near Edmonton, and Fort McMurray, Alberta.

Electricity Transmission adjusted earnings of $19 million in the fourth quarter of 2023 were comparable to the same period in 2022.

Electricity Transmission adjusted earnings of $86 million in the full year of 2023 were $1 million lower compared to the same period in 2022 mainly due to the second quarter decision received from the AUC on the 2018-2021 Deferral Application, which denied recovery of forgone return related to certain cancelled projects.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize, and operate Puerto Rico's 30,000-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).

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022, and will continue until such time that PREPA's bankruptcy is resolved. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance Agreement.

International Electricity Operations adjusted earnings of $7 million in the fourth quarter of 2023 were $1 million higher compared to the same period in 2022 mainly due to lower operating costs in 2023.

International Electricity Operations adjusted earnings of $25 million in the full year of 2023 were $2 million lower compared to the same period in 2022 mainly due to increased operating costs, partially offset by favourable foreign exchange rates.

Natural Gas Distribution

Natural Gas Distribution serves municipal, residential, commercial, and industrial customers throughout Alberta and in the Lloydminster area of Saskatchewan.

Natural Gas Distribution adjusted earnings of $32 million and $63 million in the fourth quarter and full year of 2023 were $2 million and $21 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by growth in rate base and lower operating costs in the fourth quarter.

Natural Gas Transmission

Natural Gas Transmission receives natural gas on its pipeline system from various gas processing plants as well as from other natural gas transmission systems and transports it to end users within the province of Alberta or to other pipeline systems.

Natural Gas Transmission adjusted earnings of $12 million and $48 million in the fourth quarter and full year of 2023 were $1 million higher than the same periods in 2022 mainly due to growth in rate base.

International Natural Gas Distribution

International Natural Gas Distribution is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

International Natural Gas Distribution adjusted earnings of $7 million and $39 million in the fourth quarter and full year of 2023 were $6 million and $10 million lower than the same periods in 2022 mainly due to the impact of inflation indexing on rate base in 2022, partially offset by increased system volumes.

Australia inflation indexing reflected a full year inflation assumption of 7 per cent which increased to 8 per cent by the end of 2022. Australia inflation indexing in 2023 reflects an inflation assumption of 4 per cent.

ATCO ENERGY SYSTEMS REGULATORY FRAMEWORKS

Regulated Business Models

The business operations of Electricity Distribution, Electricity Transmission, Natural Gas Distribution, and Natural Gas Transmission are regulated mainly by the AUC. The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural Gas Transmission and Electricity Transmission operate under COS regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as mid-year rate base. Growth in mid-year rate base is a leading indicator of the business' earnings trend, depending on changes in the approved equity component of the mid-year rate base and the rate of return on common equity.

Natural Gas Distribution and Electricity Distribution operate under PBR. Under PBR, revenue is determined by a formula that adjusts customer rates for inflation less an estimated amount for productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To complete these calculations, the AUC uses mid-year rate base. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based on approved going-in rates and on the formula that adjusts rates for inflation and productivity improvements.

International Natural Gas Distribution is regulated by the Economic Regulation Authority (ERA) of Western Australia. International Natural Gas Distribution operates under incentive based regulation under which the ERA establishes the prices for a five-year period to recover a return on forecasted rate base, including income taxes, depreciation on the forecasted rate base, and forecasted operating costs based on forecasted throughput. For this reason, growth in rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved forecasts.

Performance Based Regulation

After the conclusion of the second generation PBR term (PBR2) in 2022, and following a one-year COS rebasing in 2023, the Natural Gas Distribution and Electricity Distribution businesses moved to a third generation of performance-based regulation (PBR3) for the years 2024 to 2028.

On October 4, 2023, the AUC issued its decision on the parameters of the PBR3 plans that will set rates for the distribution utilities for the years 2024 to 2028. AUC has approved continuation of the incremental capital funding mechanism based on historical five years of actual capital spend as well as the ability to seek additional funding for capital that meets certain eligibility criteria. The AUC also introduced a new productivity factor premium and an asymmetric, two-tiered Earnings Sharing Mechanism.

	PBR Third Generation
Timeframe	2024 to 2028
Inflation Adjuster (I Factor)	Inflation indices (FWI and CPI) adjusted annually with a true up applied
Productivity Adjuster (X Factor)	0.40% (includes 0.3% for productivity factor premium)
O&M	Based on 2023 approved COS Applications; inflated by I-X through the PBR term
Return on Operating Cost Investment	Ability to apply for return on operating solutions
Treatment of Capital Costs	a. Recovered through going-in rates inflated for I-X and a K Bar (the AUC allowance for capital additions under PBR) that is based on inflation adjusted average historical capital costs for the period 2018-2022. The K Bar is calculated annually and adjusted for the actual weighted average cost of capital (WACC) b. Significant extraordinary capital costs not previously incurred, required by a third party or directly caused by applicable law related to net-zero objectives recovered through a "Type I" K Factor
Return On Equity (ROE)	a. Based on the established Generic Cost of Capital (GCOC) formula (results released November of each year) b. + 0.5% ROE efficiency carry-over mechanism (ECM) achieved from PBR Second Generation added to 2023 and 2024
Earnings Sharing Mechanism (ESM)	Two-tiered, asymmetric ESM; • the utilities retain 100% of the first 200 bps of earnings above the authorized ROE • a 60/40 utility/customer split for the next 200 bps of earnings, and • a 20/80 utility/customer split for any earnings over 400 bps
Reopener	- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	• 2024: Based on the GCOC formula excluding impact of ECM • 2025-2028: Based on the GCOC formula
Quantification and Tracking of Efficiencies	Utility must report a select set of operational metrics annually to the AUC

Access Arrangement - International Natural Gas Distribution

Under the existing Access Arrangement (AA5), ATCO Gas Australia is using the Post-Tax Revenue Model method to determine revenue requirement and customer rates. This approach incorporates an annual addition of the impact of inflation to the rate base, which is reflected in future customer rates through the recovery of depreciation. Customer rates are annually adjusted through a mechanism that aligns approved rates in real dollars with actual inflation.

The ERA is required to publish a Rate of Return Instrument that details the methodology and parameters to determine the WACC relevant to the Access Arrangement period. The current AA5 applicable period is January 1, 2020 to December 31, 2024. The ERA reviews and updates the Instrument every four years, with the most recent

Instrument published in December 2022. This updated Instrument will not be applied until the next Access Arrangement period (AA6) and has no impact on the current AA5 ROE of 5.02 per cent. More information on AA6 is outlined below in the Regulatory Updates section.

REGULATORY UPDATES

Common Matters

Generic Cost of Capital (GCOC) Proceeding

On October 9, 2023, the AUC issued its decision with respect to the GCOC parameters for 2024 and beyond. The AUC has approved the use of a formula for setting ROE rates and set the equity thickness at 37 per cent for Alberta Utilities.

The established starting point ROE, which will serve as the base in the annual formula, is set at 9 per cent and the formula will take into account two variables; changes in 30-year Government of Canada Bond Yields and changes in utility spreads. The AUC will update the ROE annually and issue the following year's ROE in November of the current year. On November 20, 2023, the AUC issued its decision with respect to the 2024 ROE with the rate being set at 9.28 per cent.

Second Generation Performance Based Regulation Reopeners

On June 30, 2023, the AUC initiated a proceeding for Electricity Distribution and Natural Gas Distribution as the reopener clause was triggered by both utilities in 2022, the final year of the PBR2. The PBR2 reopener thresholds were triggered if a utility's earnings are +/- 500 basis points from the approved ROE in one year or +/- 300 basis points from the approved ROE in two consecutive years. In this proceeding, the AUC will determine whether a reopener and any adjustment of Electricity Distribution and Natural Gas Distribution's 2018 to 2022 plans are required. ATCO Gas and ATCO Electric were the only utilities in Alberta to lower rates in 2023 due to efficiencies being passed onto to customers.

Similar to the first generation of PBR, the increase in earnings in the second generation of PBR was a direct result of management’s response to the incentive to implement efficiency improvements and not due to a flaw in the PBR framework.

Electricity Distribution

Alberta Court of Appeal ATCO Electric Distribution Fort McMurray Wildfire Decision

The Alberta Court of Appeal issued a favourable decision in the second quarter of 2023 in connection with the Fort McMurray (Wood Buffalo) wildfire, which resulted in the AUC issuing its decision in December 2023 permitting ATCO Electric to include the net book value of its electric distribution assets destroyed in the Wood Buffalo fire within rate base.

The AUC accepted that, in the circumstances of the Wood Buffalo fire, isolating and directing the removal of the entirety of the net book value of the destroyed assets had the effect of rescinding the reasonable opportunity previously afforded to ATCO Electric to recover these costs, and did so for reasons beyond ATCO Electric’s control. As a result, permitting recovery of the costs results in a just and reasonable tariff.

In addition to the reversal of the original disallowance of $3 million recognized in the second quarter of 2019, ATCO Electric will be recovering the lost return and associated carrying costs from 2018-2023 of $2 million in 2024.

Electricity Transmission

ATCO Electric Transmission 2018-2021 Deferral Application

On April 26, 2023, the AUC issued a decision regarding ATCO Electric’s 2018–2021 Deferral Application for the disposal of its 2018–2021 transmission deferral accounts and annual filing adjustment balances. While the decision received from the AUC denied recovery of forgone return related to certain cancelled projects and some capital additions, it approved the majority of additions to rate base.

ATCO Electric Transmission 2023-2025 General Tariff Application (GTA)

On May 19, 2022, ATCO Electric Transmission filed a GTA for its operations for the 2023-2025 period. A comprehensive negotiated settlement was reached in December 2022 with all of the participating interveners and an application was filed with the AUC in January 2023. On May 5, 2023, the AUC approved the negotiated settlement agreement in its entirety.

Natural Gas Transmission

2024 - 2026 General Rate Application (GRA)

On July 31, 2023 ATCO Pipelines filed a GRA requesting approval of revenue requirements related to operational and maintenance costs as well as capital expenditures needed over the 2024-2026 period. A comprehensive negotiated settlement was reached with all participating interveners in December 2023 and was filed with the AUC on January 5, 2024. The GRA also requested new deferral accounts which will be reviewed and litigated through a separate process. A decision from the AUC is expected in the second quarter of 2024.

International Natural Gas Distribution

Access Arrangement 6 (AA6)

ATCO Gas Australia lodged its initial AA6 submission with the ERA on September 1, 2023. The submission detailed expenditure plans for the period January 1, 2025 to December 31, 2029. The ERA are in the process of preparing their draft decision, which is expected in late April or early May 2024. It is anticipated that the AA6 process will conclude with the ERA's Final Decision published in the fourth quarter of 2024.

ATCO ENPOWER

REVENUES

ATCO EnPower revenues of $89 million in the fourth quarter of 2023 were $5 million lower compared to the same period in 2022 mainly due to lower demand for natural gas storage services resulting from warmer weather, partially offset by revenues from the Forty Mile and Adelaide wind assets acquired in January 2023 and solar assets energized in 2023.

ATCO EnPower revenues of $362 million in the full year of 2023 were $50 million higher compared to the same period in 2022 mainly due to revenues from the Forty Mile and Adelaide wind assets acquired in January 2023 and solar assets energized in 2023. Higher revenues were partially offset by loss of revenues attributable to non-regulated electricity and natural gas transmission activities, which were recorded under ATCO Energy Systems in 2023.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity Generation [(1)]	**3**	(2)	5	**10**	2	8
Storage & Industrial Water [(1)]	**6**	5	1	**16**	17	(1)
Total ATCO EnPower [(2)]	**9**	3	6	**26**	19	7

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

ATCO EnPower adjusted earnings of $9 million and $26 million in the fourth quarter and full year of 2023 were $6 million and $7 million higher than the same periods in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in 2023, earnings from the solar assets energized in 2023, a non-recurring recovery in the fourth quarter of 2023, and higher project development costs incurred in 2022, largely in Australia. Higher earnings were partially offset by the loss of earnings attributable to non-regulated electricity and natural gas transmission activities which were recorded under ATCO Energy Systems in 2023. Full year 2023 earnings were also

partially offset by engine repairs at the Karratha facility in Australia and an insurance recovery received in the second quarter of 2022.

Detailed information about the activities and financial results of ATCO EnPower's businesses is provided in the following sections.

Electricity Generation

Non-regulated electricity activities include the supply of electricity from solar, wind, hydroelectric, and natural gas generating plants in Canada, Australia, Mexico, and Chile.

Electricity Generation adjusted earnings of $3 million and $10 million in the fourth quarter and full year of 2023 were $5 million and $8 million higher compared to the same periods in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, earnings from solar assets energized in 2023 and project development costs incurred in Australia in the fourth quarter of 2022. Full year 2023 earnings were partially offset by engine repairs at the Karratha facility in Australia and an insurance recovery received in the second quarter of 2022.

The following table compares ATCO EnPower's renewable portfolio performance in Canada over the four quarters ended December 31, 2023.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Capacity Share [(1)] *(MW)*	283	283	320	359
Average Availability *(%)*	91	94	92	92
Generation *(MWh)*	207,520	205,754	190,442	235,352
Average Realized Price *($)*	106	100	99	79

(1) Capacity share represents the percentage of the nameplate capacity owned by ATCO EnPower.

The quarter-over-quarter growth of the renewable portfolio in Canada is the result of continued strategic expansion starting with the acquisition in January 2023 and achievement of commercial operations on our Barlow, Deerfoot, and Empress solar assets during the year. Since acquiring the renewable energy portfolio in January 2023, the Forty Mile and Adelaide wind assets have contributed revenues of $65 million for the year ended December 31, 2023. Uprating work continues for the Forty Mile wind assets with expected completion in the first quarter of 2024. Upon reaching commercial operations during the year, the solar assets have also contributed revenues of $8 million for the year ended December 31, 2023.

The average realized price related to the renewable portfolio has decreased from an average of $106 per MWh in the first quarter to an average of $79 per MWh in the fourth quarter due to lower capture prices on merchant generation. Merchant generation decreased throughout the year as we increased the percentage of contracted generation in response to expected lower merchant pricing and as we advanced project financings with contracted offtakers on certain assets. Despite achieving average availability of 92 per cent during the year, generation from the renewable portfolio was also impacted in the second and third quarters of 2023 from lower wind generation than expected. However, overall generation increased during the year as the Barlow, Deerfoot and Empress solar assets achieved commercial operations.

Storage & Industrial Water

Storage & Industrial Water provides non-regulated natural gas storage, natural gas liquids storage, and industrial water services in Alberta and energy services in the Northwest Territories.

Storage & Industrial Water adjusted earnings of $6 million in the fourth quarter of 2023 were $1 million higher compared to the same period in 2022 mainly due to a non-recurring recovery in the fourth quarter of 2023. Higher earnings were partially offset by loss of earnings attributable to non-regulated natural gas transmission activities which were recorded under ATCO Energy Systems in 2023.

Storage & Industrial Water adjusted earnings of $16 million in the full year of 2023 were $1 million lower compared to the same period in 2022 mainly due to increased operating costs, and the loss of earnings attributable to non-regulated natural gas transmission activities which were recorded under ATCO Energy Systems in 2023, partially offset by a non-recurring recovery in the fourth quarter of 2023.

ATCO ENPOWER 2023 OVERVIEW

Canada

Chiniki and Goodstoney First Nations Equity Partnership

In September 2023, the Chiniki and Goodstoney First Nations and ATCO, through its investment in Canadian Utilities, announced a partnership agreement for the Deerfoot and Barlow solar projects, the largest solar installation in an urban centre in Western Canada. Under the terms of the agreement, the Chiniki and Goodstoney First Nations have become the majority owners with a 51 per cent ownership stake in the facilities. The 27-MW Barlow project and 37-MW Deerfoot project reached commercial operations in the second and third quarters, respectively, of 2023.

Lafarge Canada Inc. (Lafarge) Power Purchase Agreement

In September 2023, ATCO, through its investment in Canadian Utilities entered into a 12.5-year virtual power purchase agreement with Lafarge. Under the terms of the agreement, Lafarge's Exshaw cement plant will notionally purchase 100 per cent of the solar power generated from the 39-MW Empress solar project. The Empress solar project achieved commercial operations in the fourth quarter of 2023.

Heartland Hydrogen Hub Project

In the second quarter of 2023, Suncor Energy Inc. (Suncor) provided notice of its intention to withdraw from the hydrogen production facility project. This has not changed our commitment to the project. The project has significant potential to supply hydrogen to domestic and international markets, including the Alberta gas grid, industrial, municipal, and commercial transport users.

We continue to work with supportive Federal and Provincial governments to establish policy and frameworks that facilitate investment in the Canadian hydrogen economy, along with other parties to further the development and commercial success of this project.

The Design Basis Memorandum is complete and we are targeting to bring in a strategic operating partner by the third quarter of 2024 with the goal to sanction Front-End Engineering Design in 2024 to begin working towards a final investment decision in 2025.

Renewable Energy Portfolio Acquisition

On January 3, 2023, Canadian Utilities closed the acquisition of renewable assets from Suncor. The acquisition includes a majority interest in the 40-MW Adelaide wind facility in Ontario, the 202-MW Forty Mile wind project in Alberta, and a development pipeline with more than 1,500-MW of wind and solar projects at various stages of development, including several late-stage projects.

Concurrent with the close of this acquisition, Canadian Utilities entered into a 15-year renewable power purchase agreement with Microsoft Corporation (Microsoft) beginning July 1, 2023. Under the terms of the agreement, Microsoft will purchase 150-MW of renewable energy generated by Canadian Utilities' Forty Mile Wind Phase 1 Project in Alberta. The offtake from the Adelaide wind facility is also contracted under a long-term power purchase agreement until January 2035.

Australia

In October 2023, the South Australian Government announced an Early Contractor Involvement (ECI) agreement with ATCO Australia and our joint venture partner BOC Linde for the South Australian Hydrogen Jobs Plan project, a 250-MW hydrogen production facility, a 200-MW hydrogen-fuelled electricity generation facility and a hydrogen storage facility. Activities under this agreement include developing a contract offer price, and negotiation of engineering, procurement, construction and operations and maintenance contracts for delivery and operations of the project. The ECI phase of the project is due for completion in the second quarter of 2024.

Osborne Power Purchase Agreement (PPA) Extension

On February 3, 2023, Canadian Utilities executed an extension to the current PPA with Origin Energy Electricity Limited for the Osborne electricity cogeneration facility in South Australia. The extension is for a period of three years, commencing on January 1, 2024, with a further one year option. The terms of the extension are similar to the current tolling arrangement with increased flexibility and dispatch capability for the customer.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities Corporate & Other segment includes Retail Energy and Rümi through ATCOenergy which provides retail electricity and natural gas services, home products, home maintenance services and professional home advice in Alberta. Corporate & Other includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia, and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities Corporate & Other also includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

REVENUES

Canadian Utilities Corporate & Other revenues of $33 million and $260 million in the fourth quarter and full year of 2023 were $78 million and $92 million lower compared to the same periods in 2022 mainly due to lower prices for retail electricity and natural gas in ATCOenergy.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Canadian Utilities Corporate & Other [(1)]	**(7)**	(7)	—	**(51)**	(50)	(1)

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the fourth quarter of 2023 were comparable to the same period in 2022.

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the full year of 2023 were $1 million lower compared to the same period in 2022 mainly due to the impact of the Preferred Dividend Rate reset in June 2022, partially offset by improved earnings at ATCOenergy resulting from customer growth.

2023 OVERVIEW

Branding Initiative

In 2023 we launched two new brands; ATCO Energy Systems is our new global brand for our gas and electrical utility services business, which also oversees our interest in LUMA Energy, and ATCO EnPower is our new global brand for our non-regulated energy business, including renewables, clean fuels, and energy storage.

The branding initiative does not impact our reporting segments within our external documents.

Executive Appointments

Effective July 1, 2023, Wayne Stensby was appointed to Chief Operating Officer of ATCO Energy Systems and Bob Myles was appointed to Chief Operating Officer of ATCO EnPower.

Effective October 1, 2023, John Ivulich was appointed to Chief Executive Officer & Country Chair of ATCO Australia, our regulated gas utility and non-regulated renewables, power, and clean fuels businesses in Australia.

On January 19, 2024, the Company announced the retirement of Executive Vice President and Chief Financial Officer, Brian P. Shkrobot, effective March 1, 2024. Concurrently, it was announced that with the support of the Canadian Utilities' Board of Directors, Katie Patrick, Executive Vice President, Chief Financial & Investment Officer, ATCO, will broaden her portfolio to include Chief Financial Officer for Canadian Utilities effective March 1, 2024.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within our group of companies, we balance the short- and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owners, and Indigenous and community partners. As a provider of essential services in diverse communities around the world, we operate in an inclusive manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

SUSTAINABILITY REPORTING AND ESG TARGETS

Our 2023 Sustainability Report, to be published in May 2024, focuses on the following material topics:

- Energy Transition and Environment - energy transition and climate change, GHG emissions, and land use and biodiversity;
- Resilience and Safety - system reliability and availability, emergency preparedness and response, employee safety and well-being, public health and safety, and cybersecurity;
- People and Partners - Indigenous relations, economic opportunities and reconciliation, community engagement and investment, customer experience and satisfaction, human capital development, retention, and attraction, and diversity, equity and inclusion; and
- Governance and Responsible Business – corporate governance, business ethics, government relations and political advocacy, and responsible supply chain.

In January 2022, we released our net zero by 2050 aspiration as well as an initial set of 2030 ESG Targets. Our Board of Directors recognizes and fully supports our net-zero aspiration and 2030 targets, and agrees that these aspirations and targets align with our strategic direction. Achieving net zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative Standards, the Sustainability Accounting Standards Board, the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, and the new IFRS International Sustainability Standards Board (ISSB) Standards.

The 2022 Sustainability Report, ESG Datasheet, materiality assessment, and additional details and other disclosures are available on our website at www.atco.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To support the energy transition and contribute to a net-zero future, we continue to pursue initiatives to integrate cleaner fuels, renewable energy and energy storage. This includes looking at ways to modernize our energy infrastructure to accommodate new and innovative sources of energy as well as ways to further use energy more efficiently. We are decarbonizing our operations and enabling our customers to transition to lower emitting sources of energy, while maintaining safety, reliability and affordability.

Details on 2023 energy transition developments are included in the "Business Unit Performance" section in this MD&A.

CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

While climate-related challenges and opportunities are integrated throughout our strategy and risk management processes, we understand that specifically disclosing climate-related information aligned with the TCFD recommendations is also useful for the investment community.

In addition to the material risks described in the "Business Risks and Risk Management" section of this MD&A, the following table provides further information on how we address specific climate-related challenges and opportunities.

Category/Driver		Challenges	Opportunities	Mitigation Options/Measures
Transitional	Policy/ Regulatory	Operations in several jurisdictions subject to emissions limiting regulations Aggressive shifts in policy which do not allow for transition in an effective, affordable manner	Continued fuel switching to lower-emitting options Electricity generation conversions present opportunities for transmission and distribution infrastructure investment Electricity grid modernization Hydrogen economy development	Active participation in policy development, industry groups, and regulatory discussions Business diversification Removal of coal-fired electricity generation from our portfolio in 2019 Hydrogen research and development
	Market	Changes in carbon policy, costs of operations, and commodity prices Changing customer behaviour	Increasing demand for lower-emitting technologies Hydrogen market development Distributed energy solutions	Participation in carbon markets Business diversification
	Technology	Replacement of current products/services with lower-emitting options Prosumer movement may affect energy load profiles in the future	A transition to lower-emitting energy systems provides opportunities to utilize expertise in: generation, integration and delivery of new energy sources including hydrogen, renewable natural gas, EV networks; and transmission and distribution infrastructure to ensure energy network reliability and security	Providing a suite of lower-emitting technology solutions so our customers can pick the right solutions for their unique situation
	Reputational	Public perception of carbon risk	Increase in demand for trusted long-term partners to deliver lower-emitting solutions	Transparent reporting Authentic engagement and collaboration
Physical	Physical	Extreme weather events Long-term changes in temperature and weather patterns	Climate change mitigation and adaptation Rapidly deployable structures and logistics services	Climate change resiliency efforts Emergency Response & Preparedness plans and training

POLICY/REGULATORY UPDATE

We actively and constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. We participate in a wide number of discussions, and the following are examples of where we focus our efforts on policies or regulations most relevant to our existing or planned projects.

Government of Canada Zero-Emission Vehicle Mandate/Regulations

On December 19, 2023, the Government of Canada finalized the new Electric Vehicle Availability Standard to increase the supply of clean, zero-emission vehicles available to Canadians. The Standard will require that Canada achieve a national target of 100 per cent zero-emission vehicle sales by 2035, with interim targets of at least 20 per

cent of all sales by 2026, and at least 60 per cent by 2030, with increases each year. In addition, companies can earn one credit — which can be banked or traded — for every $20,000 invested in fast-charging station infrastructure projects.

Government of Canada Methane Regulations

On December 4, 2023, the Government of Canada announced proposed amendments to federal methane regulations. The proposal is designed to build on existing commitments and now aims to achieve a 75 per cent reduction in oil and gas sector methane emissions by 2030. The existing methane regulation aimed to achieve a 40-45 per cent reduction in methane emissions by 2025. This regulation would apply to onshore upstream, midstream, and transmission oil and gas facilities. The proposed amendments expand the current coverage and stringency levels of the regulations as well as expanding fugitive emissions management and other requirements to manage emissions from equipment. The proposal introduces a performance-based compliance option designed to focus on emissions outcomes, rather than prescribing a specific action for compliance.

Government of Canada Clean Electricity Regulations

On August 19, 2023, the Government of Canada released draft Clean Electricity Regulations (CER) aimed at achieving net-zero emissions from Canada's electricity grid by 2035. If implemented, the draft regulations would take effect on January 1, 2025, and apply to grid-connected fossil fuel generation units of 25 MW or greater. Some of the key terms of the draft regulations include (i) a carbon intensity cap (prohibition) of 30 tonnes CO2/GWh, that applies if any net electricity is delivered to the grid; (ii) the intensity cap would apply to generating units at their end of prescribed life, defined as 20 years after commission date; and (iii) generating units may emit up to 150 kilotonnes of CO2 in a calendar year if operating for 450 hours or less during that calendar year. The minister may also issue exemptions for emergency situations.

Government of Canada Federal Budget 2023

Building on 2022 clean energy and investment tax credit (ITC) announcements, the 2023 Canadian Federal Budget (Budget 2023) released on March 28, 2023 and updated November 28, 2023, provided further details including:

- Clean Technology ITC – a 30 per cent refundable tax credit in clean technologies and expanded to include certain property and additional geothermal equipment.
- Clean Hydrogen ITC – a 15 to 40 per cent refundable tax credit available on eligible equipment for projects that produce hydrogen from electrolysis or natural gas with emissions that are abated using Carbon Capture Utilization and Storage (CCUS).
- Clean Electricity ITC – a 15 per cent refundable tax credit for investments in non-emitting electricity generation systems (i.e., solar, wind, hydro, nuclear), abated natural gas-fired electricity generation, electricity storage systems, and equipment used for transmission of electricity between provinces and territories.
- Clean Technology Manufacturing ITC – a 30 per cent refundable tax credit for the capital costs of machinery and equipment used in manufacturing of renewable energy equipment (i.e., solar, wind, geothermal), nuclear energy equipment, grid-scale electrical storage equipment, zero-emission vehicles, batteries, fuel cells, recharging systems for vehicles, and hydrogen production equipment.
- Carbon Capture, Utilization and Storage ITC – a 37.5 to 60 per cent refundable tax credit for assets used to capture, store, and reuse CO2.

For expenditures that qualify under more than one ITC program, only one credit may be claimed in respect of the relevant piece of property or equipment. There are many details still pending for the different programs announced.

Carbon Pricing/Output-Based Pricing Systems

Announced in January 2023, the carbon price in Canada increased from $50 to $65 per tonne, beginning April 2023. The Government of Canada's plan on climate change proposes to increase the carbon price by $15 per tonne each year starting in 2023, rising to $170 per tonne by 2030.

In Australia, under the National Greenhouse and Energy Reporting scheme, a safeguard mechanism applies to facilities with direct covered emissions of more than 100,000 tonnes of carbon dioxide equivalent per year and affects our natural gas-fired power generation facilities. These facilities are required to keep their net emissions at or below emissions baselines set by the Clean Energy Regulator or surrender Australia Carbon Credit Units to offset their emissions and stay below their baseline.

Government of Australia Climate Change Bill 2022

In July 2022, the Australian Government introduced the Climate Change Bill 2022 legislating the nation's commitment to reduce GHGs by 43 per cent below 2005 levels by 2030, and net zero by 2050. The legislation strengthens accountability through an annual statement and tasks the independent Climate Change Authority to provide advice on Australia's progress towards these targets, and on what Australia's future targets should be.

Government of Australia National Gas Rules

In October 2022, it was agreed to amend the National Gas Law and Regulations to bring hydrogen blends, biomethane and other renewable gases under the national gas regulatory framework. This work supports the development of the domestic hydrogen and biomethane industries by removing barriers for producers to access infrastructure and markets. It also ensures consumers are protected as Australia's energy system transitions in line with net zero goals.

Alberta Minister of Affordability and Utilities Renewable Electricity Generation Projects Approval Pause

On August 3, 2023, the Alberta Minister of Affordability and Utilities issued an announcement that the AUC was directed to pause approvals on new renewable electricity generation projects greater than one megawatt until February 29, 2024. Over this pause period, the AUC will conduct an inquiry to gather input on policy issues which is intended to support the ongoing economic, orderly and efficient development of electricity generation in Alberta. The AUC cannot issue approvals but will continue to process applications (new and existing) up to the approval stage while the pause period is in effect. Projects currently approved are not impacted. At this time, there is no impact to the post-permitted renewable power generation projects currently underway at ATCO.

CLIMATE CHANGE RESILIENCY

We carefully manage climate-related risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes and continues to evaluate ways to create greater system reliability and resiliency. When planning for capital investment or acquiring assets we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

In Canadian Utilities' Electricity Transmission and Distribution operations, grid resiliency initiatives focus on prevention, protection, and reaction. Prevention includes minimizing operational risks and ensuring system adequacy through system planning and coordination. Protection is focused on improving grid resiliency through activities such as retrofitting and vegetation management to reduce incidents that result in outages. Wildfire Management Plans include requirements to conduct annual patrols of all transmission power lines in forest protection areas. Finally, we look to restore services in the shortest possible timeframe through grid modernization, adequate contingency planning and dispatch.

In Canadian Utilities' Natural Gas Transmission and Distribution businesses, the majority of the pipeline network is underground, making it less susceptible to extreme weather events. We work with regulators to increase resiliency where appropriate through asset improvement projects. We have also mapped and continue to regularly inspect pipeline water crossings.

In our Structures & Logistics business, we look to leverage our expertise to produce high-efficiency structures in response to evolving building codes. Our modular housing units are built in factories, which reduces our emissions and environmental impact. In addition, the availability of deployable modular housing and logistical services can be an important asset when extreme weather events occur around the world.

We have streamlined our Crisis Response and Emergency Preparedness systems, and we continuously improve our ability to rapidly mobilize and effectively respond to crises globally. We incorporate learnings from responding to extreme weather events which enables us to continue to strengthen our emergency response capabilities.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the fourth quarter and full year of 2023 and 2022 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Operating costs	**635**	884	(249)	**2,529**	3,044	(515)
Depreciation, amortization and impairment	**234**	195	39	**811**	717	94
Earnings from investment in associate company	**5**	2	3	**22**	14	8
Earnings from investment in joint ventures	**21**	24	(3)	**72**	81	(9)
Net finance costs	**113**	97	16	**434**	391	43
Income tax expense	**67**	38	29	**242**	214	28

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by $249 million in the fourth quarter of 2023 compared to the same period in 2022. Lower operating costs were mainly due to higher unrealized and realized gains on derivative financial instruments, lower energy costs in ATCOenergy, decreased material costs at ATCO Structures due to the Bechtel Pluto Train II project reaching substantial completion and other projects completed in 2022, and lower franchise fees within the Natural Gas Distribution business. Lower operating costs were partially offset by ongoing operational expenses, technology costs, and increased flow-through costs.

Operating costs decreased by $515 million in the full year of 2023 compared to the same period in 2022 mainly due to the factors outlined above. Lower operating costs were partially offset by legal and other costs related to the Wipro Ltd. (Wipro) Master Services Agreements (MSAs) matter that was concluded on February 26, 2023.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $39 million and $94 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 mainly due to the Forty Mile and Adelaide wind assets acquired in January 2023 in Canadian Utilities' ATCO EnPower business, ATCO Structures' increase in global rental fleet assets, and ongoing investment in Canadian Utilities' Regulated Utilities. Additionally, an impairment of certain computer software assets not expected to be used in the business was recognized in the fourth quarter of 2023, and an impairment of certain electricity generation assets that had been removed from service as they were determined to have no remaining value was recognized in the second quarter of 2023.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer based in South America with operations in 18 port facilities and 5 port operation services businesses located in Chile, Uruguay, Argentina, Brazil, and the US.

Earnings from investment in associate company in the fourth quarter of 2023 were $3 million higher than the same period in 2022 mainly due to improved margins across operations within the portfolio of ports.

Earnings from investment in associate company in the full year of 2023 were $8 million higher than the same period in 2022 mainly due to increased ownership at Puerto Angamos and Terminal Graneles del Norte, improved margins across operations within the portfolio of ports, and favourable exchange rates.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Northland Utilities Enterprises Ltd. (NUE) electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures decreased by $3 million and $9 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 mainly due to a reversal of an impairment of an investment in the fourth quarter of 2022 in ATCO EnPower.

NET FINANCE COSTS

Net finance costs increased by $16 million and $43 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 mainly due to higher interest expense as a result of external financing related to the acquisition of the renewable energy portfolio, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by $29 million and $28 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 due to higher IFRS earnings before income taxes primarily driven by higher unrealized and realized gains on derivative financial instruments, and the accrual of income taxes relating to the 2009 to 2016 reassessment notices received from the Portuguese Tax Authority.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our diversified portfolio with a structured foundation of regulated and long-term contracted businesses. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

The following table shows the credit ratings assigned to ATCO, Canadian Utilities, CU Inc. and ATCO Gas Australia at December 31, 2023.

	DBRS	Fitch
ATCO		
Issuer	A (low)	BBB+
Canadian Utilities		
Issuer	A	A-
Senior unsecured debt	A	A-
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2	BBB
CU Inc.		
Issuer	A (high)	A-
Senior unsecured debt	A (high)	A
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2 (high)	BBB+

S&P Global Ratings has assigned Canadian Utilities' subsidiary ATCO Gas Australia [(1)] a BBB+ issuer and senior unsecured debt credit rating with a stable outlook.

(1) ATCO Gas Australia is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

On March 17, 2023, Fitch Ratings affirmed its 'BBB+' issuer rating and stable outlook on ATCO and its 'A-' issuer rating with a stable outlook on both Canadian Utilities and CU Inc.

On March 27, 2023, S&P Global Ratings affirmed Canadian Utilities' subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating and stable outlook.

At our request, on July 12, 2023, S&P Global Ratings withdrew its 'BBB+' long-term issuer credit ratings and all related debt issue ratings on ATCO and Canadian Utilities, and its 'A-' issuer credit rating and all related debt issue ratings on CU Inc. S&P will continue to rate ATCO Gas Australia on a standalone basis as an insulated subsidiary. Going forward, Fitch and DBRS will continue to rate ATCO, Canadian Utilities and CU Inc.

On July 25, 2023, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc.

On August 29, 2023, DBRS Limited affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO and its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities.

LINES OF CREDIT

At December 31, 2023, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,063**	973	2,090
Short-term committed	**316**	316	—
Uncommitted	**692**	275	417
Total	**4,071**	1,564	2,507

Of the $4,071 million in total lines of credit, $692 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,379 million in credit lines was committed with maturities between 2024 and 2027, and may be extended at the option of the lenders.

Of the $1,564 million in lines of credit used, $643 million was related to ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. The majority of the remaining usage is related to the funding of the renewable energy portfolio acquisition in ATCO EnPower, the issuance of Canadian Utilities' letters of credit, and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.

CONSOLIDATED CASH FLOW

At December 31, 2023, the Company's cash position was $288 million, a decrease of $745 million compared to December 31, 2022. Major movements are outlined in the following table:

	Three Months Ended December 31			**Year Ended December 31**		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Cash position, beginning of period	**579**	1,269	(690)	**1,033**	1,088	(55)
Cash from (used in):						
Operating activities	**545**	696	(151)	**1,965**	2,396	(431)
Investing activities	**(424)**	(550)	126	**(2,585)**	(1,496)	(1,089)
Financing activities	**(410)**	(378)	(32)	**(123)**	(953)	830
Foreign currency translation	**(2)**	(4)	2	**(2)**	(2)	—
Cash position, end of the period	**288**	1,033	(745)	**288**	1,033	(745)

Operating Activities

Cash flows from operating activities were $545 million in the fourth quarter of 2023, $151 million lower than the same period in 2022 mainly due to lower cash flows from ATCOenergy caused by timing of payables in 2022, the timing of certain revenue and expenses, partly offset by the impact of the acquisitions of Triple M and the Forty Mile and Adelaide wind assets.

Cash flows from operating activities were $1,965 million in the full year of 2023, $431 million lower than the same period in 2022 mainly due to lower prices for retail electricity and natural gas in ATCOenergy and lower cash flows in 2023 resulting from the recovery of the 2021 deferral of rate increases in 2022 in the Electricity Distribution and Natural Gas Distribution businesses, partly offset by the impact of the acquisitions of Triple M and the Forty Mile and Adelaide wind assets.

Investing Activities

Cash flows used in investing activities was $424 million in the fourth quarter of 2023, $126 million lower than the same period in 2022 mainly due to decreased capital spending in ATCO EnPower as the Carbon natural gas storage expansion project was completed and the Barlow, Deerfoot and Empress solar projects reached commercial operations throughout 2023, partially offset by timing of capital expenditures in ATCO Energy Systems.

Cash used in investing activities were $2,585 million in the full year of 2023, $1,089 million higher than the same period in 2022 mainly due to the 2023 acquisition of the Forty Mile and Adelaide wind assets, and the 2023 investments in marketable securities.

A reconciliation of capital investment to capital expenditures and information pertaining to marketable securities is summarized below.

Cash Used for Capital Investment and Capital Expenditures

Capital investment and capital expenditures for the fourth quarter and full year of 2023 and 2022 are shown in the following table.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Structures & Logistics	**43**	60	(17)	**198**	204	(6)
ATCO Corporate & Other	**11**	5	6	**28**	10	18
	54	65	(11)	**226**	214	12
Canadian Utilities						
ATCO Energy Systems						
Electricity	**180**	199	(19)	**630**	566	64
Natural Gas	**179**	185	(6)	**583**	571	12
	359	384	(25)	**1,213**	1,137	76
ATCO EnPower	**34**	64	(30)	**139**	234	(95)
CU Corporate & Other	**1**	4	(3)	**8**	12	(4)
Canadian Utilities Total Capital Expenditures [(1) (2)]	**394**	452	(58)	**1,360**	1,383	(23)
ATCO Total Capital Expenditures	**448**	517	(69)	**1,586**	1,597	(11)
Capital Expenditures in joint ventures						
ATCO Energy Systems						
Electricity	**4**	1	3	**6**	5	1
ATCO EnPower	**3**	—	3	**7**	6	1
Business Combinations						
Structures & Logistics	**5**	42	(37)	**5**	42	(37)
ATCO Corporate & Other	**—**	—	—	**6**	—	6
ATCO EnPower	**—**	—	—	**691**	—	691
Canadian Utilities Total Capital Investment [(3)]	**401**	453	(52)	**2,064**	1,394	670
ATCO Total Capital Investment [(3)]	**460**	560	(100)	**2,301**	1,650	651

(1) Includes additions to property, plant and equipment, intangibles and $6 million and $21 million (2022 - $4 million and $14 million) of capitalized interest during construction for the fourth quarter and full year of 2023.

(2) Includes $22 million and $127 million for the fourth quarter and full year of 2023 (2022 - $26 million and $178 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions and government grants.

(3) Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Total capital investment of $460 million in the fourth quarter of 2023 was $100 million lower compared to the same period in 2022 mainly due to decreased capital spending within Canadian Utilities' ATCO EnPower segment as the Carbon natural gas storage facility expansion project was completed and the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, and ATCO Structures' acquisition of Triple M Housing in the fourth quarter of 2022.

Total capital investment of $2,301 million in the full year of 2023 was $651 million higher compared to the same period in 2022 mainly due to the first quarter 2023 acquisition of the renewable energy portfolio in Canadian Utilities' ATCO EnPower segment, and ongoing capital investment in the Regulated Utilities, partially offset by decreased capital spending within ATCO EnPower as the Carbon natural gas storage facility expansion project was completed and the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, and ATCO Structures' acquisition of Triple M Housing in the fourth quarter of 2022.

Total capital expenditures of $448 million and $1,586 million in the fourth quarter and full year of 2023 were $69 million and $11 million lower compared to the same periods in 2022 mainly due to the factors outlined above with the exception of the first quarter 2023 renewable energy portfolio acquisition within ATCO EnPower, and ATCO Structures' acquisition of Triple M Housing in the fourth quarter of 2022. These business combinations are excluded from capital expenditures.

Marketable Securities

In February 2023, the Company invested excess cash of $290 million in a diversified portfolio of marketable securities, with the objective of delivering competitive returns and maintaining a high degree of liquidity. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within seven business days.

The marketable securities investments are measured at fair value. Realized gains, primarily representing interest income received of $4 million and $10 million, were recorded in the fourth quarter and full year of 2023. Unrealized gains, representing periodic temporary fluctuations in fair value measurement of $7 million and $4 million, were recognized in other costs and expenses in the fourth quarter and full year of 2023.

Financing Activities

Cash flows used in financing activities were $410 million in the fourth quarter of 2023, $32 million higher than the same period in 2022 mainly due to purchase of Class I Shares in the fourth quarter of 2023, partly offset by increased net proceeds from long-term debt issuances.

Cash flows used in financing activities were $123 million in the full year of 2023, $830 million lower than the same period in 2022 mainly due to an increase in net proceeds from long-term debt issuance, most of which was used to finance the 2023 acquisition of renewable energy portfolio of assets in ATCO EnPower, and lower repayments of short-term debt, partly offset by higher purchases of Class I Shares.

Information pertaining to financing activities is summarized below.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 31-year track record. Dividends paid to Class I and Class II Share owners totaled $53 million in the fourth quarter of 2023 and $215 million in the full year of 2023.

On January 11, 2024, the Board of Directors declared a first quarter dividend of 48.98 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Debenture Issuance

On September 20, 2023, Canadian Utilities' subsidiary CU Inc. issued $340 million of 5.088 per cent 30-year debentures. Proceeds from the issue are being used to finance capital expenditures and for other general corporate purposes.

Other Debt Issuances

On January 3, 2023, Canadian Utilities entered into an unsecured non-revolving credit facility, consisting of two $355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects. The first $355 million tranche matured on June 30, 2023. The second tranche matures on July 3, 2024 and with a payment made in December 2023 there is now $68 million remaining. Both tranches bear an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly-owned subsidiary of Canadian Utilities, entered into a limited recourse term loan of $90 million with a bank lender. The loan is secured by the assets of the borrower. The loan amortizes quarterly until final maturity on December 31, 2034, and bears interest at CDOR plus an applicable margin. To mitigate the variable interest rate risk, the borrower entered into an interest rate swap agreement to fix the interest rate at 4.88 per cent, including the applicable margin.

On June 30, 2023, Canadian Utilities issued $268 million additional long-term debt from an existing unsecured extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2025, and bears an interest rate at Canadian Overnight Repo Rate Average (CORRA) plus an applicable margin.

In July 2023, the Deerfoot Barlow Solar Limited Partnership, an indirect subsidiary of Canadian Utilities, completed a credit agreement for limited recourse project-level debt of up to $78 million with an interest rate of 3.0 per cent. As well, a funding agreement was reached for up to $13 million non-repayable grant funding.
In the fourth quarter of 2023, $56 million of debt and $9 million of grant funding was received. Subsequent to year-end, in January 2024, an additional $13 million of debt and $2 million of grant funding was received, with additional funds expected in the second quarter of 2024.

On December 4, 2023, Forty Mile Granlea Wind Limited Partnership (Forty Mile), an indirect wholly-owned subsidiary of Canadian Utilities, issued multiple series of senior secured project bonds for aggregate gross proceeds of $292 million. The project bonds are secured by the assets of the borrower. The series of bonds mature on September 30, 2033 and June 30, 2046 carrying a weighted average fixed interest rate of 5.963 per cent.

Debenture Repayments

On May 1, 2023, Canadian Utilities' subsidiary, CU Inc., repaid $100 million of 9.4 per cent debentures upon maturity.

Future Financing Alternatives

Significant opportunities for growth continue to be expected in connection with the energy transition, including existing and new opportunities within both ATCO Energy Systems and ATCO EnPower. To support this potential growth, Canadian Utilities intends to explore various financing alternatives. In the short-term we are considering partnership options. In the long-term we will continue to evaluate both private and public sources of funding. We are also considering the possibility of creating ATCO EnPower as a separate entity.

Normal Course Issuer Bid (NCIB)

We believe that, from time to time, the market price of our Class I Shares may not fully reflect the value of our business, and that purchasing Class I Shares represents a desirable use of available funds. The purchase of Class I Shares, at appropriate prices, will also minimize any dilution resulting from the exercise of stock options.

On March 13, 2023, ATCO Ltd. commenced a NCIB to purchase up to 1,014,881 outstanding Class I Shares. The bid will expire on March 12, 2024. On September 26, 2023, we amended the NCIB to increase the maximum number of Class I Shares that may be repurchased under the bid to 2,214,881 outstanding Class I Shares. No other terms of the bid changed. Between March 13, 2023 and February 27, 2024, 1,758,600 Class I Shares were purchased for $67 million.

Mid-Term Incentive Plan (MTIP)

In May 2023, the Company sold all of the 259,590 Class I shares that were held in trust for the MTIP for proceeds of $11 million.

Base Shelf Prospectus - Canadian Utilities

On September 14, 2023, Canadian Utilities filed a short-form base shelf prospectus that permits it to issue Class A non-voting shares, preferred shares and debt securities, over the 25-month life of the prospectus.

Cash Requirements

Contractual financial obligations and other commitments for the next five years and thereafter are shown below:

($ millions)	2024	2025	2026	2027	2028	2029 and thereafter
Financial Liabilities						
Accounts payable and accrued liabilities	961	–	–	–	–	–
Long-term debt:						
Principal	531	679	351	25	220	9,301
Interest expense [(1)]	491	475	426	414	407	7,542
Derivatives [(2)]	49	20	9	5	1	24
	2,032	1,174	786	444	628	16,867
Commitments						
Purchase obligations:						
Operating and maintenance agreements	545	480	464	429	399	390
Capital expenditures	354	–	–	–	–	–
Other	81	22	6	6	6	6
Other commitments	10	11	8	1	1	3
	990	513	478	436	406	399
Total	**3,022**	**1,687**	**1,264**	**880**	**1,034**	**17,266**

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2023. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2023.

SHARE CAPITAL

ATCO's equity securities consist of Class I Shares and Class II Shares.

At February 27, 2024 we had outstanding 99,733,891 Class I Shares, 12,424,987 Class II Shares, and options to purchase 2,353,600 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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.

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan 7,829,400 Class I Shares were available for issuance at December 31, 2023. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended March 31, 2022 through December 31, 2023.

($ millions, except for per share data)	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Revenues	1,358	1,104	1,058	**1,221**
Earnings attributable to Class I and Class II Shares	167	79	91	**95**
Earnings per Class I and Class II Share *($)*	1.47	0.70	0.80	**0.85**
Diluted earnings per Class I and Class II Share *($)*	1.47	0.70	0.80	**0.85**
Adjusted earnings per Class I and Class II Share *($)*	1.21	0.77	0.71	**1.13**
Adjusted earnings (loss) [(1)]				
Structures & Logistics [(1)]	22	26	28	**14**
Neltume Ports	5	5	7	**5**
ATCO Corporate & Other [(1)]	(5)	3	1	**6**
Canadian Utilities [(1)]				
ATCO Energy Systems [(1)]	120	62	58	**100**
ATCO EnPower [(1)]	8	5	4	**9**
Canadian Utilities Corporate & Other [(1)]	(13)	(14)	(17)	**(7)**
Total adjusted earnings [(1)]	137	87	81	**127**

($ millions, except for per share data)	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenues	1,311	1,161	1,158	1,348
Earnings attributable to Class I and Class II Shares	128	90	71	81
Earnings per Class I and Class II Share *($)*	1.12	0.79	0.62	0.72
Diluted earnings per Class I and Class II Share *($)*	1.12	0.79	0.62	0.71
Adjusted earnings per Class I and Class II Share *($)*	1.17	0.81	0.76	0.97
Adjusted earnings (loss) [(1)]				
Structures & Logistics [(1)]	20	19	18	4
Neltume Ports	4	4	4	2
ATCO Corporate & Other [(1)]	(6)	(3)	1	8
Canadian Utilities [(1)]				
ATCO Energy Systems [(1)]	124	82	73	100
ATCO EnPower [(1)]	4	6	6	3
Canadian Utilities Corporate & Other [(1)]	(12)	(16)	(15)	(7)
Total adjusted earnings [(1)]	134	92	87	110

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Our financial results for the previous eight quarters reflect the cyclical demand for workforce housing and seasonality with our space rental products and services in ATCO Structures and ATCO Frontec, cargo volumes and margins at Neltume Ports, and in Canadian Utilities, the timing of utility regulatory decisions, and the seasonal nature of demand for natural gas and electricity.

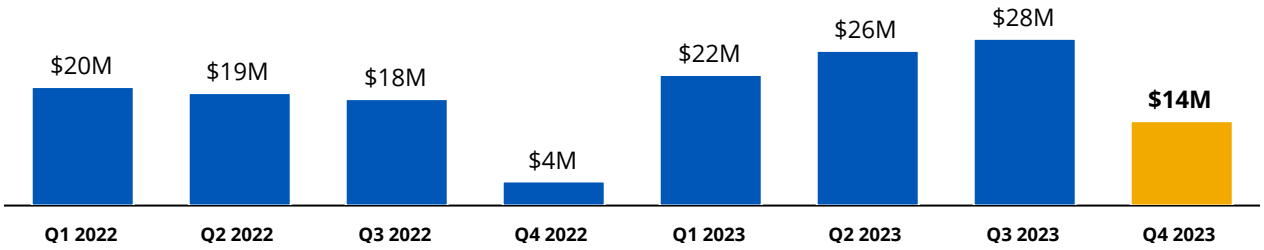
STRUCTURES & LOGISTICS [(1)]

In the first quarter of 2023, adjusted earnings were higher compared to the same period in 2022 mainly due to earnings from Triple M Housing acquired in December 2022, increased space rentals performance in most geographies for ATCO Structures, and earnings from ATCO Frontec's North Warning System contract. Earnings were partially offset by ATCO Structures' lower workforce housing rental activity in Canada and the US and lower workforce housing trade activity due to substantial used fleet sales and installation activity in 2022 in Australia and Canada, and start-up costs on ATCO Frontec's Pogo Mine project and the closure of the Trans Mountain Clearwater camp.

In the second quarter of 2023, adjusted earnings were higher than the same period in 2022. Higher adjusted earnings were mainly due to strong business performance driven by increased space rentals activity in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022, and earnings from ATCO Frontec's North Warning System contract. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, ATCO Frontec's prior year earnings from the UK Training Camp Exercise project conducted in the second quarter of 2022, and higher operating costs on ATCO Frontec's Pogo Mine project.

In the third quarter of 2023, adjusted earnings were higher than the same period in 2022. Higher adjusted earnings were mainly due to strong business performance driven by increased space rentals performance in most geographies for ATCO Structures, and earnings from Triple M Housing acquired in December 2022. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, and higher operating costs on ATCO Frontec's Pogo Mine project.

In the fourth quarter of 2023, adjusted earnings were higher compared to the same period in 2022 mainly due to strong business performance driven by increased space rentals and workforce housing performance in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, and lower workforce housing rental activity in Canada.



(1) Adjusted earnings for Structures & Logistics is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

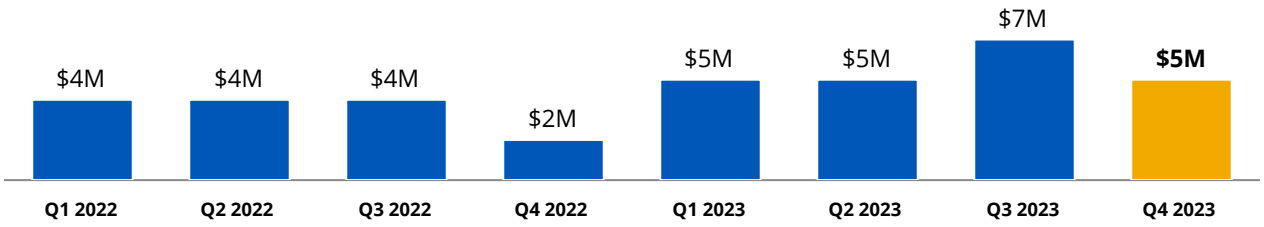
NELTUME PORTS

In the first quarter of 2023, adjusted earnings were higher than the same period in 2022 due to favourable foreign exchange rates during the quarter.

In the second quarter of 2023, adjusted earnings were higher compared to the same period in 2022 mainly due to favourable foreign exchange rates, and increased ownership at Puerto Angamos and Terminal Graneles del Norte.

In the third quarter of 2023, adjusted earnings were higher compared to the same period in 2022 mainly due to favourable foreign exchange rates, increased ownership at Puerto Angamos and Terminal Graneles del Norte, and timing of certain revenues and expenses.

In the fourth quarter of 2023, adjusted earnings were higher compared to the same period in 2022 mainly due to improved margins across operations within the portfolio of ports.



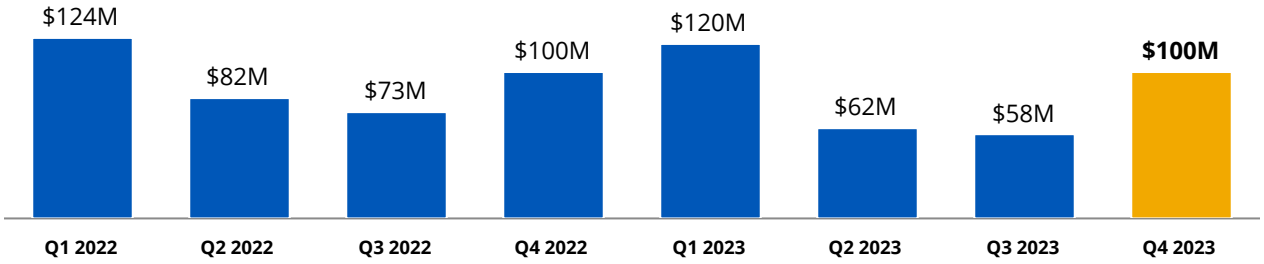
CANADIAN UTILITIES

ATCO Energy Systems [1]

In the first quarter of 2023, adjusted earnings were lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and the impact of inflation indexing on rate base in 2022 and higher rates and increased system volumes in International Natural Gas Distribution.

In the second and third quarters of 2023, adjusted earnings were lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, partially offset by increased system volumes.

In the fourth quarter of 2023, adjusted earnings were comparable to the same period in 2022.



(1) Adjusted earnings for ATCO Energy Systems is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

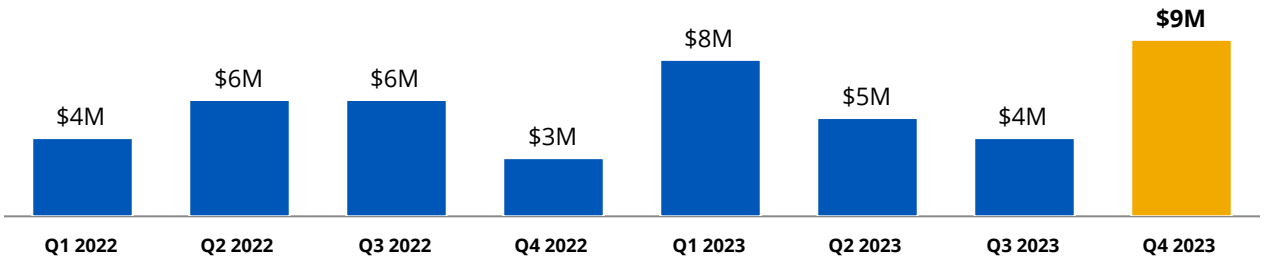
ATCO EnPower [1]

In the first quarter of 2023, adjusted earnings were higher than the same period in 2022 mainly due to earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, and higher earnings from the Alberta Hub and Carbon natural gas storage facilities, partially offset by higher project development costs in Australia.

In the second quarter of 2023, adjusted earnings were lower than the same period in 2022 mainly due to the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, the timing of project development costs, and the loss of earnings attributable to non-regulated electricity and natural gas transmission activities which were recorded in ATCO Energy Systems in 2023, partially offset by earnings from the Forty Mile and Adelaide wind assets acquired in January 2023.

In the third quarter of 2023, adjusted earnings were lower than the same period in 2022 mainly due to lower demand for natural gas storage services, partially offset by the timing of project development costs.

In the fourth quarter of 2023, adjusted earnings were higher than the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in 2023, earnings from the solar assets energized in 2023, a non-recurring recovery in the fourth quarter of 2023, and higher project development costs incurred in 2022, largely in Australia. Higher earnings were partially offset by the loss of earnings attributable to non-regulated electricity and natural gas transmission activities which were recorded in ATCO Energy Systems in 2023.



(1) Adjusted earnings for ATCO EnPower is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. They also include one-time gains and losses, impairments, and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the proceeding.
- To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In the first quarter of 2022, the Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the workplace COVID-19 vaccination standard.
- On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $3 million (after-tax and non-controlling interests). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.
- In the fourth quarter of 2022, a reversal of impairment of $2 million (after-tax and non-controlling interests) was recorded mainly related to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the first quarter of 2023, the Company recognized legal and other costs of $5 million (after-tax and non-controlling interests) related to the early termination of the Wipro MSAs for managed IT services. This matter was concluded on February 26, 2023.
- In the second quarter of 2023, the Company recognized an impairment of $4 million (after-tax and non-controlling interests) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service as it was determined that they no longer had any remaining value.
- In the fourth quarter of 2023, the Company recognized an impairment of $19 million (after-tax and non-controlling interests) of certain computer software assets which are not expected to be used in the Company.
- In the fourth quarter of 2023, the Company accrued income taxes and interest of $15 million relating to the 2009-2016 reassessment notices received from the Portuguese Tax Authority.

BUSINESS RISKS AND RISK MANAGEMENT

The Board is responsible for understanding the principal risks of the businesses in which the Company is engaged. The Board also must achieve a prudent balance between risks incurred and the potential return to share owners. It must confirm controls are in place that effectively monitor and manage those risks for the Company's long-term viability.

The Board has an Audit & Risk Committee, which reviews significant risks associated with future performance and growth. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

We have an established enterprise risk management process that allows us to identify and evaluate our risks by both severity of impact and probability of occurrence. Materiality thresholds are reviewed annually by the Audit & Risk Committee. Non-financial risks that may have an impact on the safety of our employees, customers or the general public and reputation risks are also evaluated. Details regarding business risks, both financial and operational, and our risk management approach are discussed below.

FINANCIAL RISKS

Project Execution / Capital Investment

DESCRIPTION AND CONTEXT

Having multiple growth projects and an aggressive growth strategy could strain the Company's ability to deliver projects on time and on budget. This could lead to financial impacts and missed opportunities. Poorly managed projects could result in project deliverables not being achieved or delivered as expected, which could lead to a loss of market confidence and future partners.

The Company is subject to normal risks associated with major capital projects, including cancellations, delays, and cost increases. As it relates to the Company's energy transition investments, the Company faces additional risks, including policy uncertainty, the pace of energy transition, commodity and environmental attribute price risk, and climate-related risks.

RISK MANAGEMENT APPROACH

The Company attempts to reduce the risks of project delays and cost increases through careful project feasibility, development and management processes, reliable procurement practices and entering into fixed price contracts when possible.

International Natural Gas Distribution's planned capital investment is approved by the regulator. Planned capital investments for the Alberta Utilities are based on the following significant assumptions: projects identified by the Alberta Electric System Operator will proceed as currently scheduled; the remaining planned capital investments are required to maintain safe and reliable service and meet planned growth in the Alberta Utilities' service areas; regulatory approval for capital projects can be obtained in a timely manner; and access to capital market financings can be maintained.

The Company reduces risks associated with policy uncertainty, the pace of energy transition, commodity and environmental attribute price risk, and climate-related risks by leveraging our competitive advantages and assigning clear accountability and leadership for executing and realizing capital investment. Planned capital investments for ATCO EnPower are based on the following significant assumptions: a diversified approach to business development focused on multiple pillars (energy storage, clean fuels, and renewables) and development in areas closest to economic feasibility; ensuring long-term assets are matched with appropriate customer offtake agreements with investment grade counterparties; pursuing projects in markets where fundamentals and competitive advantages enable us to be successful; and self-performing or working with Engineering, Procurement and Construction firms and partners to ensure construction activities are completed by parties with the competencies to ensure successful project delivery. The Company believes these assumptions are reasonable.

Commodity Price

DESCRIPTION AND CONTEXT

Retail Energy's earnings are affected by short-term price volatility.

ATCO EnPower's natural gas storage facility in Carbon, Alberta, and the Alberta Hub natural gas storage facility near Edson, Alberta, are exposed to storage price differentials. The growth of ATCO EnPower's renewable electricity business has increased exposure to merchant power markets.

RISK MANAGEMENT APPROACH

In conducting its business, the Company may use various instruments, including forward physical contracts, financial swaps, energy or PPAs, and storage service contracts to manage the risks arising from fluctuations in commodity prices.

To manage its exposure to natural gas storage spreads, the Company uses a combination of storage service contracts to lease space and to capture future storage spreads.

Financing

DESCRIPTION AND CONTEXT

The Company's financing risk relates to price volatility and availability of external financing to fund the Company's capital expenditure program and refinance existing debt maturities. Financing risk is directly influenced by market factors. As financial market conditions change, these risk factors can affect the availability of capital and the relevant financing costs.

RISK MANAGEMENT APPROACH

To address this risk, the Company manages its capital structure to maintain strong investment grade credit ratings that allow continued ease of access to the capital markets. The Company also considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. This liquidity is generated by cash flows from operations and supported by appropriate levels of cash and available committed credit facilities.

Liquidity

DESCRIPTION AND CONTEXT

Liquidity risk is the risk that the Company will not be able to meet its financial obligations.

RISK MANAGEMENT APPROACH

Cash flow from operations satisfies a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through bank borrowings and the issuance of long-term debt, preferred shares, and common equity. Commercial paper borrowings and short-term bank loans under available credit lines are used to provide flexibility in the timing and amounts of long-term financing. At December 31, 2023, the Company's cash position was approximately $0.3 billion and there were available committed and uncommitted lines of credit of approximately $2.5 billion, which can be utilized for general corporate purposes.

Liquidity risk includes contractual financial obligations, which the Company plans to meet with cash flow from operations, existing cash balances and external financing, if necessary. See the "Liquidity and Capital Resources" section of this MD&A for the Company's contractual financial obligations for the next five years and thereafter.

Credit

DESCRIPTION AND CONTEXT

For cash and cash equivalents and accounts receivable and contract assets, credit risk represents the carrying amount on the consolidated balance sheet. Derivative and finance lease receivable credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. The maximum exposure to credit risk is the carrying value of loans and receivables and derivative financial instruments.

RISK MANAGEMENT APPROACH

The Company reduces cash and cash equivalents credit risk by investing in instruments issued by credit-worthy financial institutions and in federal government-issued short-term instruments.

The Company minimizes other credit risks by dealing with credit-worthy counterparties, following established credit approval policies, and requiring credit security, such as letters of credit.

Geographically, a significant portion of accounts receivable and contract assets are from the Company's operations in Alberta, followed by operations in Australia. The largest credit risk concentration is from the Alberta Utilities, which are able to recover an estimate for doubtful accounts through approved customer rates and to request recovery through customer rates for any material losses from the retailers beyond the retailer security mandated by provincial regulations. The second largest concentration of credit risk is within the ATCO Structures & Logistics business segment. The counterparties' financial quality is monitored regularly to ensure appropriate mitigation of credit risk.

Foreign Exchange

DESCRIPTION AND CONTEXT

The Company's earnings from, and carrying values of, its foreign operations are exposed to fluctuations in exchange rates. The Company is also exposed to transactional foreign exchange risk through transactions denominated in a foreign currency.

RISK MANAGEMENT APPROACH

In conducting its business, the Company may use forward contracts to manage the risks arising from unknown fluctuations in exchange rates. Such instruments are used only to manage risk and not for trading purposes. The foreign exchange impact is partially offset by foreign denominated financing and by hedging activities. The Company manages this risk through its policy of matching revenues and expenses in the same currency. When matching is not possible, the Company may utilize foreign currency forward contracts to manage the risk.

Interest Rate

DESCRIPTION AND CONTEXT

The interest rate risk faced by the Company is largely a result of its long-term debt at variable rates as well as cash and cash equivalents. The Company also has exposure to interest rate movements that occur beyond the term of maturity of the fixed-rate investments.

RISK MANAGEMENT APPROACH

In conducting its business, the Company may use swap agreements to manage the risks arising from fluctuations in interest rates. All such instruments are used only to manage risk and not for trading purposes. The Company has converted certain variable rate long-term debt to fixed rate debt through interest rate swap agreements. At December 31, 2023, the Company had fixed interest rates, either directly or through interest rate swap agreements,

on 94 per cent (2022 - 97 per cent) of total long-term debt. Consequently, the Company's exposure to fluctuations in future cash flows, with respect to debt, from changes in market interest rates is limited. The Company's cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature.

Inflation Risk

DESCRIPTION AND CONTEXT

Inflation has the potential to impact the economies and business environments in which the Company operates. Increased inflation and any economic conditions resulting from governmental monetary policy intended to reduce inflation may negatively impact demand for products and services and/or adversely affect profitability.

RISK MANAGEMENT APPROACH

The Company monitors the impacts of inflation on the procurement of goods and services and seeks to minimize its effects in future periods through pricing strategies, productivity improvements, and cost reductions. The majority of the impact on costs resulting from inflation is mitigated through the regulatory construct, long-term contractual terms, and pricing of short-term contractual sales. The Company maintains strong investment grade ratings, which helps mitigate the risk of higher interest costs, and the vast majority of the Company's outstanding debt carries fixed rate interest, which helps to alleviate the impact of increasing short-term interest rates.

OPERATIONAL RISKS

Health and Safety

DESCRIPTION AND CONTEXT

The operation of the Company's businesses inherently involves risk to the health and safety of both employees and the public. Such hazards include but are not limited to: the uncontrolled release of substances from our natural gas transmission and distribution systems resulting in blowouts, fires, explosions, or gaseous leaks; and exposure to an unintended release of electrical energy from our transmission and distribution wires system, including contact with an energized circuit, electrical component, or equipment.

The failure to identify or inadequately identify worksite and/or work environment hazards or implement adequate controls may cause loss of life or personal injury.

RISK MANAGEMENT APPROACH

Safety is one of the Company's core values and is the first consideration in everything we do. The Company has controls in place to mitigate these risks through pipeline and facility integrity programs, inspection programs, operator training, emergency response full mobilization and tabletop exercises, mutual aid agreements (with others in industry and municipalities), external awareness and education training through its damage prevention department.

The Company has a number of safety programs, specialized training, detailed work methods and processes to ensure the safety of our employees and contractors as they perform their work duties to help mitigate these risks. From a public safety perspective, the Company participates in a number of public communication campaigns and joint utility working groups and various other public safety activities and campaigns at the regional level.

Cybersecurity

DESCRIPTION AND CONTEXT

The Company's reliance on technology, which supports its information and industrial control systems, is subject to potential cyber-attacks, which may include but are not limited to: unauthorized access of confidential information, outage of critical infrastructure and/or ransomware attacks.

RISK MANAGEMENT APPROACH

The Company has an enterprise-wide cybersecurity program covering all technology assets. The cybersecurity program includes employee awareness, layered access controls, continuous monitoring, network threat detection, and coordinated incident response through a centralized security operations centre. The Company's cybersecurity management is consolidated under a common, centralized organization structure to increase effectiveness and compliance across the entire enterprise.

Regulatory

DESCRIPTION AND CONTEXT

The Regulated Utilities are subject to risks associated with the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base. The Regulated Utilities are also subject to the potential risk of the regulator disallowing costs incurred. Electricity Distribution and Natural Gas Distribution operate under PBR. Under PBR, the Regulated Utilities' revenues are formula driven, which raises the uncertainty of cost recovery. In Australia, the ERA assesses appropriate returns, prudent levels of operating costs, capital expenditures and expected throughput on the network through an access arrangement proceeding.

RISK MANAGEMENT APPROACH

The Regulated Utilities file forecasts in the rate-setting process to recover the costs of providing services and earn a fair rate of return. The determination of a fair rate of return on the common equity component of rate base is determined in a GCOC proceeding in Alberta and a rate of return instrument review process, which is then adopted in subsequent access arrangement proceedings, in Australia. The Regulated Utilities continuously monitor various regulatory decisions and cases to assess how they might impact the Company's regulatory applications for the recovery of costs. The Regulated Utilities are proactive in demonstrating prudence and continuously look for ways to lower operating costs while maintaining service levels.

Climate Change

DESCRIPTION AND CONTEXT - POLICY RISKS

The Company has operations in several jurisdictions that are subject to emissions regulations, including carbon pricing, output-based performance standards, and other emissions management policies.

The potential of aggressive shifts in government decarbonization policies with limited transitional periods could create risk as well as concerns over the energy transition being completed in an effective, reliable and affordable manner. Future reliability of energy systems has also become a concern for system regulators and operators.

Part of the Company's growth strategy is taking a leadership role in the energy transition and associated projects. A lack of clarity on proposed regulations and funding creates revenue uncertainty for these projects.

ATCO Structures' rental fleet has historically played an important role in servicing large industries such as the oil and gas industry. Provincial and federal climate policies that adversely impact the economic viability of these operations present an under-utilized asset risk to rental fleet assets in the short- to medium-term.

RISK MANAGEMENT APPROACH - POLICY RISKS

The Company's exposure to climate change policy risks is mitigated to some extent for the Regulated Utilities because GHG emission charges are generally recovered in rates. In addition, future requirements, such as upgrading equipment to further reduce methane emissions in the natural gas utilities, are expected to be included in rate base on a go-forward basis.

The Company is actively and constructively working with all levels of government to ensure the impacts and costs of proposed policy changes and pace of energy transition are identified and understood. Where appropriate, the Company is also working with its peers and industry associations to develop common positions and strategies.

The Company is targeting climate change resilient investments and is working with different levels of government and Indigenous communities on the opportunities, policy needs, market access, and funding requirements for projects that help support climate action.

ATCO Structures' businesses are further mitigating risk through the diversification of customers, industry, geography, and end use of products, including the pursuit of four main business lines: space rentals, workforce housing, permanent modular construction and residential housing.

DESCRIPTION AND CONTEXT - PHYSICAL RISKS

Physical risks associated with climate change may include an increase in extreme weather events such as heavy rainfall, floods, wildfires, extreme winds, and ice storms, or changing weather patterns that cause ongoing impacts to seasonal temperatures. Assets across all of ATCO's and Canadian Utilities' businesses are exposed to extreme weather events.

RISK MANAGEMENT APPROACH - PHYSICAL RISKS

The Company continues to carefully manage physical risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes, continues to evaluate ways to create greater system reliability and resiliency and, where appropriate, submits regulatory applications for capital expenditures aimed at creating greater system reliability and resiliency.

Prevention activities include vegetation management for electricity transmission and distribution operations, as well as burying power lines in select areas. The majority of the Company's natural gas pipeline network is in the ground, making it less susceptible to extreme weather events.

The Company maintains in-depth emergency response measures for extreme weather events, including robust Wildfire Management Plans. When planning for capital investment or acquiring assets, site specific climate and weather factors, such as flood plain mapping and extreme weather history, are considered. The Company is also exposed to extreme weather events in Puerto Rico, but the risk is limited to operating activities as the Company does not own the transmission and distribution assets located there.

These are the material climate-related risks facing the Company. For more detailed information on additional climate-related risks please refer to the "Sustainability, Climate Change and Energy Transition" section of this MD&A.

Pipeline Integrity

DESCRIPTION AND CONTEXT

Natural Gas Transmission, Natural Gas Distribution and International Gas Distribution have significant pipeline infrastructure. Although the probability of a pipeline failure is very low, the consequences of a failure could be severe.

RISK MANAGEMENT APPROACH

Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines or pipeline infrastructure as required to address safety, reliability, and future growth. These programs include Natural Gas Transmission's integrity programs, and Natural Gas Distribution's and International Natural Gas Distribution's Mains

Replacement programs. The Company also carries property and liability insurance. The Company actively engages in damage prevention initiatives including proactive direct engagement with the building and excavation communities. The Company also promotes ground disturbance and excavation safety to homeowners and the excavation community.

Political

DESCRIPTION AND CONTEXT

The Company's operations are exposed to a risk of change in the business environments in which we operate due to political and legislative changes. Legislative or policy changes may impact the financial performance of operations. This could negatively impact earnings, return on equity and assets, and credit metrics.

RISK MANAGEMENT APPROACH

Participation in policy consultations with governments and engagement of stakeholder groups ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company works with its peers and industry associations to develop common positions and strategies. Geographic diversification of assets by region and by country reduces the impact of political and legislative changes.

Reputation

DESCRIPTION AND CONTEXT

The Company's operations and growth prospects require strong relationships with key stakeholders, including regulators, governments and agencies, Indigenous communities, landowners, and environmental organizations. Inadequately managing expectations and issues important to stakeholders, including those arising during construction of major capital projects and operation of critical energy infrastructure, could affect the Company's reputation as well as have a significant impact on its operations and infrastructure development.

There is risk of non-compliance with the Company's internal policies, including its Code of Conduct, or anti-bribery and anti-corruption laws by the Company's employees, affiliates, independent contractors and/or agents, which may potentially lead to reputational damage, in addition to fines, penalties, or litigation.

Any accusation of poor operational, leadership, or governance actions and/or practices that may be levelled against the Company could create reputational risk for the Company, even in respect of issues or events that are largely outside of our control, including but not limited to: protests, activist activity, sabotage, terrorism, failure of supply, weather, catastrophic events and natural disasters, fires, floods, explosions, earthquakes and other similar events, government policy, economic and/or social circumstances, and/or actions of third parties, which may affect safety or quality of life of citizens.

Customers' monthly utility bills are made up of several components and it can be difficult to isolate the portions between the various rate drivers. This can lead to customer confusion and lack of understanding of the components of the bill and the various drivers of bill increases. Any such confusion may have reputational and/or financial impacts on the Company.

RISK MANAGEMENT APPROACH

To address these risks, the Company has robust frameworks, practices, and training programs for employees in place with respect to operations and maintenance, safety, whistleblower complaints, governance, and community engagement. The Company will continue to ensure a rapid and effective operational response is in place when responding to fires, line strikes, extreme weather events or similar events that may affect our services. The Company prepares communication plans and key messages for customers and media as rate changes are approved by the regulator and ready to be applied to the customers' bills. These plans address the specific reasons and drivers for changes in rates.

The Company's Marketing & Communications team is engaged at the outset on all customer-facing initiatives and issues ensuring information is accurate, clear and concise to minimize negative perception by customers. The Company also allocates resources and personnel to support public consultation around capital work, educational safety campaigns and business development efforts.

The Company has a strong focus on community investment and communications efforts ensuring the Company's commitment to being a positive contributor to our community is demonstrable to the public and our customers.

Other Operational Risks

DESCRIPTION AND CONTEXT

The Company's operations are subject to the risks normally associated with the operating and development of power systems and facilities, the storage and transportation of natural gas, and manufacturing. These can include, without limitation; mechanical failure, transportation problems, physical degradation, operator error, manufacturer defects, constraints on natural resource development, delay of or restrictions on projects due to climate change policies and initiatives, protests, activist activity, sabotage, terrorism, failure of supply, weather, catastrophic events and natural disasters, fires, floods, explosions, earthquakes, and other similar events. These types of events could result in injuries to personnel, third parties, including the public, damage to property and the environment, as well as unplanned outages or prolonged downtime for maintenance and repair. Among other things, these events typically increase operational and maintenance expenses and reduce revenues. The occurrence or continuation of any of these events could result in significant losses for which insurance may not be sufficient or available. Environmental damage could also result in increased costs to operate and insure the Company's assets and have a negative impact on the Company's reputation and its ability to work collaboratively with stakeholders.

RISK MANAGEMENT APPROACH

To mitigate these risks, the Company has policies and an associated system of standards, processes and procedures to identify, assess and mitigate safety, operational and environmental risks across our operations. In addition, the Company maintains a comprehensive insurance program in respect of our assets and operations. The occurrence of an event that is not fully covered by our insurance program could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Third Party Risk

DESCRIPTION AND CONTEXT

Certain of the Company's assets are jointly owned and are governed by partnership, joint venture, or shareholder agreements entered into with third parties. As a result, certain decisions relating to these assets require the approval of a simple or special majority of the partners or owners, while others require unanimous approval of the owners. In addition, certain of these assets are constructed, maintained, and operated by unrelated third-party entities. The success of these assets is, to some extent, dependent on the effectiveness of the business relationship and decision-making among the Company and the other partner(s) or owner(s) and the expertise and ability of any third-party constructors, material suppliers, consultants and operators to operate and maintain the assets. There can be no assurance that the Company will not encounter disputes with partners or owners or that assets operated by third parties may not perform as expected. Such events could impact operations or cash flows of these assets or cause them to not operate as the Company expects, which could, in turn, have a negative impact on the Company's business operations and financial performance.

RISK MANAGEMENT APPROACH

The Company believes that it has prudent governance and other contractual rights in place, along with robust third-party selection due diligence to help mitigate third party risk, reduce the likelihood of disputes and ensure assets operated by third parties perform as expected.

Technological Transformation and Disruption

DESCRIPTION AND CONTEXT

The introduction and rapid, widespread adoption of transformative technology could lead to disruption of the Company's existing business models and introduce new competitive market dynamics. Failure to effectively identify and manage disruptive technology and/or changing consumer attitudes and preferences may result in disruptions to the business and an inability to achieve strategic and financial objectives.

RISK MANAGEMENT APPROACH

The strategic plans of each business unit incorporate transformative technology into the evolution of their business and ensure that the best available technology is deployed to support current state operational efficiency and reliability. The business seeks opportunities to minimize costs by monitoring trends occurring in other jurisdictions that may be ahead of the technological curve.

Indigenous Land Claims and Consultation

DESCRIPTION AND CONTEXT

Indigenous peoples assert and claim, or have established, Aboriginal and/or Treaty rights and/or Aboriginal title in relation to a substantial portion of the lands and waters in Canada and the United States where the Company operates.

There is a risk of project delays and relationship challenges caused by changes to consultation and engagement policies and expectations at the community, provincial and federal levels. In addition, on June 21, 2021, Canada's United Nations Declaration on the Rights of Indigenous Peoples Act (the UNDRIP Act) received Royal Assent and came into force. The UNDRIP Act provides a roadmap for the Government of Canada and Indigenous peoples to work together to implement the United Nations Declaration on the Right of Indigenous Peoples (the UN Declaration) based on lasting reconciliation, healing, and cooperative relations. On June 21, 2023, the United Nations Declaration Act Action Plan (the Action Plan), developed in consultation with Indigenous peoples from across Canada, was released. The implementation of the UNDRIP Act and the Action Plan will contribute to the Government of Canada's continued efforts to break down barriers, combat systemic racism and discrimination, close socio-economic gaps, and promote greater equality and prosperity for Indigenous peoples. The impact of the UNDRIP Act and the Action Plan and how they will be implemented and interpreted as part of Canadian law is still unknown, and therefore the Company is unable to assess the effect, if any, that any land claims, consultation requirements with Indigenous peoples or the implementation of the UNDRIP Act and the Action Plan may have on the Company's business; however, the impact could have a material adverse effect on the Company's operations.

The Company has a long history of successful partnerships with Indigenous communities with over 40 current partnerships, however, more effort needs to be undertaken to truly engage and include Indigenous communities into the economy. Indigenous communities throughout the areas of Canada where the Company operates have indicated their desire for this inclusion and participation in energy infrastructure ownership.

RISK MANAGEMENT APPROACH

As this is an emerging issue, the Company continues to evaluate the risks and opportunities. It is evident to the Company that the desire for Indigenous energy autonomy and ownership is increasing, so it is imperative that the Company evaluates options, educates key parties on the regulatory, financial and operational risks, and determines our stance and goals for these engagements. The Company views a proactive approach as our best strategy to continue to be front runners in the Indigenous equity space and to outpace Government of Canada expectations.

Workforce Retention

DESCRIPTION AND CONTEXT

Should the Company face a low level of retention in its workforce, especially within critical roles, this could result in a shortage of personnel that may hamper Company operations and negatively impact the ability of the Company to meet its business objectives.

RISK MANAGEMENT APPROACH

The Company's investment in our people provides an attractive environment that fosters retention. The Company continuously reviews and enhances its people resourcing and management strategy. This includes enhancing ATCO branding and highlighting our Company values, building strong partnerships with educational institutions to attract new graduates and co-operative education students, aligning total rewards, including compensation, benefits, pension and employee share purchase programs, with market practice, and delivering orientation and onboarding for cultural and strategy awareness. We promote and support the development of our people, complete succession and development planning annually with a significant focus on critical roles and skills, and provide leadership training for leaders and individual development programs for all employees. The annual performance management program facilitates discussions on annual goals, development plans and career planning.

To promote a culture of inclusiveness we have established an active Diversity, Equity and Inclusion (DE&I) Council and a Well-being@ATCO program, and we continue to build an environment where people feel safe (physically and psychologically), have equal opportunity, and feel included. To understand more deeply the risks to retention, exit interviews are conducted and an annual employee engagement survey is conducted, in which 90 per cent of our employees participated in 2023. Results are reviewed to inform areas of risk and engagement action plans are developed by leaders to address risks. As a result, the Company's retention rates continue to be at or higher than global benchmarks in a majority of the industries in which we operate.

Labour Relations

DESCRIPTION AND CONTEXT

Most of the Company's business units employ members of associations or labour unions under collective bargaining agreements. Should any developments result in a strained relationship with any of our associations and/or labour unions and/or work interruptions involving the Company's workforce, this could create risk for our businesses, which may result in increased grievances, arbitrations, and/or collective bargaining, which may impede our ability to make progress on our business agenda.

RISK MANAGEMENT APPROACH

The Company has dedicated labour relations resources which focus on resolving issues, grievances and arbitrations. The Company ensures all Human Resources Business Partners and business leaders who manage large in-scope employee populations attend labour relations training to provide practical day-to-day knowledge of our collective agreements and to develop capability in the areas of performance management and investigations. The Company is committed to early and open dialogue with our associations and labour unions regarding business changes and employee impacts in order to maintain a mutually beneficial relationship. Two of our larger associations, Canadian Energy Workers Association (CEWA) and Natural Gas Employees' Association (NGEA), have collective bargaining agreements that do not provide bargaining unit employees with the right to strike and that prohibit lock-outs by management.

Litigation and Claims

DESCRIPTION AND CONTEXT

In the ordinary course of business, the Company or entities in which it has an interest may be subject to demands, disputes, proceedings, arbitrations and/or litigation (Claims) arising out of or related to our operations and other contractual relationships, and any such Claims may be material. Due to the nature of our operations, various types of Claims may be raised, including, but not limited to, failure to comply with applicable laws and regulations including health and safety, environmental damage, climate change and the impacts thereof, breach of contract, negligence, product liability, antitrust, bribery and other forms of corruption, tax, disclosure, securities class actions, derivative actions, patent infringement, privacy, employment matters or labour relations, personal injury, and in relation to a cyber attack, breach or unauthorized access to the Company's information technology and infrastructure. Litigation is subject to uncertainty, and it is possible that Claims could result in unfavourable judgments, decisions, fines, sanctions, monetary damages, temporary or permanent suspensions of operations, or the inability to engage in certain transactions. In addition, unfavourable outcomes or settlements of Claims could encourage further Claims. The Company may also be subject to adverse publicity and reputational impacts associated with such matters, regardless of whether the Company is ultimately found liable. There is a risk that the outcome of any such Claims may be materially adverse to the Company and/or that the Company may be required to incur significant expenses or devote significant resources in defence of such Claims, the success of which cannot be guaranteed.

RISK MANAGEMENT APPROACH

The Company reviews all Claims it receives, including the nature of each Claim, the amount in dispute or claimed and the availability of insurance coverage, and allocates internal or external resources in defence of such Claims, as it deems appropriate.

Pandemic Risk

DESCRIPTION AND CONTEXT

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and/or disruptions, inflation risk, labour shortages and/or shutdowns as a result of government regulation and prevention measures. These impacts could increase strain on employees and compromise levels of customer service, either of which could have a negative impact on the Company's operations.

Any deterioration in general economic and market conditions resulting from a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk, any of which could have a negative impact on the Company's business.

RISK MANAGEMENT APPROACH

The Company's investments in essential services are largely focused on our Regulated Utilities and long-term contracted businesses with strong counterparties, creating a resilient investment portfolio. ATCO has a comprehensive pandemic plan that is activated when a pandemic is declared. The plan includes travel restrictions, limited access to facilities, a direction to work from home whenever possible, physical distancing measures and other protocols (including the use of personal protective equipment while at a work premise). Additionally, the Company follows recommendations by local, provincial and national public health authorities in Canada and in other jurisdictions around the world in which we operate to adjust operational requirements as needed to ensure a coordinated approach across the Company.

OTHER FINANCIAL AND NON-GAAP MEASURES

This MD&A contains various "total of segments measures" (as such term is defined in NI 52-112), and "non-GAAP financial measures" (as such term is defined in NI 52-112), which are described in further detail below.

Total of Segments Measures

NI 52-112 defines a "total of segments measure" as a financial measure disclosed by an issuer that is a subtotal or total of two or more reportable segments of an entity, is not a component of a line item disclosed in the primary financial statements of the entity, is disclosed in the notes to the financial statements of the entity, and is not disclosed in the primary financial statements of the entity.

Consolidated adjusted earnings (loss) and adjusted earnings (loss) for each of Structures & Logistics, ATCO Corporate & Other, Canadian Utilities Limited, ATCO Energy Systems, ATCO EnPower and Canadian Utilities Corporate & Other are total of segments measures, as defined in NI 52-112.

Non-GAAP Financial Measures

NI 52-112 defines a "non-GAAP financial measure" as a financial measure disclosed by an issuer that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

All references to capital investment, and references to adjusted earnings (loss) for each of ATCO Structures, ATCO Frontec, Electricity Distribution, Electricity Transmission, International Electricity Operations, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, International Natural Gas Distribution, Total Natural Gas, Electricity Generation and Storage & Industrial Water, are non-GAAP financial measures, as defined in NI 52-112.

Adjusted earnings (loss) are defined as earnings (loss) attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings (loss) also exclude one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings (loss) present earnings (loss) from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Adjusted earnings (loss) are presented in Note 3 of the 2023 Consolidated Financial Statements. Adjusted earnings (loss) per Class I and Class II Share are calculated by dividing adjusted earnings (loss) by the weighted average number of shares outstanding for the period.

Adjusted earnings (loss) are most directly comparable to earnings (loss) attributable to Class I and Class II Shares but is not a standardized financial measure under the reporting framework used to prepare our financial statements. Adjusted earnings (loss) may not be comparable to similar financial measures disclosed by other issuers. Management's view is that adjusted earnings (loss) are a key measure of segment earnings (loss) that are used to assess segment performance and allocate resources and allow for a more effective analysis of operating performance and trends. For investors, adjusted earnings (loss) may provide value as they exclude items that are not in the normal course of business and, as such, provide insight as to earnings (loss) resulting from the issuer's usual course of business. A reconciliation of adjusted earnings (loss) to earnings (loss) attributable to Class I and Class II Shares is presented in this MD&A.

Total of segments measures are most directly comparable to total earnings (loss) attributable to Class I and Class II Shares. Comparable total of segments measures for the same period in 2022 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings (loss) attributable to Class I and Class II Shares is presented in this MD&A.

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. Capital expenditures include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Capital investment is most directly comparable to capital expenditures. Capital investment is not a standardized financial measure under the reporting framework used to prepare our financial statements. Capital investment may not be comparable to similar financial measures disclosed by other issuers. Management views capital investment as the Company's total cash investment in assets. For investors, capital investment is useful because it identifies how much cash is being used to acquire and invest in assets. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Adjusted earnings (loss) are earnings (loss) attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings (loss) also exclude one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings (loss) are a key measure of segment earnings (loss) that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings (loss) allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings (loss). Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

($ millions)

Three Months Ended December 31

	ATCO Ltd.							
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	ATCO Consolidated
2023								
2022								
Revenues	**239**	**—**	**8**	**852**	**89**	**33**	**974**	**1,221**
	241	—	—	902	94	111	1,107	1,348
Adjusted earnings (loss)	**14**	**5**	**6**	**100**	**9**	**(7)**	**102**	**127**
	4	2	8	100	3	(7)	96	110
Impairment (charge) reversal	**—**	**—**	**—**	**(18)**	**—**	**(1)**	**(19)**	**(19)**
	—	—	—	—	2	—	2	2
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**1**	**23**	**24**	**24**
	—	—	—	—	—	(11)	(11)	(11)
Rate-regulated activities	**—**	**—**	**—**	**(19)**	**—**	**—**	**(19)**	**(19)**
	—	—	—	(18)	—	—	(18)	(18)
IT Common Matters decision	**—**	**—**	**—**	**(3)**	**—**	**—**	**(3)**	**(3)**
	—	—	—	(2)	—	—	(2)	(2)
Madeira additional income taxes	**(15)**	**—**	**—**	**—**	**—**	**—**	**—**	**(15)**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**(1)**	**5**	**6**	**60**	**10**	**15**	**85**	**95**
	4	2	8	80	5	(18)	67	81

($ millions)

	ATCO Ltd.							Year Ended December 31
2023				Canadian Utilities Limited				ATCO Consolidated
2022	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
Revenues	**926**	**—**	**19**	**3,174**	**362**	**260**	**3,796**	**4,741**
	929	—	1	3,384	312	352	4,048	4,978
Adjusted earnings (loss)	**90**	**22**	**5**	**340**	**26**	**(51)**	**315**	**432**
	61	14	—	379	19	(50)	348	423
Impairment (charge) reversal	**—**	**—**	**—**	**(22)**	**—**	**(1)**	**(23)**	**(23)**
	—	—	—	—	2	—	2	2
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**1**	**96**	**97**	**97**
	—	—	—	—	—	(36)	(36)	(36)
Rate-regulated activities	**—**	**—**	**—**	**(43)**	**—**	**—**	**(43)**	**(43)**
	—	—	—	6	—	—	6	6
IT Common Matters decision	**—**	**—**	**—**	**(11)**	**—**	**—**	**(11)**	**(11)**
	—	—	—	(8)	—	—	(8)	(8)
Madeira additional income taxes	**(15)**	**—**	**—**	**—**	**—**	**—**	**—**	**(15)**
	—	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transition of managed IT services	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(14)	—	—	(14)	(14)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(5)	—	—	(5)	(5)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	3	—	—	3	3
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	(1)	—	—	—	—	(1)
Earnings (loss) attributable to Class I and Class II Shares	**75**	**22**	**5**	**259**	**27**	**44**	**330**	**432**
	61	14	(1)	361	21	(86)	296	370

IMPAIRMENTS

In the fourth quarter of 2023, the Company recognized an impairment of $19 million (after-tax and non-controlling interests) of certain computer software assets which are not expected to be used in the Company.

In the second quarter of 2023, the Company recognized an impairment of $4 million (after-tax and non-controlling interests) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service as it was determined that they no longer had any remaining value.

In the fourth quarter of 2022, a reversal of impairment of $2 million (after-tax and non-controlling interests) was recorded mainly related to a joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.

UNREALIZED GAINS AND LOSSES ON MARK-TO-MARKET FORWARD AND SWAP COMMODITY CONTRACTS

The Company's retail electricity and natural gas business in Alberta enters 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 are recognized in the Corporate & Other segment.

The CODM 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, Northland Utilities (NWT), Northland 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 uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards 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 accounting differs from IFRS Accounting Standards in the following ways:

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	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.
Revenues to be billed in future periods	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.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods 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.
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, 2023, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**15**	13	2	**62**	61	1
Impact of colder temperatures [2]	**—**	6	(6)	**—**	2	(2)
Revenues to be billed in future periods						
Deferred income taxes [3]	**(21)**	(22)	1	**(80)**	(56)	(24)
Impact of warmer temperatures [2]	**(12)**	—	(12)	**(17)**	—	(17)
Impact of inflation on rate base [4]	**(4)**	(12)	8	**(21)**	(34)	13
Settlement of regulatory decisions and other items						
Distribution rate relief [5]	**2**	10	(8)	**9**	55	(46)
Other [6]	**1**	(13)	14	**4**	(22)	26
	(19)	(18)	(1)	**(43)**	6	(49)

(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 periods.

(2) Natural 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 normal temperatures in the current period are refunded to or recovered from customers in future periods.

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

(4) The inflation-indexed portion of International Natural Gas Distribution's 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 2021, in response to the COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution had interim rate relief for customers approved by the AUC to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the fourth quarter and year ended December 31, 2023, $2 million and $9 million (after-tax and non-controlling interests) (2022 - $10 million and $55 million (after-tax and non-controlling interests)) was billed to customers.

(6) In 2022, ATCO Electric Distribution recorded a decrease in earnings of $10 million (after-tax and non-controlling interests) related to payments of electricity transmission costs, and ATCO Gas Distribution recorded a decrease in earnings of $8 million (after-tax and non-controlling interests) related to payments of gas pipeline system load balancing costs.

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 fourth quarter and year ended December 31, 2023 was $3 million and $11 million (after-tax and non-controlling interests) (2022 - $2 million and $8 million (after-tax and non-controlling interests)).

MADEIRA ADDITIONAL INCOME TAXES

For the years 2009 to 2016, ATCO Frontec Europa Kft, a wholly owned subsidiary of ATCO Structures & Logistics Ltd., had income that was attributable to Madeira, Portugal and qualified for a special tax program promoted and administered by the Portuguese Tax Authority (PTA). In December 2023, the PTA issued income tax reassessment notices following the European Commission's determination that the Madeira Free Trade Zone Regime III constituted state aid that does not comply with European Union guidelines and mandated the PTA to collect taxes at normal Portuguese tax rates for the aforementioned years. In the fourth quarter of 2023, the Company accrued income taxes and interest of $15 million relating to the 2009-2016 reassessment notices received from the PTA.

TRANSITION OF MANAGED IT SERVICES

In the first quarter of 2023, the Company recognized additional legal and other costs of $5 million (after-tax and non-controlling interests) related to the Wipro MSAs matter that was concluded on February 26, 2023.

AUC ENFORCEMENT PROCEEDING

On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the first quarter of 2022, the Company recognized costs of $14 million (after-tax and non-controlling interests) related to the proceeding.

WORKPLACE COVID-19 VACCINATION STANDARD

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In the first quarter of 2022, the Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the workplace COVID-19 vaccination standard.

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

On March 31, 2022, the Company and DII entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $3 million (after-tax and non-controlling interests). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

STRUCTURES & LOGISTICS

The following tables reconcile adjusted earnings (loss) for the Structures & Logistics business unit to the directly comparable financial measure, earnings attributable (loss) to Class I and Class II shares.

($ millions)	Three Months Ended December 31		
2023	ATCO Ltd.		
2022			
	Structures	**Frontec**	**Structures & Logistics**
Adjusted earnings (loss)	**16**	**(2)**	**14**
	7	(3)	4
Madeira additional income taxes	**—**	**(15)**	**(15)**
	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**16**	**(17)**	**(1)**
	7	(3)	4

($ millions)	Year Ended December 31		
2023	ATCO Ltd.		
2022			
	Structures	**Frontec**	**Structures & Logistics**
Adjusted earnings	**89**	**1**	**90**
	54	7	61
Madeira additional income taxes	**—**	**(15)**	**(15)**
	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**89**	**(14)**	**75**
	54	7	61

ATCO Energy Systems

The following tables reconcile adjusted earnings for the ATCO Energy Systems business unit to the directly comparable financial measure, earnings attributable to Class I and Class II Shares.

($ millions)

Three Months Ended December 31

2023 / 2022	Canadian Utilities Limited								
	Electricity				Natural Gas				ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**23**	**19**	**7**	**49**	**32**	**12**	**7**	**51**	**100**
	17	19	6	42	34	11	13	58	100
Impairment	**(6)**	**—**	**—**	**(6)**	**(12)**	**—**	**—**	**(12)**	**(18)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**(4)**	**(3)**	**—**	**(7)**	**(3)**	**(4)**	**(5)**	**(12)**	**(19)**
	(11)	(4)	—	(15)	14	(4)	(13)	(3)	(18)
IT Common Matters decision	**—**	**(1)**	**—**	**(1)**	**(2)**	**—**	**—**	**(2)**	**(3)**
	(1)	—	—	(1)	(1)	—	—	(1)	(2)
Earnings attributable to Class I and Class II Shares	**13**	**15**	**7**	**35**	**15**	**8**	**2**	**25**	**60**
	5	15	6	26	47	7	—	54	80

($ millions)

Year Ended December 31

2023 / 2022	Canadian Utilities Limited								
	Electricity				Natural Gas				ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**79**	**86**	**25**	**190**	**63**	**48**	**39**	**150**	**340**
	85	87	27	199	84	47	49	180	379
Impairment	**(6)**	**(4)**	**—**	**(10)**	**(12)**	**—**	**—**	**(12)**	**(22)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**(2)**	**(22)**	**—**	**(24)**	**11**	**(7)**	**(23)**	**(19)**	**(43)**
	(15)	9	—	(6)	52	(6)	(34)	12	6
IT Common Matters decision	**(3)**	**(3)**	**—**	**(6)**	**(5)**	**—**	**—**	**(5)**	**(11)**
	(3)	(2)	—	(5)	(2)	(1)	—	(3)	(8)
Transition of managed IT services	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**(3)**	**(4)**	**(5)**
	—	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(14)	—	(14)	—	—	—	—	(14)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	(2)	(2)	(1)	—	(3)	(5)
Gain on sale of ownership interest in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	3	—	—	3	—	—	—	—	3
Earnings attributable to Class I and Class II Shares	**67**	**57**	**25**	**149**	**56**	**41**	**13**	**110**	**259**
	69	79	27	175	132	39	15	186	361

ATCO EnPower

The following tables reconcile adjusted earnings for the ATCO EnPower business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)	Three Months Ended December 31		
2023 / 2022	Canadian Utilities Limited		
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings (loss)	**3**	**6**	**9**
	(2)	5	3
Impairment reversal	**—**	**—**	**—**
	2	—	2
Unrealized gains on mark-to-market forward and swap commodity contracts	**1**	**—**	**1**
	—	—	—
Earnings attributable to Class I and Class II Shares	**4**	**6**	**10**
	—	5	5

($ millions)	Year Ended December 31		
2023 / 2022	Canadian Utilities Limited		
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings	**10**	**16**	**26**
	2	17	19
Impairment reversal	**—**	**—**	**—**
	2	—	2
Unrealized gains on mark-to-market forward and swap commodity contracts	**1**	**—**	**1**
	—	—	—
Earnings attributable to Class I and Class II Shares	**11**	**16**	**27**
	4	17	21

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Additional information regarding this non-GAAP measure is provided in the "Other Financial and Non-GAAP Measures" section of this MD&A.

($ millions)

	ATCO Ltd.							ATCO Consolidated
2023				Canadian Utilities Limited				
2022	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
Capital Investment	**48**	**—**	**11**	**363**	**37**	**1**	**401**	**460**
	102	—	5	385	64	4	453	560
Capital Expenditures in joint ventures	**—**	**—**	**—**	**(4)**	**(3)**	**—**	**(7)**	**(7)**
	—	—	—	(1)	—	—	(1)	(1)
Business combinations [1]	**(5)**	**—**	**—**	**—**	**—**	**—**	**—**	**(5)**
	(42)	—	—	—	—	—	—	(42)
Capital Expenditures	**43**	**—**	**11**	**359**	**34**	**1**	**394**	**448**
	60	—	5	384	64	4	452	517

Three Months Ended December 31

(1) Business combinations refer to the Structures & Logistics acquisitions of Fire Prevention Services 2016 Ltd. in 2023 and Triple M Housing in 2022.

($ millions)

	ATCO Ltd.							ATCO Consolidated
2023				Canadian Utilities Limited				
2022	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
Capital Investment	**203**	**—**	**34**	**1,219**	**837**	**8**	**2,064**	**2,301**
	246	—	10	1,142	240	12	1,394	1,650
Capital Expenditures in joint ventures	**—**	**—**	**—**	**(6)**	**(7)**	**—**	**(13)**	**(13)**
	—	—	—	(5)	(6)	—	(11)	(11)
Business combinations [1]	**(5)**	**—**	**(6)**	**—**	**(691)**	**—**	**(691)**	**(702)**
	(42)	—	—	—	—	—	—	(42)
Capital Expenditures	**198**	**—**	**28**	**1,213**	**139**	**8**	**1,360**	**1,586**
	204	—	10	1,137	234	12	1,383	1,597

Year Ended December 31

(1) Business combinations refer to the 2023 acquisition of Fire Prevention Services 2016 Ltd. in the Structures & Logistics segment, the 2023 Fresh Bites Inc. acquisition in the ATCO Corporate & Other segment, and the 2022 Triple M Housing acquisition in the Structures & Logistics segment.

OTHER FINANCIAL INFORMATION

OFF BALANCE SHEET ARRANGEMENTS

ATCO does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, without limitation, the Company's liquidity and capital resources.

CONTINGENCIES

The Company is party to a number of disputes and lawsuits in the normal course of business. The Company believes the ultimate liability arising from these matters will have no material impact on its 2023 Consolidated Financial Statements.

MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company's material accounting estimates are described in Note 23 of the 2023 Consolidated Financial Statements, which are prepared in accordance with IFRS. Management makes judgments and estimates that could materially affect how policies are applied, amounts in the consolidated financial statements are reported, and

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 ongoing basis; changes to accounting estimates are recognized prospectively.

FINANCIAL INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. The valuation methods used to measure financial instruments are described in Note 20 of the 2023 Consolidated Financial Statements, which are prepared in accordance with IFRS.

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. For further information, please refer to Note 32 of the 2023 Consolidated Financial Statements.

ACCOUNTING CHANGES

At December 31, 2023, there are no new or amended standards issued, or interpretations that need to be adopted in future periods, which will have a material effect on the 2023 Consolidated Financial Statements once adopted.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2023, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in documents filed by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. The disclosure controls and procedures also seek to assure that information required to be disclosed by the Company is accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions on required disclosure.

Management, including the CEO and the CFO, does not expect the Company's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective at December 31, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of annual filings for the year ended December 31, 2023, requires that the Company disclose in the annual MD&A any changes in the Company's internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company confirms that no such changes were identified in the Company's ICFR during the period beginning on January 1, 2023 and ending on December 31, 2023.

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, ICFR can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

As of December 31, 2023, management evaluated the effectiveness of the Company's ICFR as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

Based on this evaluation, the CEO and the CFO have concluded that the Company's ICFR was effective at December 31, 2023.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the aspiration to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; anticipated timing for the ROE rates annually; the expected timing of commencement, completion or commercial operations of activities, contracts and projects; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; the payment of dividends; expected growth and diversification and expansion opportunities; the expected timing for the construction of the development of Terminal 2, Berth 7 at the Port of Vancouver and the export capacity expected when construction is complete; the expected timing and impact of regulatory decisions and new regulatory announcements; the expected electricity generation capacity of the Deerfoot, Barlow and Empress solar projects; the Company's Heartland Hydrogen Hub Project, including the project's potential, the Company's continuing commitment to the project, planned design activities, anticipated timing for a final investment decision and the Company's plan to bring in a strategic operating partner; the expected hydrogen production, electricity generation and hydrogen storage capacity of the facilities planned in connection with the South Australian Hydrogen Jobs Plan project and the expected timing of the project; the expected purchase and sale of electricity; expected carbon pricing in Canada; the Company's liquidity, capital resources and contractual financial obligations and other commitments; and potential financing alternatives, including the possibility of creating ATCO EnPower as a separate entity.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to meet its initial set of 2030 ESG targets and successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, infrastructure, and future demand for resources; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; potential termination or breach of contract by contract counterparties; the occurrence of unexpected events such as fires, extreme weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events, global pandemics; and geopolitical tensions and wars; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see the "Business Risks and Risk Management" section in this MD&A.

This MD&A may contain information that constitutes future-oriented financial information or financial outlook information, all of which are subject to the same assumptions, risk factors, limitations and qualifications set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on such future-oriented financial information or financial outlook information. The Company's actual results, performance and achievements could differ materially from those expressed in, or implied by, such future-oriented financial information or financial outlook information. The Company has included such information in order to provide readers with a more complete perspective on its future operations and its current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that such information should not be used for purposes other than those for which it has been disclosed herein. Future-oriented financial information or financial outlook information contained herein was made as of the date of this MD&A.

Any forward-looking information contained in this MD&A represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company’s 2023 Consolidated Financial Statements and most recent Annual Information Form dated February 28, 2024, can be found on SEDAR+ at www.sedarplus.ca.

Copies of these documents may also be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com. Corporate information is also available on the Company's website at www.atco.com.

GLOSSARY

Alberta Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

AUC means the Alberta Utilities Commission.

Class I Shares means Class I Non-Voting Shares of the Company.

Class II Shares means Class II Voting Shares of the Company.

CODM means Chief Operating Decision Maker, and is comprised of the Chair & Chief Executive Officer, and the other members of the Executive Committee.

Company means ATCO Ltd. and, unless the context otherwise requires, includes its subsidiaries and joint arrangements.

Consumer price index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services.

COS means Cost of Service.

Customer contributions are non-refundable cash contributions made by customers for certain additions to property, plant and equipment, mainly in ATCO Energy Systems. These contributions are made when the estimated revenue is less than the cost of providing service.

ECM means efficiency carry-over mechanism.

ESG means Environmental, Social and Governance.

FWI means Fixed Weighted Index of average hourly earnings for all employees, by industry, monthly.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

GRA means general rate application.

GTA means general tariff application.

IFRS means International Financial Reporting Standards.

I-X means the Inflation Adjuster (I Factor) minus Productivity Adjuster (X Factor).

K Bar means the AUC allowance for capital additions under PBR.

LNG means liquefied natural gas.

Megawatt (MW) is a measure of electric power equal to 1,000,000 watts.

Megawatt Hour (MWh) is a measure of electricity consumption equal to the use of 1,000,000 watts of electricity over one-hour period.

O&M means operating and maintenance.

PBR means Performance Based Regulation.

PPA means Power Purchase Agreement.

Regulated Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission and International Natural Gas Distribution.

ROE means return on equity.

USD means United States dollars.

APPENDIX 1
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2023 and 2022 is shown below.

CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	**2023**	**2022**
Revenues	**1,221**	1,348
Costs and expenses		
Salaries, wages and benefits	**(170)**	(158)
Energy transmission and transportation	**(74)**	(69)
Plant and equipment maintenance	**(73)**	(86)
Fuel costs	**(31)**	(55)
Purchased power	**(56)**	(87)
Materials and consumables	**(128)**	(145)
Depreciation, amortization and impairment	**(234)**	(195)
Franchise fees	**(70)**	(84)
Property and other taxes	**(20)**	(18)
Derivative financial instruments gains (losses)	**74**	(65)
Other	**(87)**	(117)
	(869)	(1,079)
Earnings from investment in associate company	**5**	2
Earnings from investment in joint ventures	**21**	24
Operating profit	**378**	295
Interest income	**17**	18
Interest expense	**(130)**	(115)
Net finance costs	**(113)**	(97)
Earnings before income taxes	**265**	198
Income taxes	**(67)**	(38)
Earnings for the period	**198**	160
Earnings attributable to:		
Class I and Class II Shares	**95**	81
Non-controlling interests	**103**	79
	198	160
Earnings per Class I and Class II Share	**$0.85**	$0.72
Diluted earnings per Class I and Class II Share	**$0.85**	$0.71

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31	
(millions of Canadian Dollars)	**2023**	**2022**
Operating activities		
Earnings for the period	**198**	160
Adjustments to reconcile earnings to cash flows from operating activities	**366**	361
Changes in non-cash working capital	**(19)**	175
Cash flows from operating activities	**545**	696
Investing activities		
Additions to property, plant and equipment	**(399)**	(469)
Proceeds on disposal of property, plant and equipment	**2**	3
Additions to intangibles	**(43)**	(44)
Acquisition, net of cash acquired	**—**	(41)
Investment in marketable securities	**(4)**	—
Changes in non-cash working capital	**(8)**	5
Other	**28**	(4)
Cash Flows used in investing activities	**(424)**	**(550)**
Financing activities		
Net repayment of short-term debt	**—**	(19)
Issue of long-term debt	**376**	151
Repayment of long-term debt	**(435)**	(258)
Repayment of lease liabilities	**(8)**	(5)
Net purchase of Class I Shares	**(44)**	(1)
Dividends paid to Class I and Class II Share owners	**(53)**	(53)
Dividends paid to non-controlling interests	**(74)**	(71)
Interest paid	**(134)**	(123)
Other	**(38)**	1
Cash flows used in financing activities	**(410)**	(378)
Decrease in cash position	**(289)**	(232)
Foreign currency translation	**(2)**	(4)
Beginning of period	**579**	1,269
End of period	**288**	1,033



ATCO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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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 28, 2024

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, 2023 and 2022, 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, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of changes in equity for the years ended December 31, 2023 and 2022;
- the consolidated statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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, 2023. 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
Valuation of property, plant and equipment related to the Forty Mile wind project (Forty Mile property, plant and equipment) acquired in a business combination *Refer to note 11 – Property, plant and equipment, note 23 – Material judgments, estimates and assumptions, note 24 – Business combinations and other transactions and note 33 – Accounting policies to the consolidated financial statements.* On January 3, 2023, the Company acquired a renewable energy business, which consisted of a portfolio of wind and solar assets and projects, including the Forty Mile wind project. Management accounted for this transaction as a business combination using the acquisition method. Under this method, identifiable assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The fair value of the Forty Mile property, plant and equipment makes up a significant portion of the Company's total acquired property, plant and equipment of $640 million. Management applied judgment in estimating the fair value of the Forty Mile property, plant and equipment. To estimate the fair value, management used the cost approach (valuation method), which involved the use of replacement cost new (RCN) assumptions for the property, plant and equipment acquired.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the Forty Mile property, plant and equipment, which included the following: – Read the purchase and sale agreement. – Involved professionals with specialized skill and knowledge in the field of valuation to assist in (i) evaluating the appropriateness of management's valuation method, (ii) testing the underlying data used in the fair value calculations, and (iii) assessing the reasonableness of the RCN assumptions used by management. • Professionals with specialized skill and knowledge in the field of valuation were also used to develop an independent estimate of the fair value of the Forty Mile property, plant and equipment to further corroborate the reasonableness of management's estimate, and to compare the independent estimate to management's estimate.



Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the judgment by management in estimating the fair value of the Forty Mile property, plant and equipment, including the use of RCN assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the RCN assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	
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 $132 million of unbilled revenue related to the ATCO Energy Systems segment as at December 31, 2023. 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, 2023 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 28, 2024

CONSOLIDATED STATEMENTS OF EARNINGS

		Year Ended December 31	
(millions of Canadian Dollars except per share data)	**Note**	**2023**	**2022**
Revenues	4	**4,741**	4,978
Costs and expenses			
Salaries, wages and benefits		**(644)**	(599)
Energy transmission and transportation		**(295)**	(271)
Plant and equipment maintenance		**(264)**	(245)
Fuel costs		**(126)**	(176)
Purchased power		**(261)**	(308)
Materials and consumables		**(471)**	(535)
Depreciation, amortization and impairment	11, 12, 17	**(811)**	(717)
Franchise fees		**(290)**	(328)
Property and other taxes		**(79)**	(74)
Derivative financial instruments gains (losses)	20	**220**	(165)
Other	5	**(319)**	(343)
		(3,340)	(3,761)
Earnings from investment in associate company	25	**22**	14
Earnings from investment in joint ventures	27	**72**	81
Operating profit		**1,495**	1,312
Interest income		**66**	45
Interest expense	6	**(500)**	(436)
Net finance costs		**(434)**	(391)
Earnings before income taxes		**1,061**	921
Income tax expense	7	**(242)**	(214)
Earnings for the year		**819**	707
Earnings attributable to:			
Class I and Class II Shares		**432**	370
Non-controlling interests	28	**387**	337
		819	707
Earnings per Class I and Class II Share	8	**$3.82**	$3.25
Diluted earnings per Class I and Class II Share	8	**$3.82**	$3.24

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year Ended December 31	
(millions of Canadian Dollars)	**Note**	**2023**	**2022**
Earnings for the year		**819**	707
Other comprehensive (loss) income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits [1]	15	**1**	(2)
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges [2]	20	**(123)**	146
Foreign currency translation adjustment [3]		**(27)**	57
Share of other comprehensive (loss) income in associate company [3]	25	**(5)**	3
Share of other comprehensive income of joint ventures [3]	27	**3**	1
		(152)	207
Other comprehensive (loss) income		**(151)**	205
Comprehensive income for the year		**668**	912
Comprehensive income attributable to:			
Class I and Class II Shares		**340**	506
Non-controlling interests		**328**	406
		668	912

(1) Net of income taxes of nil for the year ended December 31, 2023 (2022 - nil).

(2) Net of income taxes of $38 million for the year ended December 31, 2023 (2022 - $(47) million).

(3) Net of income taxes of nil (2022 - nil).

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	December 31 2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	19	**288**	1,033
Marketable securities	9	**304**	-
Accounts receivable and contract assets	16	**890**	956
Finance lease receivables	17	**12**	11
Inventories	10	**114**	80
Prepaid expenses and other current assets	20	**228**	281
		1,836	2,361
Non-current assets			
Property, plant and equipment	11	**20,857**	19,504
Intangibles	12	**1,028**	870
Retirement benefit asset	15	**49**	24
Right-of-use assets	17	**114**	109
Goodwill	13	**242**	89
Investment in joint ventures	27	**260**	264
Investment in associate company	25	**464**	473
Finance lease receivables	17	**126**	138
Deferred income tax assets	7	**75**	64
Other assets	20	**307**	243
Total assets		**25,358**	24,139
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**961**	1,161
Lease liabilities	17	**17**	16
Provisions and other current liabilities	20	**107**	240
Long-term debt	14	**531**	109
		1,616	1,526
Non-current liabilities			
Deferred income tax liabilities	7	**2,152**	1,843
Retirement benefit obligations	15	**244**	223
Customer contributions	16	**2,041**	1,989
Lease liabilities	17	**104**	99
Other liabilities	20	**186**	137
Long-term debt	14	**10,517**	9,978
Total liabilities		**16,860**	15,795
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	18	**187**	179
Contributed surplus		**14**	10
Retained earnings		**4,216**	4,090
Accumulated other comprehensive income		**6**	97
		4,423	4,376
Non-controlling interests	28	**4,075**	3,968
Total equity		**8,498**	8,344
Total liabilities and equity		**25,358**	24,139

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, 2021		180	8	3,962	(39)	4,111	3,838	7,949
Earnings for the year	28	–	–	370	–	370	337	707
Other comprehensive income	28	–	–	–	136	136	69	205
Shares issued	28	–	–	–	–	–	21	21
Shares purchased and cancelled	18	(1)	–	(22)	–	(23)	–	(23)
Dividends [1]	18, 28	–	–	(211)	–	(211)	(308)	(519)
Share-based compensation		–	2	–	–	2	1	3
Changes in ownership interest in subsidiary company [2]		–	–	(9)	–	(9)	9	–
Other		–	–	–	–	–	1	1
December 31, 2022		179	10	4,090	97	4,376	3,968	8,344
Earnings for the year	28	–	–	**432**	–	**432**	**387**	**819**
Other comprehensive loss	28	–	–	–	**(92)**	**(92)**	**(59)**	**(151)**
Shares issued [3]	28	–	–	–	–	–	**27**	**27**
Sale of shares from MTIP Trust [4]	18, 28	**10**	**1**	–	–	**11**	**16**	**27**
Shares purchased and cancelled	18	**(3)**	–	**(64)**	–	**(67)**	–	**(67)**
Acquisition	24	–	–	–	–	–	**27**	**27**
Dividends [1]	18, 28	–	–	**(215)**	–	**(215)**	**(318)**	**(533)**
Share-based compensation	29	**1**	**3**	**(1)**	–	**3**	**1**	**4**
Changes in ownership interest in subsidiary company [2]		–	–	**(29)**	–	**(29)**	**29**	–
Other		–	–	**3**	**1**	**4**	**(3)**	**1**
December 31, 2023		**187**	**14**	**4,216**	**6**	**4,423**	**4,075**	**8,498**

(1) For the year ended December 31, 2023, dividends attributable to non-controlling interests of $318 million (2022 - $308 million) include $27 million (2022 - $20 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.

(2) For the year ended December 31, 2023, changes in ownership interest in subsidiary company is related to Canadian Utilities Limited's dividend reinvestment program.

(3) For the year ended December 31, 2023, shares issued attributable to non-controlling interests include $3 million (2022 - nil) in legal and other fees related to Canadian Utilities Limited's plan of arrangement to exchange Class B shares with Class A shares that was completed on December 15, 2023.

(4) For the year ended December 31, 2023, sale of shares from MTIP Trust included in non-controlling interests of $16 million (2022 - nil) is related to Canadian Utilities Limited's sale of Class A shares held in its MTIP Trust.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Year Ended December 31 2023	2022
Operating activities			
Earnings for the year		**819**	707
Adjustments to reconcile earnings to cash flows from operating activities	19	**1,339**	1,542
Changes in non-cash working capital	19	**(193)**	147
Cash flows from operating activities		**1,965**	2,396
Investing activities			
Additions to property, plant and equipment		**(1,423)**	(1,435)
Proceeds on disposal of property, plant and equipment		**4**	5
Additions to intangibles		**(142)**	(148)
Acquisition, net of cash acquired	24	**(691)**	(41)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	8
Investment in joint ventures	27	**(7)**	(8)
Investment in marketable securities	9	**(300)**	–
Changes in non-cash working capital	19	**(60)**	52
Other	3, 11	**34**	71
Cash flows used in investing activities		**(2,585)**	(1,496)
Financing activities			
Net repayment of short-term debt	19	**–**	(206)
Issue of long-term debt	14, 19	**2,021**	724
Repayment of long-term debt	14, 19	**(1,051)**	(502)
Repayment of lease liabilities	17	**(21)**	(18)
Issue of shares by subsidiary company		**1**	1
Net purchase of Class I Shares	18	**(67)**	(23)
Proceeds from sale of Class I shares from MTIP Trust	18	**11**	–
Proceeds from sale of shares from subsidiary's MTIP Trust	28	**17**	–
Dividends paid to Class I and Class II Share owners	18	**(215)**	(211)
Dividends paid to non-controlling interests	28	**(291)**	(288)
Interest paid		**(485)**	(426)
Other		**(43)**	(4)
Cash flows used in financing activities		**(123)**	(953)
Decrease in cash position [(1)]		**(743)**	(53)
Foreign currency translation		**(2)**	(2)
Beginning of year		**1,033**	1,088
End of year	19	**288**	1,033

(1) Cash position includes $16 million which is not available for general use by the Company (2022 - $18 million).

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

(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.

Effective July 1, 2023, ATCO Ltd. launched a branding initiative resulting in a change of its Utilities operating segment to ATCO Energy Systems and its Energy Infrastructure operating segment to ATCO EnPower. ATCO Energy Systems is the new global brand for gas and electrical utility services and ATCO EnPower is the new global brand for non-regulated energy businesses, including renewables, clean fuels, and energy storage (see Note 3). As this is a change in name of operating segments, there is no impact on the comparative amounts presented in the consolidated financial statements.

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);
- Canadian Utilities Limited, including:
    - ATCO Energy Systems (previously Utilities) (electricity and natural gas transmission and distribution, and international electricity operations);
    - ATCO EnPower (previously Energy Infrastructure) (energy storage, electricity generation, industrial water solutions, and clean fuels);
    - Retail Energy (electricity and natural gas retail sales, and whole-home solutions) (included in the Corporate & Other segment); and
- Neltume Ports (ports and transportation logistics).

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS) 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 28, 2024.

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.

Certain comparative figures have been reclassified to conform to the current presentation.

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.

ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2023, the International Accounting Standards Board issued International Tax Reform - *Pillar Two Model Rules (Amendments to IAS 12)*, which amended IAS 12, *Income Taxes*. The amendments provide temporary relief for the mandatory exemption in the recognition of deferred income taxes arising from the implementation of Organisation for Economic Co-operation and Development's (OECD) Pillar Two model rules (such rules ensuring that large multinational corporations would be subject to a minimum 15 per cent income tax rate in every jurisdiction in which they operate). As different jurisdictions are expected to implement the OECD rules at different times, the amendments are intended to help ensure consistency within, and comparability across, financial statements. The amendments immediately became effective upon their issue and retrospectively in accordance with IAS 8, *Accounting Policies in Accounting Estimates and Errors.*

Pillar Two model rules have not been substantively enacted in the main jurisdictions where the Company operates (Canada, Australia, United States, Chile and Mexico). As such, the Company has adopted the temporary relief in the amendments beginning January 1, 2023 and the adoption did not have an impact to the Company for the year ended December 31, 2023.

The Company is actively monitoring the developments of the rules and will provide an additional update once relevant information is known, including eligibility to qualify with the safe harbor rules, as applicable, and the related impacts to income taxes can be reasonably estimated following their substantive enactments.

3. SEGMENTED INFORMATION

The Company's operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM is comprised of the Chief Executive Officer, and the other members of the Executive Committee.

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.

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 segments are as follows:

Structures & Logistics			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.
Canadian Utilities Limited	**ATCO Energy Systems** [(1)]	**Electricity**	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 (see Note 27).
		Natural Gas	The ATCO Energy Systems (Natural Gas) segment includes ATCO Gas, ATCO Pipelines and ATCO Gas Australia. These businesses provide integrated natural gas transmission and distribution services throughout Alberta, in the Lloydminster area of Saskatchewan and in Western Australia.
	ATCO EnPower [(2)]		The ATCO EnPower segment includes ATCO Renewables (previously, ATCO Power (2010)), ATCO Next Energy (previously, ATCO Energy Solutions) and ATCO Power Australia. Together these businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Yukon, the Northwest Territories, Ontario, Australia, Mexico and Chile.
	Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business, and a whole-home solution provider.
Neltume Ports			The Neltume Ports segment includes the equity interest in Neltume Ports S.A., a leading port operator and developer based in South America. Neltume Ports operates eighteen port facilities and five port operation services businesses located in Chile, Uruguay, Argentina, Brazil and the United States.
Corporate & Other			ATCO Corporate & Other includes commercial real estate owned by the Company, intersegment eliminations, Ashcor, a business engaged in the processing and marketing of live ash and ash reclaimed from landfills, and Fresh Bites, a business engaged in food services.

(1) ATCO Energy Systems operating segment was previously reported as Utilities. It 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) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

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

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				ATCO Energy Systems [1]	ATCO EnPower	Corporate & Other	Consolidated	
Revenues - external	**926**	**–**	**19**	**3,174**	**279**	**343**	**3,796**	**4,741**
	929	–	1	3,362	234	452	4,048	4,978
Revenues - intersegment	**–**	**–**	**–**	**–**	**83**	**(83)**	**–**	**–**
	–	–	–	22	78	(100)	–	–
Revenues	**926**	**–**	**19**	**3,174**	**362**	**260**	**3,796**	**4,741**
	929	–	1	3,384	312	352	4,048	4,978
Operating expenses [2]	**(720)**	**–**	**7**	**(1,558)**	**(235)**	**(23)**	**(1,816)**	**(2,529)**
	(789)	–	18	(1,546)	(257)	(470)	(2,273)	(3,044)
Depreciation, amortization and impairment	**(77)**	**–**	**(9)**	**(662)**	**(48)**	**(15)**	**(725)**	**(811)**
	(66)	–	(9)	(610)	(20)	(12)	(642)	(717)
Earnings from investment in associate company	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**22**
	–	14	–	–	–	–	–	14
Earnings from investment in joint ventures	**6**	**–**	**–**	**50**	**16**	**–**	**66**	**72**
	5	–	–	53	23	–	76	81
Net finance costs	**(16)**	**–**	**(12)**	**(371)**	**(26)**	**(9)**	**(406)**	**(434)**
	(8)	–	(12)	(368)	(9)	6	(371)	(391)
Earnings (loss) before income taxes	**119**	**22**	**5**	**633**	**69**	**213**	**915**	**1,061**
	71	14	(2)	913	49	(124)	838	921
Income tax (expense) recovery	**(44)**	**–**	**–**	**(132)**	**(14)**	**(52)**	**(198)**	**(242)**
	(16)	–	1	(227)	(10)	38	(199)	(214)
Earnings (loss) for the year	**75**	**22**	**5**	**501**	**55**	**161**	**717**	**819**
	55	14	(1)	686	39	(86)	639	707
Adjusted earnings (loss)	**90**	**22**	**5**	**340**	**26**	**(51)**	**315**	**432**
	61	14	–	379	19	(50)	348	423
Total assets	**1,283**	**454**	**463**	**20,033**	**2,550**	**575**	**23,158**	**25,358**
	1,147	473	545	19,507	1,342	1,125	21,974	24,139
Capital expenditures [3]	**198**	**–**	**28**	**1,213**	**139**	**8**	**1,360**	**1,586**
	204	–	10	1,137	234	12	1,383	1,597

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

(3) Includes additions to property, plant and equipment, intangibles and $21 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $14 million).

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

2023	ATCO Energy Systems			
2022	Electricity	Natural Gas	Intersegment Eliminations	Consolidated
Revenues - external	**1,429**	**1,745**	**_**	**3,174**
	1,493	1,869	_	3,362
Revenues - intersegment	**7**	**4**	**(11)**	**_**
	21	7	(6)	22
Revenues	**1,436**	**1,749**	**(11)**	**3,174**
	1,514	1,876	(6)	3,384
Operating expenses [1]	**(570)**	**(999)**	**11**	**(1,558)**
	(591)	(961)	6	(1,546)
Depreciation, amortization and impairment	**(339)**	**(323)**	**_**	**(662)**
	(321)	(289)	_	(610)
Earnings from investment in joint ventures	**50**	**_**	**_**	**50**
	53	_	_	53
Net finance costs	**(225)**	**(146)**	**_**	**(371)**
	(222)	(146)	_	(368)
Earnings before income taxes	**352**	**281**	**_**	**633**
	433	480	_	913
Income tax expense	**(65)**	**(67)**	**_**	**(132)**
	(100)	(127)	_	(227)
Earnings for the year	**287**	**214**	**_**	**501**
	333	353	_	686
Adjusted earnings	**190**	**150**	**_**	**340**
	199	180	_	379
Total assets	**10,990**	**9,045**	**(2)**	**20,033**
	10,644	8,865	(2)	19,507
Capital expenditures [2]	**630**	**583**	**_**	**1,213**
	566	571	_	1,137

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

(2) Includes additions to property, plant and equipment, intangibles and $15 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $12 million).

GEOGRAPHIC SEGMENTS

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

Revenues - external

	2023	2022
Canada	**4,008**	4,187
Australia	**472**	526
Other	**261**	265
Total	**4,741**	4,978

Non-current assets

	Property, Plant and Equipment		Intangible Assets		Other Assets [1]		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Canada	**19,006**	17,759	**1,002**	845	**430**	413	**20,438**	19,017
Australia	**1,460**	1,431	**17**	16	**41**	45	**1,518**	1,492
South America	**52**	53	**1**	1	**453**	470	**506**	524
Other	**339**	261	**8**	8	**18**	12	**365**	281
Total	**20,857**	19,504	**1,028**	870	**942**	940	**22,827**	21,314

(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 CODM 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 CODM for those purposes.

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

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				ATCO Energy Systems	ATCO EnPower	Corporate & Other	Consolidated	
Adjusted earnings (loss)	**90**	**22**	**5**	**340**	**26**	**(51)**	**315**	**432**
	61	14	–	379	19	(50)	348	423
Transition of managed IT services	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	–	–	–	–	–
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**1**	**96**	**97**	**97**
	–	–	–	–	–	(36)	(36)	(36)
Rate-regulated activities	**–**	**–**	**–**	**(43)**	**–**	**–**	**(43)**	**(43)**
	–	–	–	6	–	–	6	6
IT Common Matters decision	**–**	**–**	**–**	**(11)**	**–**	**–**	**(11)**	**(11)**
	–	–	–	(8)	–	–	(8)	(8)
Madeira additional income taxes	**(15)**	**–**	**–**	**–**	**–**	**–**	**–**	**(15)**
	–	–	–	–	–	–	–	–
Impairment (charge) reversal	**–**	**–**	**–**	**(22)**	**–**	**(1)**	**(23)**	**(23)**
	–	–	–	–	2	–	2	2
AUC enforcement proceeding	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(14)	–	–	(14)	(14)
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(5)	–	–	(5)	(5)
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	3	–	–	3	3
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(1)	–	–	–	–	(1)
Earnings (loss) attributable to Class I and Class II Shares	**75**	**22**	**5**	**259**	**27**	**44**	**330**	**432**
	61	14	(1)	361	21	(86)	296	370
Earnings attributable to non-controlling interests								**387**
								337
Earnings for the year								**819**
								707

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:

2023	ATCO Energy Systems		
2022	Electricity	Natural Gas	Total
Adjusted earnings	**190**	**150**	**340**
	199	180	379
Transition of managed IT services	**(1)**	**(4)**	**(5)**
	–	–	–
Rate-regulated activities	**(24)**	**(19)**	**(43)**
	(6)	12	6
IT Common Matters decision	**(6)**	**(5)**	**(11)**
	(5)	(3)	(8)
Impairment	**(10)**	**(12)**	**(22)**
	–	–	–
AUC enforcement proceeding	–	–	–
	(14)	–	(14)
Workplace COVID-19 vaccination standard	–	–	–
	(2)	(3)	(5)
Gain on sale of ownership interest in a subsidiary company	–	–	–
	3	–	3
Earnings attributable to Class I and Class II Shares	**149**	**110**	**259**
	175	186	361

Transition of managed IT services

For the year ended December 31, 2023, the Company recognized additional legal and other costs of $5 million (after-tax and non-controlling interests (NCI)) related to the Wipro Ltd. master service agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the consolidated statements of earnings, provisions and other current liabilities in the consolidated balance sheets, and in changes in non-cash working capital (operating activities) in the consolidated statements of cash flows. 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 retail electricity and natural gas business in Alberta enters 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 are recognized in the Corporate & Other segment.

The CODM 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, Northland Utilities (NWT), Northland 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 uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal

reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards 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 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:

	2023	2022
Additional revenues billed in current year		
Future removal and site restoration costs [(1)]	**62**	61
Impact of colder temperatures [(2)]	**–**	2
Revenues to be billed in future years		
Deferred income taxes [(3)]	**(80)**	(56)
Impact of warmer temperatures [(2)]	**(17)**	–
Impact of inflation on rate base [(4)]	**(21)**	(34)
Settlement of regulatory decisions and other items		
Distribution rate relief [(5)]	**9**	55
Other [(6)]	**4**	(22)
	(43)	6

(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) 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.

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

(4) The inflation-indexed portion of ATCO Gas Australia's (part of Natural Gas Distribution) 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 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied and received approval from the AUC for interim rate relief for customers to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the year ended December 31, 2023, $9 million (after-tax and NCI) (2022 - $55 million (after-tax and NCI)) was billed to customers.

(6) In 2022, ATCO Electric Distribution recorded a decrease in earnings of $10 million (after-tax and NCI) related to payments of electricity transmission costs, and ATCO Gas Distribution recorded a decrease in earnings of $8 million (after-tax and NCI) related to payments of gas pipeline system load balancing costs.

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 in the year ended December 31, 2023 was $11 million (after-tax and NCI) (2022 - $8 million (after-tax and NCI)).

Madeira additional income taxes

For the years 2009 to 2016, ATCO Frontec Europa Kft, a wholly owned subsidiary of ATCO Structures & Logistics Ltd., had income that was attributable to Madeira, Portugal and qualified for a special tax program, promoted and administered by the Portuguese Tax Authority (PTA). Income tax rates between 4 per cent to 5 per cent were paid and applied in those years. These rates were confirmed with binding tax rulings from both the Hungarian and Portuguese authorities. In December 2023, the PTA issued reassessment notices following the European Commission's (EU) determination that the Madeira Free Trade Zone Regime III constituted state aid that does not comply with EU guidelines and mandated the PTA to collect taxes at normal Portuguese tax rates for the aforementioned years. The reassessment notices resulted in a reduction of earnings of $15 million and was comprised of an increase in current income taxes of $13 million (see Note 7) and additional interest expense of $2 million. As the additional taxes and interest were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Impairments

2023 Impairment charges

For the year ended December 31, 2023, impairments of $23 million (after-tax and NCI) were recognized, relating to assets that no longer represent value to the Company.

Of these impairments, $17 million (after-tax and NCI) relates to impairments of certain computer software assets which are not expected to be used in the business (see Note 12), and $4 million (after-tax and NCI) relates to certain electricity generation assets in ATCO Electric Transmission which had been removed from service (see Note 11). As the impairments are not in the normal course of business, the charges were excluded from adjusted earnings.

2022 Reversal of impairment

In 2022, a reversal of impairment of $2 million (after-tax and NCI) was recorded relating to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in Southern Australia. The reversal resulted from an improvement in the future outlook for power market prices leading to the extension of the facility's power purchase agreement.

As the reversal relates to a previous impairment, it has been excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

In 2022, the Company recognized costs of $14 million (after-tax and NCI) related to an AUC enforcement proceeding. As this proceeding was not in the normal course of business, these costs have been excluded from adjusted earnings.

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in 2022 the Company incurred $5 million

(after-tax and NCI) related to amounts paid and accrued. As these costs were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Gain on sale of ownership interest in a subsidiary company

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and was a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction resulted in the Company and DII each having a 50 per cent ownership interest in NUE. The sale of ownership interest resulted in a gain on sale of $3 million (after-tax and NCI). As the gain on sale was not in the normal course of business, it was 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:

2023 2022	Structures & Logistics	ATCO Energy Systems [1]			ATCO EnPower [2]	Corporate & Other [4], [5]	Consolidated
		Electricity [3]	Natural Gas [3]	Total			
Revenue Streams							
Rendering of Services							
Distribution services	–	**622**	**1,076**	**1,698**	–	–	**1,698**
	–	609	1,187	1,796	–	–	1,796
Transmission services	–	**637**	**347**	**984**	–	–	**984**
	–	724	337	1,061	–	–	1,061
Modular structures - services	**229**	–	–	–	–	–	**229**
	339	–	–	–	–	–	339
Logistics and facility operations and maintenance services	**83**	–	–	–	–	–	**83**
	123	–	–	–	–	–	123
Lodging and support	**156**	–	–	–	–	–	**156**
	97	–	–	–	–	–	97
Customer contributions	–	**34**	**26**	**60**	–	–	**60**
	–	33	22	55	–	–	55
Franchise fees	–	**37**	**253**	**290**	–	–	**290**
	–	36	292	328	–	–	328
Retail electricity and natural gas services	–	–	–	–	–	**329**	**329**
	–	–	–	–	–	431	431
Storage and industrial water	–	–	–	–	**80**	–	**80**
	–	–	–	–	66	–	66
Total rendering of services	**468**	**1,330**	**1,702**	**3,032**	**80**	**329**	**3,909**
	559	1,402	1,838	3,240	66	431	4,296
Sale of Goods							
Electricity generation and delivery	–	–	–	–	**114**	–	**114**
	–	–	–	–	46	–	46
Commodity sales	–	–	–	–	**53**	**26**	**79**
	–	–	–	–	80	17	97
Modular structures - goods	**251**	–	–	–	–	–	**251**
	193	–	–	–	–	–	193
Total sale of goods	**251**	–	–	–	**167**	**26**	**444**
	193	–	–	–	126	17	336
Lease income							
Finance lease	–	**6**	–	**6**	**8**	–	**14**
	–	–	–	–	14	–	14
Operating lease	**207**	–	–	–	–	–	**207**
	176	–	–	–	–	–	176
Total lease income	**207**	**6**	–	**6**	**8**	–	**221**
	176	–	–	–	14	–	190
Other	–	**93**	**43**	**136**	**24**	**7**	**167**
	1	91	31	122	28	5	156
Total	**926**	**1,429**	**1,745**	**3,174**	**279**	**362**	**4,741**
	929	1,493	1,869	3,362	234	453	4,978

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

(3) For the year ended December 31, 2023, ATCO Energy Systems segment includes $132 million of unbilled revenue (2022 - $180 million). At December 31, 2023, $132 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $180 million).

(4) For the year ended December 31, 2023, Corporate & Other segment includes $40 million of unbilled revenue (2022 - $63 million) from retail electricity and natural gas energy services. At December 31, 2023, $40 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $63 million).

(5) Includes revenues from the Corporate & Other segment in Canadian Utilities and ATCO Ltd.

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, 2023, 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 $0.8 billion (2022 - $0.8 billion). The remaining duration of the agreement is 31 years. The Company expects that approximately 2 per cent of the amount will be recognized as revenue during the year ending December 31, 2024, 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 (2022 - $0.3 billion). The remaining duration of the contracts range between 5 to 24 years. The Company expects that approximately 20 per cent of the amount will be recognized as revenue during the year ending December 31, 2024; and

(iii) manufacturing of transportable workforce housing and space rental products under the terms of fixed price contracts that in aggregate approximates $0.1 billion (2022 - $0.1 billion). The remaining duration of the contracts range between 1 to 2 years. The Company expects that approximately 77 per cent will be recognized as revenue during the year ending December 31, 2024.

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, and other general and administrative expenses. For the year ended December 31, 2023, other costs and expenses also included income from emission credits and allowances of $17 million (2022 - nil). For the year ended December 31, 2022, other costs and expenses included expenses related to the AUC Enforcement proceeding of $28 million and gain on sale of ownership interest in a subsidiary company of $7 million.

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.

	2023	2022
Long-term debt	**474**	417
Short-term debt	**23**	11
Retirement benefits net interest expense *(Note 15)*	**7**	7
Amortization of deferred financing charges	**7**	4
Interest expense on lease liabilities *(Note 17)*	**4**	3
Other	**6**	8
	521	450
Less: interest capitalized *(Notes 11, 12)*	**(21)**	(14)
	500	436

Borrowing costs capitalized to property, plant and equipment and intangibles during 2023 were calculated by applying a weighted average interest rate of 4.71 per cent (2022 - 3.93 per cent) to expenditures on qualifying assets.

7. INCOME TAXES

INCOME TAX EXPENSE

The income tax rate for 2023 is 23.0 per cent (2022 - 23.0 per cent).

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

	2023	2022
Current income tax expense		
Canada	**19**	39
Australia	**17**	15
United States	**–**	2
Portugal	**13**	–
Chile	**(2)**	(1)
Puerto Rico	**5**	1
Other	**1**	–
Adjustment in respect of prior years	**(7)**	(3)
	46	53
Deferred income tax expense		
Reversal of temporary differences	**200**	158
Adjustment in respect of prior years	**(4)**	3
	196	161
	242	214

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

		2023		2022
Earnings before income taxes	**1,061**	**%**	921	%
Income taxes, at statutory rates	**244**	**23.0**	212	23.0
Equity earnings	**(20)**	**(1.9)**	(20)	(2.3)
Foreign tax rate variance	**9**	**0.9**	8	0.9
Non-deductible items	**2**	**0.2**	8	0.9
Tax cost on equity preferred share financing	**7**	**0.7**	6	0.7
Previously unrecognized deferred income taxes	**(6)**	**(0.6)**	1	0.1
Investment tax credit	**(2)**	**(0.2)**	–	–
Retroactive foreign tax rate change	**13**	**1.2**	–	–
Other	**(5)**	**(0.5)**	(1)	(0.1)
	242	**22.8**	214	23.2

INCOME TAX ASSETS AND LIABILITIES

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

	Balance Sheet Presentation	2023	2022
Income tax assets			
Current	Prepaid expenses and other current assets	**55**	35
Deferred	Deferred income tax assets	**75**	64
		130	99
Income tax liabilities			
Current	Provisions and other current liabilities	**23**	13
Deferred	Deferred income tax liabilities	**2,152**	1,843
		2,175	1,856

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, 2021	(2)	_	(6)	47	10	5	54
Credit (charge) to earnings	_	_	9	(8)	1	_	2
Credit (charge) to other comprehensive income	_	_	3	_	(1)	_	2
Other	_	_	_	_	_	6	6
December 31, 2022	(2)	_	6	39	10	11	64
(Charge) credit to earnings	_	**(1)**	**(4)**	**14**	**(3)**	**8**	**14**
Credit to other comprehensive income	_	_	_	_	**1**	_	**1**
Foreign exchange adjustment	_	_	_	**1**	_	**1**	**2**
Other	_	_	_	_	_	**(6)**	**(6)**
December 31, 2023	**(2)**	**(1)**	**2**	**54**	**8**	**14**	**75**

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, 2021	1,762	105	(25)	(89)	(80)	(49)	1,624
Charge (credit) to earnings	158	18	(10)	(19)	1	15	163
Charge (credit) to other comprehensive income	_	_	51	_	(2)	_	49
Acquisition (*Note 24*)	_	6	(1)	_	_	1	6
Foreign exchange adjustment	2	_	_	_	_	_	2
Other	(13)	(1)	_	_	_	13	(1)
December 31, 2022	1,909	128	15	(108)	(81)	(20)	1,843
Charge (credit) to earnings	**194**	**4**	**53**	**(43)**	**(3)**	**5**	**210**
Charge (credit) to other comprehensive income	_	_	**(60)**	_	**1**	**22**	**(37)**
Acquisition (*Note 24*)	**135**	**13**	**(4)**	_	_	**1**	**145**
Foreign exchange adjustment	**(3)**	_	_	_	_	**1**	**(2)**
Other	_	_	_	**(2)**	_	**(5)**	**(7)**
December 31, 2023	**2,235**	**145**	**4**	**(153)**	**(83)**	**4**	**2,152**

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

At December 31, 2023, the Company had $786 million of non-capital tax losses and credits which expire between 2024 and 2042 and $162 million of tax losses which do not expire. The Company recognized deferred income tax assets of $207 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 (2022 - $109 million). The Company had $141 million of aggregate temporary differences for which no deferred tax assets were recognized (2022 - $123 million).

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 and vesting of shares held in the mid-term incentive plan (MTIP) Trust on the weighted average Class I and Class II Shares outstanding. In May 2023, all of the shares held in the MTIP Trust were sold (see Note 18).

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

	2023	2022
Average shares		
Weighted average shares outstanding	**113,216,263**	113,957,680
Effect of dilutive stock options	**65,188**	60,868
Effect of dilutive shares held in MTIP Trust	**96,590**	250,772
Weighted average dilutive shares outstanding	**113,378,041**	114,269,320
Earnings for earnings per share calculation		
Earnings for the year	**819**	707
Non-controlling interests	**(387)**	(337)
Earnings attributable to Class I and Class II Shares	**432**	370
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$3.82**	$3.25
Diluted earnings per Class I and Class II Share	**$3.82**	$3.24

9. MARKETABLE SECURITIES

In February 2023, the Company commenced investing in marketable securities with the objective of delivering competitive returns and maintaining a high degree of liquidity. Marketable securities at December 31, 2023 are comprised of:

	2023
Corporate bonds and debentures	**125**
Private fixed income funds	**102**
Bank loans and commercial mortgage funds	**77**
	304

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, 2023, realized gains of $10 million were recognized in interest income and unrealized gains of $4 million, resulting from fair value changes, were recognized in other costs and expenses in the consolidated statements of earnings.

10. INVENTORIES

Inventories at December 31 are comprised of:

	2023	2022
Natural gas and fuel in storage	**37**	16
Raw materials and consumables [(1)]	**32**	29
Work-in-progress [(1)]	**20**	24
Finished goods [(1)]	**8**	11
Emission credits and allowances *(Note 5)*	**17**	–
	114	80

(1) On December 7, 2022, ATCO Structures & Logistics Ltd., a subsidiary of the Company, acquired a 100 per cent ownership interest in Triple M Housing Ltd. Inventories acquired amounted to $6 million in raw materials and consumables, $1 million in work-in-progress and $2 million in finished goods (see Note 24).

For the year ended December 31, 2023, inventories (excluding emission credits and allowances) of $239 million were used in operations and recognized in costs and expenses in the consolidated statements of earnings (2022 - $256 million).

Inventories with a carrying value of $33 million were pledged as security for liabilities at December 31, 2023 (2022 - $15 million).

11. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Energy Generation & Storage [1]	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2021	21,771	500	1,062	445	718	903	25,399
Additions	58	_	9	1,195	190	7	1,459
Transfers	693	102	16	(861)	4	46	_
Retirements and disposals	(123)	(5)	(5)	(10)	(75)	(30)	(248)
Sale of ownership interest in a subsidiary company (*Note 3*)	(111)	_	(8)	(2)	_	(5)	(126)
Acquisition (*Note 24*)	_	_	_	_	_	2	2
Foreign exchange rate adjustment	4	11	1	3	17	6	42
Changes to asset retirement costs	_	5	_	_	_	_	5
December 31, 2022	22,292	613	1,075	770	854	929	26,533
Additions	**55**	**47**	**4**	**1,158**	**176**	**18**	**1,458**
Transfers	**1,110**	**211**	**18**	**(1,401)**	**8**	**54**	_
Retirements and disposals	**(104)**	_	**(7)**	**(2)**	**(48)**	**(39)**	**(200)**
Acquisition (*Note 24*)	_	**640**	_	_	_	_	**640**
Foreign exchange rate adjustment	**(32)**	**12**	**(1)**	**(1)**	**(11)**	**(3)**	**(36)**
Changes to asset retirement costs	_	**25**	_	_	_	_	**25**
December 31, 2023	**23,321**	**1,548**	**1,089**	**524**	**979**	**959**	**28,420**
Accumulated depreciation							
December 31, 2021	5,478	184	238	_	256	452	6,608
Depreciation	500	15	24	_	46	60	645
Retirements and disposals	(111)	(5)	(2)	_	(32)	(29)	(179)
Sale of ownership interest in subsidiary company (*Note 3*)	(52)	_	(3)	_	_	(2)	(57)
Foreign exchange rate adjustment	1	3	_	_	3	5	12
December 31, 2022	5,816	197	257	_	273	486	7,029
Depreciation and impairment	**526**	**40**	**24**	_	**54**	**62**	**706**
Retirements and disposals	**(99)**	_	**(7)**	_	**(25)**	**(37)**	**(168)**
Foreign exchange rate adjustment	**(6)**	**3**	_	_	**(4)**	**3**	**(4)**
December 31, 2023	**6,237**	**240**	**274**	_	**298**	**514**	**7,563**
Net book value							
December 31, 2022	16,476	416	818	770	581	443	19,504
December 31, 2023	**17,084**	**1,308**	**815**	**524**	**681**	**445**	**20,857**

(1) Energy Generation & Storage property, plant and equipment was previously reported as Energy Infrastructure property, plant and equipment.

The additions to property, plant and equipment included $15 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $9 million).

PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., closed a transaction to transfer a 30 kilometer segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. The proceeds from sale are included in other investing activities in the consolidated statements of cash flows.

IMPAIRMENT

In 2023, the Company recognized an impairment of $8 million related to certain electricity generation assets in ATCO Electric Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value. The assets were derecognized from property, plant and equipment on the consolidated balance sheet and the impairment was charged to depreciation, amortization and impairment expense in the consolidated statement of earnings.

12. 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 is as follows:

	Computer Software	Land Rights	Work-in-Progress	Other	Total
Cost					
December 31, 2021	459	437	156	60	1,112
Additions	15	_	139	_	154
Transfers	69	21	(93)	3	_
Acquisition (*Note 24*)	_	_	_	28	28
Retirements	(40)	_	_	(1)	(41)
Sale of ownership interest in subsidiary company *(Note 3)*	(1)	(1)	(2)	_	(4)
Foreign exchange rate adjustment	(1)	_	_	_	(1)
December 31, 2022	501	457	200	90	1,248
Additions	**10**	_	**138**	**2**	**150**
Acquisition (*Note 24*)	_	_	**46**	**61**	**107**
Transfers	**44**	**18**	**(74)**	**12**	_
Retirements	**(45)**	_	**(33)**	**(1)**	**(79)**
Related party transfer	**(1)**	_	_	**1**	_
Foreign exchange rate adjustment	_	_	_	**1**	**1**
December 31, 2023	**509**	**475**	**277**	**166**	**1,427**
Accumulated amortization					
December 31, 2021	255	65	_	40	360
Amortization	52	5	_	3	60
Retirements	(40)	_	_	(1)	(41)
Foreign exchange rate adjustment	(1)	_	_	_	(1)
December 31, 2022	266	70	_	42	378
Amortization and impairment	**53**	**6**	**33**	**8**	**100**
Retirements	**(45)**	_	**(33)**	**(1)**	**(79)**
December 31, 2023	**274**	**76**	_	**49**	**399**
Net book value					
December 31, 2022	235	387	200	48	870
December 31, 2023	**235**	**399**	**277**	**117**	**1,028**

The additions to intangibles include interest capitalized during construction of $6 million for the year ended December 31, 2023 (2022 - $5 million).

IMPAIRMENTS

For the year ended December 31, 2023, impairments of $33 million were recorded in respect of certain computer software projects in construction work-in-progress. The charge represents computer software project costs, primarily in ATCO Energy Systems which no longer have any value to the Company. The assets were derecognized

from intangible assets on the consolidated balance sheet and the impairment was charged to depreciation, amortization and impairment expense in the consolidated statement of earnings.

13. GOODWILL

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

	2023	2022
ATCO Energy Systems, Electricity [1]	**38**	38
ATCO Energy Systems, Natural Gas [1]	**33**	33
ATCO EnPower [2]	**141**	–
Structures & Logistics [3]	**26**	18
Corporate & Other	**4**	–
Carrying value	**242**	89

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure. On January 3, 2023, ATCO Renewables Ltd. (previously, ATCO Power (2010) Ltd.), a wholly subsidiary of Canadian Utilities Limited, recorded goodwill of $141 million on the acquisition of a portfolio of wind and solar assets and projects from Suncor Energy Inc. (see Note 24).

(3) On December 7, 2022, ATCO Structures & Logistics Ltd., a subsidiary of the Company, recorded goodwill of $16 million on the acquisition of a 100 per cent ownership interest in Triple M Housing Ltd. (see Note 24).

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 9.0 and 10.5 (2022 - 11.3 and 11.7) and price-to-earnings values of 14.0 and 17.9 (2022 - 21.3 and 19.7) for the Electricity and Natural gas segments, respectively, to calculate fair value less costs of disposal. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy.

At December 31, 2023 and 2022, 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.

ATCO EnPower, ATCO Renewables Ltd. CGU

The recoverable amount of goodwill is measured based on the cash generating unit's (CGU) fair value less costs of disposal, which is calculated using the CGU's EBITDA, enterprise value multiples specific to the CGU's asset base on the purchase price, and estimated costs of disposal.

The Company used an enterprise value-to-EBITDA multiple of 12.6 to calculate fair value less costs of disposal. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy.

At December 31, 2023, the CGU's fair value was sufficient to support the carrying value of its goodwill.

14. LONG-TERM DEBT

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

	Effective Interest Rate	2023	2022
Corporate long-term debt			
CU Inc. debentures - unsecured	4.369% (2022 - 4.397%) [1]	**8,765**	8,525
CU Inc. other long-term obligation, due June 2025 - unsecured [2]	6.95% (2022 - 6.45%)	**7**	7
Canadian Utilities Limited debentures, 4.851%, due June 2052 - unsecured	4.899% (2022 - 4.899%)	**250**	250
Canadian Utilities Limited non-revolving credit facility, at CDOR rates, due July 2024 - unsecured	Floating [3]	**68**	–
Canadian Utilities Limited extendible revolving credit facility, at CORRA rates, due November 2025 - unsecured	Floating [3]	**268**	–
ATCO Ltd. extendible revolving credit facility, at CORRA rates, due November 2025 - unsecured	Floating [7]	**84**	84
ATCO Ltd. fixed-to-floating rate subordinated notes, due November 2078 - unsecured	5.50% [4]	**200**	200
		9,642	9,066
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 2025, $39 million AUD (2022 - $45 million AUD)	Floating [3], [5]	**35**	42
ATCO Gas Australia Pty Ltd revolving credit facility, payable in Australian dollars, at BBSY rates, due August 2026, $350 million AUD (2022 - $350 million AUD) - unsecured	Floating [3], [5]	**327**	322
ATCO Gas Australia Pty Ltd revolving credit facility, payable in Australian dollars, at BBSY rates, due August 2024, $362 million AUD (2022 - $362 million AUD) - unsecured	Floating [3], [5]	**316**	334
Electricidad del Golfo, S. de R.L. de C.V. non-revolving credit facility, payable in Mexican pesos due November 2025, $335 million MXP (2022 - $335 million MXP)	11.31%	**27**	23
ATCO Next Energy Ltd. and ATCO Renewables Ltd. extendible revolving credit facility, at Canadian prime rates or CORRA, due December 2025 [6]	Floating [3]	**94**	88
ATCO Adelaide Wind Holdings Limited Partnership amortizing non-revolving credit facility, at CDOR, due December 2034	Floating [3], [5]	**88**	–
Deerfoot Barlow Solar Limited Partnership amortizing non-revolving credit facility, due June 2049	3.00%	**56**	–
Forty Mile Granlea Wind Limited Partnership amortizing debentures, due September 2033 to June 2046	5.963% [1]	**292**	–
ATCO Investments Ltd. mortgage, at BA rates, due March 2028	Floating [5]	**85**	88
ATCO Structures & Logistics Ltd. revolving credit facility, at Canadian prime rates or SOFR rates, due August 2025	Floating [7]	**86**	114
ATCO Structures & Logistics Pty credit facility, payable in Australian dollars, at BBSY rates, due July 2025, $37 million AUD (2022 - $38 million AUD)	Floating [7]	**33**	35
ATCO Sabinco S.A. credit facility, payable in Chilean pesos, at SOFR rates, due August 2025, $17 billion CLP (2022 - $17 billion CLP)	Floating [7]	**26**	27
		1,465	1,073
Total Corporate, Subsidiaries and Project Finance long-term debt		**11,107**	10,139
Less: deferred financing charges		**(59)**	(52)
		11,048	10,087
Less: amounts due within one year		**(531)**	(109)
		10,517	9,978

CORRA - Canadian Overnight Repo Rate Average *BBSY - Bank Bill Swap Benchmark Rate* *CDOR - Canadian Dollar Overnight Rate*
BA - Bankers' Acceptance *SOFR - Secured Overnight Financing Rate*

(1) Interest rate is the average effective interest rate weighted by principal amounts outstanding.

(2) In 2023, the expiry date of the CU Inc. other long-term obligation was extended from June 2024 to June 2025.

(3) During 2023, the above interest rates had additional margin fees at a weighted average rate of 0.94 per cent (2022 - 1.43 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, 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, 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 swaps (see Note 20).

(6) In December 2023, ATCO Energy Solutions Ltd. and ATCO Power (2010) Ltd. were renamed to ATCO Next Energy Ltd. and ATCO Renewables Ltd., respectively.

(7) During 2023, the above interest rate had an additional margin fees at a weighed average of 1.19 per cent (2022 - 2.60 per cent). The margin fees are subject to escalation.

CORPORATE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

CU Inc.

On September 20, 2023, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $340 million of 5.088 per cent debentures maturing on September 20, 2053 (2022 - On September 14, 2022, CU Inc. issued $210 million of 4.773 per cent debentures maturing on September 14, 2052).

On May 1, 2023, CU Inc., repaid $100 million of 9.4 per cent debentures (2022 - On April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures).

Canadian Utilities Limited

On January 3, 2023, Canadian Utilities Limited entered into a non-revolving credit facility with a syndicate of lenders consisting of two $355 million tranches to initially finance the acquisition of a portfolio of wind and solar assets and projects (see Note 24). In June 2023, the first tranche was fully repaid. In December 2023, the second tranche was partially repaid. The remaining balance on the second tranche of $68 million at December 31, 2023 will mature on July 3, 2024 and bears interest at CDOR plus an applicable margin.

On June 30, 2023, Canadian Utilities Limited issued $268 million of long-term debt from an existing extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2025 and bears interest at CORRA plus an applicable margin.

On June 3, 2022, Canadian Utilities Limited issued $250 million of 4.851 per cent debentures maturing on June 3, 2052. Canadian Utilities Limited also repaid $200 million of 3.122 per cent debentures on November 9, 2022.

SUBSIDIARIES AND PROJECT FINANCE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

Subsidiaries

On December 8, 2022, ATCO Next Energy Ltd. and ATCO Renewables Ltd., both wholly owned subsidiaries of Canadian Utilities Limited, entered into a $250 million extendible revolving credit facility maturing in December 2025 and a $50 million uncommitted revolving credit facility for letters of credit issuances with no set maturity date, with a syndicate of lenders. The facility bears interest at Canadian prime rates or CORRA plus an applicable margin.

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.

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, entered into a limited recourse non-revolving amortizing credit facility of $90 million with a bank lender (Adelaide Wind Project Finance Debt). The Adelaide Wind Project Finance Debt amortizes quarterly until December 2034 and bears interest at CDOR plus an applicable margin.

On July 7, 2023, Deerfoot Barlow Solar Limited Partnership, an indirect 49 per cent subsidiary of Canadian Utilities Limited, entered into a $78 million limited recourse non-revolving amortizing credit facility with a bank lender

(Deerfoot Barlow Solar Project Finance Debt). The amortizing credit facility bears a fixed interest rate of 3.00 per cent with quarterly repayments and matures on September 30, 2048.

On December 4, 2023, Forty Mile Granlea Wind Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, issued limited recourse amortizing debentures through a private placement consisting of $108 million of 5.555 per cent Series A debentures maturing on September 30, 2033, $159 million of 6.223 per cent Series B debentures and $25 million of 6.072 per cent of Series C debentures each of which mature on June 30, 2046 (collectively, Forty Mile Wind Project Finance Debt). Series A and Series C debentures require quarterly principal and interest repayments. Series B debentures only require quarterly interest payments until Series A's principal amount is fully paid.

The proceeds received from the Adelaide Wind Project Finance and Forty Mile Wind Project Finance Debt issuances were used to pay a portion of Canadian Utilities Limited's non-revolving credit facility that was used to finance the acquisition of wind and solar assets and projects.

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. credit facility is secured by a general assignment of its present and future properties, assets, undertakings, and equity interests in certain subsidiaries and joint ventures.

At December 31, 2023, the book value of assets pledged to maintain the subsidiaries' credit facilities was $1,857 million (2022 - $1,574 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 17).

The Adelaide Wind Project Finance Debt is secured by a pledge of Canadian Utilities Limited's 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, 2023, the book value of assets pledged to maintain the project finance debts was $914 million (2022 - $252 million).

INTEREST RATE AMENDMENTS

In 2023, agreements relating to certain Corporate long-term debt and Project Finance long-term debt that were previously referenced to CDOR and LIBOR have been been amended to reference them to CORRA and SOFR, respectively. The amendments were prospective, and did not have a material impact to the Company's interest expense for the year ended December 31, 2023 as the changes to the reference rates were economically equivalent to the previous basis.

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:

	2023		2022	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Market value of plan assets				
Beginning of year	**2,437**	_	3,084	_
Interest income	**122**	_	92	_
Employer contributions	**4**	_	8	_
Benefit payments	**(148)**	_	(144)	_
Return on plan assets, excluding amounts included in interest income	**57**	_	(603)	_
End of year	**2,472**	_	2,437	_
Accrued benefit obligations				
Beginning of year	**2,544**	**92**	3,156	127
Current service cost	**5**	**2**	9	3
Interest cost	**124**	**5**	95	4
Benefit payments from plan assets	**(148)**	_	(144)	_
Benefit payments by employer	**(8)**	**(5)**	(9)	(5)
Past service cost	_	_	1	_
Actuarial losses (gains)	**49**	**7**	(564)	(37)
End of year [1]	**2,566**	**101**	2,544	92
Funded status				
Net retirement benefit obligations	**94**	**101**	107	92
Included in net retirement benefit obligations are:				
Registered funded defined benefit pension plan asset [1]	**(49)**	_	(24)	_
Non-registered, non-funded defined benefit pension plans obligation [2]	**143**	_	131	_
OPEB Plans	_	**101**	_	92
	94	**101**	107	92

(1) The registered funded defined benefit pension plan was in an asset position of $49 million at December 31, 2023 due to the impacts of returns on plan assets, partly offset by a decrease in liability discount rate (2022 - $24 million due to the impacts of returns on plan assets, an increase in the liability discount rate, and the restriction of the net retirement benefit asset by the asset ceiling adjustment).

(2) In the Company's non-registered, non-funded defined benefit pension plans, accrued benefit obligations increased to $143 million at December 31, 2023 due to a decrease in the liability discount rate and experience adjustments (2022 - decreased to $131 million due to an increase in the liability discount rate and experience adjustments).

BENEFIT PLAN COST

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

	2023		2022	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Current service cost	**5**	**2**	9	3
Interest cost	**124**	**5**	95	4
Interest income	**(122)**	_	(92)	_
Past service cost	_	_	1	_
Defined benefit plans cost	**7**	**7**	13	7
Defined contribution plans cost	**37**	_	30	_
Total cost	**44**	**7**	43	7
Less: capitalized	**(17)**	**(3)**	(16)	(3)
Net cost recognized in earnings	**27**	**4**	27	4

RE-MEASUREMENT OF RETIREMENT BENEFITS

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

	2023		2022	
	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	**57**	_	(603)	_
(Losses) gains on plan obligations from:				
Changes in financial assumptions	**(49)**	**(7)**	564	37
Gains (losses) recognized in other comprehensive income [(1)]	**8**	**(7)**	(39)	37

(1) Gains net of income taxes were $1 million for the year ended December 31, 2023 (2022 - losses net of income taxes of $2 million).

PLAN ASSETS

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

	2023				2022			
Plan asset mix	**Quoted**	**Un-quoted**	**Total**	**%**	**Quoted**	**Un-quoted**	**Total**	**%**
Equity securities								
Public								
Canada	**3**	_	**3**		2	_	2	
United States	**126**	_	**126**		111	_	111	
International	**66**	_	**66**		62	_	62	
Private	_	**2**	**2**		_	2	2	
	195	**2**	**197**	**8**	175	2	177	7
Fixed income securities								
Government bonds	**1,156**	_	**1,156**		1,061	_	1,061	
Corporate bonds and debentures	**615**	_	**615**		735	_	735	
Securitizations	**92**	_	**92**		46	_	46	
Mortgages	_	**94**	**94**		_	124	124	
	1,863	**94**	**1,957**	**79**	1,842	124	1,966	81
Real estate								
Land and building [(1)]	_	**25**	**25**		_	14	14	
Real estate funds	_	**216**	**216**		_	223	223	
	_	**241**	**241**	**10**	_	237	237	10
Cash and other assets								
Cash	**31**	_	**31**		47	_	47	
Short-term notes and money market funds	**41**	_	**41**		7	_	7	
Accrued interest and dividends receivable	**5**	_	**5**		3	_	3	
	77	_	**77**	**3**	57	_	57	2
	2,135	**337**	**2,472**	**100**	2,074	363	2,437	100

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

FUNDING

In 2023, an actuarial valuation for funding purposes as of December 31, 2022 was completed for the registered defined benefit pension plans. The estimated contribution for 2024 is $4 million. The next actuarial valuation for funding purposes must be completed as of December 31, 2025.

WEIGHTED AVERAGE ASSUMPTIONS

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

	2023		2022	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Benefit plan cost				
Discount rate for the year	**5.28 %**	**5.28 %**	3.16 %	3.16 %
Average compensation increase for the year	**2.25 %**	**n/a**	2.25 %	n/a
Accrued benefit obligations				
Discount rate at December 31	**4.65 %**	**4.65 %**	5.28 %	5.28 %
Long-term inflation rate [(1)]	**2.00 %**	**n/a**	2.00 %	n/a
Health care cost trend rate:				
Drug costs [(2)]	**n/a**	**4.95 %**	n/a	5.00 %
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, 2023 was 4.00 per cent for 2023, 2.20 per cent for 2024, and 2.00 per cent thereafter (2022 - 7.00 per cent for 2022, 3.50 per cent for 2023, 2.30 per cent for 2024 and 2.00 per cent thereafter).

(2) The Company uses a graded drug cost trend rate, which assumes a 4.95 per cent rate per annum (2022 - 5.00 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 10.8 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 periods.

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.

Compensation risk

The present value of the accrued benefit obligations is calculated using the estimated future compensation of plan participants. Should future compensation be higher than estimated, benefit obligations will increase.

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 deferred 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 2023 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 %	(258)	319	5	(7)
Future compensation rate	1 %	2	(3)	–	–
Long-term inflation rate [(1)]	1 %	309	(261)	9	(8)
Health care cost trend rate	1 %	7	(6)	–	–
Life expectancy	10 %	64	(70)	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. 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:

	2023	**2022**
Trade accounts receivable and contract assets	**855**	917
Other accounts receivable	**35**	39
	890	956
Contract assets included in other assets	**5**	3
	895	959

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

	2023	**2022**
Beginning of year	**920**	814
Revenue from satisfied performance obligations	**4,580**	4,621
Customer billings and other items not included in revenue	**600**	619
Credit loss allowance	**–**	(1)
Acquisitions (*Note 24)*	**11**	3
Payments received	**(5,251)**	(5,129)
Sale of ownership interest in a subsidiary company (*Note 3*)	**–**	(6)
Foreign exchange rate adjustment and other	**–**	(1)
End of year	**860**	920

CUSTOMER CONTRIBUTIONS

Certain additions to property, plant and equipment, mainly in ATCO Energy Systems, 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 during the year ended December 31 are summarized below.

	2023	2022
Beginning of year	**1,989**	1,870
Receipt of customer contributions	**127**	178
Amortization	**(60)**	(55)
Foreign exchange rate adjustment and other	**(15)**	5
Sale of ownership interest in a subsidiary company (*Note 3*)	**–**	(9)
End of year	**2,041**	1,989

17. 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:

	Note	2023	2022
Cost			
Beginning of year		**167**	134
Additions		**20**	14
Acquisitions	24	**5**	25
Disposals		**(6)**	(6)
Foreign exchange rate adjustment		**(1)**	–
End of year		**185**	167
Accumulated depreciation			
Beginning of year		**58**	47
Depreciation		**19**	17
Disposals		**(6)**	(6)
End of year		**71**	58
Net book value		**114**	109

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 during the year ended December 31 is as follows:

	Note	2023	2022
Beginning of year		**115**	90
Additions		**20**	14
Acquisitions	24	**5**	25
Interest expense	6	**4**	3
Lease payments		**(21)**	(18)
Foreign exchange rate adjustment		**(2)**	1
End of year		**121**	115
Less: amounts due within one year		**(17)**	(16)
End of year		**104**	99

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

In one year or less	**21**
In more than one year, but not more than five years	**70**
In more than five years	**71**
	162

The amounts expensed in the consolidated statements of earnings for the year ended December 31, in relation to short-term leases and low-value leases, are as follows:

	2023	2022
Short-term leases	**15**	15

During the years ended December 31, 2023 and 2022, leases with variable payments were less than $1 million.

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.

As at December 31, 2023 and 2022, 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.

	2023	2022
Net investment in finance leases		
Finance lease - gross investment	**221**	271
Unearned finance income	**(83)**	(122)
	138	149
Current portion	**12**	11
Non-current portion	**126**	138
	138	149
Gross receivables from finance leases		
In one year or less	**25**	25
In more than one year, but not more than five years	**98**	101
In more than five years	**98**	145
	221	271
Net investment in finance leases		
In one year or less	**12**	11
In more than one year, but not more than five years	**60**	55
In more than five years	**66**	83
	138	149

During the year ended December 31, 2023, $2 million of contingent rent was recognized as income from these finance leases (2022 - $2 million).

Operating leases

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

	2023	2022
Minimum lease payments receivable		
In one year or less	**67**	78
In more than one year, but not more than five years	**32**	33
In more than five years	**1**	_
	100	111

During the years ended December 31, 2023 and 2022, no contingent rent was recognized as income from these operating leases.

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, 2021	101,187,649	188	13,196,129	2	114,383,778	190
Purchased and cancelled	(486,400)	(1)	_	_	(486,400)	(1)
Stock options exercised	15,200	_	_	_	15,200	_
Converted: Class II to Class I	652,695	_	(652,695)	_	_	_
December 31, 2022	101,369,144	187	12,543,434	2	113,912,578	189
Purchased and cancelled	**(1,758,600)**	**(3)**	_	_	**(1,758,600)**	**(3)**
Stock options exercised	**4,900**	**1**	_	_	**4,900**	**1**
Converted: Class II to Class I	**118,447**	_	**(118,447)**	_	_	_
December 31, 2023	**99,733,891**	**185**	**12,424,987**	**2**	**112,158,878**	**187**

Class I and Class II Shares have no par value.

MID-TERM INCENTIVE PLAN

The Company's MTIP trust is considered a special purpose entity which is consolidated in these financial statements. The Class I Shares, while held in trust, are accounted for as a reduction of share capital. The consolidated Class I and Class II Shares outstanding at December 31 is shown below.

	2023		2022	
	Shares	Amount	Shares	Amount
Shares issued and outstanding	**112,158,878**	**187**	113,912,578	189
Shares held in trust for the mid-term incentive plan	_	_	(254,021)	(10)
Shares outstanding, net of shares held in trust	**112,158,878**	**187**	113,658,557	179

In May 2023, the MTIP Plan was terminated. Following its termination, the Company sold all of the 259,590 Class I Shares that were held in trust for the MTIP for proceeds of $11 million, resulting in an increase in share capital of $10 million, and contributed surplus of $1 million, representing the after tax gain on sale. In July 2023, the MTIP trust was closed.

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.

DIVIDENDS

The Company declared and paid cash dividends of $1.9024 per Class I and Class II Share during 2023 (2022 - $1.8468). 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 11, 2024, the Company declared a first quarter dividend of $0.4898 per Class I and Class II Share, payable on March 31, 2024 to share owners of record as of February 29, 2024.

NORMAL COURSE ISSUER BID

On March 13, 2023, ATCO Ltd. began a normal course issuer bid (NCIB) to purchase up to 1,014,881 outstanding Class I shares. On September 26, 2023, the NCIB was amended to increase the maximum outstanding number of Class I shares that may be purchased from 1,014,881 to 2,214,881. The bid will expire on March 12, 2024. The prior year NCIB to purchase up to 1,011,907 outstanding Class I shares began on March 9, 2022 and expired on March 8, 2023.

During the year ended December 31, 2023, 1,758,600 Class I shares were purchased for $67 million, resulting in a decrease to share capital of $3 million and a decrease to retained earnings of $64 million (2022 - 486,400 Class I shares were purchased for $23 million, resulting in a decrease to share capital of $1 million and a decrease to retained earnings of $22 million).

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.

	2023	2022
Depreciation, amortization and impairment	**811**	717
Earnings from investment in associate company	**(22)**	(14)
Dividends received from associate company	**16**	15
Earnings from investment in joint ventures	**(72)**	(81)
Dividends and distributions received from investment in joint ventures	**82**	73
Income tax expense	**242**	214
Unrealized (gains) losses on derivative financial instruments	**(240)**	89
Contributions by customers for extensions to plant	**127**	178
Amortization of customer contributions	**(60)**	(55)
Net finance costs	**434**	391
Income taxes paid	**(52)**	(42)
Interest received	**64**	39
Other	**9**	18
	1,339	1,542

CHANGES IN NON-CASH WORKING CAPITAL

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

	2023	2022
Operating activities		
Accounts receivable and contract assets	**44**	(120)
Inventories	**(34)**	(9)
Prepaid expenses and other current assets	**(8)**	6
Accounts payable and accrued liabilities	**(138)**	281
Provisions and other current liabilities	**(57)**	(11)
	(193)	147
Investing activities		
Accounts receivable and contract assets	**(1)**	7
Prepaid expenses and other current assets	**(1)**	_
Accounts payable and accrued liabilities	**(58)**	45
	(60)	52

DEBT RECONCILIATION

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

	Short-term debt [1]	Long-term debt
Liabilities from financing activities		
December 31, 2021	206	9,852
Net (repayment) issue of debt	(206)	222
Foreign currency translation	_	15
Debt issue costs	_	(6)
Amortization of deferred financing charges	_	4
December 31, 2022	_	10,087
Net issue of debt	_	**970**
Foreign currency translation	_	**(2)**
Debt issue costs	_	**(14)**
Amortization of deferred financing charges	_	**7**
December 31, 2023	_	**11,048**

(1) In January 2022, the Company paid the commercial paper notes that were outstanding at December 31, 2021. Commercial paper notes are supported by the Company's long-term committed credit lines (see Note 21).

See Note 17 for the reconciliation of the changes in lease liability for the years ended December 31, 2023 and 2022.

CASH POSITION

Cash position at December 31 is comprised of:

	2023	2022
Cash	**250**	1,012
Short-term investments	**22**	3
Restricted cash [1]	**16**	18
Cash position	**288**	1,033

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

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, 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 using statistical techniques to derive 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:

	2023		2022	
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Finance lease receivables	**138**	**156**	149	185
Long-term advances due from joint venture [(1)]	**33**	**32**	33	30
Financial Liabilities				
Long-term debt	**11,048**	**10,744**	10,087	9,099

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, $3 million (2022 - nil), and other assets, $30 million (2022 - $33 million), on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

At December 31, 2023, the Company's marketable securities measured at fair value include investment grade corporate bonds and debentures, private fixed income funds, and bank loans and commercial mortgage funds (see Note 9).

Derivative financial instruments

The Company's derivative instruments are measured at fair value. At December 31, 2023 and 2022 the following derivative instruments were outstanding:

- 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		Subject to Hedge Accounting [1]	Not Subject to Hedge Accounting [2]	
Recurring Measurements	Interest Rate Swaps	Commodities [1]	Commodities		Total Fair Value of Derivatives
December 31, 2023					
Financial Assets					
Prepaid expenses and other current assets	**22**	**36**	_	**51**	**109**
Other assets	**3**	**16**	**90**	**94**	**203**
Financial Liabilities					
Provisions and other current liabilities	_	**43**	_	**6**	**49**
Other liabilities	**1**	**35**	_	_	**36**
December 31, 2022					
Financial Assets					
Prepaid expenses and other current assets	7	184	_	4	195
Other assets	46	91	_	14	151
Financial Liabilities					
Provisions and other current liabilities	1	36	_	98	135
Other liabilities	2	15	18	21	56

(1) Derivative financial instruments that are subject to hedge accounting are related to Canadian Utilities Limited's renewable power purchase agreements in its generation business (reported in ATCO EnPower operating segment, previously reported as Energy Infrastructure), and supply contracts in its retail electricity and natural gas business (reported in Canadian Utilities Limited's Corporate & Other operating segment). In September 2023, Canadian Utilities Limited executed a 38.5 megawatt (MW) renewable power purchase agreement with Lafarge Canada Inc. (Lafarge) on its Empress Solar project for 12.5 years. In March 2022 and December 2022, Canadian Utilities Limited executed 37 MW and 150 MW renewable power purchase agreements, respectively, for 15 years on its Deerfoot Solar project and Forty Mile Wind project, with Microsoft Corporation (Microsoft). Under the agreements, Canadian Utilities Limited will receive a fixed price per megawatt per 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 Lafarge and Microsoft. The energy components within these agreements 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 Canadian Utilities Limited's retail electricity and natural gas business (reported in Canadian Utilities Limited's Corporate & Other 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% increase or decrease in the inputs.

Valuation Technique	Unobservable Input	Range [1]		Sensitivity of Input to Fair Value	
		2023	2022	2023	2022
Forecast pricing model	Forward power prices - Solar	**$28.89 to $180.55 / MWh**	$31.11 - $229.76 / MWh	**11**	6
	Forward power prices - Wind	**$24.08 to $129.62 / MWh**	$6.10 - $161.03 / MWh	**35**	38
Forecast generation volume model	Electricity generation forecast volumes - Solar	**12,967 MWhs**	6,312 MWhs	**2**	1
	Electricity generation forecast volumes - Wind	**46,430 MWhs**	50,221 MWhs	**7**	1
Internal forecasting model	Retail electricity forecast consumption	**51,604 MWhs**	39,991 Mwhs	**8**	11
	Retail natural gas forecast consumption	**444,129 GJs**	440,934 GJs	**6**	1

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

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, 2021 [1]	_	(18)	(18)
Settlement of derivative contracts	_	95	95
Losses recognized in earnings	_	(178)	(178)
Losses recognized in other comprehensive income	(18)	_	(18)
December 31, 2022 [1]	(18)	(101)	(119)
Settlement of derivative contracts	**(1)**	**29**	**28**
Gains recognized in earnings	**3**	**211**	**214**
Gains recognized in other comprehensive income	**106**	_	**106**
December 31, 2023 [1]	**90**	**139**	**229**

(1) Net financial (liabilities) assets 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:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(13)**	_	**(13)**	(28)	_	(28)
Fuel costs	**(15)**	_	**(15)**	16	_	16
Purchased power	**83**	_	**83**	113	_	113
Derivative financial instruments [1]	**9**	**(29)**	**(20)**	19	(95)	(76)
Interest expense	**1**	_	**1**	_	_	_
	65	**(29)**	**36**	120	(95)	25
Unrealized gains (losses)						
Derivative financial instruments [1]	_	**240**	**240**	(6)	(83)	(89)
Total	**65**	**211**	**276**	114	(178)	(64)

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

Hedge ineffectiveness

Hedge ineffectiveness of an $11 million derivative financial instruments gain was recognized in the consolidated statements of earnings during 2023 (2022 - gain of $14 million).

Changes to other comprehensive income

During the year ended December 31, 2023, unrealized losses before income taxes of $33 million were recognized in other comprehensive income (OCI) (2022 - unrealized gains before income taxes of $281 million), and $128 million of realized gains before income taxes were reclassified to the consolidated statements of earnings (2022 - realized gains before income taxes of $88 million).

Over the next 12 months, the Company estimates that earnings before income taxes of $3 million will be reclassified from accumulated other comprehensive income (AOCI) to earnings.

Notional and maturity summary

The notional value and maturity dates of the Company's derivative 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]**	**Foreign Currency Forward Contracts**
December 31, 2023							
Purchases [3]	–	**49,744,800**	**4,633,262**	–	–	–	–
Sales [3]	–	**422,595**	**10,288,344**	–	**26,647,764**	**3,096,245**	–
Currency							
Canadian dollars	**173**	–	–	–	–	–	–
Australian dollars	**719**	–	–	–	–	–	–
Mexican pesos	–	–	–	–	–	–	**23**
U.S. dollars	–	–	–	**5**	–	–	**1**
Maturity	**2024-2045**	**2024-2028**	**2024-2038**	**2024**	**2024-2028**	**2024-2028**	**2024**
December 31, 2022							
Purchases [3]	–	35,272,100	4,234,062	–	–	–	–
Sales [3]	–	1,227,947	10,451,215	–	24,050,972	2,181,310	–
Currency							
Canadian dollars	443	–	–	–	–	–	–
Australian dollars	725	–	–	–	–	–	–
Mexican pesos	–	–	–	–	–	–	23
U.S. dollars	–	–	–	3	–	–	7
Maturity	2023-2045	2023-2026	2023-2038	2023	2023-2027	2023-2027	2023

(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 committed 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 at December 31:

	Effects of Offsetting on the Balance Sheet		
	Gross Amount	**Gross Amount Offset**	**Net Amount Recognized**
2023			
Financial Assets			
Derivative assets [1], [2]	**312**	–	**312**
Accounts receivable and contract assets	**55**	**(33)**	**22**
Financial Liabilities			
Derivative liabilities [1], [3]	**85**	–	**85**
2022			
Financial Assets			
Derivative assets [1], [2]	346	–	346
Accounts receivable and contract assets	61	(56)	5
Financial Liabilities			
Derivative liabilities [1], [3]	191	–	191

(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 sheet 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, 2023, $109 million is included in prepaid expenses and other assets, and $203 million is included in other assets in the consolidated balance sheets (2022 - $195 million and $151 million).

(3) At December 31, 2023, $49 million is included in provisions and other current liabilities, and $36 million is included in other liabilities in the consolidated balance sheets (2022 - $135 million and $56 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 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 94 per cent (2022 - 97 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 $5 million (2022 - $1 million) and would increase or decrease OCI by $11 million (2022 - $12 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, 2023.

Interest rate benchmark reform risk

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative reference rates (IBOR reform). IBOR reform could impact interest rates with respect to the Company's credit facilities, debt agreements and interest rate swap agreements that are referenced to IBORs. The Company is currently managing the transition so that the existing agreements that refer to IBORs shall be modified to ensure continuity of financing arrangements and address differences between IBORs and alternative reference rates. At December 31, 2023, the Company has transitioned certain of its credit facilities, debt agreements, and interest rate swap agreements (see Note 14) and continues to have discussions with its counterparties to address the remaining agreements that are exposed to the IBOR reform.

For the remaining agreements that are still to be transitioned, the Company does not expect material effects on its consolidated financial statements.

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 Australia dollar would each increase or decrease earnings and OCI by $2 million (2022 - less than $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, 2023.

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 manages its price risk as part of its strategy 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 is also exposed to seasonal natural gas price spreads in its natural gas storage operations. Management mitigates this risk by entering into short-term and long-term firm capacity arrangements, where appropriate.

The Company's natural gas and electricity contracts that are considered financial derivatives are significantly influenced by 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 as follows:

	2023		2022	
	Earnings	**OCI**	**Earnings**	**OCI**
Forward prices of natural gas	**6**	**12**	8	10
Forward prices of electricity	**22**	**7**	23	3

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 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 the 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. The Alberta Utilities are also able to recover an estimate for their credit loss allowances through approved customer rates and to request recovery through customer rates for any losses from retailers beyond the retailer security mandated by provincial regulations.

Derivative 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. At December 31, the summary of the expected credit loss rates for respective credit ratings is as follows:

	High (AA to AAA)	Medium (BBB to A)	Low (BB and below)
December 31, 2023	0%-0.02%	0.05%-0.14%	0.45%-2.85%
December 31, 2022	0%-0.02%	0.05%-0.14%	0.46%-2.99%

At December 31, 2023, the Company had $95 million of accounts receivable and contract assets classified as Low (BB and below) (2022 - $51 million).

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

The reconciliation of changes in the Company's credit loss allowance for the year ended December 31 is as follows:

	2023	2022
Beginning of year	**11**	13
Credit loss allowance	**2**	4
Utilization of credit loss allowance	**(2)**	(6)
End of year	**11**	11

The aging analysis of trade receivables at December 31 is as follows:

	2023	2022
Up to 30 days	**814**	892
31 to 60 days	**26**	13
61 to 90 days	**5**	2
Over 90 days	**10**	10
	855	917

At December 31, 2023, the Company held $368 million in letters of credit for certain counterparty receivables (2022 - $606 million). The Company did not take possession of any collateral it holds as security in 2023 or 2022. 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:

	2023			2022		
	Total	**Used**	**Available**	**Total**	**Used**	**Available**
Long-term committed	**3,063**	**973**	**2,090**	3,396	1,080	2,316
Short-term committed	**316**	**316**	**–**	–	–	–
Uncommitted	**692**	**275**	**417**	669	258	411
	4,071	**1,564**	**2,507**	4,065	1,338	2,727

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:

	2023	**2022**
Long-term debt due within one year	**316**	–
Long-term debt	**899**	1,001
Letters of credit	**349**	337
	1,564	1,338

Commercial paper

The Company is authorized to issue $1.2 billion of commercial paper against its long-term committed credit facilities. At December 31, 2023 and 2022, 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, 2023 of the Company's financial liabilities based on the contractual undiscounted cash flows.

	2024	**2025**	**2026**	**2027**	**2028**	**2029 and thereafter**
Accounts payable and accrued liabilities	961	–	–	–	–	–
Long-term debt:						
Principal	531	679	351	25	220	9,301
Interest expense [(1)]	491	475	426	414	407	7,542
Derivatives [(2)]	49	20	9	5	1	24
	2,032	1,174	786	444	628	16,867

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2023. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2023.

The table below analyzes the remaining contractual maturities at December 31, 2022 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, 2022.

	2023	2024	2025	2026	2027	2028 and thereafter
Accounts payable and accrued liabilities	1,161	–	–	–	–	–
Long-term debt:						
Principal	109	458	346	395	3	8,828
Interest expense [(1)]	412	426	422	414	376	7,196
Derivatives [(2)]	160	52	21	10	10	–
	1,842	936	789	819	389	16,024

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2022. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2022.

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 Alberta based Utilities 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, NCI 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 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:

	2023	2022
Long-term debt	**11,048**	10,087
Class I and Class II shares	**187**	179
Contributed surplus	**14**	10
Retained earnings	**4,216**	4,090
Accumulated other comprehensive income	**6**	97
Non-controlling interests	**4,075**	3,968
Total equity	**8,498**	8,344
Total capitalization	**19,546**	18,431
Debt capitalization	**57 %**	55 %

Certain subsidiaries and project finance debts, included in long-term debt, are required to maintain minimum trailing twelve month debt service and interest coverage ratios between 1.15x to 3x, calculated at the end of each quarter. Debt service and interest coverage ratios are calculated based on earnings before interest, taxes, depreciation and amortization (EBITDA) over interest expense, as defined in the agreements.

For the year ended December 31, 2023, the Company complied with externally imposed requirements on its capital, including financial covenants related to long term debt, credit facilities and project financings.

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 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, rights-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. 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.

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. Where a lease exists, the Company determines whether substantially all of the significant risks and rewards of ownership are transferred to the customer, in which case it is accounted for as a finance lease, or remain with the Company, in which case it is accounted for as an operating lease.

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.

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 for indications of asset impairment. Where necessary, the Company estimates the recoverable amount for the CGU to determine if an impairment loss is to be recognized. These estimates are based on assumptions, such as the price for which the assets in the CGU could be obtained or future cash flows that will be produced by the CGU,

discounted at an appropriate rate. Subsequent changes to these estimates or assumptions could significantly impact the carrying value of the assets in the CGU.

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. Significant assumptions used to determine the retirement benefit cost and obligation are shown in Note 15.

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, 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.

In 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.

In connection with the acquisition of the renewable energy business (see Note 24), the fair value of the property, plant and equipment, comprising of the Forty Mile and Adelaide wind assets, was determined using the cost approach. This approach uses the assets' replacement cost with adjustments for loss of value resulting from physical deterioration and functional and economic obsolescence (replacement cost new method (RCN)).

24. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Renewables Ltd. (previously, ATCO Power (2010) Ltd.), a wholly owned subsidiary of Canadian Utilities Limited, acquired from Suncor Energy Inc. (Suncor) a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was $713 million, which included cash acquired of $38 million. The finalized working capital adjustment, which resulted in an additional payment of $16 million to Suncor, was recorded during the second quarter ended June 30, 2023. Identifiable assets acquired and liabilities assumed are $691 million.

The transaction was primarily financed by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 14). The acquisition was accounted for as a business acquisition and its results are included in the ATCO EnPower (previously reported as Energy Infrastructure) operating segment.

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

	Preliminary Values	Adjustments [1]	Final Values
Assets			
Accounts receivable and contract assets	**10**	**1**	**11**
Property, plant and equipment	**641**	**(1)**	**640**
Construction work-in-progress	**46**	**(46)**	**–**
Intangible assets	**61**	**46**	**107**
Other assets	**9**	**–**	**9**
Right-of-use assets	**3**	**2**	**5**
Goodwill	**145**	**(4)**	**141**
Total assets	**915**	**(2)**	**913**
Liabilities and non-controlling interest			
Accounts payable and accrued liabilities	**(37)**	**–**	**(37)**
Deferred income tax liabilities	**(150)**	**5**	**(145)**
Lease liabilities	**(3)**	**(2)**	**(5)**
Other liabilities	**(7)**	**(1)**	**(8)**
Non-controlling interest	**(27)**	**–**	**(27)**
Total liabilities and non-controlling interest	**(224)**	**2**	**(222)**
Total identifiable net assets acquired	**691**	**–**	**691**

(1) The Company recorded certain adjustments to the purchase price allocation during the year ended December 31, 2023 following the finalization of the fair values of the identifiable assets acquired and liabilities assumed.

From the date of acquisition, revenues and other income of $77 million, and earnings attributable to Class I and Class II share owners of the Company of $6 million were included in the consolidated statements of earnings for the year ended December 31, 2023. Acquisition costs of $2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.

Given the January 3, 2023 date of the acquisition, actual revenues and other income, and earnings attributable to Class I and Class II share owners of the Company are indicative of pro-forma results for the year ended December 31, 2023, if the acquisition had occurred on January 1, 2023.

ACQUISITION OF TRIPLE M HOUSING LTD. (TRIPLE M)

On December 7, 2022, ATCO Structures & Logistics Ltd., a subsidiary of the Company, acquired a 100 per cent ownership interest in Triple M, a manufacturer of factory-built, modular housing in Alberta, Canada. The acquisition is reported in the Structures & Logistics segment.

The aggregate consideration paid for Triple M was $44 million, which included cash acquired of $3 million and identifiable assets acquired and liabilities assumed of $41 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	**3**
Inventory	**9**
Property, plant and equipment	**2**
Intangible assets [(1)]	**28**
Rights-of-use asset	**25**
Goodwill	**16**
Other assets	**1**
Total Assets	**84**
Liabilities	
Deferred income tax liabilities	**(6)**
Other liabilities	**(12)**
Lease liabilities	**(25)**
Total Liabilities	**(43)**
Total identifiable net assets acquired	**41**

(1) Other intangible assets comprise brand name, $11 million, dealer relationships, $16 million, and non-compete agreements, $1 million.

From the date of acquisition, revenues of $5 million and earnings attributable to Class I and Class II shares of less than $1 million were included in the consolidated statements of earnings for the year ended December 31, 2022. Acquisition costs of $1 million for incremental legal and advisory services fees were expensed during the year ended December 31, 2022 and included in other costs and expenses in the consolidated statements of earnings.

The Company's pro-forma consolidated revenues and earnings attributable to Class I and Class II shares for the year ended December 31, 2022, would have been $5,067 million and $375 million, respectively, if the acquisition had occurred on January 1, 2022. These pro-forma adjustments reflect the Company's adjustments for depreciation and amortization if the purchase price allocation occurred on January 1, 2022 and differences in accounting policies. These pro-forma results may not necessarily be indicative of actual results had the acquisition occurred on January 1, 2022.

PARTNERSHIP WITH CHINIKI AND GOODSTONEY FIRST NATIONS

In September 2023, Canadian Utilities Limited announced the formation of a partnership for the Deerfoot and Barlow Solar power projects with the Chiniki and Goodstoney First Nations (the First Nations) through its wholly owned subsidiary, ATCO Renewables Ltd. As a result of the partnership's formation, the First Nations and ATCO Renewables Ltd. have become 51 per cent and 49 per cent, owners of the solar projects, respectively. The solar projects are included in the ATCO EnPower operating segment.

For accounting purposes, the Company has applied judgement in determining that it continues to retain material financial risks in the projects, and therefore has accounted for the partnership as a controlled subsidiary using the consolidation method of accounting.

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 18 multi-purpose, bulk cargo, and container port facilities and five 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 reported as a separate operating segment (see Note 3).

Selected information from the statement of earnings and comprehensive income for the year ended December 31 is as follows:

	2023	2022
Statement of earnings and other comprehensive (loss) income		
Revenues	**460**	413
Depreciation and amortization	**(69)**	(64)
Interest income	**10**	4
Interest expense	**(6)**	(10)
Income taxes	**(14)**	(7)
Earnings attributable to:		
Neltume Ports' share owners	**55**	36
Non-controlling interests	**6**	6
	61	42
Other comprehensive (loss) income attributable to:		
Neltume Ports' share owners	**(12)**	8
Non-controlling interests	**1**	(6)
	(11)	2
ATCO's share of earnings	**22**	14
ATCO's share of other comprehensive (loss) income	**(5)**	3

The summarized financial information at December 31 of Neltume Ports, over which the Company has significant influence, is provided below.

	2023	2022
Balance sheet		
Cash and cash equivalents	**229**	232
Other current assets	**94**	106
Current assets	**323**	338
Non-current assets	**1,262**	1,261
Total assets	**1,585**	1,599
Financial liabilities [(1)]	**(49)**	(49)
Other current liabilities	**(63)**	(55)
Current liabilities	**(112)**	(104)
Financial liabilities [(1)]	**(122)**	(144)
Other non-current liabilities	**(150)**	(124)
Non-current liabilities	**(272)**	(268)
Total liabilities	**(384)**	(372)
Net assets attributable to:		
Neltume Ports' share owners	**1,160**	1,183
Non-controlling interests	**41**	44
	1,201	1,227
ATCO's share of net assets	**464**	473

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

A reconciliation of the carrying amount of the investment in associate company for the year ended December 31 is as follows:

	2023	2022
Beginning of year	**473**	445
ATCO's share of earnings	**22**	14
ATCO's share of other comprehensive (loss) income	**(5)**	3
Dividends received	**(16)**	(15)
Foreign exchange	**(10)**	31
Other	**–**	(5)
End of year	**464**	473

26. SUBSIDIARIES

Principal operating subsidiaries 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.
Canadian Utilities Limited [1]	Canada	Holding company
ATCO Next Energy Ltd. [2]	Canada	Develops, owns and operates non-regulated energy and water-related infrastructure
ATCO Renewables Ltd. [2]	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
ATCO Energy Ltd.	Canada	Electricity and natural gas retailer and a provider of whole-home solutions
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) At December 31, 2023, ATCO Ltd. has an ownership interest of 52.7 per cent (2022 - 52.9 per cent).

(2) In December 2023, ATCO Energy Solutions Ltd. and ATCO Power (2010) Ltd. were renamed to ATCO Next Energy Ltd. and ATCO Renewables Ltd., respectively.

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

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

27. INVESTMENT IN 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	
	2023	2022	2023	2022	2023	2022
Beginning of year	**146**	147	**118**	81	**264**	228
The Company's share of net earnings	**10**	10	**62**	71	**72**	81
The Company's share of other comprehensive income	**–**	–	**3**	1	**3**	1
Dividends received	**(14)**	(14)	**(68)**	(59)	**(82)**	(73)
Change in ownership of NUE *(Note 3)*	**–**	–	**–**	17	**–**	17
Contributions	**5**	3	**2**	5	**7**	8
Foreign exchange	**–**	–	**(4)**	2	**(4)**	2
End of year	**147**	146	**113**	118	**260**	264

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. (previously, ATCO Energy Solutions Ltd.), a wholly owned subsidiary of Canadian Utilities Limited, holds a 60 per cent ownership in Strathcona Storage LP and its equity interest is included in the ATCO EnPower (previously reported as Energy Infrastructure) operating segment.

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

	2023	2022
Statement of earnings		
Revenues	**37**	35
Depreciation and amortization	**(8)**	(7)
Operating expenses	**(12)**	(12)
Earnings	**17**	16
The Company's share of earnings	**10**	10

Strathcona Storage LP had no other comprehensive income for the years ended December 31, 2023 and 2022.

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

	2023	2022
Balance sheet		
Cash and cash equivalents	**6**	2
Other current assets	**3**	5
Current assets	**9**	7
Non-current assets	**256**	253
Total assets	**265**	260
Current liabilities	**(5)**	(4)
Non-current liabilities	**(15)**	(13)
Total liabilities	**(20)**	(17)
Net assets	**245**	243
The Company's share of net assets	**147**	146

Other joint ventures

Other joint ventures of the Company comprise 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 transform, modernize and operate Puerto Rico's 30,000 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 and will continue until such time that PREPA's bankruptcy is resolved. The agreement allows LUMA Energy to collect an annualized fixed fee (indexed to inflation) equivalent of $115 million USD. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance Agreement.

2240385 Alberta Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 50 per cent ownership in LUMA Energy and its interest is reported in the ATCO Energy Systems, Electricity (previously reported as Utilities, Electricity) operating segment.

For the year ended December 31, 2023, the Company's share in LUMA Energy's net earnings and dividends received amounted to $52 million (2022 - $53 million) and $55 million (2022 - $51 million), respectively.

For the year ended December 31, 2023, the Company recognized revenues of $26 million (2022 - $29 million) primarily for services provided to LUMA Energy at cost.

Osborne Cogeneration Facility

The Osborne Cogeneration Facility is a 180 megawatt natural gas-fired combined cycle facility located in South Australia. The facility has a power purchase agreement with Origin Energy Electricity Limited (Origin Energy) with an expiry date of December 31, 2026 with an option to extend for one year.

ATCO Australia Pty Ltd, a wholly owned subsidiary of Canadian Utilities Limited, holds a 50 per cent ownership in the Osborne Cogeneration Facility and its interest is reported in the ATCO EnPower operating segment.

For the year ended December 31, 2023, the Company's share in Osborne Cogeneration Facility's net earnings and dividends amounted to $6 million (2022 - $12 million) and $7 million (2022 - $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, 2023 (2022 - $37 million).

Dividends and Distributions

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

28. NON-CONTROLLING INTERESTS

Non-controlling interests at December 31 are as follows:

	2023	2022
NCI in Canadian Utilities Limited	**4,082**	3,975
NCI in ATCO Espaciomovil S.A.P.I. de C.V., 70 per cent owned subsidiary of ATCO Structures & Logistics Ltd.	**(7)**	(7)
	4,075	3,968

NCI in CANADIAN UTILITIES LIMITED

Non-controlling interests in Canadian Utilities Limited at December 31 are as follows:

	2023	2022
Class A non-voting shares and Class B common shares	**%**	**%**
Total ownership interest held	**47.3**	47.1
Proportion of voting rights held (Class B Voting Common shares of Canadian Utilities Limited) [(1)]	**0.4**	3.2
Proportion of non-voting rights held (Class A Non-voting shares of Canadian Utilities Limited)	**62.6**	62.1

(1) On December 15, 2023, Canadian Utilities Limited completed a transaction by way of a plan of arrangement to exchange the Class B Voting shares held by non-controlling Class B Share Owners to Class A Non-voting shares. Under the terms of the arrangement, each Class B Voting share was exchanged for 1.1 Class A Non-voting shares. The Company did not participate in the arrangement.

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

	2023	2022
Consolidated Statements of Comprehensive Income		
Revenues	**3,796**	4,048
Earnings for the year	**717**	639
Attributable to NCI:		
Earnings for the year	**387**	337
Other comprehensive (loss) income	**(59)**	69
Total comprehensive income	**328**	406
Consolidated Balance Sheets		
Current assets	**1,437**	1,867
Non-current assets	**21,721**	20,107
Current liabilities	**(1,422)**	(1,317)
Non-current liabilities	**(14,580)**	(13,591)
Net assets	**7,156**	7,066
Attributable to NCI	**4,082**	3,975
Consolidated Statements of Cash Flows		
Cash flows from operating activities	**1,780**	2,140
Cash flows used in investing activities	**(2,253)**	(1,256)
Cash flows used in financing activities	**(19)**	(932)
Decrease in cash position	**(492)**	(48)
Dividends paid to NCI		
Class A and Class B share owners	**229**	226
Equity preferred shares	**84**	82
Adelaide Limited Partnership	**5**	–
	318	308

CANADIAN UTILITIES LIMITED MID-TERM INCENTIVE PLAN

In May 2023, Canadian Utilities Limited terminated its MTIP Plan. Following its termination, all of the 440,554 Class A shares that were held in trust for the MTIP were sold for proceeds of $17 million. The cost of the Class A shares sold of $14 million was recorded as an increase to Class A and Class B shares and the after tax gain of $2 million was recorded as an increase to contributed surplus.

CANADIAN UTILITIES LIMITED DIVIDEND REINVESTMENT PROGRAM

Canadian Utilities Limited has a dividend reinvestment program (DRIP) for eligible Class A non-voting (Class A) and Class B voting common (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.

During the year ended December 31, 2023, non-controlling interests acquired 828,033 (2022 - 527,471) Class A shares of Canadian Utilities Limited, using re-invested dividends of $27 million (2022 - $20 million). The shares were priced at an average of $32.28 per share (2022- $37.26 per share).

EQUITY PREFERRED SHARES

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

	2023	2022
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 5.25%	**1,601**	1,601
Issuance costs	**(30)**	(30)
	1,761	1,761

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 [7]	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 [6]	Not convertible
Series BB	25.00	0.30625	Does not reset	September 1, 2017 [6]	Not convertible
Series CC	25.00	0.28125	Does not reset	June 1, 2018 [6]	Not convertible
Series DD	25.00	0.28125	Does not reset	September 1, 2018 [6]	Not convertible
Series EE	25.00	0.328125	Does not reset	September 1, 2020 [6]	Not convertible
Series FF	25.00	0.28125	3.69 %	December 1, 2025 [4]	Series GG [5]
Series HH	25.00	0.296875	Does not reset	March 1, 2027 [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 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.

(7) Effective June 1, 2022, the annual dividend rate for the Series Y Preferred Shares was reset at 5.196 per cent for the five-year period from June 1, 2022 to May 31, 2027. Prior to the reset on June 1, 2022, the annual dividend rate was 3.403 per cent.

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]	Directors, officers and key employees	20% per year over 5 years	10 years	Cash
	International executives and key employees	4 or 5 years	4 or 5 years	Cash
Restricted share units	Officers and key employees	25% in years 1 and 2 and 50% in year 3	3 years	Cash
Mid-term incentive plan [4]	Officers and key employees	2-3 years	2-3 years	Class I shares

(1) Exercise price is equal to the weighted average of the trading price of the 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) In 2023, the mid-term incentive plan was terminated and all Class I shares held with the trustee were sold (see Note 18).

STOCK OPTION PLAN

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

	2023		2022	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options authorized for grant	**10,200,000**		10,200,000	
Options available for issuance	**7,829,400**		8,305,300	
Outstanding options, beginning of year	**1,882,600**	**$44.71**	1,431,050	$43.70
Granted	**577,000**	**36.46**	482,000	47.54
Exercised	**(4,900)**	**41.45**	(15,200)	38.60
Forfeited	**(29,100)**	**48.16**	(15,250)	46.32
Expired	**(72,000)**	**44.98**	–	–
Outstanding options, end of year	**2,353,600**	**$42.64**	1,882,600	$44.71
Options exercisable, end of year	**1,076,850**	**$44.03**	817,100	$44.15

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 - $38.93	1,033,550	6.3	$37.34	364,300	$38.51
$40.38 - $42.77	98,250	4.4	42.00	90,750	42.04
$45.09 - $49.51	1,158,300	5.6	46.92	558,300	47.06
$50.33 - $51.97	63,500	0.2	51.95	63,500	51.95
$36.41 - $51.97	2,353,600	5.7	$42.64	1,076,850	$44.03

Compensation expense related to stock options was $3 million in 2023 (2022 - $2 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.

	2023		2022	
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding SARs, beginning of year	**630,600**	**$46.06**	639,700	$46.01
Granted	**18,000**	**36.41**	21,000	47.54
Exercised	**(6,400)**	**41.88**	(11,100)	37.83
Forfeited	**(28,850)**	**49.24**	(6,000)	47.51
Expired	**(92,000)**	**44.31**	(13,000)	49.12
Outstanding SARs, end of year	**521,350**	**$45.91**	630,600	$46.06
SARs exercisable, end of year	**440,350**	**$46.12**	510,350	$46.08

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 - $38.93	100,800	2.4	$38.44	75,800	$38.93
$40.38 - $42.08	83,250	4.2	42.06	83,250	42.06
$45.38 - $49.51	273,800	2.1	48.42	217,800	48.48
$50.33 - $51.97	63,500	0.2	51.95	63,500	51.95
$36.41 - $51.97	521,350	2.2	$45.91	440,350	$46.12

In 2023, compensation expense related to SARs was a credit of $1 million due to a decrease in the share price of Class I shares (2022- expense of $1 million). The total carrying value of liabilities arising from SARs at December 31, 2023 was $2 million (2022 - $3 million). The total intrinsic value of all vested SARs at December 31, 2023 was nil (2022 - less than $1 million).

STOCK OPTION AND SARS 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 granted. The following weighted average assumptions were used:

	2023		2022	
	Options	SARs	Options	SARs
Class I share price	**$36.46**	**$36.41**	$47.54	$47.54
Risk-free interest rate	**3.78 %**	**3.56 %**	3.17 %	3.56 %
Share price volatility [(1)]	**24.45 %**	**29.62 %**	25.98 %	29.62 %
Estimated annual Class I share dividend	**5.13 %**	**3.98 %**	3.98 %	3.98 %
Expected holding period prior to exercise	**7 years**	**4 years**	7 years	4 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 or SAR is indicative of future trends, which may not necessarily be indicative of exercise patterns that may occur.

RESTRICTED SHARE UNIT PLAN

Effective September 12, 2023, the GOCOM adopted a service period-based Restricted Share Unit (RSU) Plan to grant RSUs to its officers and key employees. RSUs will be settled in cash at an amount based on the Class I share price at vesting date. The vesting period is three years. In 2023, the Company did not grant any RSUs.

MID-TERM INCENTIVE PLAN

Information about the MTIPs outstanding at December 31 is summarized below.

	2023		2022	
	MTIPs	Weighted Average Grant Date Fair Value	MTIPs	Weighted Average Grant Date Fair Value
Outstanding MTIPs, beginning of year	_	_	3,150	$44.38
Exercised	_	_	(3,150)	44.38
Outstanding MTIPs, end of year	_	_	_	_
Unallocated shares held by trustee [(1)]	_		254,021	
Total number of shares held by trustee, end of year	_		254,021	

(1) Unallocated shares are Class I shares held by the trustee which have not been awarded to officers or key employees.

In May 2023, the Company terminated the MTIP plan and all shares held with the trustee have been sold (see Note 18).

Compensation expense related to MTIP awards was nil for 2023 with no affect to contributed surplus (2022 - less than $1 million with a corresponding increase to contributed surplus).

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 $360 million guarantee, supported by a $360 million letter 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 matters arising in the normal course of its business. 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 under these agreements are as follows:

	2024	2025	2026	2027	2028	2029 and thereafter
Purchase obligations:						
Operating and maintenance agreements	**545**	**480**	**464**	**429**	**399**	**390**
Capital expenditures	**354**	–	–	–	–	–
Other	**81**	**22**	**6**	**6**	**6**	**6**
Other commitments	**10**	**11**	**8**	**1**	**1**	**3**
	990	**513**	**478**	**436**	**406**	**399**

Performance guarantee obligations

The Company guarantees a certain specified minimum renewable energy availability factor determined every two years on its renewable PPA 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. As of December 31, 2023 and 2022, the guaranteed minimum renewable energy availability factor has been met and the Company has recorded no performance guarantee obligations.

32. RELATED PARTY TRANSACTIONS

In transactions with the Company's joint ventures, the Company recognized revenues of $32 million relating to management fees and other charges (2022 - $33 million).

In transactions with the Company's group pension plans, the Company paid occupancy costs of $3 million relating to property owned by the pension plans (2022 - $3 million).

The Company received $1 million (2022 - $1 million) in retail electricity and natural gas services revenue, and incurred $3 million in advertising, promotion and other expenses from entities related through common control (2022 - $3 million).

At December 31, 2023 and 2022, CU Inc. had unsecured interest-bearing long-term advances due from NUE, a joint venture. Long term advances due from joint venture are recorded in prepaid expenses and other current assets, $3 million (2022 - nil), and other assets, $30 million (2022 - $33 million), on the consolidated balance sheets.

KEY MANAGEMENT COMPENSATION

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

	2023	2022
Salaries and short-term employee benefits	**20**	17
Retirement benefits	**2**	2
Share-based compensation	**2**	4
Other	**1**	–
	25	23

Key management personnel comprise members of executive management and the Board, a total of 21 individuals (2022 - 23 individuals).

33. 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 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 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 under power purchase arrangements (PPAs) or in the merchant market is recognized based on output delivered and capacity provided over the contract term and is measured at rates agreed in the PPAs or rates prevailing in the spot market. Revenue from operating and maintaining the generation plant is recognized as the Company incurs costs to service the plant.

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 power purchase arrangements (PPAs) are classified as finance leases. Finance lease income is included in revenues. Non-lease components of the PPAs are accounted for based on the applicable performance obligations.

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, and bank loans and commercial mortgage funds. 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, 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 initially recognized at fair market value, which is measured using emission compliance rates in effect at the time of initial recognition. The credits are subsequently measured at the lower of fair market value at the time of initial recognition or net realizable value. 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 or disposed of from its use. 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	50 years	2.0 %
Electricity distribution equipment	15 to 103 years	43 years	2.3 %
Gas transmission equipment	3 to 57 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	14 years	7.1 %
Hydroelectric generation	43 to 50 years	50 years	2.0 %
Solar power generation	10 to 35 years	34 years	2.9 %
Wind power generation	30 years	30 years	3.3 %
Storage and other infrastructure	2 to 100 years	36 years	2.8 %
Buildings	5 to 73 years	40 years	2.5 %
Other:			
Rental assets	2 to 17 years	17 years	5.9 %
Other plant, equipment and machinery	2 to 50 years	18 years	5.5 %

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 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 assets are recognized as deferred income and amortized over the useful lives of the assets in earnings.

Government grants related to income that compensate operating costs are recorded as deferred income, and deducted against the related costs when incurred.

The economic benefit of a loan received from a government-controlled financial institution at a below-market rate of interest is treated as a government grant related to income measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates. The difference is amortized using the effective interest method over the life of the loan.

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 operating segment level. If the carrying value of the segment to which goodwill has been assigned exceeds its recoverable amount, then any excess of the carrying value of a segment's goodwill over its recoverable amount is expensed and is not subsequently reversed.

LEASES

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.

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.

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 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 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.

The MTIP awards are equity-settled with shares purchased on the secondary market. They are measured at fair value based on the purchase price of the Company's Class I Shares at the date of grant. The awards are held by a trust until the shares are vested, at which time they are transferred to the employee. The fair value of the MTIP awards is recognized in salaries, wages and benefits expense over the vesting period, with a corresponding charge to contributed surplus.

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	
	2023	2022	2023	2022
U.S. dollar	**1.3223**	1.3546	**1.3497**	1.3013
Australian dollar	**0.9025**	0.9212	**0.8967**	0.9034

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At December 31, 2023, certain new or amended standards that need to be adopted in future periods have not been early adopted. These standards are not expected to have a material impact to the Company.

CONSOLIDATED ANNUAL RESULTS [1]

YEAR ENDED DECEMBER 31, 2023

(Millions of Canadian dollars, except as indicated)	2023	2022	2021	2020	2019
EARNINGS STATEMENT					
Revenues	**4,741**	4,978	4,289	3,944	4,706
Earnings attributable to Class I and Class II shares	**432**	370	246	252	513
Adjusted earnings [2]					
Structures & Logistics [2]	**90**	61	53	57	37
Neltume Ports	**22**	14	13	15	15
Corporate & Other [2]	**5**	–	6	–	(6)
Canadian Utilities Limited [2]					
ATCO Energy Systems [2] [4]	**340**	379	336	305	301
ATCO EnPower [2] [5]	**26**	19	15	15	57
Corporate & Other Eliminations [2]	**(51)**	(50)	(41)	(40)	(39)
Adjusted earnings	**432**	423	382	352	365
BALANCE SHEET					
Cash [3]	**288**	1,033	1,088	1,100	1,140
Total assets	**25,358**	24,139	23,004	22,200	21,703
Capitalization					
Bank indebtedness	**–**	–	3	3	–
Short-term debt	**–**	–	206	–	–
Long-term debt	**11,048**	10,087	9,852	9,619	9,436
Non-controlling interests	**4,075**	3,968	3,838	3,797	3,858
Share owners' equity	**4,423**	4,376	4,111	4,052	4,000
Capitalization	**19,546**	18,431	18,010	17,471	17,294
CASH FLOW STATEMENT					
Cash flows from operating activities	**1,965**	2,396	1,864	1,843	1,542
Capital expenditures					
Structures & Logistics	**198**	204	114	125	105
Corporate & Other and Eliminations	**28**	10	11	13	(16)
ATCO Energy Systems [4]					
Electricity	**630**	566	350	366	389
Natural Gas	**583**	571	747	510	646
ATCO EnPower [5]	**139**	234	120	19	88
Corporate & Other	**8**	12	10	8	6
Capital expenditures	**1,586**	1,597	1,352	1,041	1,218
PER SHARE DATA					
Earnings per share ($)	**3.82**	3.25	2.16	2.21	4.49
Adjusted earnings per share ($) [2]	**3.82**	3.71	3.35	3.08	3.19
Dividends paid per share ($)	**1.90**	1.85	1.79	1.74	1.62
Equity per share ($)	**39.44**	38.42	35.94	35.37	34.88
Class I non-voting closing share price ($)	**38.67**	42.38	42.70	36.49	49.77
Class II Voting closing share price ($)	**40.27**	40.45	43.00	37.81	49.55

Full disclosure of all financial information is available on the SEDAR+ website - www.sedarplus.ca.

(1) Financial results have been prepared in accordance with International Financial Reporting Standards (IFRS).

(2) Total of segments measures (as defined in NI 52-112). The most directly comparable measure reported in accordance with International Financial Reporting Standards is Earnings Attributable to Class I non-voting and Class II voting shares. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" on pages 59 and 61, respectively, of this Annual Report.

(3) Cash is defined as cash and cash equivalents less current bank indebtedness.

(4) ATCO Energy Systems operating segment was previously reported as Utilities. It includes the collective results of the Electricity and Natural Gas operating segments.

(5) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

CONSOLIDATED OPERATING SUMMARY

YEAR ENDED DECEMBER 31, 2023

(Millions of Canadian dollars, except as indicated)	2023	2022	2021	2020	2019
Structures & Logistics					
Capital expenditures	**198**	204	114	125	105
Workforce housing lease fleet (units in thousands)	**3**	3	3	3	3
Workforce housing lease fleet utilization (%)	**69**	75	71	52	48
Space rental lease fleet (units in thousands)	**24**	22	20	19	16
Space rental lease fleet utilization (%)	**75**	79	82	73	72
Neltume					
Port products handling (millions of tonnes)	**46**	43	46	45	46
ATCO Energy Systems					
Electricity distribution and transmission					
Capital expenditures	**630**	566	350	366	389
Power lines (thousands of kilometres)	**105**	105	105	75	75
Power lines owned (thousands of kilometres)	**71**	71	71	71	71
Electricity distributed (millions of kilowatt hours)	**11,951**	12,489	12,491	12,012	12,664
Average annual use per residential customer (kWh)	**7,062**	7,334	7,535	7,528	7,227
Average customers during the year (thousands)	**264**	263	261	261	260
Natural gas distribution					
Capital expenditures	**438**	428	385	307	353
Pipelines (thousands of kilometres)	**56**	55	55	55	55
Maximum daily demand (terajoules)	**2,309**	2,509	2,476	2,535	2,304
Natural gas distributed (petajoules)	**278**	304	299	300	311
Average annual use per residential customer (gigajoules) for ATCO Gas	**105**	108	111	113	112
Average annual use per residential customer (gigajoules) for ATCO Gas Australia	**13**	14	14	13	13
Average customers during the year (thousands)	**2,093**	2,063	2,036	2,014	1,989
Natural gas transmission					
Capital expenditures	**145**	143	362	203	293
Pipelines (thousands of kilometres)	**9**	9	9	9	9
ATCO EnPower					
Electricity generation					
Capital expenditures	**86**	123	28	2	59
Non-regulated generating capacity operated (megawatts)	**694**	348	348	347	344
Non-regulated generating capacity owned (megawatts)	**551**	248	248	247	244
Energy storage & industrial water					
Capital expenditures	**53**	111	92	17	29
Seasonal natural gas storage capacity (petajoules)	**117**	117	101	52	52
Salt cavern storage capacity (thousands of m^3)	**544**	550	400	400	400
Industrial water infrastructure intake capacity (thousands of m^3/day)	**85**	85	85	85	85

GENERAL INFORMATION

INCORPORATION

ATCO Ltd. was incorporated under the laws of the province of Alberta on August 31, 1962.

AUDITORS

PricewaterhouseCoopers LLP
Calgary, AB

LEGAL COUNSEL

Bennett Jones LLP
Calgary, AB

STOCK EXCHANGE LISTINGS

Class I Non-Voting Shares
Symbol ACO.X
Class II Voting Shares
Symbol ACO.Y
Listing: The Toronto Stock Exchange

INVESTOR RELATIONS

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Telephone: 403 292 7500

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Class I Non-Voting and
Class II Voting Shares
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Calgary/Montreal/Toronto/Vancouver

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