

ATCO Ltd.

Annual Report

For the year ended December 31, 2024

ATCO

ANNUAL REPORT 2024

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MESSAGE FROM THE CHAIR & CEO

Driving value and prosperity through our strategic focus

Dear ATCO Share Owners,

I am personally very proud of the people in ATCO who all strived to achieve the stellar results of 2024. As you will see in this report, ATCO delivered adjusted earnings of $481 million in 2024, 11 per cent higher than 2023. All of our business segments have performed well. This growth demonstrates the strength of our strategy to invest in resilient assets within the essential services space.

We witnessed significant shifts in global power dynamics in 2024, which are continuing and intensifying as we move into 2025. Emerging economies gained influence, challenging the traditional dominance of established powers. This realignment was accompanied by inflationary pressures, leading central banks to implement tighter monetary policies. The evolving political landscape underscored the need for adaptive economic strategies to navigate the complexities of a multipolar world. Even amid these uncertain times, ATCO's commitment to excellence allowed us to play a vital role in economic and social development, both now and for the future.

As we continue to invest in the Energy, Logistics and Transportation, Shelter, and Real Estate sectors, we will stay true to our values and to the six strategic imperatives that express our continued commitment to you, our share owners, as well as to customers, partners, communities and the people of our companies. I am pleased to share with you some highlights over the past year that demonstrate this commitment.

Strategic Imperatives

1. Long Term Vision

All ATCO companies are guided by three ambitions that unite us:

- Enhanced Growth – continuing to deliver growth and Total Shareholder Return along with increased economic and societal impact in the communities that we serve.
- Business Diversity – continuing to invest and operate in diverse jurisdictions and business lines complementing our essential services strategy.
- Global Brand & Culture – building a global management team that reflects our entrepreneurial, resilient and courageous culture with results-driven and high-performing people who continue to build on our reputation for being a locally minded, global company and a leader in improving quality of life.

To position our largest investment, Canadian Utilities Limited, for the future, Bob Myles was named President & Chief Operating Officer of Canadian Utilities in February 2025. Previously the Chief Operating Officer of ATCO EnPower, Bob brings a wealth of utility, commercial and energy development experience to this new role, from both within and outside of the ATCO group of companies. With his focus on results, his tremendous experience and his insights on the rapidly shifting external landscape, I am confident Bob will achieve great success as the President & Chief Operating Officer of Canadian Utilities.

2. Providing solutions for shelter and community spaces

Under the leadership of ATCO Structures President, Adam Beattie, we've seen growth across all geographies and business lines of Structures. The ATCO Structures team is continuously – and increasingly – demonstrating our ability to deliver modular construction solutions as a much-needed alternative to traditional construction methods.

In 2024, we successfully completed the acquisition of NRB Modular Solutions, instantly expanding ATCO Structures' Canadian business with new factories and customers across Canada. This acquisition, together with other organic and planned strategic initiatives has truly expanded the footprint of this original ATCO business.

Structures has also seen consistent customer and revenue growth in the base business of space rentals. We've increased our total fleet size by 53 per cent to more than 25,000 units across the five countries we operate in: Canada, Australia, Mexico, Chile and the United States. This growth, and the advancement of our skills and capabilities as an innovative world leader in modular solutions, has led to 10 quarters in a row of year-over-year adjusted earnings growth for this business.

3. Taking a leadership role in the energy transition

It's clear that the energy transition is not strictly a linear progression, and that more, not fewer, forms of energy will be required. Across Canadian Utilities' operating areas, we are seeking to improve the quality of life through affordable, reliable and safe energy services that provide value to our customers.

In both Alberta and Australia, we continue to see significant growth in residential, commercial and industrial energy demand. This presents both a responsibility and

opportunity for ATCO Energy Systems, ATCO EnPower and ATCO Australia to ensure we have reliable and resilient energy systems and energy products, achievable pathways to transition to a lower carbon economy, and the ability to efficiently deliver our services to keep costs as low as possible for households and businesses.

To help meet growing demand for energy, we advanced two major utility infrastructure projects in Alberta in 2024, announcing and filing the initial regulatory application for the Yellowhead Mainline Project in Natural Gas Transmission and beginning construction on the Central East Transfer Out (CETO) Project in Electricity Transmission.

Carrying about 1.1 billion cubic feet per day of natural gas, Yellowhead Mainline will support a host of industrial projects that use natural gas and carbon capture technology to produce products that the world demands with lower emissions than previously possible.

The 240kV CETO transmission line will support renewable energy integration in Alberta, transporting more than 1,500 megawatts of electricity to Alberta's grid.

In June of 2024, we announced, in partnership with Shell Canada, that the Final Investment Decision had been made to proceed with the first phase of the Atlas Carbon Storage Hub, which will be anchored by CO2 volumes from Shell's Polaris carbon capture project.

With regards to our proposed Heartland Hydrogen Hub project within Alberta's Industrial Heartland, ATCO EnPower has signed a Letter of Intent with Linde Canada, enabling them to work alongside other parties to further the development and commercial success of this project. We are aiming to advance both domestic and export offtake opportunities and make a 'go or no go' decision on this project later this year, pending the outcome of various federal and provincial policy decisions.

In November 2024, ATCO EnPower and Canadian Pacific Kansas City announced the completion of hydrogen production and refuelling facilities in both Calgary and in Edmonton. ATCO EnPower provided engineering, procurement and construction services for each of the dedicated, onsite hydrogen locomotive refuelling stations, and has signed an agreement to operate these facilities.

4. Building equitable partnerships with Indigenous communities

For decades we have partnered with Indigenous communities to create truly equitable partnerships. Today we have more than 60 partnerships, memorandums of understanding (MOUs) and other arrangements with Indigenous groups. We have recently signed a number of new relationship agreements, which reflect the common ground we share with our partners and neighbours. These agreements require regular strategic discussions about how we work together, now and in the future, and have become the foundation for project-specific MOUs and joint venture partnerships.

In 2021, we formed our Indigenous Advisory Board with highly acclaimed and respected leaders: former Chief **Charles Weaselhead** (Kainai); **Leona Aglukkaq**, former MP, Minister of Health and Minister of Arctic Council (Nunavut); **Darrell Beaulieu**, CEO Denendeh Investments Inc (Dene); Chief **David Crate** (Fisher River Cree); **Bob Joseph**, author of '21 Things You Didn't Know About the Indian Act' (Gwawaenuk); and Advisory Board Chair **Lillian Hvatum-Brewster** (Inuvialuit). These highly respected individuals have brought tremendous insight and advice to the deliberations of ATCO to become Canada's leader in Indigenous equality and prosperity.

5. Collaborating for the betterment of communities

The ATCO group of companies is committed to meeting and supporting the needs of our communities. Our businesses and our team members do this in a variety of ways: community dialogue around a new project, like the community information sessions we held near the proposed Yellowhead Mainline project; partnering on community programs, like Foodbank in Western Australia, enabling nearly 200 children to learn about nutrition, cooking and shopping wisely; and the community investment spirit our team shows through ATCO EPIC (Employees Participating in Communities), a longstanding employee-led program that rallies the spirit of our people, combining volunteerism, fundraising events and individual donations.

With the combined efforts of our employees around the world, we pledged more than $2.5 million to support hundreds of community charities in 2024, taking the program's cumulative fundraising total to over $59 million since its inception in 2006.

Immediate response to natural disasters is also a hallmark of our people. In the summer of 2024, Jasper National Park in Alberta faced a devastating wildfire that led to the evacuation of approximately 25,000 people, the destruction of more than 350 structures and damage to 440 ATCO Energy Systems' assets. Amidst this crisis, our electric and natural gas teams worked tirelessly alongside multi-agency response teams to restore essential services.

Within just 16 construction days, power was restored to 100 per cent of undamaged residential properties in town. In less than three weeks, 98 per cent of the undamaged properties in town, Edith Lake, and Jasper Park Lodge had their gas services restored, bringing gas back to over 1,000 customers.

6. Supporting the talent and diversity of the ATCO team

Attracting, retaining and developing a talented workforce is critical to achieving our business goals across our global operating areas. I'm very proud of the high performing energy and can-do attitude of our people, who are committed to safety, our customers, the environment and you, our share owners.

Across ATCO, our people have led grassroots diversity committees for years. The Persons with Disabilities and Neurodiversity Employee Resource Group, the Veteran Employee Resource Group and the Student Employee Resource Group are the most recent additions.

Last year, we formalized our Mentorship Program in ATCO Energy Systems and further expanded it into other parts of the ATCO group. The program builds on what was a grassroots initiative, with employees participating as mentors and mentees. Not only do we develop careers and acumen among mentees, we also enhance employee engagement, improve retention, accelerate skill development and promote a collaborative work environment.

I encourage you to read ATCO's 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.

In closing, I would like to thank the entire team at ATCO for their exceptional operational and business success. Their unwavering commitment is ATCO Group's undoubted advantage over our peers.

I also wish to express my heartfelt appreciation and gratitude to Wayne Stensby, who retired from ATCO and Canadian Utilities as Chief Operating Officer of ATCO Energy Systems in January of this year. Over the course of his impressive 35- year career with us, Wayne demonstrated unwavering commitment and leadership and was key in creating, building and growing ATCO and Canadian Utilities ventures in Canada, Australia, Mexico, Puerto Rico and the U.K.

The progress we made in 2024 sets a strong foundation for the future, and I am excited about the opportunities that lie ahead. Together, we will continue to build a resilient, innovative, and sustainable future for ATCO.

Finally, please accept my deepest appreciation to you, our share owners, for your ongoing support and trust and the expert counsel our directors provide on your behalf.

Sincerely yours,



Nancy C. Southern

Chair & Chief Executive Officer,

ATCO Ltd.



ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024.

This MD&A was prepared as of February 26, 2025, and should be read with the Company's audited consolidated financial statements (2024 Consolidated Financial Statements) for the year ended December 31, 2024. Additional information, including the Company's Annual Information Form (2024 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) (52.5 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), ASHCOR Technologies Ltd. (Ashcor) (100 per cent ownership), ATCO Energy Ltd. (ATCO Energy) (100 per cent ownership), and Fresh Bites Inc. (Fresh Bites) (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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SHAPING THE FUTURE: ATCO'S AMBITIONS

CREATING PROSPERITY AND OPPORTUNITY FOR GENERATIONS TO COME

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

OUR STRATEGIC IMPERATIVES

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

Innovation, growth and financial strength provide the foundation from which we built our Company. Our long-term success depends on our ability to continue offering our customers premier, comprehensive and integrated solutions to meet their evolving needs and expand into new markets. Our strategic imperatives, as noted below, are supported by our unwavering commitment to financial strength, operational excellence, our customers, our people and the communities we are privileged to serve around the world.



Valuing a long-term outlook.



Providing solutions for shelter and community spaces.



Taking a leadership role in the energy transition.



Advancing equitable partnerships with Indigenous communities.



Collaborating for the betterment of communities.



Supporting the talent and diversity of the ATCO team.

ATCO'S INVESTMENT STRATEGY

At the heart of ATCO's investment strategy is the desire to be a unified provider of essential services for our customers. These essential services underpin our portfolio and our continued investment in the Energy, Logistics and Transportation, Shelter, and Real Estate industries. They are tied to infrastructure, providing us a source of recurring cash flows and earnings that have proven to be resilient to changes in global macro-economic cycles, geopolitical conflict and extreme weather. 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.

As a globally diversified investment company, ATCO's portfolio provides customers with integrated and sustainable solutions. To maintain our exceptional dividend resiliency, our portfolio has been constructed to provide a balance between yield and long-term growth.

As businesses mature, they evolve down the pyramid.

Growth

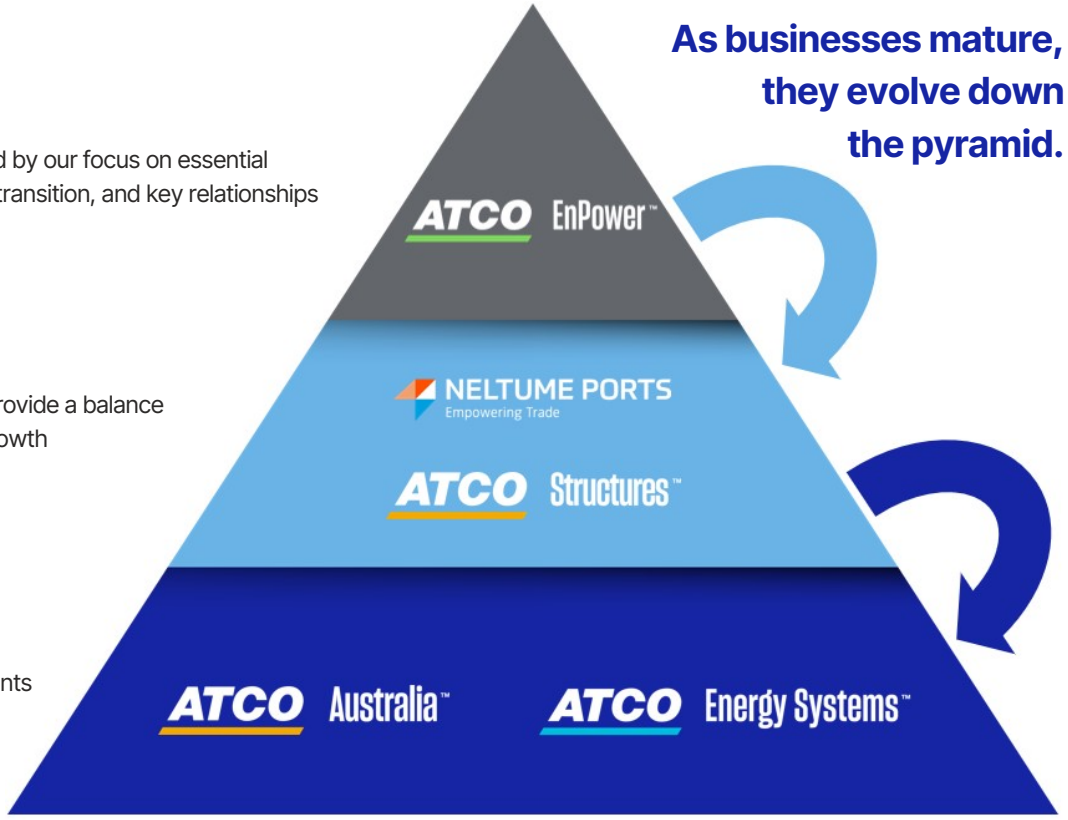
New growth is guided by our focus on essential services, the energy transition, and key relationships

Value

These investments provide a balance between yield and growth

Yield

Stable utility investments



At the base of our portfolio we look for a stream of stable and reliable earnings and cash flows 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. Our ATCO Structures and Neltume Ports businesses 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. An example of this approach is ATCO EnPower's advancements on renewables and cleaner fuels investments. As these businesses mature and begin to contribute additional cash flows, they evolve down the pyramid, allowing us to potentially add more growth businesses.

We continue to have significant growth aspirations across these existing investments, and share owners can expect that the new investments we make will be tied to this proven strategy of investing in companies within the essential services space.

OUR COMPANY

Global Profile

ATCO Ltd. is a publicly traded company listed on the Toronto Stock Exchange (TSX: ACO.X) (TSX: ACO.Y).

Principal subsidiaries are Canadian Utilities (TSX.CU), of which ATCO owns 52.5 per cent 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, Ashcor, ATCO Energy, and Fresh Bites, and 40 per cent of Neltume Ports (the 2024 Consolidated Financial Statements include our equity-accounted investment in this associate company and also our share of joint venture (JV) investments).

4M+

Total Customers

$27B

Total Assets

32

Years of Annual Dividend Increases

100+ Countries

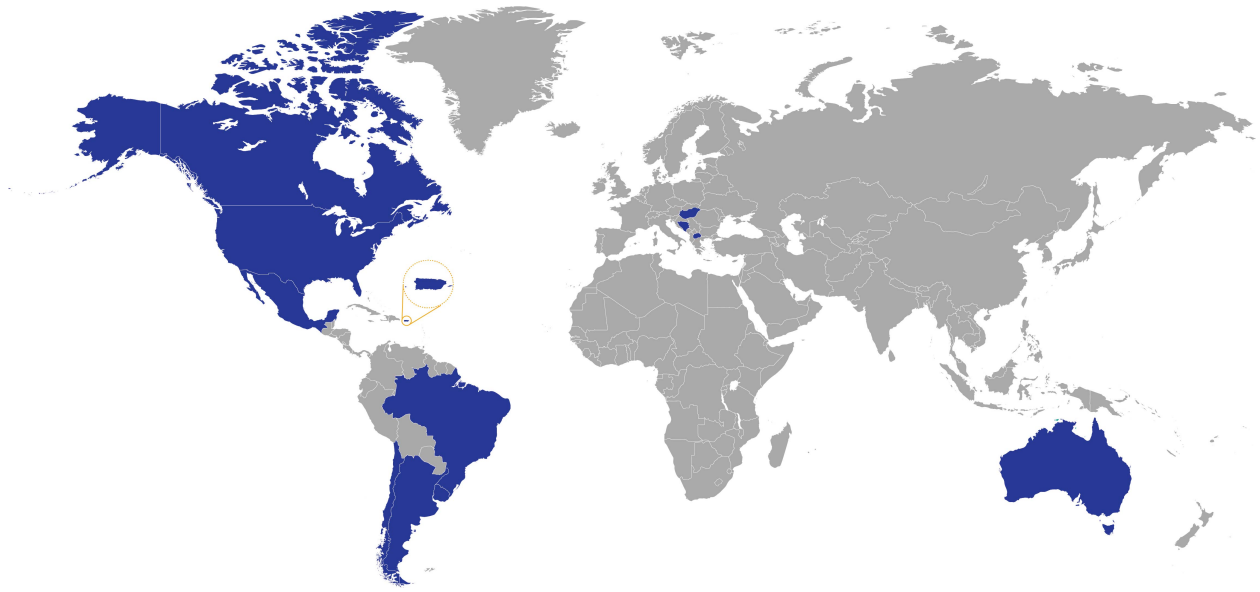
Long History of Global Operations

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



Based in Alberta, ATCO is one of Canada's premier corporations. With assets of $27 billion, ATCO is a proven, diversified, and global corporation. 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 solutions in sectors that are essential to global growth and prosperity with the dedication and support of our approximately 8,200 ATCO employees and the additional 12,400 employees in our non-controlled interests around the world.

CURRENT OPERATIONS



OUR BUSINESS UNITS

ATCO reports on the four business units of Structures & Logistics, Neltume Ports, ATCO Corporate & Other, and Canadian Utilities. 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, ATCO EnPower, ATCO Australia, 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

44	2,062	12
Operating Locations Worldwide	**Approximate Employees in 5 Countries**	**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 strengthening our market presence and performance in the regions 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. Working with governments and communities, ATCO Structures is an innovator in producing affordable, high-quality modular products that support growing

needs for diverse shelter options worldwide, including attainable residential housing. 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	41 Years	1.4 million
Operating Locations Worldwide	Supporting Government & Defence Clients	Guests Served

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, defence 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	7,400	45 million
Port 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 2024, Neltume Ports handled 45 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 Ports' 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

5%	190,000 tonnes	80
Increase in Customers Choosing ATCOenergy in 2024	RAM™ Facility Potential CO_2 Reduction per annum	Services Provided for Your Home

ATCO Corporate & Other includes ATCO Land and Development, Ashcor, and our ATCO retail businesses (ATCOenergy, Rümi and Fresh Bites). ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses.

ATCO Land and Development is focused on the development and operation of commercial and residential real estate and its current portfolio includes 10 commercial real estate properties and 2 residential development properties. This real estate portfolio encompasses 390,000 square feet of office property and 325 acres of land. ATCO Land and Development is also breaking new ground in the attainable housing space, with a strategy aimed at bringing high-quality, cost-competitive housing to the market through the utilization of advanced modular construction processes and ATCO's deep development expertise. This housing strategy will help meet the national need for attainable housing options and provide government, agency and market owners with a turn-key housing solution at a pace that cannot be matched through conventional on-site construction.

Ashcor is an Alberta-based company with a 27-year history, engaged in the recycling and marketing of ash, a waste byproduct of electricity generation by creating useful products from what would otherwise be industrial waste. Ashcor's Reclaimed Ash Management (RAM™) technology expands its ability to recycle ash previously stored in the ground. The unique properties of Ashcor's recycled ash product offer many performance and financial benefits across a wide variety of applications including a high-grade concrete supplement that helps reduce customer carbon emissions associated with cement production while making concrete stronger and more durable. Over the past two decades, Ashcor has expanded its territory to encompass Western Canada, and the Northwestern and Midwestern United States, including the recently announced RAM™ facility to be constructed near Holland, Michigan.

ATCO Retail businesses are focused on offering reliable, affordable and flexible home solutions to our customers through our diverse range of quality offerings. ATCOenergy is the fourth largest competitive energy retailer in the province of Alberta, offering electricity and natural gas plans to residential and business customers. Rümi is a solutions provider for home and business owners, offering home maintenance services, home system protection plans, and professional home advice for homeowners. Fresh Bites is a food service company that incorporates our legacy retail food services brand Blue Flame Kitchen (BFK). Fresh Bites provides custom-created products serving businesses such as health care facilities, airlines and convenience store chains across Canada, and is complemented by BFK's offerings of culinary experiences through events, catering, and educational classes.

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 electricity operations); ATCO EnPower (generation, energy storage, industrial water solutions, and cleaner fuels); and ATCO Australia (natural gas distribution and electricity generation).

ATCO ENERGY SYSTEMS

FAST FACTS

106,000 KM	51,100 KM	3.1 million
Powerlines (Owns and Operates)	**Pipelines (Owns and Operates)**	**Customers Served by ATCO Energy Systems**

ATCO Energy Systems is our regulated utilities business unit that operates in Canada 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 natural gas to customers for many decades. International Electricity Operations operates in Puerto Rico through Canadian Utilities' 50 per cent ownership in LUMA Energy, LLC (LUMA Energy).

ATCO Energy Systems' value proposition is delivering essential energy for an evolving world that requires more energy to provide quality of life to a growing population, advance economies and power industry. Our customers need resilient and reliable services that are balanced with sustainability and affordability. We safely deliver this reliable and affordable energy by actively leading and constructively participating in a responsible and equitable energy transition, investing to serve the

evolving needs of our customers, being a trusted partner, and providing the integral energy infrastructure required for the expanding population and industry. ATCO Energy Systems' three year capital expenditure plan includes a minimum expected expenditure of $5.8 billion of planned capital spending in capital projects that will serve the evolving needs of our customers and support population and business growth, system reliability and safety, climate resiliency and adaptation, decarbonization, and technology to further improve operating efficiencies. Increases to expenditures could result from the timing of certain regulatory applications to be made in 2025, as well as the expansion of Alberta's electric transmission system as assigned by the Alberta Electric System Operator (AESO).

ATCO ENPOWER

FAST FACTS

544,000 m^3	457-MW	117 PJ
Natural Gas Liquids Storage Capacity	**Electricity 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, 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 cleaner fuels business, including hydrogen, hydrogen derivatives, and carbon capture and sequestration (CCS) 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 cleaner energy infrastructure that supports our customers' decarbonization objectives and leverages our core competencies and assets in the Americas. ATCO EnPower is actively participating in the energy transition, which will help us pursue our three-pillar growth strategy and vision: Generation, Natural Gas and NGL Storage, and Cleaner Fuels.

ATCO AUSTRALIA

FAST FACTS

14,900 KM	13,894	815,000
Natural Gas Pipelines (Owns and Operates)	**New Customers Energized in 2024**	**Average Monthly Customers in 2024**

ATCO Australia includes ATCO Gas Australia and ATCO Power Australia. ATCO Gas Australia is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions. ATCO Power Australia develops, builds, owns and operates energy and infrastructure assets, including two natural gas fired generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia.

ATCO's growth strategy in Australia is aligned with the country's evolving energy landscape characterized by progressive policies and publicly stated emissions targets. Leveraging our strong base business and with ATCO Australia's 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 cleaner energy.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities Corporate & Other includes the global corporate head office in Calgary, Canada, and CU Inc. and Canadian Utilities preferred share dividends and financing expenses.

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. With this, the energy and utilities industries are increasing their focus on decarbonization, digitalization, decentralization, and evolving customer demand. The worldwide push towards reduced emissions, evolving regulations to encourage the advancement of new technologies, emissions reduction targets, and government incentives present opportunities and risks for utility companies. ATCO is well positioned to respond to these energy transition trends due to its diversified portfolio of utility and non-regulated assets.

Additionally, the political and societal push to address climate change is driving further investment into storage and grid balancing solutions to improve system reliability. This ongoing transition, along with changing government policy, brings uncertainty and risks. We are prudent in assessing potential impacts from evolving policies before making investment decisions.

Extreme weather events such as volatile temperatures, 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 affected by these catastrophic events, while working diligently to minimize our impact with the Company's initial set of 2030 ESG Targets. We also maintain in-depth emergency response measures for these extreme weather events. In recent years, as we have been exposed to earlier fire seasons with increased intensity in many of the jurisdictions in which we operate, our robust Wildfire Management Plans and significant proactive efforts to increase system reliability and resilience have helped lower the risk to our assets. 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 DEFENCE

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.

This global polarization and resulting tension may continue to increase 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 risks 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. ATCO Frontec 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 to 40 per cent faster than traditional site-built construction. Our acquisitions of Triple M Housing Ltd. (in 2022) and NRB Limited (NRB) (in 2024) highlight our belief in the immense value of modular products as part of the solution to attainable housing. 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 Act) have been 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 sale of Alberta PowerLine in which seven Indigenous communities in Alberta purchased a 40 per cent equity interest, and ATCO Energy Systems' 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 leaders from across Canada and they have been instrumental with the advice provided to our businesses.

THE GLOBAL ECONOMY AND MARKET VOLATILITY

The global impacts of large-scale world events can create challenges for any business. In the last five years, we have seen numerous examples such as the worldwide pandemic, increasingly destructive weather events, supply chain interruptions, geopolitical tensions and wars, and future potential trade wars. In 2024, approximately 70 countries went through an election cycle; with many jurisdictions voting in new leaders, often leading to new policy direction. 2025 will see this trend continue with numerous elections, including the anticipated Canadian federal election. These factors all 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 liquidity, 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

Previous years saw inflation and interest rates increase globally and create challenges for investment and risk to managing operating costs. Many economies are starting to see increased economic growth, but others have slowed further as interest rates rose into 2024. However, as borrowing costs are expected to continue to ease through 2025, it is anticipated that the impact of interest rates will diminish. With increased expenditures of governments around the world, particularly in response to the COVID-19 pandemic, the accumulated public debt has had lingering impacts on the global economy, and will continue to for years to come. ATCO has operated for over 77 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. Our Regulated Utilities in Alberta and Australia 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 longer term contracts, including Power Purchase Agreements (PPA) associated with its generation facilities. 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.



CHANGING POLICY AND REGULATIONS

2024 saw numerous changes in political leaders throughout jurisdictions around the world. As these changes in government take place they are often followed by a period of increased focus on policies, agreements, and regulations that can have far-reaching impacts to numerous industries. These changes can present an opportunity to collaborate with new governments on cross-border projects, or present potential threats as protectionist attitudes turn to tariffs and other trade barriers. Our Company works to build collaborative and constructive relationships with each level of government within the jurisdictions we operate.

Additionally, numerous regulatory bodies throughout the world are beginning to release new reporting standards regarding climate-related financial disclosure requirements. For ATCO, the most imminent impact is the Australian Accounting Standards Board's (AASB) inaugural Australian Sustainability Reporting Standards, which include the voluntary Standard AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information and the mandatory Standard AASB S2 Climate-related Disclosures. ATCO Australia is required to begin this reporting in early 2026 for the year ending December 31, 2025.

Companies need to be diligent in making sure they understand the impacts, risk and potential costs of proposed policy changes and requirements. ATCO's focus on creating a talent base of world-class employees, many with the specialized skills to understand and provide guidance to ATCO's leadership, has supported our ability to be agile and adapt to changes. Between our dedicated regulatory teams, sustainability teams, government affairs, and finance and accounting teams who continually monitor amended and future changes to accounting policies, our Company is proactive in our approach to developments in policy and regulations.



DIGITIZATION AND ARTIFICIAL INTELLIGENCE

Artificial Intelligence (AI) is a critical topic as companies navigate how and when to apply these fast emerging technologies. AI can range from personal assistants in phones, to 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. The immense energy requirements to power the increased use in AI, could create opportunities through potential interconnections between data centres and electricity infrastructure. Like all new technologies, proper governance and risk management are imperative, particularly as regulatory bodies are starting to implement and issue notices related to the disclosure and usage of AI. However, 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 recognizes 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 2024 Management Proxy Circular, which will be available in April 2025.

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)	**2024**	**2023**	**2022**
Key Financial Metrics			
Revenues	**4,942**	4,741	4,978
Adjusted earnings (loss) [1]	**481**	432	423
Structures & Logistics [1]	**104**	90	61
Neltume Ports	**24**	22	14
ATCO Corporate & Other [1]	**13**	5	—
Canadian Utilities Limited [1]			
ATCO Energy Systems [1]	**333**	302	330
ATCO EnPower [1]	**23**	24	18
ATCO Australia [1]	**25**	32	41
Canadian Utilities Corporate & Other [1]	**(41)**	(43)	(41)
Adjusted earnings ($ per share) [2]	**4.29**	3.82	3.71
Earnings attributable to Class I and Class II Shares	**430**	432	370
Earnings attributable to Class I and Class II Shares ($ per share)	**3.83**	3.82	3.25
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**3.83**	3.82	3.24
Total assets	**26,724**	25,358	24,139
Long-term debt	**11,551**	11,048	10,087
Class I and Class II Share owners' equity	**4,632**	4,423	4,376
Cash dividends declared per Class I and Class II Share (cents per share)	**1.96**	1.90	1.85
Cash flows from operating activities	**2,197**	1,965	2,396
Capital investment [3]	**1,871**	2,301	1,650
Capital expenditures	**1,820**	1,586	1,597
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**112,174**	113,216	113,958
Diluted	**112,282**	113,378	114,269

(1) Total of segments measures (as defined in National Instrument 52-112 - Non GAAP and Other Financial Measures Disclosure (NI 52-112)). The most directly comparable measure to Adjusted Earnings (loss) reported in accordance with International Financial Reporting Standards (IFRS) 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 ratio (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is Earnings Attributable to Class I non-voting and Class II voting shares ($ per share). 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.

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

In 2024, ATCO Ltd. changed its operating segment structure to better align with management accountability. This change involved creating a new operating segment, ATCO Australia, which includes natural gas distribution (ATCO Gas Australia) and electricity generation operations (ATCO Power Australia) based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating segment. In addition, ATCO Australia's corporate office was

included in Canadian Utilities Corporate & Other. Comparative amounts for prior periods have been reclassified to reflect this change in reportable operating segments.

REVENUES

Revenues in 2024 were $4,942 million, $201 million higher than the same period in 2023 mainly due to higher workforce housing sale activity in Australia and the US, and space rental trade activity in most geographies in ATCO Structures, and growth in rate base and an increase in return on equity (ROE) in ATCO Energy Systems. Revenues were partially offset by decreased commodity prices in ATCOenergy, and lower flow-through revenues in Electricity Distribution.

ADJUSTED EARNINGS [1]

Our adjusted earnings in 2024 were $481 million or $4.29 per share, compared to $432 million or $3.82 per share for the same period in 2023.

Higher adjusted earnings in 2024 were mainly due to ATCO Structures' increased space rentals activity and improved workforce housing trade sale performance in most geographies, growth in rate base and an increase in ROE in ATCO Energy Systems' businesses, stronger seasonal spreads in natural gas storage services at ATCO EnPower, and higher interest income earned on Corporate investments. Higher adjusted earnings were partially offset by the impact of inflation indexing in ATCO Australia, and ATCO Frontec's provision regarding the potential collectability of a customer's receivables.

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 $430 million in 2024, $2 million lower compared to the same period in 2023. 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.

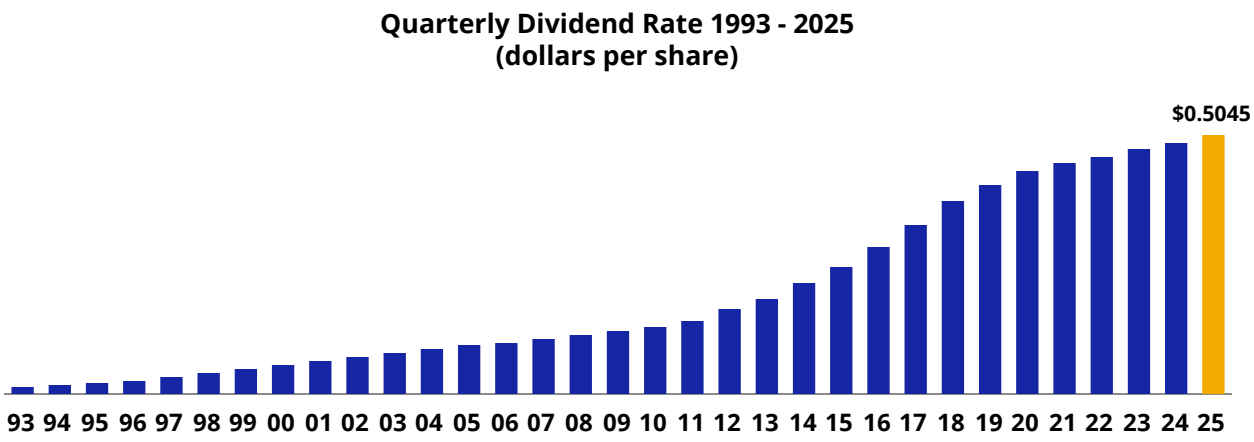
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $2,197 million in 2024, $232 million higher than the same period in 2023. This increase was mainly due to growth in rate base, a higher return on rate base, and the timing of certain revenues and expenses in ATCO Energy Systems, and higher earnings in ATCO Structures. Higher cash flows from operating activities were partially offset by restructuring costs, and additional income taxes paid relating to the 2009-2016 reassessment notices received from the Portuguese Tax Authority.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 32 years, a track record of which we are very proud. Dividends paid to Class I and Class II Share owners totaled $220 million in 2024. On January 9, 2025, the Board of Directors declared a first quarter dividend of 50.45 cents per share or $2.02 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.*



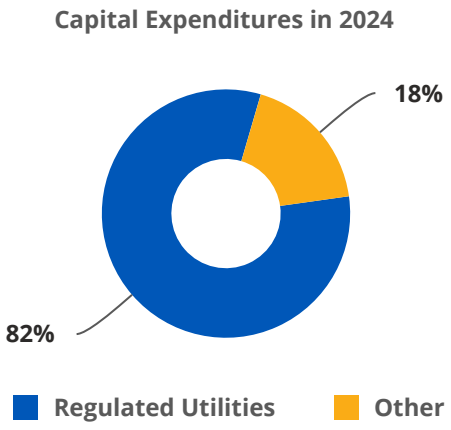
CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

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. Total capital investment of $637 million in the fourth quarter of 2024 was $177 million higher compared to the same period in 2023, mainly due to increased spending related to ongoing system upgrades and growth projects for new customers in the Regulated Utilities, including the Central East Transfer Out project in Electricity Transmission, and the Atlas Carbon Storage Hub in ATCO EnPower.

Total capital investment of $1,871 million in the full year of 2024 was $430 million lower compared to the same period in 2023 mainly due to the acquisition of the renewable energy portfolio in January 2023, partially offset by increased spending related to ongoing system upgrades and growth projects in the Regulated Utilities and ATCO EnPower, as noted above, and ATCO Structures' acquisition of NRB.

Capital expenditures, a GAAP measure reported in accordance with IFRS, include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Total capital expenditures of $635 million and $1,820 million in the fourth quarter and full year of 2024 were $187 million and $234 million higher compared to the same periods in 2023 mainly due to the factors outlined above with the exception of the 2023 renewable energy portfolio acquisition within ATCO EnPower, and ATCO Structures' acquisition of NRB in the third quarter of 2024. Business combinations are excluded from capital expenditures.

Capital expenditures for ATCO Energy Systems in 2024 were $199 million higher than the projected capital expenditures provided by the Company in the second quarter of 2024, mainly due to increased spending related to ongoing system upgrades and growth projects for new customers.



Capital expenditures in Canadian Utilities' Regulated Utilities accounted for 82 per cent of the total in the full year of 2024. The remaining 18 per cent was primarily related to ATCO Structures' continued expansion of its space rentals fleet globally, and capital spending within ATCO EnPower, largely related to the Atlas Carbon Storage Hub project and sustaining capital.

[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. ATCO Structures designs, builds and delivers products to service the essential need for housing and shelter around the globe. ATCO Frontec provides operational support services to government, defence and commercial clients.

REVENUES

Structures & Logistics revenues of $367 million and $1,114 million in the fourth quarter and full year of 2024 were $128 million and $188 million higher than the same periods in 2023 mainly due to higher workforce housing sale activity in Australia and the US, higher space rentals activity in most geographies, and additional revenues from the recent NRB acquisition in ATCO Structures. Additionally, ATCO Frontec had additional revenues from new camp projects in both Canada and the US. Higher revenues were partially offset by ATCO Structures' lower workforce housing rental activity in Canada and the US, Bechtel Pluto Train II (Pluto) project reaching substantial completion in the second quarter of 2023, decreased client work requests and occupancy at the ATCO Frontec-operated BC Hydro Site C camp, and the 2023 closures of the Trans Mountain Expansion Project (TMEP) camps.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
ATCO Structures [1]	**25**	16	9	**108**	89	19
ATCO Frontec [1]	**(1)**	(2)	1	**(4)**	1	(5)
Total Structures & Logistics [2]	**24**	14	10	**104**	90	14

(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 $24 million and $104 million in the fourth quarter and full year of 2024 were $10 million and $14 million higher than the same periods in 2023. Higher adjusted earnings were mainly due to ATCO Structures' strong base business performance driven by increased space rentals activity in most geographies, and improved workforce housing trade sale performance in Canada, the US and Australia. Earnings were partially offset by ATCO Frontec's provision regarding the potential collectability of a customer's receivables, decreased client work requests and occupancy at the ATCO Frontec-operated BC Hydro Site C camp, and lower earnings from the completion of ATCO Frontec's TMEP camps in 2023.

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 modular 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 single- and multi-family homes.

ATCO Structures adjusted earnings of $25 million and $108 million in the fourth quarter and full year of 2024 were $9 million and $19 million higher than the same periods in 2023 mainly due to ATCO Structures' strong base business performance driven by increased space rentals activity in most geographies, improved workforce housing trade sale performance from increased activity in Australia, Canada and the US, and improved residential housing performance. This was partially offset by lower workforce housing rental activity in Canada and the US, and lower earnings from the completion of the Pluto project.

The following table compares ATCO Structures' rental fleet for the fourth quarter and full year of 2024 and 2023.

	Three Months Ended December 31			Year Ended December 31		
	2024	2023	Change	2024	2023	Change
Global Space Rentals						
Number of units	**25,018**	24,074	4%	**25,018**	24,074	4%
Average utilization *(%)*	**74**	74	—%	**74**	75	(1%)
Average rental rate *($ per month)*	**794**	738	8%	**786**	721	9%
Global Workforce Housing						
Number of units	**2,621**	2,747	(5%)	**2,621**	2,747	(5%)
Average utilization *(%)*	**61**	63	(2%)	**60**	69	(9%)
Average rental rate *($ per month)*	**1,541**	1,944	(21%)	**1,446**	2,027	(29%)

Rental Fleet

Space Rentals

ATCO Structures continues to invest capital in Canada, the US and Australia to capture market share and execute its expansion strategy for its sustainable base business. 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. Utilization follows a cyclical pattern with the North American construction season driving increased activity in the summer months. Current utilization levels ensure there is a mix of fleet available that is suitable for servicing the demands of a larger customer base.

Workforce Housing

ATCO Structures is focused on maintaining the optimized level and mix of workforce housing fleet in Canada and the US following the conclusion of long-term rental contracts in 2023, which drive the year-over-year fleet performance differences. Strong demand for workforce housing product in Australia has driven fleet growth in the region.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Mining Operations

ATCO Structures was awarded multiple contracts totaling $29 million to supply and install an accommodation camp, and to design and supply mine dry and administrative facilities for a uranium mine in Western Canada. Delivery of units commenced during the fourth quarter of 2024 with final site completion expected in the second quarter of 2025.

Australia

Camp Relocation Project

ATCO Structures was awarded a $12 million contract to decommission and relocate a rapid deployment camp from a mine site to expand an existing accommodation camp, both located in the Pilbara, Western Australia. The project commenced during the fourth quarter of 2024 and is expected to be completed during the second quarter of 2025.

Latin America

ATCO Structures was awarded a $4 million contract to supply and install auxiliary buildings in support of an expansion project for a mine site located in north-central Chile. The rental term is expected to commence in the first quarter of 2025 for a term of 19 months.

ATCO STRUCTURES 2024 OVERVIEW

Strategic Growth

In 2024, ATCO Structures grew its market presence and service capabilities through both organic and inorganic strategic initiatives. Continued investment in the base business, particularly in Space Rentals, expanded ATCO Structures' operating footprint and customer base. During the year, five new operating locations were established across Canada and the US to meet the demand for core product offerings. This demand combined with continuous optimization of rental fleet performance has sustained steady growth of the rental fleet and organic growth of the base business.

A key achievement was the acquisition of NRB, which was fully integrated into Canadian modular operations after the transaction closed in the third quarter of 2024. The acquisition of NRB provided manufacturing expertise, particularly in permanent modular construction, and added manufacturing capacity and capability in Ontario and British Columbia, establishing a nationwide manufacturing footprint. Manufacturing continues to be a key differentiator for ATCO Structures among modular competitors, and the acquisition of NRB has strengthened ATCO Structures' position as a pan-Canadian modular solutions provider.

A summary of the key projects and sales contracts that were highlighted in the first, second, and third quarters of 2024 is below. These were awarded throughout 2024 and comprise a portion of revenues during the year.

Canada

Previously highlighted sale contracts awarded in Canada total over $14 million and include a hospital complex in Quebec and a mine dry facility in Western Canada. Both awards commenced during the year. The Quebec hospital complex was completed during the year and the mine dry facility will carry into 2025.

United States

Previously highlighted sale contracts awarded in the US total $19 million and include sales to Cotton Logistics, ATC Bangor, Highline Public Schools, and units in support of an in-situ copper recovery project. The Cotton Logistics and ATC Bangor contracts were completed during the year; Highline Public Schools and the in-situ copper recovery project will carry into 2025. Previously highlighted long-term rental contracts awarded in the US total $39 million, and include the lease of units to Micron and Venture Global, units in support of data centres in Alabama and Wyoming, and units in support of an LNG Facility in the South-Central United States. All contracts commenced throughout 2024 with terms ranging from 12 to 36 months, with the exception of one project which was deferred and will commence in 2025.

Australia

Previously highlighted sale contracts awarded in Australia total $273 million and include a construction camp for the CopperString 2032 project, camps to support infrastructure projects, 200-person and 700-person camps in support of separate mining projects in the Pilbara region, expansion of existing camp facilities in Western Australia, provision of units in support of facility upgrades at a port in Western Australia, and provision of units to support operations of an LNG facility in Western Australia. All contracts commenced in 2024. The camps supporting infrastructure projects and the 200-person camp supporting mining operations in the Pilbara were delivered in 2024; the remaining projects will carry into 2025.

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 2024 were $1 million higher than the same period in 2023 mainly due to the improved earnings from ATCO Frontec's Pogo Mine and Jansen Discovery Lodge projects, and realized operating efficiencies in the fourth quarter of 2024.

ATCO Frontec adjusted earnings in the full year of 2024 were $5 million lower than the same period in 2023 mainly due to decreased client work requests and occupancy at the BC Hydro Site C camp, the 2023 closure of the TMEP camps, and a provision regarding the potential collectability of a customer's receivables. Lower earnings were partially offset by new projects in Canada and the US, improved earnings from ATCO Frontec's Pogo Mine and Jansen Discovery Lodge projects, and realized operating efficiencies in the fourth quarter of 2024.

ATCO FRONTEC RECENT DEVELOPMENTS

In October 2024, ATCO Frontec was awarded a contract to operate disaster support services for Hurricane Helene relief in the US states of North and South Carolina. These support services include laundry, shower facilities, catering, and utilities services across 22 sites. Relief services are expected to conclude in Q1 2025.

ATCO FRONTEC 2024 OVERVIEW

BMW Facility Maintenance Services

In the third quarter of 2024, ATCO Frontec mobilized on a contract with BMW to provide facility maintenance services for a manufacturing plant in Debrecen, Hungary. The contract commenced on August 1, 2024 for a term of four-and-a-half-years.



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)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Neltume Ports	**6**	5	1	**24**	22	2

Neltume Ports adjusted earnings of $6 million and $24 million in the fourth quarter and full year of 2024 were $1 million and $2 million higher than the same periods in 2023 mainly due to improved margins across operations within the portfolio of ports.

NELTUME PORTS 2024 OVERVIEW

Vancouver Bulk Terminal Joint Venture

In May of 2024, Vancouver Bulk Terminal, a joint venture between Neltume Ports and Nautilus International Holding Corporation, secured project capital financing for the development of the soda ash export bulk facility at Terminal 2 within the Port of Vancouver, Washington. The facility will have the capacity to export 3 million tonnes of soda ash annually and will support soda ash volumes from Solvay's Green River, Wyoming operations while providing additional export capacity to the North American soda ash industry. Construction is expected to begin in 2025.



ATCO Corporate & Other includes ATCO Land and Development, Ashcor, and our ATCO retail businesses (ATCOenergy, Rümi and Fresh Bites). ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses.

REVENUES

ATCO Corporate & Other revenues of $42 million and $86 million in the fourth quarter and full year of 2024 were $34 million and $67 million higher than the same periods in 2023 mainly due to additional revenues from ATCOenergy which was acquired in the third quarter of 2024, and increased ash sales at Ashcor's facilities.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
ATCO Corporate & Other [(1)]	**9**	6	3	**13**	5	8

(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 $9 million and $13 million in the fourth quarter and full year of 2024 were $3 million and $8 million higher than the same periods in 2023 mainly due to additional earnings from ATCOenergy, and higher interest income earned.

SUBSEQUENT DEVELOPMENT

On January 6, 2025, Ashcor announced an agreement with Consumers Energy to extract and repurpose impounded coal ash from the soon to be retired J.H. Campbell Generating Complex, located near Holland, Michigan. This project represents Ashcor's first RAM™ facility in the US. Construction of the facility is expected to begin in the second quarter of 2025 with operations anticipated to begin early 2027. The operational life of the project is expected to be approximately two decades.

ATCO CORPORATE & OTHER 2024 OVERVIEW

Transfer of ATCO Energy Ltd.

In the third quarter of 2024, ATCO Ltd. purchased ATCO Energy Ltd. (ATCOenergy and Rümi) from Canadian Utilities. Commencing August 1, 2024, the Company is reporting these assets in ATCO Corporate & Other.



Canadian Utilities is a diversified global energy infrastructure corporation delivering essential services and innovative business solutions through ATCO Energy Systems (electricity and natural gas transmission and distribution, and international electricity operations); ATCO EnPower (generation, energy storage, industrial water solutions, and cleaner fuels); and ATCO Australia (natural gas distribution and electricity generation).

ATCO ENERGY SYSTEMS

REVENUES

ATCO Energy Systems revenues of $828 million and $3,071 million in the fourth quarter and full year of 2024 were $28 million and $103 million higher than the same periods in 2023. Revenues were positively impacted by growth in the Alberta regulated rate base and an increase in ROE following the 2023 Alberta Utilities Commission (AUC) decision which set the 2024 ROE at 9.28 per cent, partially offset by lower flow-through revenue in Electricity Distribution.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Electricity						
Electricity Distribution [1]	**24**	23	1	**79**	79	—
Electricity Transmission [1]	**25**	19	6	**100**	86	14
International Electricity Operations [1]	**8**	7	1	**29**	25	4
Total Electricity [1]	**57**	49	8	**208**	190	18
Natural Gas						
Natural Gas Distribution [1]	**37**	32	5	**75**	63	12
Natural Gas Transmission [1]	**15**	13	2	**50**	49	1
Total Natural Gas [1]	**52**	45	7	**125**	112	13
Total ATCO Energy Systems [2]	**109**	94	15	**333**	302	31

(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 $109 million and $333 million in the fourth quarter and full year of 2024 were $15 million and $31 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE, lower operating costs in International Electricity Operations, and lower earnings in the second quarter of 2023 due to the 2018-2021 Deferral Application decision which denied Electricity Transmission recovery of forgone return on rate base related to certain cancelled projects. Higher earnings were partially offset by tax adjustments recorded by Electricity Distribution over the final two quarters of 2023, and Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

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 $24 million and $79 million in the fourth quarter and full year of 2024 were comparable to the same periods in 2023.

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 $25 million and $100 million in the fourth quarter and full year of 2024 were $6 million and $14 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE. Additionally, adjusted earnings were higher due to the 2018-2021 Deferral Application decision received in the second quarter of 2023 which denied recovery of forgone return on rate base 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 31,000-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 $8 million and $29 million in the fourth quarter and full year of 2024 were $1 million and $4 million higher compared to the same periods in 2023 mainly due to lower operating costs and higher management fees as a result of inflation adjustments.

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 $37 million and $75 million in the fourth quarter and full year of 2024 were $5 million and $12 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE.

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 $15 million and $50 million in the fourth quarter and full year of 2024 were $2 million and $1 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE, partially offset by the impact of the 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

ATCO ENERGY SYSTEMS 2024 OVERVIEW

Yellowhead Mainline Project

On May 8, 2024, the Company announced its largest ever energy infrastructure project, the Yellowhead Mainline, with the projected spend estimated at $2.8 billion, subject to further detailed engineering and tendering of supply contracts. On September 18, 2024, the Company announced the filing of a comprehensive regulatory application that establishes the need for the Yellowhead Mainline natural gas project and represents the first of two applications to the AUC. This Alberta project consists of approximately 200-230 kilometres of high-pressure natural gas pipeline and related control and compression facilities that will run from the Edson area to the northeast Edmonton area and is expected to have the capability to deliver about 1,200 terajoules (or 1.1 billion cubic feet) per day of incremental natural gas. Subject to regulatory and the Company's

approvals, construction is expected to commence in 2026 and the pipeline is expected to be on-stream in the fourth quarter of 2027.

Central East Transfer Out (CETO) project

In 2024, Electricity Transmission began construction of the CETO project, an electric transmission system project direct assigned to both ATCO Electric and AltaLink LP by the AESO. The construction of the 135-km 240kV transmission line will support renewable energy integration in Alberta and transport electricity in the counties of Red Deer, Lacombe and Stettler, supplying more than 1,500-MW of electricity to Alberta's grid. Construction commenced in the third quarter of 2024 and is being executed over two winter seasons, with expected completion in 2026. Electricity Transmission is building 85-km of the transmission line and AltaLink is constructing the remaining 50-km.

ATCO ENERGY SYSTEMS REGULATORY FRAMEWORKS

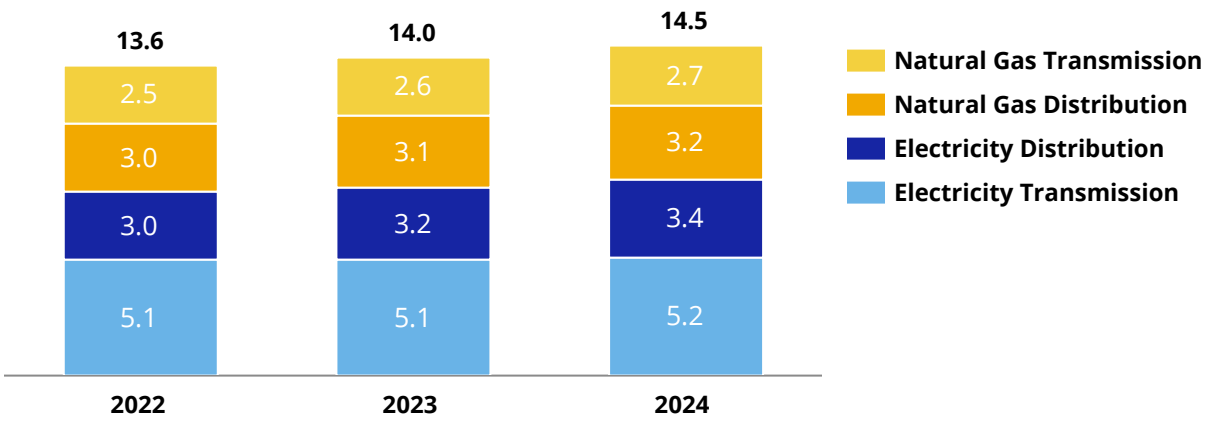
Regulated Business Models

The Alberta 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 Cost of Service (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 Performance Based Regulation (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.

Alberta Utilities Mid-Year Rate Base[(1)]
($ Billions)



(1) Mid-year rate base is a non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Rate Base to Property, Plant and Equipment, and Intangible Assets" in this MD&A.

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 PBR (PBR3) for the years 2024 to 2028.

On October 4, 2023, the AUC issued its decision regarding the parameters of the PBR3 plans that set rates for the distribution utilities for the years 2024 to 2028. The AUC 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. The AUC did not include an Efficiency Carryover Mechanism (ECM) for PBR3, however, 2023 and 2024 had ECM revenue related to the second PBR term.

	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

ATCO ENERGY SYSTEMS REGULATORY DEVELOPMENTS

Common Matters

Second Generation Performance Based Regulation Re-openers

In June 2023, the AUC initiated a proceeding for Electricity Distribution and Natural Gas Distribution as the re-opener clause was triggered by both utilities in 2022, the final year of 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. On May 22, 2024, the AUC issued its decision and advanced to the second phase of the proceeding.

The Company filed a Review & Variance (R&V) of the decision and Permission to Appeal with the Alberta Court of Appeal. On August 1, 2024, the AUC denied the R&V of the decision. The Permission to Appeal on the Re-Opener Phase I Decision was heard by the Alberta Court of Appeal on October 31, 2024 and a favourable ruling on the Permission to Appeal was received

December 10, 2024. Based on the positions advanced in these submissions, we do not anticipate any impact to earnings as a result of this proceeding.

ATCO Gas and ATCO Electric were the only utilities in Alberta to lower rates in 2023 due to efficiencies being passed onto 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.

Electricity Transmission

ATCO Electric Settlement Application

On June 24, 2024, AUC Enforcement and ATCO Electric filed a joint submission seeking the AUC's approval of a settlement agreement involving two matters ATCO Electric had previously self-reported to AUC Enforcement staff. These historical items related to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects constructed between 2012 and 2015. They were identified following an extensive internal investigation supported by independent third parties. There is no material impact to customer rates (or bills) as a result of these matters.

On September 25, 2024, the AUC released their decision approving the settlement agreement as filed, including the associated costs that were recognized in the second quarter of 2024.

Natural Gas Transmission

2024 - 2026 General Rate Application (GRA)

On July 31, 2023, ATCO Pipelines filed a GRA for 2024 through 2026. A comprehensive Negotiated Settlement Agreement (NSA) was reached with all participating interveners in December 2023, and an application was filed with the AUC in January 2024. On March 27, 2024, the AUC issued a decision approving the NSA for 2024 and 2025 in its entirety but limited the approval to two years.

ATCO ENPOWER

REVENUES

ATCO EnPower revenues of $87 million in the fourth quarter of 2024 were $2 million higher compared to the same period in 2023 mainly due to stronger seasonal spreads in natural gas storage services.

ATCO EnPower revenues of $313 million in the full year of 2024 were $33 million lower compared to the same period in 2023 mainly due to lower flow-through natural gas revenues, and lower realized pricing on assets with merchant exposure. Lower revenues were partially offset by stronger seasonal spreads in natural gas storage services, revenues from the solar assets energized in 2023, and higher generation at the Veracruz hydro facility in Mexico.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Electricity Generation [1]	**(1)**	2	(3)	**3**	8	(5)
Storage & Industrial Water [1]	**3**	6	(3)	**20**	16	4
Total ATCO EnPower [2]	**2**	8	(6)	**23**	24	(1)

(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 $2 million in the fourth quarter of 2024 were $6 million lower than the same period in 2023 mainly due to lower realized pricing at the renewable facilities, and a non-recurring recovery received in the fourth quarter of 2023, partially offset by stronger seasonal spreads in natural gas storage services.

ATCO EnPower adjusted earnings of $23 million in the full year of 2024 were $1 million lower than the same period in 2023 mainly due to lower realized pricing at the renewable facilities and a non-recurring recovery received in the fourth quarter of

2023, partially offset by stronger seasonal spreads in natural gas storage services, recognizing compensation related to turbine availability guarantees at the Forty Mile wind facility, and higher generation at the Veracruz hydro facility in Mexico.

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 distributed generation facilities in Canada, Mexico, and Chile.

Electricity Generation adjusted earnings in the fourth quarter and full year of 2024 were $3 million and $5 million lower than the same periods in 2023 mainly due to lower realized pricing at the renewable facilities, partially offset by the recognition of compensation relating to turbine availability guarantees at the Forty Mile wind facility, and higher generation at the Veracruz hydro facility in Mexico.

The following table compares ATCO EnPower's renewable portfolio performance in Canada for the fourth quarter and full year of 2024 and 2023.

	Three Months Ended December 31			Year Ended December 31		
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Capacity Share [1] [2] *(MW)*	**390**	359	31	**390**	359	31
Average Availability *(%)*	**93**	92	1	**92**	92	—
Generation *(MWh)*	**236,617**	235,352	1,265	**943,014**	839,068	103,946
Wind	**211,898**	207,422	4,476	**726,503**	709,498	17,005
Solar [3]	**21,409**	23,485	(2,076)	**167,338**	60,599	106,739
Hydroelectric	**3,310**	4,445	(1,135)	**49,173**	68,971	(19,798)
% Merchant	**24**	25	(1)	**27**	59	(32)
% PPA	**76**	75	1	**73**	41	32
Average Realized Price *($)*	**75**	79	(4)	**75**	95	(20)

(1) Capacity share represents the percentage of nameplate capacity owned by ATCO EnPower, except in respect of the Deerfoot and Barlow solar facilities which are represented at 100 per cent because they are held by a controlled subsidiary.

(2) Capacity share increased by 31-MW as a result of completing 4-MW uprates at the Deerfoot and Barlow solar facilities in the third quarter of 2024 and a 23-MW uprate at the Forty Mile wind facility in the fourth quarter of 2024.

(3) Higher full year solar operations are a result of partial and full commencement of operations in the second and fourth quarter, respectively, of 2023.

Total generation from the renewable portfolio increased in 2024 after full commercial operation of the Barlow, Deerfoot and Empress solar assets was achieved in the second half of 2023, the successful 4-MW uprates at each of the Barlow and Deerfoot facilities in the third quarter of 2024, and improved performance and availability in wind assets including the successful 23-MW uprate at the Forty Mile facility in the fourth quarter of 2024. Generation was offset by lower hydroelectric generation in the first half of 2024 as our hydroelectric facility in Southern Alberta was impacted by lower reservoir and river flow levels, which were at a thirty-year low for the time of year due to drought conditions.

The Alberta wind fleet capacity was as much as five to twenty per cent below the 5-year daily moving average in the first quarter and latter part of the fourth quarter in 2024, with improved performance in the remainder of the year. Wind generation in the fourth quarter of 2024 was higher than the same period of 2023 due to improved asset availability of the Forty Mile facility, improved generation at the Adelaide facility, offset by the lower Alberta fleet capacity realized in the latter half of the quarter due to less wind as compared to the same period in 2023. Solar generation in the fourth quarter of 2024 was lower than the same period in 2023 mainly due to unfavourable weather conditions experienced.

The average realized price related to the renewable portfolio decreased from an average of $79 per MWh and $95 per MWh in the fourth quarter and full year of 2023 to an average of $75 per MWh in the fourth quarter and full year of 2024. Merchant generation decreased as we increased the percentage of contracted generation in the latter half of 2023 in response to lower merchant pricing and as we project financed certain assets.

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 $3 million in the fourth quarter of 2024 were $3 million lower compared to the same period in 2023 mainly due to a non-recurring recovery in the fourth quarter of 2023, partially offset by stronger seasonal spreads in natural gas storage services.

Storage & Industrial Water adjusted earnings of $20 million in the full year of 2024 were $4 million higher compared to the same period in 2023 mainly due to stronger seasonal spreads in natural gas storage services, partially offset by a non-recurring recovery in the fourth quarter of 2023.

ATCO ENPOWER RECENT DEVELOPMENTS

Forty Mile Wind Facility Uprate

In December 2024, ATCO EnPower successfully completed uprating work on the Forty Mile wind facility increasing Forty Mile wind generation from 202-MW to 225-MW.

ATCO ENPOWER 2024 OVERVIEW

ATCO Heartland Hydrogen Hub Project (AH3)

ATCO EnPower remains committed to hydrogen development within Alberta's Industrial Heartland and has signed a Letter of Intent with Linde Canada Inc. (Linde). ATCO EnPower and Linde are working alongside other parties to further the development and commercial success of the AH3 project, with the objective to commence Front End Engineering Design (FEED) in 2025 and advance both domestic and export offtake opportunities. The project has significant potential to supply hydrogen to domestic and international markets, including the Alberta gas grid, industrial, municipal, and commercial transport users. The parties continue to work with supportive federal and provincial governments to establish policy and frameworks that facilitate investment in the Canadian hydrogen economy of both export and domestic opportunities, and to work with First Nations for their participation in the development of and ownership in the project.

Canadian Pacific Kansas City Limited (CPKC) Hydrogen Locomotive Project

In September 2024, ATCO EnPower successfully produced hydrogen through two 1-MW electrolyzers that were constructed and commissioned in Edmonton and Calgary. This is a significant milestone for ATCO EnPower's partnership announced in the second quarter of 2022 with CPKC to provide engineering, construction, and operating services for two hydrogen production and refueling facilities in Calgary and Edmonton.

Solar Sheep Vegetation Management at Empress Solar

ATCO EnPower continues its history of innovation by introducing a sustainable solution for vegetation management in a sensitive wildlife area at a lower cost. 450 sheep were relocated to the Empress solar facility until mid-November to control vegetation throughout the site while they graze. Additionally, ATCO EnPower improved the vegetation available by seeding grass and legume species to improve the sheep's food sources for 2025. ATCO EnPower will continue to use sheep for vegetation management for the foreseeable future. The Empress solar project achieved commercial operations in the fourth quarter of 2023 and provides enough renewable electricity to power more than 11,000 homes.

Atlas Carbon Sequestration

On June 26, 2024, ATCO EnPower, in partnership with Shell Canada Limited, announced that a Final Investment Decision had been made to proceed with the first phase of the Atlas Carbon Storage Hub. The first phase of the project is expected to be operational in late 2028, anchored by CO_2 volumes from Shell's Polaris carbon capture project, and is expected to have an initial capacity to capture 800,000 tonnes of CO_2 per year. The multi-phase, open-access carbon storage hub is a major milestone in ATCO's commitment to advancing products and services which may contribute positively to society's goal of reducing emissions, and is the first step in ATCO EnPower's work to create a full value chain for hydrogen development – from production and carbon abatement to transport and export. The Atlas Carbon Storage Hub is integral to ATCO's long-term strategy and sustainability aspirations. The facility will be located east of Edmonton and able to store emissions from the Alberta Industrial Heartland region. Future development of the hub, which is subject to future investment decisions, will further increase ATCO EnPower's ability to deliver cost-effective products and services aligned with our customer's needs and society's goals.

ATCO AUSTRALIA

REVENUES

ATCO Australia revenues of $61 million and $241 million in the fourth quarter and full year of 2024 were $3 million and $16 million higher than the same periods in 2023 mainly due to revenues from Early Contract works under the South Australia Hydrogen Jobs Plan project in ATCO Power Australia, and increased rates in ATCO Gas Australia.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
ATCO Gas Australia [1]	**2**	5	(3)	**24**	33	(9)
ATCO Power Australia [1]	**—**	1	(1)	**1**	(1)	2
Total ATCO Australia [2]	**2**	6	(4)	**25**	32	(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 Australia adjusted earnings of $2 million and $25 million in the fourth quarter and full year of 2024 were $4 million and $7 million lower than the same periods in 2023 mainly due to the impact of inflation indexing on rate base in ATCO Gas Australia. Lower earnings were partially offset by higher rates in ATCO Gas Australia and ATCO Power Australia's gain on sale in the second quarter of 2024 of shares in a strategic investment.

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

ATCO Gas Australia

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

ATCO Gas Australia adjusted earnings of $2 million and $24 million in the fourth quarter and full year of 2024 were $3 million and $9 million lower than the same periods in 2023 mainly due to the impact of inflation indexing on rate base, partially offset by higher rates.

In 2023, Australia inflation indexing reflected a full year inflation assumption of 4 per cent. Australia inflation indexing in 2024 reflects an inflation assumption of 2.6 per cent.

ATCO Power Australia

ATCO Power Australia develops, builds, owns and operates energy and infrastructure assets, including the two natural gas fired generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia.

ATCO Power Australia adjusted earnings in the fourth quarter of 2024 were $1 million lower than the same period in 2023 mainly due to increased project costs in the fourth quarter of 2024.

ATCO Power Australia adjusted earnings in the full year of 2024 were $2 million higher than the same period in 2023 mainly due to lower project development costs, and the gain on sale in the second quarter of 2024 of shares in a strategic investment.

ATCO AUSTRALIA 2024 OVERVIEW

South Australian Hydrogen Jobs Plan

Subsequent to year end, on February 20, 2025, the government of Australia announced a joint state-federal support package for Whyalla, Australia and its steelworks. Concurrently, it was confirmed that the South Australian Hydrogen Jobs Plan project has been deferred as they reallocate resources. ATCO Australia continues to work with the Office of Hydrogen Power South Australia to assess the impacts and potential next steps. The South Australian Hydrogen Jobs Plan project was to include a

250-MW hydrogen production facility, a 200-MW hydrogen-fuelled electricity generation facility and a hydrogen storage facility. ATCO Australia remains committed to advancing the development of hydrogen.

ATCO AUSTRALIA REGULATORY FRAMEWORKS

Regulated Business Model

The business operations of ATCO Gas Australia are regulated by the Economic Regulation Authority (ERA) of Western Australia. ATCO Gas Australia 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. The mid-year rate base for ATCO Gas Australia was $1.3 billion in 2022, $1.4 billion in 2023, and $1.4 billion in 2024. Mid-year rate base is a non-GAAP financial measure. For more information, please see the "Other Financial and Non-GAAP Measures" and "Reconciliation of Rate Base to Property, Plant and Equipment, and Intangible Assets" in this MD&A.

Access Arrangement

Under Access Arrangement 5 (AA5), which covers January 1, 2020 to December 31, 2024, ATCO Gas Australia used the ERA approved 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 adjusted annually through a mechanism that aligns approved rates in real dollars with actual inflation.

The ERA is required to publish a Rate of Return Instrument (the Instrument) that details the methodology and parameters to determine the WACC and ROE relevant to the Access Arrangement period (an ROE of 5.02 per cent was determined for the AA5 period). The ERA reviews and updates the Instrument every four years, with the most recent Instrument published in December 2022. This updated Instrument applies to the Access Arrangement 6 (AA6) period, which covers January 1, 2025 to December 31, 2029. An ROE of 8.23 per cent was determined for the AA6 period. More information on AA6 is outlined below in the Regulatory Developments section.

ATCO AUSTRALIA REGULATORY DEVELOPMENTS

Access Arrangement 6 (AA6)

On November 8, 2024, ATCO Gas Australia received the final AA6 decision from the ERA. ATCO Gas Australia initially submitted AA6 on September 1, 2023, which included detailed expenditure plans for the period January 1, 2025 to December 31, 2029. ERA's draft decision was released in April 2024 and ATCO Gas Australia submitted a revised plan in June 2024.

This final decision is the result of a constructive and collaborative regulatory process. The decision from the ERA approves the prices for ATCO Gas Australia's gas distribution network for the next five years. The ERA's decision is underpinned by a five-year capital expenditure program, a five-year operating cost forecast, the demand forecast of throughput on the natural gas distribution network in Western Australia, and included an evaluation of the capital expenditure program completed during the AA5 period to confirm the capital expenditures met the regulatory criteria. The decision also determines the rate of return for the AA6 period, which adopts a ROE of 8.23 per cent, compared to 5.02 per cent in the previous Access Arrangement.

The tariffs included in the AA6 final decision are applicable for the period January 1, 2025 to December 31, 2029.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities Corporate & Other includes the global corporate head office in Calgary, Canada, and CU Inc. and Canadian Utilities preferred share dividends and financing expenses.

REVENUES

Including intersegment eliminations, Canadian Utilities Corporate & Other revenues of $5 million and $117 million in the fourth quarter and full year of 2024 were $26 million and $140 million lower compared to the same periods in 2023 mainly due to the decreased revenue contribution from ATCOenergy which was sold to ATCO Ltd. in the third quarter of 2024.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Canadian Utilities Corporate & Other [1]	**(6)**	(6)	—	**(41)**	(43)	2

(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 2024 were comparable to the same period in 2023.

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the full year of 2024 were $2 million higher compared to the same period in 2023 mainly due to higher interest income earned.

CANADIAN UTILITIES CORPORATE & OTHER 2024 OVERVIEW

Executive Appointments

Subsequent to year-end and effective January 31, 2025, following an impressive 35-year global career at ATCO, Wayne Stensby, Chief Operating Officer, ATCO Energy Systems retired. Effective February 1, 2025, Bob Myles was appointed to the role of President & Chief Operating Officer, Canadian Utilities Limited. Prior to this appointment, Bob Myles was the Chief Operating Officer of ATCO EnPower.

Effective March 1, 2024, Katie Patrick, Executive Vice President, Chief Financial & Investment Officer, ATCO, broadened her portfolio to include Executive Vice President, Chief Financial Officer for Canadian Utilities. Ms. Patrick's portfolio was further broadened to include Chief Financial & Investment Officer for Canadian Utilities effective February 1, 2025.

Transfer of ATCO Energy Ltd.

In the third quarter of 2024, Canadian Utilities sold its 100 per cent investment in ATCO Energy Ltd. (ATCOenergy and Rümi) to ATCO. Commencing August 1, 2024, the Company is no longer reporting these assets in CU Corporate & Other.

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 and responsible manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

SUSTAINABILITY REPORTING

Our 2024 Sustainability Report, which will be published in May 2025, focuses on the following material topics:

- Governance and Responsible Business – corporate governance, business ethics, responsible supply chain, and government relations and political advocacy;

- Resilience and Safety – emergency preparedness and response, system reliability and availability, cybersecurity, public health and safety, and employee safety and well-being;
- Energy Transition and Environment – energy transition and climate change, greenhouse gas (GHG) emissions, and land use and biodiversity; and
- People and Partners – Indigenous relations, economic opportunities and reconciliation, community engagement and investments, customer experience and satisfaction, human capital development, retention, and attraction, and diversity, equity and inclusion.

Our Sustainability Report is guided by the IFRS International Sustainability Standards Board (ISSB) recommendations, which incorporate the Sustainability Accounting Standards Board (SASB) standards and climate-related disclosure recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). It is also based on the internationally recognized Global Reporting Initiative (GRI) Standards.

The 2023 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

As we strive to support the energy transition and contribute to society's long-term sustainability goals, 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 working to reduce the carbon footprint of our operations and enabling our customers to transition to lower emitting sources of energy, while maintaining safety, reliability and affordability.

POLICY AND REGULATORY UPDATES

We constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide solutions. 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.

CANADA

Government of Canada Fall Economic Statement Act and Budget Implementation Act

On June 20, 2024, the *Fall Economic Statement Implementation Act* (Bill C-59) and the *Budget Implementation Act* (Bill C-69) received Royal Assent. These Acts implemented certain income and indirect tax measures from the federal budget and certain measures from the fall economic statement.

Below are some relevant highlights:

- **Clean Economy investment tax credits (ITC)** – apply to qualified expenditures related to Carbon Capture, Utilization, and Storage (CCUS), Clean Technology, and Clean Hydrogen.
- ***Competition Act* (Canada)** – a new prohibition against "greenwashing" (i.e., misleading claims about a company's environmental practices or the environmental benefits of a product) came into effect on June 20, 2024, and a new private right of action will come into effect on June 20, 2025. The amendments place a reverse onus on companies to prove the representations they make, including that they are in line with "internationally recognized methodology", which is not defined. The Competition Bureau intends to publish final guidelines with respect to claims and the private right of action, following a consultation period which ends on February 28, 2025. We continue to assess and seek guidance on how these amendments may impact our future disclosures.
- **Excessive Interest and Financing Expenses Limitation (EIFEL)** – rules regarding the introduction of an additional interest deduction limitation applicable to tax years beginning on or after October 1, 2023. Following the release, in the 2024 Fall Economic Statement (FES) released on December 16, 2024, intentions were restated to provide exceptions for purpose-built rental housing and regulated energy utilities.

- **Indigenous Loan Guarantees** – a $5 billion loan guarantee program to help unlock access to capital for Indigenous communities and help remove historical barriers to Indigenous equity investment in natural resources and energy projects.

Clean Electricity Regulations (CER)

On December 17, 2024, the Canadian government finalized the CER, a key component of its climate strategy which aims to achieve a net-zero electricity grid and economy-wide net-zero emissions by 2050. Key regulatory changes and provisions include:

- **Emissions Limits:** The regulations adopt an absolute emissions approach with an annual limit of 65 t/GWh before 2050, replacing the previous 30 t/GWh limit. Units may emit up to 35 t/GWh above this limit by using eligible offset credits. After 2050, the limit reduces to zero, though facilities may use up to 42 t/GWh in offset credits.
- **Compliance Mechanisms:** A new compliance credit system rewards generating units operating below emissions limits. Credits can be banked for future use or traded among units, though no new credits will be issued after 2049. The system includes provisions for credit trading and pooling within provinces.
- **Implementation Timeline:** The regulations will apply to most units by January 1, 2035, with certain planned or "in-flight" units having until January 1, 2050. Units converted from coal to gas may have later compliance dates based on commissioning dates and other factors.
- **Emergency Operations:** The regulations simplify emergency protocols, allowing system operators to independently authorize high-emissions unit operation for up to 30 days during emergencies, replacing the previous requirement for ministerial approval.

Carbon Pricing/Output-Based Pricing Systems

On April 1, 2024, the carbon price in Canada increased from $65 to $80 per tonne. The Government of Canada's plan on climate change proposes to increase the carbon price by $15 per tonne each year, rising to $170 per tonne by 2030.

Government of Canada Green Buildings Strategy

On July 16, 2024, the Government of Canada released the Canada Green Buildings Strategy (CGBS). The document centers around three priorities to advance the decarbonization of buildings, focusing on energy efficiency and affordability: i) accelerating retrofits, ii) building green and affordable buildings from the start, and iii) shaping the buildings sector of the future. The document is limited to addressing heating oil and does not target natural gas and propane heating sources. The CGBS commits the government to introducing a regulatory framework that will allow the phase-out of the installation of oil heating systems in new construction, as early as 2028.

Prorogation of Parliament and Pending Resignation of the Prime Minister

On January 6, 2025, the Governor General prorogued Parliament until March 24, 2025 at the request of the Prime Minister. Prorogation suspends the work of Parliament by ending its current session, but differs from dissolution which would result in the termination of Parliament. Prorogation results in the termination of all bills that have not yet received Royal Assent. While legislative business ceases with prorogation, the Cabinet may continue to meet, and routine spending and policy decisions are allowed to proceed. Parliament is obliged to begin a new session before March 31, 2025.

Concurrently, the Prime Minister announced he would step down as Leader of the Liberal Party of Canada (Liberal Party) and Prime Minister after the Liberal Party selects a new leader.

AUSTRALIA

Carbon Pricing/Output-Based Pricing Systems

On November 20, 2024, the Australian government updated the Safeguard Mechanism threshold regarding National Greenhouse and Energy Reporting (NGER). Our regulated natural gas system emissions currently falls below the 100,000 tonnes CO_2e threshold. Our non-regulated power generation falls under a sectoral baseline and the Safeguard Mechanism, based on industry emissions, is currently below the baseline. Should either of these thresholds change, these facilities would need to keep net emissions at or below the baseline set by the Clean Energy Regulator or surrender Australian Carbon Credit Units to offset their emissions.

Approval of Australian Sustainability Reporting Standards

On September 20, 2024, the Australian Accounting Standards Board (AASB) approved the AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information and AASB S2 Climate-related Disclosures. While AASB S1 is voluntary, AASB S2 is a mandatory standard which will apply to entities under the Corporations Act 2001, requiring disclosure of information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short-, medium-, and long-term. AASB S2 will require reporting for annual periods beginning on or after January 1, 2025.

ALBERTA

Alberta Restructured Energy Market

On March 11, 2024, the Government of Alberta directed the AESO to develop a Restructured Energy Market (REM) for the Alberta electricity grid, prioritizing affordability, reliability, and sustainability. On July 3, 2024, the Government of Alberta directed the AESO to advance the technical design of the REM and provided its decision for future transmission policy.

On December 3, 2024, the Government of Alberta provided further directions for REM, including future changes to the transmission planning and design of the Independent System Operator (ISO) tariff. In 2025, the government will bring forward the legislative tools and amendments necessary to implement all market and transmission policies.

Below are some of the decisions and directions made in July and December of 2024:

Market Policy

- Introducing a mandatory day-ahead market and allowing energy prices to be determined by market participants' strategic offers, with market mitigation to prevent excessive market power.
- Maintaining a province-wide uniform electricity price.
- REM must consider components such as Security Constrained Economic Dispatch, shorter settlement intervals, price floor and ceiling review, and co-optimization of energy and ancillary services.
- The AESO will develop a market-based congestion management mechanism that recognizes incumbency and considers the participation of controllable load and energy storage.
- The AESO will collaborate in an Alberta Utilities Commission-led initiative to implement 5-minute settlement for transmission-connected loads, generators, and interties by 2032 and for all loads by 2040.

Transmission Policy

- Move away from the current zero-congestion transmission planning standard to an optimally planned transmission planning standard.
- Allocate new transmission infrastructure costs and all ancillary services costs based on cost causation principles.
- Require the AESO to increase the path rating (maximum amount of power that can be transmitted reliably) of the Alberta-Saskatchewan intertie as part of the McNeil Converter's end-of-life replacement.
- Require the AESO to restore the Alberta-British Columbia intertie by December 31, 2026, and procure and maintain high levels of ancillary services to support full import flows on the Alberta-British Columbia intertie and the Montana-Alberta Tie Line.
- Remove competitive procurement requirements for upgrades or enhancements to the path ratings of interties.
- Recover line losses through a system-wide average starting on January 1, 2027.

Alberta Utilities Affordability Statutes Amendment Act

On April 22, 2024, the Premier of Alberta announced changes to the Regulated Rate Option which came into effect on January 1, 2025, including renaming it to the Rate of Last Resort (RoLR). The RoLR is a fixed default rate for two years, with a 10 per cent rate adjustment cap at the end of each two-year period, along with risk margins added to the rate.

New Renewables Projects Approval Pause Ended with Updated Alberta Policy Guidance

On February 29, 2024, the pause for approvals on new renewable electricity generation projects (introduced in August 2023) ended. At the same time, the Government of Alberta updated policy guidance on developing renewable power projects. This policy guidance addresses issues related to the use of agricultural lands, buffer zones, reclamation security, viewscape impacts, Crown lands, and municipal engagement that were considered during the pause.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the fourth quarter and full year of 2024 and 2023 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)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Operating costs	**846**	635	211	**2,866**	2,529	337
Depreciation, amortization and impairments	**209**	234	(25)	**811**	811	—
Earnings from investment in associate company	**6**	5	1	**24**	22	2
Earnings from investment in joint ventures	**19**	21	(2)	**73**	72	1
Net finance costs	**121**	113	8	**462**	434	28
Income tax expense	**44**	67	(23)	**189**	242	(53)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairments, increased by $211 million and $337 million in the fourth quarter and full year of 2024 compared to the same periods in 2023. Higher operating costs were mainly due to increased material costs due to higher project activity and the acquisition of NRB in ATCO Structures, lower unrealized and realized gains on derivative financial instruments in ATCOenergy, and restructuring costs. Increased costs were partially offset by compensation recognized relating to turbine availability guarantees at ATCO EnPower's Forty Mile wind facility, and lower prices for retail electricity in ATCOenergy.

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

Depreciation, amortization and impairments decreased by $25 million in the fourth quarter of 2024 compared to the same period in 2023 mainly due to the recognition of an impairment of certain computer software assets in the fourth quarter of 2023, partially offset by ongoing capital investment in the Regulated Utilities, ATCO Structures' increase in global rental fleet assets, and the Barlow, Deerfoot and Empress Solar projects reaching commercial operations throughout 2023 in the ATCO EnPower business.

Depreciation, amortization and impairments in the full year of 2024 were comparable to the same period in 2023.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports.

Earnings from investment in associate company in the fourth quarter and full year of 2024 were $1 million and $2 million higher than the same periods in 2023 mainly due to improved margins across operations within the portfolio of ports.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, electricity operations in the Northwest Territories; Northland Utilities (NWT) (operating as Naka Power Utilities (NWT)), Northland Utilities (Yellowknife) (operating as Naka Power Utilities (Yellowknife)), 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 in the fourth quarter of 2024 were $2 million lower than the same period in 2023 mainly due to lower earnings from joint ventures within the ATCO Frontec business.

Earnings from investment in joint ventures in the full year of 2024 were $1 million higher than the same period in 2023 mainly due to lower operating costs and higher management fees as a result of inflation adjustments at LUMA Energy, partially offset by lower earnings from joint ventures within the ATCO Frontec business.

NET FINANCE COSTS

Net finance costs increased by $8 million and $28 million in the fourth quarter and full year of 2024 compared to the same periods in 2023 mainly due to higher interest expense on additional debt issued to fund ongoing capital investment in Canadian Utilities, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $23 million and $53 million in the fourth quarter and full year of 2024 compared to the same periods in 2023 due to the accrual of income taxes in the fourth quarter of 2023 relating to the 2009 to 2016 reassessment notices received from the Portuguese Tax Authority, and lower IFRS earnings before income taxes primarily driven by lower unrealized and realized gains on derivative financial instruments.

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 flows from operations and capital markets. Liquidity is generated by cash flows 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 Pty Ltd (ATCO Gas Australia) at December 31, 2024.

	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 February 20, 2025, 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 21, 2024, S&P Global Ratings affirmed Canadian Utilities' subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating and stable outlook.

On July 23, 2024, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc.

On August 28, 2024, DBRS Limited affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO Ltd. and its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities Limited.

LINES OF CREDIT

At December 31, 2024, ATCO and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**3,568**	1,525	2,043
Uncommitted	**715**	306	409
Total	**4,283**	1,831	2,452

Of the $4,283 million in total lines of credit, $715 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,568 million in credit lines was committed with maturities between 2026 and 2028, and may be extended at the option of the lenders.

Of the $1,831 million in lines of credit used, $644 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 FLOWS

At December 31, 2024, the Company's cash position was $94 million. This represents a decrease in the fourth quarter and full year of 2024 of $194 million compared to the same periods in 2023. Major movements are outlined in the following table:

	Three Months Ended December 31			Year Ended December 31		
($ millions)	2024	2023	Change	2024	2023	Change
Cash position, beginning of period	**272**	579	(307)	**288**	1,033	(745)
Cash from (used in):						
Operating activities	**617**	529	88	**2,197**	1,965	232
Investing activities	**(591)**	(408)	(183)	**(1,798)**	(2,585)	787
Financing activities	**(198)**	(410)	212	**(588)**	(123)	(465)
Foreign currency translation	**(6)**	(2)	(4)	**(5)**	(2)	(3)
Cash position, end of the period	**94**	288	(194)	**94**	288	(194)

The opening cash position of $272 million and $288 million in the fourth quarter and full year of 2024 was $307 million and $745 million lower compared to the same periods in 2023 mainly due to the $290 million investment in marketable securities in February 2023, and the funding of capital projects.

Operating Activities

Cash flows from operating activities were $617 million and $2,197 million in the fourth quarter and full year of 2024, $88 million and $232 million higher than the same periods in 2023 mainly due to growth in rate base, a higher return on rate base, and the timing of certain revenues and expenses in ATCO Energy Systems, and higher earnings in ATCO Structures. Higher cash flows from operating activities were partially offset by restructuring costs, and additional income taxes paid relating to the 2009-2016 reassessment notices received from the Portuguese Tax Authority.

Investing Activities

Cash flows used in investing activities were $591 million in the fourth quarter of 2024, $183 million higher than the same period in 2023 mainly due to increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems, and ongoing development projects in ATCO EnPower, partially offset by the timing of settlement of accounts payable related to the 2023 acquisition of the renewable energy portfolio.

Cash flows used in investing activities were $1,798 million in the full year of 2024, $787 million lower than the same period in 2023 mainly due to the 2023 acquisition of the renewable energy portfolio and the investments in marketable securities in 2023.

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

Cash Used for Capital Investment [1] and Capital Expenditures

Capital investment and capital expenditures for the fourth quarter and full year of 2024 and 2023 are shown in the following table.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Structures & Logistics	**62**	43	19	**182**	198	(16)
ATCO Corporate & Other	**14**	11	3	**27**	28	(1)
	76	54	22	**209**	226	(17)
Canadian Utilities						
ATCO Energy Systems						
Electricity	**269**	180	89	**761**	630	131
Natural Gas	**202**	155	47	**638**	500	138
	471	335	136	**1,399**	1,130	269
ATCO EnPower	**51**	34	17	**104**	139	(35)
ATCO Australia	**26**	23	3	**89**	83	6
CU Corporate & Other	**11**	2	9	**19**	8	11
Canadian Utilities Total Capital Expenditures [1] [2]	**559**	394	165	**1,611**	1,360	251
ATCO Total Capital Expenditures	**635**	448	187	**1,820**	1,586	234
Capital Expenditures in joint ventures						
ATCO Energy Systems						
Electricity	**1**	4	(3)	**4**	6	(2)
ATCO EnPower	**1**	3	(2)	**3**	7	(4)
Business Combination						
Structures & Logistics	**—**	5	(5)	**40**	5	35
ATCO Corporate & Other	**—**	—	—	**—**	6	(6)
ATCO EnPower	**—**	—	—	**—**	691	(691)
CU Corporate & Other	**—**	—	—	**4**	—	4
Canadian Utilities Total Capital Investment [3]	**561**	401	160	**1,622**	2,064	(442)
ATCO Total Capital Investment [3]	**637**	460	177	**1,871**	2,301	(430)

(1) Includes $4 million and $16 million (2023 - $6 million and $21 million) of capitalized interest during construction for the fourth quarter and full year of 2024 and additions to property, plant and equipment, and intangibles.

(2) Includes $27 million and $108 million for the fourth quarter and full year of 2024 (2023 - $10 million and $127 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 measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Total capital investment of $637 million in the fourth quarter of 2024 was $177 million higher compared to the same period in 2023 mainly due to increased spending related to ongoing system upgrades and growth projects for new customers in the Regulated Utilities, including the Central East Transfer Out project in Electricity Transmission, and the Atlas Carbon Storage Hub in ATCO EnPower.

Total capital investment of $1,871 million in the full year of 2024 was $430 million lower compared to the same period in 2023 mainly due to the acquisition of the renewable energy portfolio in January 2023, partially offset by increased spending related to ongoing system upgrades and growth projects in the Regulated Utilities and ATCO EnPower, as noted above, and ATCO Structures' acquisition of NRB.

[1] *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 expenditures of $635 million and $1,820 million in the fourth quarter and full year of 2024 were $187 million and $234 million higher compared to the same periods in 2023 mainly due to the factors outlined above with the exception of the 2023 renewable energy portfolio acquisition within ATCO EnPower, and ATCO Structures' acquisition of NRB in the third quarter of 2024. 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 $3 million and $15 million (2023 - $4 million and $10 million), were recorded in the fourth quarter and full year of 2024. Unrealized gains, representing periodic temporary fluctuations in fair value measurement of $7 million and $20 million (2023 - $7 million and $4 million), were recognized in other costs and expenses in the fourth quarter and full year of 2024.

Financing Activities

Cash flows used in financing activities were $198 million in the fourth quarter of 2024, $212 million lower than the same period in 2023 mainly due to lower repayment of long term debt.

Cash flows used in financing activities were $588 million in the full year of 2024, $465 million higher than the same period in 2023 mainly due to the 2023 financing related to the acquisition of the renewable energy portfolio in January 2023.

Information pertaining to financing activities is summarized below.

Debenture Issuance

On September 11, 2024, Canadian Utilities' subsidiary CU Inc. issued $410 million of 4.664 per cent 30-year debentures. Proceeds from the issue are being used to finance capital expenditures, to repay existing indebtedness and for other general corporate purposes.

Other Debt Issuances

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

On July 3, 2024, Canadian Utilities, through its wholly owned subsidiary, Achernar Limited Partnership, entered into a non-revolving term facility of $42 million with a bank lender. Proceeds from this issuance were used to repay existing indebtedness used to fund capital investment in our renewable portfolio. The loan amortizes over a period of 11.75 years to match the Empress Solar PPA term and is secured by the assets of the borrower. To mitigate the variable interest rate risk, Achernar Limited Partnership entered into an interest rate swap agreement to fix the interest rate at 5.8589 per cent, including the applicable margin.

Debenture Repayments

On March 6, 2024, Canadian Utilities' subsidiary, CU Inc., repaid $120 million of 6.215 per cent debentures upon maturity.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 32-year track record. Dividends paid to Class I and Class II Share owners totaled $55 million in the fourth quarter of 2024.

On January 9, 2025, the Board of Directors declared a first quarter dividend of 50.45 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.

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 commenced an NCIB to purchase up to 1,014,881 outstanding Class I Shares, which was amended on September 26, 2023, 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. This bid expired on March 12, 2024. During this period, 1,758,600 Class I Shares were purchased for $67 million.

On March 13, 2024, ATCO commenced an NCIB to purchase up to 1,994,677 outstanding Class I Shares. To date no shares have been purchased. The bid will expire on March 12, 2025, following which, we intend to make an application to renew our NCIB program, subject to acceptance by the TSX.

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. As of February 25, 2025, no securities had been issued under the prospectus.

Cash Requirements

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

($ millions)	2025	2026	2027	2028	2029	2030 and thereafter
Financial Liabilities [1]						
Accounts payable and accrued liabilities	1,062	—	—	—	—	—
Long-term debt:						
Principal	77	921	638	225	29	9,722
Interest expense [2]	518	499	451	427	423	7,624
Derivatives [3]	21	15	8	1	1	1
	1,678	1,435	1,097	653	453	17,347
Commitments [1]						
Purchase obligations:						
Operating and maintenance agreements	597	508	491	490	410	214
Capital expenditures	718	33	3	—	—	—
Other	23	6	6	6	6	6
Other commitments	13	1	—	—	—	—
	1,351	548	500	496	416	220
Total	**3,029**	**1,983**	**1,597**	**1,149**	**869**	**17,567**

(1) Additional detail is discussed in Note 21 ("Risk Management") and Note 31 ("Commitments") of the 2024 Consolidated Financial Statements.

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

(3) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2024.

SHARE CAPITAL

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

At February 25, 2025, we had outstanding 99,810,591 Class I Shares, 12,424,987 Class II Shares, and options to purchase 2,836,400 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, 7,268,650 Class I Shares were available for issuance at December 31, 2024. 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, 2023 through December 31, 2024.

($ millions, except for per share data)	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Revenues	1,324	1,112	1,116	**1,390**
Earnings attributable to Class I and Class II Shares	147	52	93	**138**
Earnings per Class I and Class II Share *($)*	1.31	0.46	0.83	**1.23**
Diluted earnings per Class I and Class II Share *($)*	1.31	0.46	0.83	**1.23**
Adjusted earnings per Class I and Class II Share *($)* [1]	1.32	0.86	0.81	**1.30**
Adjusted earnings (loss) [2]				
Structures & Logistics [2]	25	29	26	**24**
Neltume Ports	5	6	7	**6**
ATCO Corporate & Other [2]	—	(1)	5	**9**
Canadian Utilities [2]				
ATCO Energy Systems [2]	116	59	49	**109**
ATCO EnPower [2]	4	10	7	**2**
ATCO Australia [2]	6	9	8	**2**
Canadian Utilities Corporate & Other [2]	(8)	(16)	(11)	**(6)**
Total adjusted earnings [2]	148	96	91	**146**

($ 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]	1.21	0.77	0.71	1.13
Adjusted earnings (loss) [2]				
Structures & Logistics [2]	22	26	28	14
Neltume Ports	5	5	7	5
ATCO Corporate & Other [2]	(5)	3	1	6
Canadian Utilities [2]				
ATCO Energy Systems [2]	110	51	47	94
ATCO EnPower [2]	8	4	4	8
ATCO Australia [2]	9	8	9	6
Canadian Utilities Corporate & Other [2]	(12)	(10)	(15)	(6)
Total adjusted earnings [2]	137	87	81	127

(1) Non-GAAP ratio. 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 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.

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.

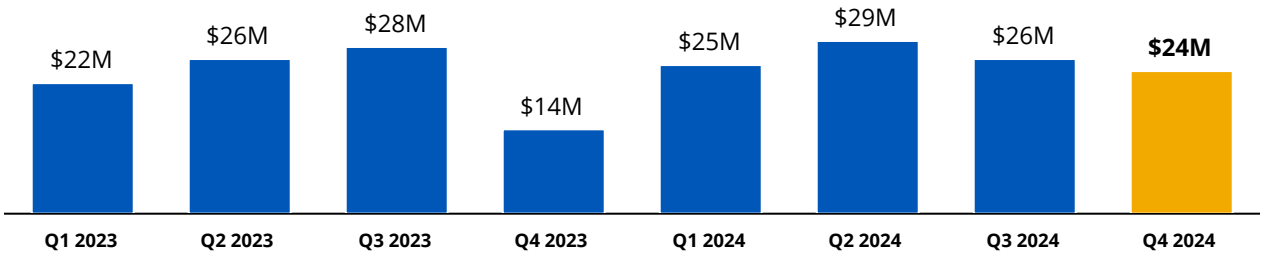
STRUCTURES & LOGISTICS [1]

In the first quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to ATCO Structures' strong base business performance driven by increased space rentals activity in most geographies, workforce housing trade sale activity in Canada, and improved earnings at ATCO Frontec's Pogo Mine project. Earnings were partially offset by ATCO Structures' lower workforce housing rental earnings in Canada, and the closure of ATCO Frontec-operated camps including the TMEP camps.

In the second quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to ATCO Structures' strong base business performance driven by increased space rentals activity in most geographies, and improved workforce housing trade sale performance in Canada, the US and Australia. Earnings were partially offset by ATCO Structures' lower workforce housing rental activity in Canada and the US, decreased client work requests and occupancy at the ATCO Frontec operated BC Hydro Site C camp, and lower earnings from the completion of ATCO Structures' Pluto project and ATCO Frontec's TMEP camps in 2023.

In the third quarter of 2024, adjusted earnings were lower compared to the same period in 2023 mainly due to ATCO Frontec's provision regarding the potential collectability of a customer's receivables, decreased client work requests and occupancy at the ATCO Frontec-operated BC Hydro Site C camp, and lower earnings from the completion ATCO Frontec's TMEP camps in 2023. Lower earnings were partially offset by an increase in ATCO Structures earnings.

In the fourth quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to ATCO Structures' strong base business performance driven by increased space rentals activity in most geographies, and improved workforce housing trade sale performance in Canada, the US and Australia. Earnings were partially offset by ATCO Frontec's provision regarding the potential collectability of a customer's receivables, decreased client work requests and occupancy at the ATCO Frontec-operated BC Hydro Site C camp, and lower earnings from the completion of ATCO Frontec's TMEP camps in 2023.



(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.

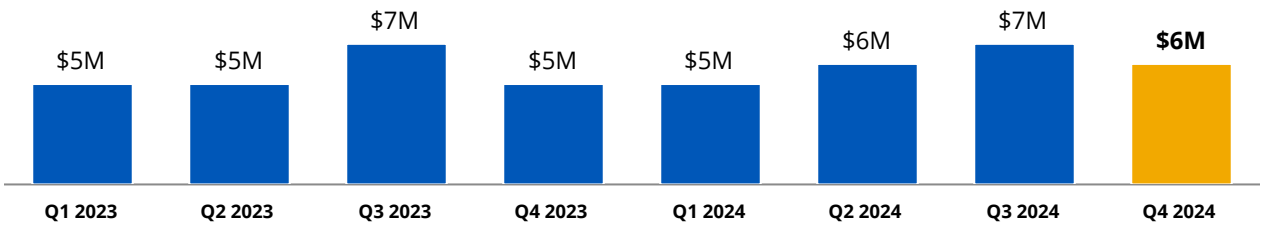
NELTUME PORTS

In the first quarter of 2024, adjusted earnings were comparable to the same period in 2023.

In the second quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to improved margins across operations within the portfolio of ports.

In the third quarter of 2024, adjusted earnings were comparable to the same period in 2023.

In the fourth quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to improved margins across operations within the portfolio of ports.



CANADIAN UTILITIES

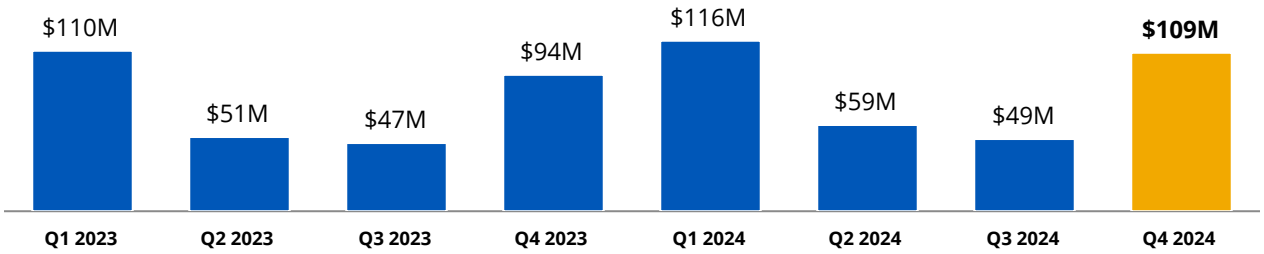
ATCO Energy Systems [1]

In the first quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to growth in rate base and an increase in ROE, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

In the second quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to growth in rate base and an increase in ROE, the 2023 decision received from the AUC on the 2018-2021 Deferral Application decision which denied Electricity Transmission's recovery of forgone return on rate base related to certain cancelled projects, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

In the third quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to growth in rate base and an increase in ROE, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by tax adjustments recorded by Electricity Distribution over the final two quarters of 2023, and Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

In the fourth quarter of 2024, adjusted earnings were higher compared to the same period in 2023 mainly due to growth in rate base and an increase in ROE, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by tax adjustments recorded by Electricity Distribution over the final two quarters of 2023, and Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.



(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.

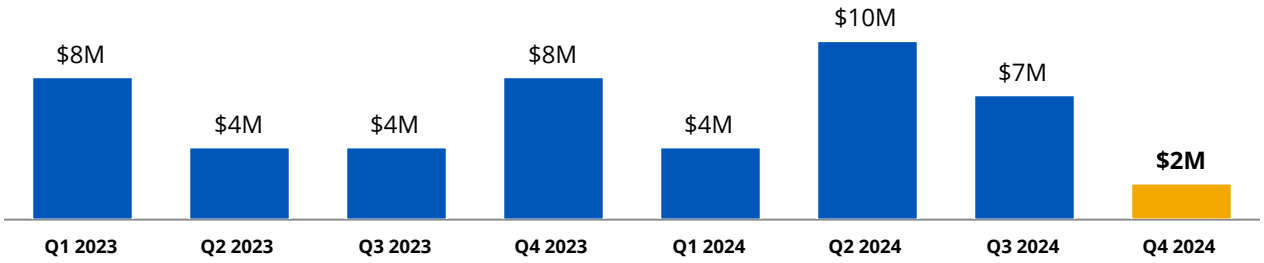
ATCO EnPower [1]

In the first quarter of 2024, adjusted earnings were lower than the same period in 2023 mainly due to lower capture pricing at the Forty Mile wind facility, partially offset by stronger seasonal spreads in natural gas storage services.

In the second quarter of 2024, adjusted earnings were higher than the same period in 2023 mainly due to recognizing compensation related to turbine availability guarantees at the Forty Mile wind facility, and stronger seasonal spreads in natural gas storage services, partially offset by lower realized pricing at the renewable facilities.

In the third quarter of 2024, adjusted earnings were higher than the same period in 2023 mainly due to recognizing compensation related to turbine availability guarantees at the Forty Mile wind facility, and stronger seasonal spreads in natural gas storage services, partially offset by lower realized pricing at the renewable facilities.

In the fourth quarter of 2024, adjusted earnings were lower than the same period in 2023 mainly due to lower realized pricing at the renewable facilities, and a non-recurring recovery received in the fourth quarter of 2023, partially offset by stronger seasonal spreads in natural gas storage services.



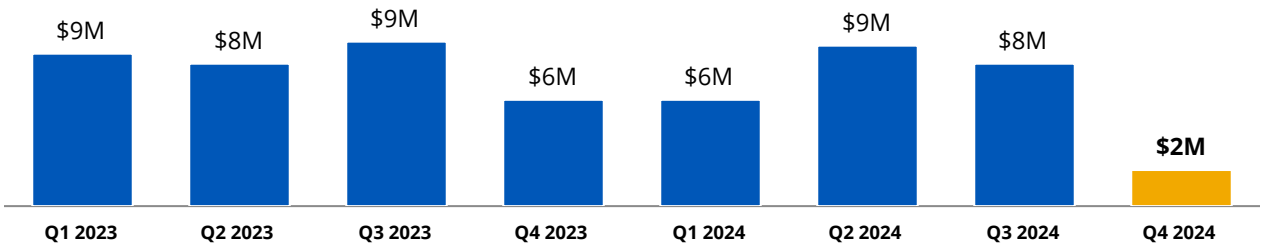
(1) Adjusted earnings for ATCO EnPower is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

ATCO Australia [(1)]

In the first quarter of 2024, adjusted earnings were lower than the same period in 2023 mainly due to the impact of inflation indexing on rate base and increased project costs in ATCO Gas Australia, partially offset by higher rates and increased system volumes in ATCO Gas Australia, and higher project development costs in ATCO Power Australia in 2023.

In the second quarter of 2024, adjusted earnings were comparable to the same period in 2023.

In the third and fourth quarters of 2024, adjusted earnings were lower than the same periods in 2023 mainly due to the impact of inflation indexing on rate base in ATCO Gas Australia, partially offset by higher rates in ATCO Gas Australia.



(1) Adjusted earnings for ATCO Australia 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:

- 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 Master Service Agreements (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) mainly related to 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.
- In 2024, the Company recorded restructuring costs of $23 million (after-tax and non-controlling interests) in the second quarter, $6 million (after-tax and non-controlling interests) in the third quarter, and $4 million (after-tax and non-controlling interests) in the fourth quarter, mainly related to staff reductions and associated severance costs.
- In the second quarter of 2024, the Company recorded a $4 million (after-tax and non-controlling interests) reduction to earnings related to an AUC enforcement decision on two historical matters the Electric Transmission business had self-reported to AUC Enforcement staff.

- In the third quarter of 2024, the transfer of ownership of ATCO Energy Ltd. from Canadian Utilities Limited to ATCO Ltd. was completed. Canadian Utilities Limited recorded a loss of $14 million ($7 million after non-controlling interests) which is eliminated on consolidation with ATCO Ltd.

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 strives for a prudent balance between risks incurred and the potential return to share owners and confirms appropriate 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 appropriately manage 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

The Company's growth strategy includes multiple growth projects, which 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 opportunities.

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 strives 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.

ATCO Gas Australia's planned capital investment is approved by the regulator. Planned capital investments for the Alberta Utilities are based on a number of significant assumptions, including: projects identified by the AESO 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 a number of significant assumptions, including: 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 and environmental credit markets.

RISK MANAGEMENT APPROACH

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

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 and provides flexibility in the timing of and amount of external financing.

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 flows from operations satisfy a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through credit facility borrowings and the issuance of long-term debt, and preferred shares, and may be satisfied through the issuance of 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, 2024, 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 flows 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 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, 2024, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 93 per cent (2023 - 94 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, 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

Electricity Transmission, Natural Gas Transmission, and ATCO Gas Australia 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 - Transition Risk

Climate-related risks and opportunities are integrated into our risk management processes and are identified, assessed and managed in the same manner as other risks. In some cases, there could be an overlap between the climate-related risks noted below, and business risks noted elsewhere in this document. However, we understand that specifically disclosing climate-related information guided by the ISSB recommendations is useful for the investment community.

POLICY RISKS

Description and Context

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

The Company's exposure to climate-related policy risk 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 raise awareness of the impacts and costs of proposed policy changes and the pace of energy transition. Where appropriate, the Company is also working with its peers and industry associations to develop common positions and strategies.

The Company is investing in climate change resilient initiatives and is working with different levels of government, communities, and Indigenous partners to advance the opportunities, policy needs, market access, and funding requirements for projects that help support society's energy transition goals while maintaining essential infrastructure and services.

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.

MARKET RISKS

Description and Context

The Company has operations which generate carbon offsets, emission performance credits, and renewable energy certificates through projects that have voluntarily reduced or avoided GHG emissions. Additionally, the Company participates in various compliance and voluntary carbon markets. Changes in carbon pricing and policies, fluctuations in commodity pricing, and uncertainties in carbon markets could negatively impact revenue streams and operational costs.

Risk Management Approach

The Company is mitigating exposure to market risk by actively participating in policy consultations with governments and engaging with peer market participants on an ongoing basis to raise awareness of the impacts and costs from policy changes.

The Company has taken steps to reduce exposure to this risk through commercial contracting efforts, such as entering into long-term virtual power purchase agreements (VPPAs), as well as developing strategies to manage and optimize our carbon credit portfolio.

TECHNOLOGY RISKS

Description and Context

The pace of the energy transition is dependent on innovation and technological advancements, which introduces both risk and opportunity for the Company and its customers. Replacement of current products or services with lower-emitting options could increase the risk of stranded assets. In addition, changing customer behaviours and an increase in the prosumer movement will change 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 such as hydrogen, supporting electric vehicle networks, and transmission and distribution infrastructure to ensure energy network reliability and security, however, there is a risk that the development of technology does not materialize as expected, negatively impacting the ability to achieve GHG reduction targets, or that political or public opinion regarding such technologies may continue to change.

Risk Management Approach

The Company continues to invest in innovation and technology, providing or enabling a suite of lower-emitting technology solutions so our customers can choose the right solutions for their unique situations.

REPUTATIONAL RISKS

Description and Context

Changing public and stakeholder perception of climate-related risk, as it relates to the energy industry in particular, could negatively impact the Company's businesses and its reputation.

Risk Management Approach

The Company undertakes authentic engagement and collaboration with municipalities and customers to better understand their needs for the future, and to guide the development of strategic partnerships and common advocacy efforts where possible. The Company also provides transparent reporting on sustainability activities, including with respect to emissions reduction efforts and initiatives.

Climate Change - Physical Risks

DESCRIPTION AND CONTEXT

Physical risks associated with climate change include those arising from an increase in extreme weather events such as floods, wildfires, extreme winds, and ice storms. While most assets within ATCO's and Canadian Utilities' businesses are exposed to extreme weather events, the potential impact to our above ground linear infrastructure has been identified as being the most material climate-related physical risk to the Company.

As seen recently in Alberta with the significant wildfire activity of the last two years, these events are becoming more common and place increased risk on our communities and assets.

In addition to these acute physical risks, reoccurring physical risks include those arising from longer-term shifts in weather patterns such as changes in seasonal temperatures or precipitation levels.

RISK MANAGEMENT APPROACH

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. The Company invests in wildfire mitigations for its linear infrastructure and obtains approval of its costs from the Alberta Utilities Commission. The Company also benefits from agreements to limit exposure to wildfire suppression costs as well as liability and damages protections contained within legislation in Alberta. Risk to linear infrastructure is typically not insured and, as such, any restoration costs are generally recovered through regulatory processes subject to prudency review.

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.

Pipeline Integrity

DESCRIPTION AND CONTEXT

Natural Gas Transmission, Natural Gas Distribution and ATCO Gas Australia 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 ATCO Gas Australia'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, ROE 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 from changes and proposed policies 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.

US Tariffs and Canadian Retaliatory Measures

DESCRIPTION AND CONTEXT

Recent changes in trade policies between Canada and the US, including the implementation of tariffs or other trade restrictions could have an adverse effect on our business, financial condition and results of operations. As new tariffs are introduced, our costs could increase, project timelines could be affected, and profitability could be negatively impacted. Additionally, the Canadian government may implement retaliatory tariffs or other countermeasures in response to US trade actions. Certain goods used by the Company in its operations are procured from the US. Any retaliatory measures imposed by the Canadian government could disrupt supply chains, increase procurement costs, or create regulatory uncertainty affecting cross-border projects and market access. Any escalation in trade disputes between Canada and the US may also affect investor confidence and capital markets, potentially influencing our cost of capital and ability to secure funding for future investments.

RISK MANAGEMENT APPROACH

We continue to monitor trade developments and may take appropriate measures to mitigate risks, however, the details and timing of the implementation of any US tariffs or Canadian retaliatory measures remain subject to significant uncertainty at this time, and as such, we cannot predict the scope, duration, or impact of potential tariffs and trade restrictions on our business.

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 Ethics, 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 with respect to 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.

Rising costs and uncertainty regarding the changing landscape of energy due to the ongoing energy transition, can contribute to customer dissatisfaction, frustration or confusion, leading to potential 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 can 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 with respect to 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, the United States, Australia and other jurisdictions where the Company operates.

There is a risk of project delays and relationship challenges caused by changes to consultation and engagement policies and expectations and formal challenges at the community, provincial and federal levels. In addition, the United Nations *Declaration on the Rights of Indigenous Peoples* Act is in place and being implemented within Canada. 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 based on lasting reconciliation, healing, and cooperative relations.

The ongoing implementation of the UNDRIP Act and the associated Action Plan, released on June 21, 2023, is intended to provide direction 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 in the process of being defined, often via the court, and therefore the Company is currently not fully able to assess the effect that any land claims, cumulative impact claims, consultation requirements with Indigenous peoples, or the UNDRIP Act and the Action Plan may have on the Company's business. However, the potential 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, ongoing efforts need to be undertaken to truly engage and include Indigenous communities into the economy. Indigenous communities throughout the areas of Canada and internationally where the Company operates have indicated their desire for this inclusion and participation in the economy with a focus being shown towards energy infrastructure ownership.

RISK MANAGEMENT APPROACH

It is evident to the Company that the desire for Indigenous energy autonomy and ownership is increasing, so it is imperative that the Company continues to evaluate 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 leaders in the Indigenous equity space.

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 an established and 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 employee engagement surveys are conducted. 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 should be read with the Company's 2024 Consolidated Financial Statements. The 2024 Consolidated Financial Statements are prepared according to IFRS as issued by the International Accounting Standards Board (IFRS Accounting Standards).

This MD&A contains various "total of segments measures" (as such term is defined in NI 52-112), "non-GAAP financial measures" (as such term is defined in NI 52-112), and "non-GAAP ratios" (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, ATCO Australia, and Canadian Utilities Corporate & Other are total of segments measures, as defined in NI 52-112.

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 periods in 2024 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.

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 flows 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, 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, Total Natural Gas, ATCO Gas Australia, ATCO Power Australia, Electricity Generation, and Storage & Industrial Water, adjusted EBITDA for ATCO Structures and ATCO EnPower, and mid-year rate base 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 Accounting Standards – that basis being the US accounting principles for rate-regulated activities. Adjusted earnings (loss) are presented in Note 3 of the 2024 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.

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.

Further information regarding adjusted EBITDA, including a reconciliation of adjusted EBITDA to adjusted earnings for ATCO Structures and ATCO EnPower, is presented in Appendix 2: Supplemental Non-Audited Financial Information to this MD&A.

Mid-year rate base is a non-GAAP financial measure. Mid-year rate base for a given year is calculated as the average of the opening rate base and the closing rate base. Growth in mid-year rate base is a leading indicator of a utility's earnings trend, depending on changes in the equity ratio of the mid-year rate base and the rate of return on common equity. Mid-year rate base is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers. Management views mid-year rate base as a key metric for determining the Company’s profitability. The most directly comparable measures to mid-year rate base reported in accordance with IFRS are property, plant and equipment and intangible assets. A reconciliation of mid-year rate base to property, plant and equipment and intangible assets is presented in this MD&A.

Non-GAAP Ratio

NI 52-112 defines a "non-GAAP ratio" as a financial measure disclosed by an issuer that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-GAAP financial measure as one or more of its components, and (c) is not disclosed in the financial statements of the entity.

Adjusted earnings ($ per share) and mid-year rate base CAGR are non-GAAP ratios, as defined in NI 52-112.

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

2024 2023	**ATCO Ltd.**								**ATCO Consolidated**
				Canadian Utilities Limited					
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**CU Corporate & Other**	**Consolidated**	
Revenues	**367**	**—**	**42**	**828**	**87**	**61**	**5**	**981**	**1,390**
	239	—	8	800	85	58	31	974	1,221
Adjusted earnings (loss)	**24**	**6**	**9**	**109**	**2**	**2**	**(6)**	**107**	**146**
	14	5	6	94	8	6	(6)	102	127
Restructuring	**—**	**—**	**—**	**(2)**	**(1)**	**—**	**(1)**	**(4)**	**(4)**
	—	—	—	—	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**63**	**—**	**—**	**—**	**(39)**	**(39)**	**24**
	—	—	—	—	1	—	23	24	24
Rate-regulated activities	**—**	**—**	**—**	**(21)**	**—**	**(3)**	**—**	**(24)**	**(24)**
	—	—	—	(14)	—	(4)	(1)	(19)	(19)
IT Common Matters decision	**—**	**—**	**—**	**(4)**	**—**	**—**	**—**	**(4)**	**(4)**
	—	—	—	(3)	—	—	—	(3)	(3)
Impairments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(18)	—	—	(1)	(19)	(19)
Madeira additional income taxes	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(15)	—	—	—	—	—	—	—	(15)
Earnings (loss) attributable to Class I and Class II Shares	**24**	**6**	**72**	**82**	**1**	**(1)**	**(46)**	**36**	**138**
	(1)	5	6	59	9	2	15	85	95

($ millions)

	ATCO Ltd.								Year Ended December 31
2024				Canadian Utilities Limited					
2023	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Corporate & Other	Consolidated	ATCO Consolidated
Revenues	**1,114**	**—**	**86**	**3,071**	**313**	**241**	**117**	**3,742**	**4,942**
	926	—	19	2,968	346	225	257	3,796	4,741
Adjusted earnings (loss)	**104**	**24**	**13**	**333**	**23**	**25**	**(41)**	**340**	**481**
	90	22	5	302	24	32	(43)	315	432
Restructuring	**(10)**	**—**	**—**	**(19)**	**(2)**	**(1)**	**(1)**	**(23)**	**(33)**
	—	—	—	—	—	—	—	—	—
ATCO Electric settlement decision	**—**	**—**	**—**	**(4)**	**—**	**—**	**—**	**(4)**	**(4)**
	—	—	—	—	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**75**	**—**	**2**	**—**	**(47)**	**(45)**	**30**
	—	—	—	—	1	—	96	97	97
Rate-regulated activities	**—**	**—**	**—**	**(26)**	**—**	**(13)**	**—**	**(39)**	**(39)**
	—	—	—	(20)	—	(23)	—	(43)	(43)
IT Common Matters decision	**—**	**—**	**—**	**(12)**	**—**	**—**	**—**	**(12)**	**(12)**
	—	—	—	(11)	—	—	—	(11)	(11)
Impairments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(22)	—	—	(1)	(23)	(23)
Madeira additional income taxes	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(15)	—	—	—	—	—	—	—	(15)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(1)	—	(4)	—	(5)	(5)
Other [1]	**—**	**—**	**14**	**—**	**—**	**—**	**(7)**	**(7)**	**7**
	—	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**94**	**24**	**102**	**272**	**23**	**11**	**(96)**	**210**	**430**
	75	22	5	248	25	5	52	330	432

(1) Transfer of ownership of ATCO Energy Ltd. from Canadian Utilities Limited to ATCO Ltd. Canadian Utilities Limited recorded a loss of $14 million ($7 million after non-controlling interests) which is eliminated on consolidation with ATCO Ltd.

RESTRUCTURING

The Company recorded restructuring costs of $4 million and $33 million (after-tax and non-controlling interests) in the fourth quarter and year ended December 31, 2024 mainly related to staff reductions and associated severance costs. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

ATCO ELECTRIC SETTLEMENT DECISION

On June 24, 2024, AUC Enforcement and ATCO Electric filed a joint submission seeking the AUC's approval of a settlement agreement involving two matters ATCO Electric had previously self-reported to AUC Enforcement staff. These historical items related to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects constructed between 2012 and 2015. They were identified following an extensive internal investigation supported by independent third parties.

The settlement agreement includes an administrative penalty of $3 million, and a refund to customers through a billing adjustment to the AESO of $4 million. On September 25, 2024, the AUC approved the settlement agreement as filed.

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

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

The Company's electricity generation and electricity and natural gas retail businesses enter into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts, together with reclassifications of unrealized gains or losses from other comprehensive income or loss, in the electricity generation business are recognized in the ATCO EnPower segment and electricity and natural gas retail business in Corporate & Other.

The Chief Operating Decision Maker (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) (operating as Naka Power Utilities (NWT)), Northland Utilities (Yellowknife) (operating as Naka Power Utilities (Yellowknife)), ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as the Regulated Utilities.

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

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the US 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 fourth quarter and full year of 2024 and 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)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**16**	15	1	**65**	62	3
Revenues to be billed in future periods						
Deferred income taxes [2]	**(26)**	(21)	(5)	**(76)**	(80)	4
Impact of warmer temperatures [3]	**(5)**	(12)	7	**(5)**	(17)	12
Impact of inflation on rate base [4]	**(1)**	(4)	3	**(9)**	(21)	12
Settlement of regulatory decisions and other items						
Distribution rate relief [5]	**—**	2	(2)	**—**	9	(9)
Other [6]	**(8)**	1	(9)	**(14)**	4	(18)
	(24)	(19)	(5)	**(39)**	(43)	4

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

(3) 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.

(4) The inflation-indexed portion of ATCO Gas Australia'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 then ongoing COVID-19 Pandemic, Electricity Distribution and Natural Gas Distribution applied for 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 non-controlling interests) was billed to customers.

(6) In 2024, Natural Gas Distribution recorded a decrease in earnings of $3 million (after-tax and non-controlling interests) related to payments of gas pipeline system load balancing costs, Electricity Distribution recorded a decrease in earnings of $2 million (after-tax and non-controlling interests) related to deferral of generation expenses and $2 million (after-tax and non-controlling interests) related to final rate decisions, and ATCO Gas Australia recorded a decrease in

earnings of $2 million (after-tax and non-controlling interests) related to certain software projects associated with the final Access Arrangement period (AA6) decision.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the fourth quarter and year ended December 31, 2024 was $4 million and $12 million (after-tax and non-controlling interests) (2023 - $3 million and $11 million (after-tax and non-controlling interests)).

IMPAIRMENTS

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

Of these impairments, $17 million (after-tax and non-controlling interests) related to impairments of certain computer software assets which are no longer expected to be used in the business and $4 million (after-tax and non-controlling interests) related to certain electricity generation assets in Electricity Transmission which had been removed from service.

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 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.

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

Structures & Logistics

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

($ millions)

	Three Months Ended December 31		
2024	**ATCO Ltd.**		
2023	**Structures**	**Frontec**	**Structures & Logistics**
Adjusted earnings (loss)	**25**	**(1)**	**24**
	16	(2)	14
Madeira additional income taxes	**—**	**—**	**—**
	—	(15)	(15)
Earnings (loss) attributable to Class I and Class II Shares	**25**	**(1)**	**24**
	16	(17)	(1)

($ millions)	Year Ended December 31		
2024	ATCO Ltd.		
2023	Structures	Frontec	Structures & Logistics
Adjusted earnings (loss)	**108**	**(4)**	**104**
	89	1	90
Restructuring	**(6)**	**(4)**	**(10)**
	—	—	—
Madeira additional income taxes	**—**	**—**	**—**
	—	(15)	(15)
Earnings (loss) attributable to Class I and Class II Shares	**102**	**(8)**	**94**
	89	(14)	75

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							
2024	Canadian Utilities Limited							
2023	Electricity				Natural Gas			ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings	**24**	**25**	**8**	**57**	**37**	**15**	**52**	**109**
	23	19	7	49	32	13	45	94
Restructuring	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**(1)**	**(2)**
	—	—	—	—	—	—	—	—
Rate-regulated activities	**(10)**	**(11)**	**—**	**(21)**	**3**	**(3)**	**—**	**(21)**
	(4)	(3)	—	(7)	(3)	(4)	(7)	(14)
IT Common Matters decision	**(2)**	**—**	**—**	**(2)**	**(2)**	**—**	**(2)**	**(4)**
	—	(1)	—	(1)	(1)	(1)	(2)	(3)
Impairments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(6)	—	—	(6)	(12)	—	(12)	(18)
Earnings attributable to Class I and Class II Shares	**11**	**14**	**8**	**33**	**37**	**12**	**49**	**82**
	13	15	7	35	16	8	24	59

($ millions)	Year Ended December 31							
2024	Canadian Utilities Limited							
2023	Electricity				Natural Gas			ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings	**79**	**100**	**29**	**208**	**75**	**50**	**125**	**333**
	79	86	25	190	63	49	112	302
Restructuring	**(5)**	**(3)**	**—**	**(8)**	**(9)**	**(2)**	**(11)**	**(19)**
	—	—	—	—	—	—	—	—
ATCO Electric settlement decision	**—**	**(4)**	**—**	**(4)**	**—**	**—**	**—**	**(4)**
	—	—	—	—	—	—	—	—
Rate-regulated activities	**(22)**	**(18)**	**—**	**(40)**	**21**	**(7)**	**14**	**(26)**
	(2)	(22)	—	(24)	11	(7)	4	(20)
IT Common Matters decision	**(5)**	**(2)**	**—**	**(7)**	**(5)**	**—**	**(5)**	**(12)**
	(3)	(3)	—	(6)	(4)	(1)	(5)	(11)
Impairments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(6)	(4)	—	(10)	(12)	—	(12)	(22)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	—	(1)	—	—	—	(1)
Earnings attributable to Class I and Class II Shares	**47**	**73**	**29**	**149**	**82**	**41**	**123**	**272**
	67	57	25	149	58	41	99	248

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		
2024	Canadian Utilities Limited		
2023	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss)	**(1)**	**3**	**2**
	2	6	8
Restructuring	**—**	**(1)**	**(1)**
	—	—	—
Unrealized gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**
	1	—	1
Earnings attributable to Class I and Class II Shares	**(1)**	**2**	**1**
	3	6	9

($ millions)	Year Ended December 31		
2024	Canadian Utilities Limited		
2023			
	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings	**3**	**20**	**23**
	8	16	24
Restructuring	**—**	**(2)**	**(2)**
	—	—	—
Unrealized gains on mark-to-market forward and swap commodity contracts	**2**	**—**	**2**
	1	—	1
Earnings attributable to Class I and Class II Shares	**5**	**18**	**23**
	9	16	25

ATCO Australia

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

($ millions)	Three Months Ended December 31		
2024	Canadian Utilities Limited		
2023			
	ATCO Gas Australia	ATCO Power Australia	ATCO Australia
Adjusted earnings	**2**	**—**	**2**
	5	1	6
Rate-regulated activities	**(3)**	**—**	**(3)**
	(4)	—	(4)
Earnings (loss) attributable to Class I and Class II Shares	**(1)**	**—**	**(1)**
	1	1	2

($ millions)	Year Ended December 31		
2024	Canadian Utilities Limited		
2023			
	ATCO Gas Australia	ATCO Power Australia	ATCO Australia
Adjusted earnings (loss)	**24**	**1**	**25**
	33	(1)	32
Restructuring	**(1)**	**—**	**(1)**
	—	—	—
Rate-regulated activities	**(13)**	**—**	**(13)**
	(23)	—	(23)
Transition of managed IT services	**—**	**—**	**—**
	(3)	(1)	(4)
Earnings (loss) attributable to Class I and Class II Shares	**10**	**1**	**11**
	7	(2)	5

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)

Three Months Ended December 31

2024 / 2023	**ATCO Ltd.**								**ATCO Consolidated**
				Canadian Utilities Limited					
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**CU Corporate & Other**	**Consolidated**	
Capital Investment	**62**	**—**	**14**	**472**	**52**	**26**	**11**	**561**	**637**
	48	—	11	339	37	23	2	401	460
Capital Expenditures in joint ventures	**—**	**—**	**—**	**(1)**	**(1)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(4)	(3)	—	—	(7)	(7)
Business combinations [1]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(5)	—	—	—	—	—	—	—	(5)
Capital Expenditures	**62**	**—**	**14**	**471**	**51**	**26**	**11**	**559**	**635**
	43	—	11	335	34	23	2	394	448

(1) Business combinations refer to the Structures & Logistics acquisition of Fire Prevention Services 2016 Ltd. in 2023.

($ millions)

Year Ended December 31

2024 / 2023	**ATCO Ltd.**								**ATCO Consolidated**
				Canadian Utilities Limited					
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**CU Corporate & Other**	**Consolidated**	
Capital Investment	**222**	**—**	**27**	**1,403**	**107**	**89**	**23**	**1,622**	**1,871**
	203	—	34	1,136	837	83	8	2,064	2,301
Capital Expenditures in joint ventures	**—**	**—**	**—**	**(4)**	**(3)**	**—**	**—**	**(7)**	**(7)**
	—	—	—	(6)	(7)	—	—	(13)	(13)
Business combinations [1]	**(40)**	**—**	**—**	**—**	**—**	**—**	**(4)**	**(4)**	**(44)**
	(5)	—	(6)	—	(691)	—	—	(691)	(702)
Capital Expenditures	**182**	**—**	**27**	**1,399**	**104**	**89**	**19**	**1,611**	**1,820**
	198	—	28	1,130	139	83	8	1,360	1,586

(1) The Structures & Logistics business combination refers to the acquisition of NRB in ATCO Structures in August 2024, the Fire Prevention Services 2016 Ltd. acquisition in 2023 and the ATCO EnPower business combination refers to the acquisition of the renewable energy portfolio in January 2023.

RECONCILIATION OF RATE BASE TO PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

The Company refers to rate base and mid-year rate base throughout the MD&A. Growth in mid-year rate base is a leading indicator of a utility's earnings trend. Rate base is a measure specific to rate-regulated utilities and is used by the regulatory authorities in the jurisdictions[1] in which a company operates.

The Regulated Utilities finance infrastructure investments, referred to as rate base, through a combination of equity and debt. Regulatory proceedings establish the approved rate of ROE and the equity ratio – the proportion of utility investments financed with equity, with the remainder financed by debt.

Both the ROE and the equity ratio are determined based on the concept of "fair return," which includes three main components: (i) comparability, (ii) financial integrity, and (iii) financial attractiveness. The costs of equity and debt are included in the amounts collected as revenues.

Mid-year rate base for a given year is calculated as the average of the opening rate base and the closing rate base. The Company determines its customer rates by multiplying its rate base by the approved equity ratio and the approved rate of ROE, as well as recovering forecast costs and return of capital. As such, the Company's earnings will trend based on changes in the approved ROE, the approved equity ratio, and the mid-year rate base.

SEGMENTED RECONCILIATION OF RATE BASE TO PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

The most comparable financial measures under IFRS with respect to rate base are property, plant and equipment and intangible assets. Additional information regarding this non-GAAP measure is provided in the "Other Financial and Non-GAAP Measures" section of this MD&A.

ATCO Energy Systems

The following table reconciles rate base and mid-year rate base to property, plant and equipment and intangible assets for 2024, 2023 and 2022.

		Year Ended December 31	
($ billions)	**2024**	**2023**	**2022**
Property, plant and equipment [1]	**19.8**	19.0	17.8
Intangible assets [1]	**1.1**	1.0	0.8
	20.9	20.0	18.6
Adjustments:			
Property, plant and equipment, and intangible assets of non-regulated businesses	**(2.2)**	(2.2)	(1.3)
Customer contributions [2]	**(2.0)**	(2.0)	(1.9)
Removal costs collected from customer rates	**(1.6)**	(1.5)	(1.3)
Other	**(0.3)**	(0.2)	(0.2)
Rate Base [3]	**14.8**	14.1	13.9
Mid-Year Rate Base [3]	**14.5**	14.0	13.6

(1) Please refer to Note 3 - Geographic Information section (Canada) of the Company's 2024 and 2023 Consolidated Financial Statements.

(2) Please refer to Note 16 - Customer Contributions section of the Company's 2024 and 2023 Consolidated Financial statements.

(3) Non-GAAP financial measure.

[1] Our ATCO Energy Systems businesses in Alberta are governed by the AUC, and ATCO Gas Australia is governed by ERA of Western Australia.

ATCO Australia

ATCO Gas Australia

The following table reconciles rate base and mid-year rate base to property, plant and equipment and intangible assets for 2024, 2023 and 2022.

	Year Ended December 31		
($ billions)	**2024**	**2023**	**2022**
Property, plant and equipment, and intangible assets [1]	**1.5**	1.5	1.4
	1.5	1.5	1.4
Adjustments:			
Property, plant and equipment, and intangible assets of non-regulated businesses	**(0.2)**	(0.2)	(0.1)
Other	**0.1**	0.1	—
Rate Base [2]	**1.4**	1.4	1.3
Mid-Year Rate Base [2]	**1.4**	1.4	1.3

(1) Please refer to Note 3 - Geographic Information section (Australia) of the Company's 2024 and 2023 Consolidated Financial Statements.

(2) Non-GAAP financial measure.

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 claims, disputes, lawsuits and other legal matters. The Company believes the ultimate liability arising from these matters will have no material impact on its 2024 Consolidated Financial Statements.

MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's material accounting estimates are described in Note 23 of the 2024 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 2024 Consolidated Financial Statements, which are prepared in accordance with IFRS.

RELATED PARTY TRANSACTIONS

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

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 2024 Consolidated Financial Statements.

NEW OR AMENDED IFRS ACCOUNTING STANDARDS ADOPTED

The following outlines the IFRS Accounting Standards adopted by the Company for the year ended December 31, 2024, and their impact on the Company's consolidated financial statements.

Presentation of Non-Current Liabilities with Covenants

The Company has adopted amendments to IAS 1, *Presentation of Financial Statements* that are effective January 1, 2024. The amendments clarified the requirements for classifying current or non-current liabilities and introduced additional disclosures to assist users of financial statements in understanding the risk that non-current liabilities with covenants may become payable within the next twelve months after the balance sheet date. The adoption of the amendments did not have an impact to the Company's 2024 Consolidated Financial Statements.

IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

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

Agreements referencing nature-dependent electricity

In December 2024, the IASB issued amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures* to improve the reporting of the financial effects of nature-dependent electricity agreements, often structured as power purchase agreements. The amendments clarify the application of the own-use requirements, permit hedge accounting when these agreements are used as hedging instruments, and introduce new disclosure requirements to assist users of financial statements in understanding the effects of these agreements. The amendments are effective for annual periods beginning on or after January 1, 2026. The Company is assessing the impact of the amendments to its consolidated financial statements.

Settlement by electronic payments

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments,* to clarify the date of recognition and derecognition of financial assets and liabilities, with a new exception for financial liabilities settled using electronic forms of payment. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Company is assessing the impact of the amendments to its consolidated financial statements.

Presentation and disclosure in financial statements

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

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2024, 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, 2024.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of annual filings for the year ended December 31, 2024, 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, 2024 and ending on December 31, 2024.

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, 2024, 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, 2024.

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; emissions reduction efforts and initiatives; expected growth and expansion and diversification opportunities; 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 and expected dividend growth; expectations regarding ATCO Structures' various projects, including timing expectations for manufacturing commencement and completion; sustainable earnings growth; planned efficiency improvements; Neltume Ports' anticipated growth being achieved by improving operational efficiency, increasing volumes and ownership at existing ports, and investing in brownfield, greenfield and acquisition opportunities; the construction of a soda ash bulk facility at Terminal 2 within the Port of Vancouver, Washington, and the export capacity expected when construction is complete; ATCO Land and Development's housing strategy helping to meet the national need for attainable housing; ATCO Energy System's three-year capital expenditure plan, including a minimum expected expenditure of planned capital spending in capital growth projects; ATCO EnPower's commitment to actively participating in the energy transition; the expected timing for construction of Ashcor's first RAM™ facility in the US, commencement of operations, and the operational life of the project; the continuation of LUMA's operations under the Supplemental Agreement until PREPA's bankruptcy is resolved; LUMA's expected transition to year one under the Operation and Maintenance Agreement after PREPA's bankruptcy is resolved; the anticipated size, specifications and incremental natural gas delivery capacity of the Yellowhead Mainline project, and the number of regulatory applications and expected timing for commencement of construction and bringing the Yellowhead Mainline project on-stream; expectations regarding the PBR2 reopener appeal; the Company's AH3 project, including the project's potential, the Company's continuing commitment to the project, and continuing engagement with Federal and Provincial governments and First Nations groups in relation to the project; the anticipated timing of commercial operation of the Atlas Carbon Storage Hub, the storage of industrial emissions, including from Shell's Polaris carbon capture project, and expected future development of, initial capacity of and anticipated benefits from the Atlas Carbon Storage Hub project, including it being the first step in ATCO EnPower's work to create a full value chain for hydrogen development and being integral to ATCO's long-term strategy and sustainability aspirations; the expected impact of new legislation; the expected timing and impact of policy and regulatory decisions and new policy and regulatory announcements; and the Company's liquidity, capital resources and contractual financial obligations and other commitments; and the Company's intention to apply for a renewed NCIB subsequent to the expiration of its current NCIB.

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, certain regulatory applications being made and approved in 2025; the growth of energy demand; inflation; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve business objectives; 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 complete proposed development projects at currently estimated project budgets; the availability of financing sources on acceptable terms; 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, including uncertainty with respect to recent amendments to the *Competition Act* (Canada); 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, including development projects, not proceeding on schedule or at all, or at currently estimated budgets; the availability of financing sources for development projects on acceptable terms; 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; the imposition of customs duties, tariffs or other trade restrictions; 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 2024 Consolidated Financial Statements and most recent Annual Information Form dated February 26, 2025, 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

AESO means Alberta Electric System Operator.

Alberta Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission, and their related subsidiaries.

AUC means the Alberta Utilities Commission.

CAGR means compound annual growth rate.

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 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.

EBITDA means earnings before interest, taxes, depreciation and amortization.

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.

Gigawatt hour (GWh) is a measure of electricity consumption equal to the use of 1 billion watts of power over a one-hour period.

GRA means general rate 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 a one-hour period.

O&M means operating and maintenance.

PBR means Performance Based Regulation.

Petajoule (PJ) is a unit of energy equal to approximately 948.2 billion British thermal units.

PPA means Power Purchase Agreement.

Regulated Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission, ATCO Gas Australia and their related subsidiaries.

ROE means return on equity.

APPENDIX 1:
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2024 and 2023 is shown below.

CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	**2024**	**2023**
Revenues	**1,390**	1,221
Costs and expenses		
Salaries, wages and benefits	**(191)**	(170)
Energy transmission and transportation	**(79)**	(74)
Plant and equipment maintenance	**(77)**	(73)
Fuel costs	**(30)**	(31)
Purchased power	**(59)**	(56)
Materials and consumables	**(237)**	(128)
Depreciation, amortization and impairment	**(209)**	(234)
Franchise fees	**(79)**	(70)
Property and other taxes	**(19)**	(20)
Derivative financial instruments gains	**7**	74
Other	**(82)**	(87)
	(1,055)	(869)
Earnings from investment in associate company	**6**	5
Earnings from investment in joint ventures	**19**	21
Operating profit	**360**	378
Interest income	**21**	17
Interest expense	**(142)**	(130)
Net finance costs	**(121)**	(113)
Earnings before income taxes	**239**	265
Income taxes	**(44)**	(67)
Earnings for the period	**195**	198
Earnings attributable to:		
Class I and Class II Shares	**138**	95
Non-controlling interests	**57**	103
	195	198
Earnings per Class I and Class II Share	**$1.23**	$0.85
Diluted earnings per Class I and Class II Share	**$1.23**	$0.85

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31	
(millions of Canadian Dollars)	**2024**	**2023**
Operating activities		
Earnings for the period	**195**	198
Adjustments to reconcile earnings to cash flows from operating activities	**431**	402
Changes in non-cash working capital	**(9)**	(71)
Cash flows from operating activities	**617**	529
Investing activities		
Additions to property, plant and equipment	**(600)**	(399)
Proceeds on disposal of property, plant and equipment	**—**	2
Additions to intangibles	**(31)**	(43)
Investment in joint ventures	**(1)**	—
Investment in marketable securities	**(3)**	(4)
Changes in non-cash working capital	**46**	(4)
Other	**(2)**	40
Cash Flows used in investing activities	**(591)**	**(408)**
Financing activities		
Issue of long-term debt	**147**	376
Repayment of long-term debt	**(63)**	(435)
Repayment of lease liabilities	**(8)**	(8)
Net issue (purchase) of Class I Shares	**1**	(44)
Dividends paid to Class I and Class II Share owners	**(55)**	(53)
Dividends paid to non-controlling interests	**(83)**	(74)
Interest paid	**(138)**	(134)
Other	**1**	(38)
Cash flows used in financing activities	**(198)**	(410)
Decrease in cash position	**(172)**	(289)
Foreign currency translation	**(6)**	(2)
Beginning of period	**272**	579
End of period	**94**	288

APPENDIX 2: SUPPLEMENTAL NON-AUDITED FINANCIAL INFORMATION

Management uses numerous metrics and financial measures to evaluate our success and better identify possible challenges while capitalizing on emerging opportunities and continuing to deliver high-performing results. These measures support our ability to assess segment performance and allocate resources and allow for a more effective analysis of operating performance and trends.

From time to time, management may choose to provide supplemental non-audited financial information to help readers further understand key operational and financial events that may influence the results during a quarter.

SUPPLEMENTAL INFORMATION

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure [1]. It is an additional important metric for ATCO Structures and ATCO EnPower and is representative of core operational results.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA after adjustments, excluding 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 EBITDA is 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 EBITDA may not be comparable to similar financial measures disclosed by other issuers.

ATCO Structures

The following table reconciles adjusted EBITDA for ATCO Structures to adjusted earnings [2] for the fourth quarter and full year of 2024 and 2023. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in the "Reconciliation Of Adjusted Earnings To Earnings Attributable To Class I And Class II Shares" in the ATCO MD&A.

	Three Months Ended December 31		Year Ended December 31	
($ millions)	**2024**	**2023**	**2024**	**2023**
Adjusted Earnings [1]	**25**	16	**108**	89
Add:				
Interest expense	**4**	4	**13**	14
Income tax	**7**	6	**38**	31
Depreciation and amortization	**23**	19	**82**	73
Total Adjusted EBITDA [1]	**59**	45	**241**	207

(1) Non-GAAP financial measure.

[1] *Non-GAAP financial measure as defined in NI 52-112.*

[2] *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.*

ATCO EnPower

The following tables reconcile adjusted EBITDA for the ATCO EnPower business unit to adjusted earnings [1] for the fourth quarter and full year of 2024 and 2023. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in the "Reconciliation Of Adjusted Earnings To Earnings Attributable To Class I And Class II Shares" in the ATCO MD&A.

($ millions)

	Three Months Ended December 31		
2024	Canadian Utilities Limited		
2023			
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings (loss) [1]	**(1)**	**3**	**2**
	2	6	8
Add:			
Interest expense	**4**	**1**	**5**
	2	—	2
Income tax expense (recovery)	**(1)**	**1**	**—**
	(1)	1	—
Depreciation and amortization	**6**	**3**	**9**
	4	3	7
Total Adjusted EBITDA [1]	**8**	**8**	**16**
	7	10	17

(1) Non-GAAP financial measure.

($ millions)

	Year Ended December 31		
2024	Canadian Utilities Limited		
2023			
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings [1]	**3**	**20**	**23**
	8	16	24
Add:			
Interest expense	**14**	**2**	**16**
	12	—	12
Income tax expense	**2**	**5**	**7**
	2	4	6
Depreciation and amortization	**20**	**11**	**31**
	16	11	27
Total Adjusted EBITDA [1]	**39**	**38**	**77**
	38	31	69

(1) Non-GAAP financial measure.

[1] *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.*



ATCO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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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 26, 2025



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, 2024 and 2023, 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, 2024 and 2023;
- the consolidated statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the consolidated balance sheets as at December 31, 2024 and 2023;
- the consolidated statements of changes in equity for the years ended December 31, 2024 and 2023;
- the consolidated statements of cash flows for the years ended December 31, 2024 and 2023; 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, 2024. 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
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 $135 million of unbilled revenue related to the ATCO Energy Systems segment as at December 31, 2024. 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, 2024 and compared the relevant amounts of these billings to the corresponding estimate of unbilled revenue recorded. – Agreed the pricing applied to a sample of billings to externally published rates. • Tested the operating effectiveness of internal controls relating to unbilled revenue, including information technology (IT) general controls of the relevant IT systems that management uses for billings.

Other information

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

[Original signed by "PricewaterhouseCoopers LLP"]

Chartered Professional Accountants

Calgary, Alberta
February 26, 2025

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Year Ended December 31 2024	2023
Revenues	4	**4,942**	4,741
Costs and expenses			
Salaries, wages and benefits	3	**(738)**	(644)
Energy transmission and transportation		**(315)**	(295)
Plant and equipment maintenance		**(270)**	(264)
Fuel costs		**(108)**	(126)
Purchased power		**(225)**	(261)
Materials and consumables		**(621)**	(471)
Depreciation, amortization and impairment	11, 12, 17	**(811)**	(811)
Franchise fees		**(296)**	(290)
Property and other taxes		**(84)**	(79)
Derivative financial instruments gains	20	**64**	220
Other	5	**(273)**	(319)
		(3,677)	(3,340)
Earnings from investment in associate company	25	**24**	22
Earnings from investment in joint ventures	27	**73**	72
Operating profit		**1,362**	1,495
Interest income		**86**	66
Interest expense	6	**(548)**	(500)
Net finance costs		**(462)**	(434)
Earnings before income taxes		**900**	1,061
Income tax expense	7	**(189)**	(242)
Earnings for the year		**711**	819
Earnings attributable to:			
Class I and Class II Shares		**430**	432
Non-controlling interests	28	**281**	387
		711	819
Earnings per Class I and Class II Share	8	**$3.83**	$3.82
Diluted earnings per Class I and Class II Share	8	**$3.83**	$3.82

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Note	Year Ended December 31 2024	2023
Earnings for the year		**711**	819
Other comprehensive income (loss), net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits [1]	15	**5**	1
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges [2]	20	**(27)**	(123)
Foreign currency translation adjustment [3]		**30**	(27)
Share of other comprehensive loss in associate company [3]	25	**(1)**	(5)
Share of other comprehensive income of joint ventures [3]	27	**5**	3
		7	(152)
Other comprehensive income (loss)		**12**	(151)
Comprehensive income for the year		**723**	668
Comprehensive income attributable to:			
Class I and Class II Shares		**428**	340
Non-controlling interests		**295**	328
		723	668

(1) Net of income taxes of $(2) million for the year ended December 31, 2024 (2023 - nil).

(2) Net of income taxes of $11 million for the year ended December 31, 2024 (2023 - $38 million).

(3) Net of income taxes of nil.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

		December 31	
(millions of Canadian Dollars)	Note	2024	2023
ASSETS			
Current assets			
Cash and cash equivalents	19	**374**	288
Marketable securities	9	**339**	304
Accounts receivable and contract assets	16	**1,018**	890
Finance lease receivables	17	**13**	12
Inventories	10	**155**	114
Prepaid expenses and other current assets	20	**246**	228
		2,145	1,836
Non-current assets			
Property, plant and equipment	11	**21,788**	20,857
Intangibles	12	**1,076**	1,028
Retirement benefit asset	15	**59**	49
Right-of-use assets	17	**137**	114
Goodwill	13	**244**	242
Investment in joint ventures	27	**261**	260
Investment in associate company	25	**510**	464
Finance lease receivables	17	**112**	126
Deferred income tax assets	7	**91**	75
Other assets	20	**301**	307
Total assets		**26,724**	25,358
LIABILITIES			
Current liabilities			
Bank indebtedness	19	**280**	–
Accounts payable and accrued liabilities		**1,062**	961
Lease liabilities	17	**23**	17
Provisions and other current liabilities	20	**113**	107
Long-term debt	14	**77**	531
		1,555	1,616
Non-current liabilities			
Deferred income tax liabilities	7	**2,288**	2,152
Retirement benefit obligations	15	**248**	244
Customer contributions	16	**2,088**	2,041
Lease liabilities	17	**125**	104
Other liabilities	20	**236**	186
Long-term debt	14	**11,474**	10,517
Total liabilities		**18,014**	16,860
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	18	**191**	187
Contributed surplus		**17**	14
Retained earnings		**4,423**	4,216
Accumulated other comprehensive income		**1**	6
		4,632	4,423
Non-controlling interests	28	**4,078**	4,075
Total equity		**8,710**	8,498
Total liabilities and equity		**26,724**	25,358

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 Income	Total	Non-Controlling Interests	Total Equity
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 [1]	28	–	–	–	–	–	27	27
Sale of shares from MTIP Trust [2]	18, 28	10	1	–	–	11	16	27
Shares purchased and cancelled	18	(3)	–	(64)	–	(67)	–	(67)
Acquisition	24	–	–	–	–	–	27	27
Dividends [3]	18, 28	–	–	(215)	–	(215)	(318)	(533)
Share-based compensation	29	1	3	(1)	–	3	1	4
Changes in ownership interest in subsidiary company [4]		–	–	(29)	–	(29)	29	–
Other		–	–	3	1	4	(3)	1
December 31, 2023		187	14	4,216	6	4,423	4,075	8,498
Earnings for the year	28	–	–	**430**	–	**430**	**281**	**711**
Other comprehensive income (loss)	28	–	–	–	**(2)**	**(2)**	**14**	**12**
Gains on retirement benefits transferred to retained earnings	15	–	–	**3**	**(3)**	–	–	–
Shares issued		–	–	–	–	–	**19**	**19**
Dividends [3]	18, 28	–	–	**(220)**	–	**(220)**	**(324)**	**(544)**
Share-based compensation	29	**4**	**3**	–	–	**7**	**1**	**8**
Changes in ownership interest in subsidiary company [4]		–	–	**(11)**	–	**(11)**	**11**	–
Other		–	–	**5**	–	**5**	**1**	**6**
December 31, 2024		**191**	**17**	**4,423**	**1**	**4,632**	**4,078**	**8,710**

(1) Sale of shares attributable to non-controlling interests include $3 million 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.

(2) Sale of shares from MTIP Trust included in non-controlling interests of $16 million is related to Canadian Utilities Limited's sale of Class A shares held in its MTIP Trust in 2023.

(3) For the year ended December 31, 2024, dividends paid to non-controlling interests of $324 million (2023 - $318 million) include $19 million (2023 - $27 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program. Effective July 11, 2024, Canadian Utilities Limited suspended its dividend reinvestment program.

(4) The changes in ownership interest in subsidiary company are related to Canadian Utilities Limited's dividend reinvestment program.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Year Ended December 31 2024	2023
Operating activities			
Earnings for the year		**711**	819
Adjustments to reconcile earnings to cash flows from operating activities	19	**1,594**	1,339
Changes in non-cash working capital	19	**(108)**	(193)
Cash flows from operating activities		**2,197**	1,965
Investing activities			
Additions to property, plant and equipment		**(1,691)**	(1,423)
Proceeds on disposal of property, plant and equipment		**1**	4
Additions to intangibles		**(113)**	(142)
Acquisition, net of cash acquired	24	**(40)**	(691)
Investment in joint ventures	27	**(4)**	(7)
Investment in marketable securities	9	**(15)**	(300)
Changes in non-cash working capital	19	**29**	(60)
Other		**35**	34
Cash flows used in investing activities		**(1,798)**	(2,585)
Financing activities			
Issue of long-term debt	14, 19	**1,038**	2,021
Repayment of long-term debt	14, 19	**(523)**	(1,051)
Repayment of lease liabilities	17	**(26)**	(21)
Issue of shares by subsidiary company		**–**	1
Net issue (purchase) of Class I Shares	18	**3**	(67)
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	**(220)**	(215)
Dividends paid to non-controlling interests	28	**(305)**	(291)
Interest paid		**(533)**	(485)
Other		**(22)**	(43)
Cash flows used in financing activities		**(588)**	(123)
Decrease in cash position		**(189)**	(743)
Foreign currency translation		**(5)**	(2)
Beginning of year		**288**	1,033
End of year [1]	19	**94**	288

(1) Cash position includes $10 million which is not available for general use by the Company (2023 - $16 million).

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

- Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services);
- Neltume Ports (ports and transportation logistics);
- Retail Energy (electricity and natural gas retail sales, and home maintenance solutions) (included in Corporate & Other). For the period from January 1, 2024 until the date of transfer on August 1, 2024, Retail Energy activities were conducted in Canadian Utilities Limited (see Note 32); and
- Canadian Utilities Limited, including:
    - ATCO Energy Systems (electricity and natural gas transmission and distribution, and international electricity operations);
    - ATCO EnPower (energy storage, electricity generation, industrial water solutions, and alternative fuels); and
    - ATCO Australia (natural gas distribution and electricity generation operations).

In 2024, the Company changed its operating segment structure to better align with management accountability. The change resulted in reporting the business activities of ATCO Australia as a separate reportable operating segment (see Note 3).

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

The Board of Directors (Board) authorized these consolidated financial statements for issue on February 26, 2025.

BASIS OF MEASUREMENT

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

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

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.

3. SEGMENTED INFORMATION

SEGMENT DESCRIPTIONS AND PRINCIPAL OPERATING ACTIVITIES

The Company's operating segments are reported in a manner consistent with the internal reporting provided to the Chief 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.

In 2024, the Company changed its operating segment structure to better align with management accountability. This change involved reporting a new operating segment, ATCO Australia, which includes natural gas distribution and electricity generation operations based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating segment. In addition, ATCO Australia's corporate office was included in Canadian Utilities Corporate & Other. The change in reportable segments had no impact to the Company’s previously reported historical consolidated balance sheets and the consolidated statements of earnings, comprehensive income, cash flows and changes in equity. Comparative segment results previously reported have been reclassified to reflect this change in the reportable operating segments.

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

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

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**	**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.
		Natural Gas	The ATCO Energy Systems (Natural Gas) segment includes ATCO Gas and ATCO Pipelines. These businesses provide integrated natural gas transmission and distribution services throughout Alberta and in the Lloydminster area of Saskatchewan.
	ATCO EnPower		The ATCO EnPower segment includes ATCO Renewables and ATCO Next Energy. These businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Northwest Territories, Ontario, Mexico and Chile.
	ATCO Australia		The ATCO Australia segment includes ATCO Gas Australia, which provides regulated natural gas distribution services in Western Australia, and ATCO Power Australia, which provides electricity generation.
	Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and its corporate headquarters support functions.
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 intersegment eliminations; the corporate headquarters support functions of the Company; ATCO Land and Development, a business that holds commercial real estate for sale, lease and development; Ashcor, a business engaged in the processing and marketing of live ash and ash reclaimed from landfills; Fresh Bites, a business engaged in food services; and ATCO Energy, a retail electricity and natural gas business, and a home maintenance solution provider.

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

2024	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited					ATCO Total
2023				ATCO Energy Systems [1]	ATCO EnPower	ATCO Australia	Corporate & Other	Total	
Revenues - external	**1,114**	**–**	**86**	**3,071**	**268**	**241**	**162**	**3,742**	**4,942**
	926	–	19	2,968	272	225	331	3,796	4,741
Revenues - intersegment	**–**	**–**	**–**	**–**	**45**	**–**	**(45)**	**–**	**–**
	–	–	–	–	74	–	(74)	–	–
Revenues	**1,114**	**–**	**86**	**3,071**	**313**	**241**	**117**	**3,742**	**4,942**
	926	–	19	2,968	346	225	257	3,796	4,741
Operating (expenses) income [2]	**(884)**	**–**	**66**	**(1,513)**	**(178)**	**(144)**	**(213)**	**(2,048)**	**(2,866)**
	(720)	–	7	(1,453)	(218)	(150)	5	(1,816)	(2,529)
Depreciation, amortization and impairment	**(87)**	**–**	**(13)**	**(587)**	**(54)**	**(58)**	**(12)**	**(711)**	**(811)**
	(77)	–	(9)	(608)	(47)	(53)	(17)	(725)	(811)
Earnings from investment in associate company	**–**	**24**	**–**	**–**	**–**	**–**	**–**	**–**	**24**
	–	22	–	–	–	–	–	–	22
Earnings from investment in joint ventures	**–**	**–**	**–**	**57**	**11**	**5**	**–**	**73**	**73**
	6	–	–	50	10	6	–	66	72
Net finance costs	**(15)**	**–**	**(15)**	**(371)**	**(31)**	**(14)**	**(16)**	**(432)**	**(462)**
	(16)	–	(12)	(359)	(25)	(13)	(9)	(406)	(434)
Earnings (loss) before income taxes	**128**	**24**	**124**	**657**	**61**	**30**	**(124)**	**624**	**900**
	119	22	5	598	66	15	236	915	1,061
Income tax (expense) recovery	**(34)**	**–**	**(22)**	**(135)**	**(13)**	**(8)**	**23**	**(133)**	**(189)**
	(44)	–	–	(121)	(15)	(5)	(57)	(198)	(242)
Earnings (loss) for the year	**94**	**24**	**102**	**522**	**48**	**22**	**(101)**	**491**	**711**
	75	22	5	477	51	10	179	717	819
Adjusted earnings (loss)	**104**	**24**	**13**	**333**	**23**	**25**	**(41)**	**340**	**481**
	90	22	5	302	24	32	(43)	315	432
Total assets	**1,501**	**500**	**936**	**19,628**	**2,287**	**1,543**	**329**	**23,787**	**26,724**
	1,283	454	463	18,619	2,340	1,557	642	23,158	25,358
Capital expenditures [3]	**182**	**–**	**27**	**1,399**	**104**	**89**	**19**	**1,611**	**1,820**
	198	–	28	1,130	139	83	8	1,360	1,586

(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 $16 million of interest capitalized during construction for the year ended December 31, 2024 (2023 - $21 million).

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

2024	ATCO Energy Systems			
2023	Electricity	Natural Gas	Intersegment Eliminations	Consolidated
Revenues - external	**1,417**	**1,654**	**–**	**3,071**
	1,429	1,539	–	2,968
Revenues - intersegment	**6**	**3**	**(9)**	**–**
	7	4	(11)	–
Revenues	**1,423**	**1,657**	**(9)**	**3,071**
	1,436	1,543	(11)	2,968
Operating expenses [1]	**(565)**	**(957)**	**9**	**(1,513)**
	(570)	(894)	11	(1,453)
Depreciation, amortization and impairment	**(333)**	**(254)**	**–**	**(587)**
	(339)	(269)	–	(608)
Earnings from investment in joint ventures	**57**	**–**	**–**	**57**
	50	–	–	50
Net finance costs	**(229)**	**(142)**	**–**	**(371)**
	(225)	(134)	–	(359)
Earnings before income taxes	**353**	**304**	**–**	**657**
	352	246	–	598
Income tax expense	**(66)**	**(69)**	**–**	**(135)**
	(65)	(56)	–	(121)
Earnings for the year	**287**	**235**	**–**	**522**
	287	190	–	477
Adjusted earnings	**208**	**125**	**–**	**333**
	190	112	–	302
Total assets	**11,477**	**8,152**	**(1)**	**19,628**
	10,990	7,630	(1)	18,619
Capital expenditures [2]	**761**	**638**	**–**	**1,399**
	630	500	–	1,130

(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, 2024 (2023 - $15 million).

GEOGRAPHIC INFORMATION

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

Revenues - external

	2024	2023
Canada	**4,045**	4,008
Australia	**594**	472
Other	**303**	261
Total	**4,942**	4,741

Non-current assets

	Property, Plant and Equipment		Intangible Assets		Other Assets [1]		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Canada	**19,840**	19,006	**1,051**	1,002	**412**	430	**21,303**	20,438
Australia	**1,490**	1,460	**18**	17	**77**	41	**1,585**	1,518
South America	**45**	52	**1**	1	**500**	453	**546**	506
Other	**413**	339	**6**	8	**20**	18	**439**	365
Total	**21,788**	20,857	**1,076**	1,028	**1,009**	942	**23,873**	22,827

(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:

2024 2023	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited					ATCO Total
				ATCO Energy Systems	ATCO EnPower	ATCO Australia	Corporate & Other	Total	
Adjusted earnings (loss)	**104**	**24**	**13**	**333**	**23**	**25**	**(41)**	**340**	**481**
	90	22	5	302	24	32	(43)	315	432
Restructuring	**(10)**	–	–	**(19)**	**(2)**	**(1)**	**(1)**	**(23)**	**(33)**
	–	–	–	–	–	–	–	–	–
ATCO Electric settlement decision	–	–	–	**(4)**	–	–	–	**(4)**	**(4)**
	–	–	–	–	–	–	–	–	–
Unrealized gains (losses) on market-to-market forward and swap commodity contracts	–	–	**75**	–	**2**	–	**(47)**	**(45)**	**30**
	–	–	–	–	1	–	96	97	97
Rate-regulated activities	–	–	–	**(26)**	–	**(13)**	–	**(39)**	**(39)**
	–	–	–	(20)	–	(23)	–	(43)	(43)
IT Common Matters decision	–	–	–	**(12)**	–	–	–	**(12)**	**(12)**
	–	–	–	(11)	–	–	–	(11)	(11)
Impairments	–	–	–	–	–	–	–	–	–
	–	–	–	(22)	–	–	(1)	(23)	(23)
Madeira additional income taxes	–	–	–	–	–	–	–	–	–
	(15)	–	–	–	–	–	–	–	(15)
Transition of managed IT services	–	–	–	–	–	–	–	–	–
	–	–	–	(1)	–	(4)	–	(5)	(5)
Other [1]	–	–	**14**	–	–	–	**(7)**	**(7)**	**7**
	–	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	**94**	**24**	**102**	**272**	**23**	**11**	**(96)**	**210**	**430**
	75	22	5	248	25	5	52	330	432
Earnings attributable to non-controlling interests [1]									**281**
									387
Earnings for the year									**711**
									819

(1) In connection with the transfer of ownership of ATCO Energy Ltd. from Canadian Utilities Limited to ATCO Ltd. on August 1, 2024, Canadian Utilities Limited recorded a loss of $14 million ($7 million after NCI), which is eliminated upon consolidation with ATCO Ltd. (see Note 32).

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:

2024	ATCO Energy Systems		
2023	Electricity	Natural Gas	Total
Adjusted earnings	**208**	**125**	**333**
	190	112	302
Restructuring	**(8)**	**(11)**	**(19)**
	–	–	–
ATCO Electric settlement decision	**(4)**	**–**	**(4)**
	–	–	–
Rate-regulated activities	**(40)**	**14**	**(26)**
	(24)	4	(20)
IT Common Matters decision	**(7)**	**(5)**	**(12)**
	(6)	(5)	(11)
Impairments	**–**	**–**	**–**
	(10)	(12)	(22)
Transition of managed IT services	**–**	**–**	**–**
	(1)	–	(1)
Earnings attributable to Class I and Class II Shares	**149**	**123**	**272**
	149	99	248

Restructuring

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

ATCO Electric settlement decision

On June 24, 2024, Alberta Utilities Commission (AUC) Enforcement and ATCO Electric filed a joint submission seeking the AUC's approval of a settlement agreement involving two matters ATCO Electric had previously self-reported to AUC Enforcement staff. These historical items related to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects constructed between 2012 and 2015. They were identified following an extensive internal investigation supported by independent third parties.

The settlement agreement includes an administrative penalty of $3 million, and a refund to customers through a billing adjustment to the Alberta Electric System Operator (AESO) of $4 million. On September 25, 2024, the AUC approved the settlement agreement as filed.

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

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

The Company's electricity generation and electricity and natural gas retail businesses enter into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts, together with reclassifications of unrealized gains or losses from other comprehensive income or loss, in the electricity generation business are recognized in the ATCO EnPower segment and electricity and natural gas retail business in Corporate & Other.

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) (operating as Naka Power Utilities (NWT)), Northland Utilities (Yellowknife) (operating as Naka Power Utilities (Yellowknife)), ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as the Regulated Utilities.

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

The Company 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:

	2024	2023
Additional revenues billed in current year		
Future removal and site restoration costs [1]	**65**	62
Revenues to be billed in future years		
Deferred income taxes [2]	**(76)**	(80)
Impact of warmer temperatures [3]	**(5)**	(17)
Impact of inflation on rate base [4]	**(9)**	(21)
Settlement of regulatory decisions and other items		
Distribution rate relief [5]	**–**	9
Other [6]	**(14)**	4
	(39)	(43)

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

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

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

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

(5) In 2021, in response to the then 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) was billed to customers.

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

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the year ended December 31, 2024 was $12 million (after-tax and NCI) (2023 - $11 million (after-tax and NCI)).

Impairments

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) related to impairments of certain computer software assets which are no longer expected to be used in the business (see Note 12) and $4 million (after-tax and NCI) related to certain electricity generation assets in ATCO Electric Transmission which had been removed from service (see Note 11).

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.

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. For the year ended December 31, 2023, 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.

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 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 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.

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:

2024 2023	Structures & Logistics	ATCO Energy Systems			ATCO EnPower	ATCO Australia [2]	Corporate & Other [3] [4]	Total
		Electricity [1]	Natural Gas [1]	Total				
Revenue Streams								
Rendering of Services								
Distribution services	–	**590**	**1,010**	**1,600**	–	**179**	–	**1,779**
	–	622	907	1,529	–	169	–	1,698
Transmission services	–	**663**	**356**	**1,019**	–	–	–	**1,019**
	–	637	347	984	–	–	–	984
Modular structures - services	**301**	–	–	–	–	–	–	**301**
	229	–	–	–	–	–	–	229
Logistics and facility operations and maintenance services	**94**	–	–	–	–	–	–	**94**
	83	–	–	–	–	–	–	83
Lodging and support	**133**	–	–	–	–	–	–	**133**
	156	–	–	–	–	–	–	156
Customer contributions	–	**38**	**22**	**60**	–	**5**	–	**65**
	–	34	22	56	–	4	–	60
Franchise fees	–	**40**	**256**	**296**	–	–	–	**296**
	–	37	253	290	–	–	–	290
Retail electricity and natural gas services	–	–	–	–	–	–	**218**	**218**
	–	–	–	–	–	–	329	329
Storage and industrial water	–	–	–	–	**94**	–	–	**94**
	–	–	–	–	80	–	–	80
Total rendering of services	**528**	**1,331**	**1,644**	**2,975**	**94**	**184**	**218**	**3,999**
	468	1,330	1,529	2,859	80	173	329	3,909
Sale of Goods								
Electricity generation and delivery	–	–	–	–	**91**	**8**	–	**99**
	–	–	–	–	105	9	–	114
Commodity sales	–	–	–	–	**54**	–	**33**	**87**
	–	–	–	–	53	–	26	79
Modular structures - goods	**375**	–	–	–	–	–	–	**375**
	251	–	–	–	–	–	–	251
Total sale of goods	**375**	–	–	–	**145**	**8**	**33**	**561**
	251	–	–	–	158	9	26	444
Lease income								
Finance lease	–	**3**	–	**3**	**2**	**8**	–	**13**
	–	6	–	6	–	8	–	14
Operating lease	**202**	–	–	–	–	–	–	**202**
	207	–	–	–	–	–	–	207
Total lease income	**202**	**3**	–	**3**	**2**	**8**	–	**215**
	207	6	–	6	–	8	–	221
Other [5]	**9**	**83**	**10**	**93**	**27**	**41**	**(3)**	**167**
	–	93	10	103	34	35	(5)	167
Total	**1,114**	**1,417**	**1,654**	**3,071**	**268**	**241**	**248**	**4,942**
	926	1,429	1,539	2,968	272	225	350	4,741

(1) For the year ended December 31, 2024, Electricity and Natural Gas segments include $135 million of unbilled revenue (2023 - $112 million). At December 31, 2024, $135 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - $112 million).

(2) Revenues for the new reportable operating segment, ATCO Australia, were previously reported in ATCO Energy Systems (ATCO Australia's natural gas distribution operations), ATCO EnPower (ATCO Australia's electricity generation operations) and Corporate & Other (ATCO Australia's corporate office). Prior year's amounts have been reclassified to align with current presentation. For the year ended December 31, 2024, ATCO Australia segment includes $26 million of unbilled revenue (2023 - $20 million). At December 31, 2024, $26 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - $20 million).

(3) *For the year ended December 31, 2024, Corporate & Other includes $56 million of unbilled revenue (2023 - $40 million) from retail electricity and natural gas energy services business. At December 31, 2024, $56 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - $40 million).*

(4) *Includes revenues from Corporate & Other in Canadian Utilities Limited and ATCO Ltd.*

(5) *Other revenues of $167 million (2023 - $167 million) include third party revenues generated from electricity and natural gas infrastructure installation services, management fees from joint ventures, facility charge agreements and maintenance services rendered to certain customers.*

REMAINING PERFORMANCE OBLIGATIONS

The Company is party to performance obligations, which have a duration of more than one year, are not subject to the Right-to-Invoice practical expedient, and do not include variable consideration which is constrained (remaining performance obligations). At December 31, 2024, the most significant remaining performance obligations are as follows:

(i) the Company's 35-year service agreement to operate the Fort McMurray 500 kV Transmission line that amounts to $0.7 billion (2023 - $0.8 billion). The remaining duration of the agreement is 30 years. The Company expects that approximately 2 per cent of the amount will be recognized as revenue for the year ending December 31, 2025, 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 (2023 - $0.4 billion). The remaining duration of the contracts range between 4 to 23 years. The Company expects that approximately 23 per cent of the amount will be recognized as revenue for the year ending December 31, 2025, subject to satisfaction of related performance obligations; and

(iii) manufacturing of transportable workforce housing and space rental products under the terms of fixed price contracts that in aggregate approximates $0.1 billion (2023 - $0.1 billion). The remaining duration of the contracts range between 1 to 2 years. The Company expects that approximately 74 per cent will be recognized as revenue for the year ending December 31, 2025, subject to satisfaction of related performance obligations.

5. OTHER COSTS AND EXPENSES

Other costs and expenses include rent, utilities, goods and services such as professional fees, contractor costs, technology-related expenses, advertising, and other general and administrative expenses. For the year ended December 31, 2024, other costs and expenses also included income from emission credits and allowances of $17 million (2023 - $17 million), income related to turbine availability guarantees of $13 million, and an administrative penalty related to the ATCO Electric settlement decision of $3 million (see Note 3).

6. INTEREST EXPENSE

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

	2024	2023
Long-term debt	**489**	474
Short-term debt [1]	**50**	23
Retirement benefits net interest expense *(Note 15)*	**12**	7
Amortization of deferred financing charges	**3**	7
Interest expense on lease liabilities *(Note 17)*	**5**	4
Other	**5**	6
	564	521
Less: interest capitalized *(Notes 11, 12)*	**(16)**	(21)
	548	500

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

Borrowing costs capitalized to property, plant and equipment and intangibles in 2024 were calculated by applying a weighted average interest rate of 4.78 per cent (2023 - 4.71 per cent) to expenditures on qualifying assets.

7. INCOME TAXES

INCOME TAX EXPENSE

The income tax rate for 2024 is 23.0 per cent (2023 - 23.0 per cent).

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

	2024	2023
Current income tax expense		
Canada	**36**	19
Australia	**19**	17
United States	**3**	–
Portugal	**–**	13
Chile	**–**	(2)
Puerto Rico	**3**	5
Other	**2**	1
Adjustment in respect of prior years	**(5)**	(7)
	58	46
Deferred income tax expense		
Reversal of temporary differences	**144**	200
Amount relating to change in tax rates	**1**	–
Scientific, Research and Experimental Development credits	**(5)**	–
Adjustment in respect of prior years	**(9)**	(4)
	131	196
	189	242

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

	2024		2023	
Earnings before income taxes	**900**	**%**	1,061	%
Income taxes, at statutory rates	**207**	**23.0**	244	23.0
Equity earnings	**(20)**	**(2.2)**	(20)	(1.9)
Foreign tax rate variance	**10**	**1.1**	9	0.9
Non-deductible items	**2**	**0.2**	2	0.2
Tax cost on equity preferred share financing	**7**	**0.8**	7	0.7
Previously unrecognized deferred income taxes	**(3)**	**(0.3)**	(6)	(0.6)
Investment tax credit	**(8)**	**(0.9)**	(2)	(0.2)
Retroactive foreign tax rate change	**–**	**–**	13	1.2
Other	**(6)**	**(0.7)**	(5)	(0.5)
	189	**21.0**	242	22.8

INCOME TAX ASSETS AND LIABILITIES

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

	Balance Sheet Presentation	2024	2023
Income tax assets			
Current	Prepaid expenses and other current assets	**50**	55
Deferred	Deferred income tax assets	**91**	75
		141	130
Income tax liabilities			
Current	Provisions and other current liabilities	**20**	23
Deferred	Deferred income tax liabilities	**2,288**	2,152
		2,308	2,175

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, 2022	(2)	_	6	39	10	11	64
Credit (charge) 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
Credit (charge) to earnings	**1**	**(4)**	**(3)**	**36**	**(1)**	**(1)**	**28**
Charge to other comprehensive loss	_	_	**(9)**	_	_	**(1)**	**(10)**
Foreign exchange adjustment	_	_	_	**(1)**	_	_	**(1)**
Other	**3**	_	**(1)**	**(2)**	_	**(1)**	**(1)**
December 31, 2024	**2**	**(5)**	**(11)**	**87**	**7**	**11**	**91**

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, 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
Charge (credit) to earnings	**151**	**10**	**(1)**	**6**	**(2)**	**(5)**	**159**
(Credit) charge to other comprehensive income	_	_	**(20)**	_	**1**	_	**(19)**
Foreign exchange adjustment	**1**	_	_	**(2)**	_	**1**	_
Other	_	_	_	**(3)**	_	**(1)**	**(4)**
December 31, 2024	**2,387**	**155**	**(17)**	**(152)**	**(84)**	**(1)**	**2,288**

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

At December 31, 2024, the Company had $1,010 million of non-capital tax losses and credits which expire between 2025 and 2042 and $56 million of tax losses which do not expire. The Company recognized deferred income tax assets of $239 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 (2023 - $119 million). The Company had $156 million of aggregate temporary differences for which no deferred tax assets were recognized (2023 - $141 million).

OTHER

Excessive Interest and Financing Expenses Limitation

On June 20, 2024, the Federal Government of Canada enacted the excessive interest and financing expenses limitation (EIFEL) rules under the Income Tax Act (Canada), effective for taxation years beginning October 1, 2023. Under these rules, the Company and its controlled subsidiaries may not deduct interest and financing expenses that exceed 30 per cent of their respective taxable earnings before interest and depreciation. The adoption of these rules did not have a material impact to the Company's consolidated financial statements.

Pillar Two Model Rules

On June 20, 2024, the Federal Government of Canada enacted the Global Minimum Tax Act (GMTA), which includes the Pillar Two model rules. These rules apply to Multinational Enterprise (MNE) groups for taxation years beginning after December 31, 2023. The rules consist of an Income Inclusion Rule (IIR) and a Qualified Domestic Minimum Top-up Tax (QDMTT). An undertaxed profit rule (UTPR) was proposed in August 2024 but has not yet been enacted. Similar Pillar Two legislation has been enacted in Australia, the Netherlands, and Hungary. No legislation has been proposed in the United States, Puerto Rico, Chile, or Mexico.

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

8. EARNINGS PER SHARE

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

	2024	2023
Average shares		
Weighted average shares outstanding	**112,173,530**	113,216,263
Effect of dilutive stock options	**108,349**	65,188
Effect of dilutive shares held in MTIP Trust	**–**	96,590
Weighted average dilutive shares outstanding	**112,281,879**	113,378,041
Earnings for earnings per share calculation		
Earnings for the year	**711**	819
Non-controlling interests	**(281)**	(387)
Earnings attributable to Class I and Class II Shares	**430**	432
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$3.83**	$3.82
Diluted earnings per Class I and Class II Share	**$3.83**	$3.82

9. MARKETABLE SECURITIES

In 2023, the Company invested $290 million in marketable securities consisting of investment grade corporate bonds and debentures, private fixed income funds, bank loans and commercial mortgage funds, and government bonds. The Company's marketable securities are actively managed by an external investment manager.

Marketable securities at December 31 are comprised of:

	2024	2023
Corporate bonds and debentures	**130**	125
Private fixed income funds	**111**	102
Bank loans and commercial mortgage funds	**93**	77
Government bonds	**5**	–
	339	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, 2024, realized gains of $15 million (2023 - $10 million) were recognized in interest income, and unrealized gains of $20 million (2023 - $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:

	2024	2023
Natural gas and fuel in storage	**37**	37
Raw materials and consumables [(1)]	**46**	32
Work-in-progress	**34**	20
Finished goods	**4**	8
Emission credits and allowances *(Note 5)*	**34**	17
	155	114

(1) On August 30, 2024, ATCO Structures & Logistics Ltd., a subsidiary of the Company, acquired a 100 per cent ownership interest in NRB LImited. Inventories acquired amounted to $8 million in raw materials and consumables (see Note 24).

For the year ended December 31, 2024, inventories of $378 million were used in operations and recognized in costs and expenses in the consolidated statements of earnings (2023 - $239 million).

Inventories with a carrying value of $64 million were pledged as security for liabilities at December 31, 2024 (2023 - $33 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	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
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
Additions	**64**	**5**	**12**	**1,473**	**157**	**16**	**1,727**
Transfers	**1,014**	**35**	**37**	**(1,152)**	**–**	**66**	**–**
Retirements and disposals	**(105)**	**(2)**	**(8)**	**–**	**(68)**	**(56)**	**(239)**
Acquisition (*Note 24*)	**–**	**–**	**5**	**–**	**–**	**6**	**11**
Foreign exchange rate adjustment	**(25)**	**(12)**	**3**	**(1)**	**15**	**(2)**	**(22)**
Changes to asset retirement costs	**–**	**(14)**	**–**	**–**	**–**	**–**	**(14)**
December 31, 2024	**24,269**	**1,560**	**1,138**	**844**	**1,083**	**989**	**29,883**
Accumulated depreciation							
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
Depreciation	**536**	**53**	**25**	**–**	**60**	**62**	**736**
Retirements and disposals	**(95)**	**(2)**	**(7)**	**–**	**(35)**	**(53)**	**(192)**
Foreign exchange rate adjustment	**(7)**	**(4)**	**1**	**–**	**(3)**	**1**	**(12)**
December 31, 2024	**6,671**	**287**	**293**	**–**	**320**	**524**	**8,095**
Net book value							
December 31, 2023	17,084	1,308	815	524	681	445	20,857
December 31, 2024	**17,598**	**1,273**	**845**	**844**	**763**	**465**	**21,788**

The additions to property, plant and equipment included $14 million of interest capitalized during construction for the year ended December 31, 2024 (2023 - $15 million).

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 sheets and the impairment was charged to depreciation, amortization and impairment expense in the consolidated statements of earnings.

ASSET RETIREMENT COSTS

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

corresponding increase in asset retirement costs is recognized in property, plant and equipment. Subsequent changes in AROs are reflected in changes in asset retirement costs.

At December 31, 2024, the consolidated balance sheets include AROs of $8 million (2023 - $9 million) in provisions and other current liabilities, and $63 million (2023 - $78 million) in other liabilities. The inflation rate used to determine the AROs ranged from 2.0 per cent to 2.3 per cent (2023 - ranged from 2.0 per cent to 2.6 per cent), and the discount rate used to calculate the present value of the asset retirement costs ranged from 3.3 per cent to 5.0 per cent (2023 - 3.0 per cent to 4.8 per cent). At December 31, 2024, the total undiscounted estimated future cash flows required to settle the Company's asset retirement obligations within the ATCO EnPower and ATCO Australia reportable operating segments, not adjusted for inflation, was $113 million as at December 31, 2024 (2023 - $113 million). These costs are expected to be incurred up to the year 2123 (2023 - 2123).

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, 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
Additions	**11**	_	**103**	**2**	**116**
Transfers	**62**	**20**	**(82)**	_	_
Retirements	**(50)**	_	_	_	**(50)**
Foreign exchange rate adjustment	**(1)**	_	_	**(1)**	**(2)**
December 31, 2024	**531**	**495**	**298**	**167**	**1,491**
Accumulated amortization					
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
Amortization	**52**	**6**	_	**9**	**67**
Retirements	**(50)**	_	_	_	**(50)**
Foreign exchange rate adjustment	**(1)**	_	_	_	**(1)**
December 31, 2024	**275**	**82**	_	**58**	**415**
Net book value					
December 31, 2023	235	399	277	117	1,028
December 31, 2024	**256**	**413**	**298**	**109**	**1,076**

The additions to intangibles include interest capitalized during construction of $2 million for the year ended December 31, 2024 (2023 - $6 million).

IMPAIRMENTS

In 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 sheets and the impairment was charged to depreciation, amortization and impairment expense in the consolidated statements of earnings.

13. GOODWILL

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

	2024	2023
ATCO Energy Systems		
Electricity transmission and distribution	**38**	38
Natural gas transmission and distribution	**33**	33
	71	71
ATCO EnPower *(Note 24)*	**141**	141
Structures & Logistics	**26**	26
Corporate & Other	**6**	4
	244	242

ATCO Energy Systems, Electricity and Natural Gas segments

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

The Company used average enterprise value-to-earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples of 13.8 and 12.4 (2023 - 9.0 and 10.5) for the Electricity and Natural gas segments, respectively, to calculate fair value less estimated costs of disposal. The estimated costs of disposal are based on management's experience of previously completed business combinations. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy. At December 31, 2024 and 2023, each segment's fair value less costs of disposal was compared to its carrying value and was sufficient to support the carrying value of allocated goodwill.

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

ATCO EnPower, ATCO Renewables Ltd. CGU

The recoverable amount of goodwill is measured based on ATCO Renewables Ltd. cash generating unit's (CGU) fair value less costs of disposal, which is calculated using the CGU's EBITDA, enterprise value multiple specific to the CGU's asset base on the purchase price, and estimated costs of disposal. The estimated costs of disposal are based on management's experience of previously completed business combinations. In both 2024 and 2023, reflecting market developments and conditions, the enterprise value multiple of the CGU remained consistent.

The Company used an enterprise value-to-EBITDA multiple of 12.6 (2023 - 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, 2024 and 2023, the CGU's fair value was sufficient to support the carrying value of its goodwill.

A decrease in the EBITDA multiple by 1, representing management's assessment of a reasonable potential change in the most sensitive fair value measurement input, would continue to support the carrying value of goodwill.

14. LONG-TERM DEBT

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

	Effective Interest Rate	2024	2023
Corporate long-term debt			
CU Inc. debentures - unsecured	4.357% (2023 - 4.369%) [1]	**9,055**	8,765
CU Inc. other long-term obligation, due June 2026 - unsecured [2]	7.20% (2023 - 6.95%)	**7**	7
Canadian Utilities Limited debentures, 4.851%, due June 2052 - unsecured	4.899% (2023 - 4.899%)	**250**	250
Canadian Utilities Limited non-revolving credit facility, at CDOR rates, fully repaid June 2024 - unsecured	Floating [3]	**–**	68
Canadian Utilities Limited extendible revolving credit facility, at CORRA rates, due November 2026 - unsecured	Floating [3]	**300**	268
ATCO Ltd. extendible revolving credit facility, at CORRA rates, due November 2027 - unsecured	Floating [3]	**150**	84
ATCO Ltd. extendible revolving credit facility, at CORRA rates, due September 2026 - unsecured	Floating [3]	**100**	–
ATCO Ltd. fixed-to-floating rate subordinated notes, due November 2078 - unsecured	5.50% [4]	**200**	200
		10,062	9,642
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, $32 million AUD (2023 - $39 million AUD)	Floating [3], [5]	**29**	35
ATCO Gas Australia Pty Ltd revolving credit facility (Tranche A), payable in Australian dollars, at BBSY rates, due June 2027, $350 million AUD (2023 - $362 million AUD) - unsecured	Floating [3], [5]	**311**	316
ATCO Gas Australia Pty Ltd revolving credit facility (Tranche B), payable in Australian dollars, at BBSY rates, due August 2026, $375 million AUD (2023 - $350 million AUD) - unsecured	Floating [3], [5]	**333**	327
Electricidad del Golfo, S. de R.L. de C.V. non-revolving credit facility, payable in Mexican pesos due November 2025, $335 million MXP (2023 - $335 million MXP)	11.31%	**23**	27
ATCO Renewables Ltd. and ATCO Next Energy Ltd. extendible revolving credit facility, at CORRA rates, due November 2027	Floating [3]	**86**	94
Achernar Limited Partnership amortizing non-revolving credit facility, at CORRA rates, due March 2036	5.86%	**40**	–
ATCO Adelaide Wind Holdings Limited Partnership amortizing non-revolving credit facility, at CORRA rates, due December 2034	Floating [3], [5]	**82**	88
Deerfoot Barlow Solar Limited Partnership amortizing non-revolving credit facility, due June 2049	6.00%	**70**	56
Forty Mile Granlea Wind Limited Partnership amortizing debentures, due September 2033 to June 2046	5.978% [1]	**280**	292
ATCO Investments Ltd. mortgage, at BA rates, due March 2028	Floating [3], [5]	**82**	85
ATCO Structures & Logistics Ltd. revolving credit facility, at CORRA and SOFR rates, due August 2026	Floating [3]	**128**	86
ATCO Structures & Logistics Pty credit facility, payable in Australian dollars, at BBSY rates, due September 2027, $69 million AUD (2023 - $37 million AUD)	Floating [3]	**62**	33
ATCO Sabinco S.A. credit facility, payable in Chilean pesos, at SOFR rates, due August 2026, $17 billion CLP (2023 - $17 billion CLP)	Floating [3]	**24**	26
		1,550	1,465
Total Corporate, Subsidiaries and Project Finance long-term debt		**11,612**	11,107
Less: deferred financing charges		**(61)**	(59)
		11,551	11,048
Less: amounts due within one year		**(77)**	(531)
		11,474	10,517

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. At December 31, 2024, the unsecured debentures mature from 2028 to 2054 (2023 - from 2024 to 2053).

(2) In 2024, the maturity date of the CU Inc. other long-term obligation was extended from June 2025 to June 2026.

(3) In 2024, the above interest rates had additional margin fees at a weighted average rate of 1.19 per cent (2023 – 1.04 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 swap agreements (see Note 20).

CORPORATE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

CU Inc.

On September 11, 2024, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $410 million of 4.664 per cent debentures maturing September 11, 2054 (2023 - On September 20, 2023, CU Inc. issued $340 million of 5.088 per cent debentures maturing September 20, 2053).

On March 6, 2024, CU Inc. repaid $120 million of 6.215 per cent debentures (2023 - On May 1, 2023, CU Inc. repaid $100 million of 9.4 per cent debentures).

Canadian Utilities Limited

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

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, 2026 and bears interest at CORRA plus an applicable margin.

ATCO Ltd.

On September 3, 2024, ATCO Ltd. issued $100 million of long-term debt from an extendible revolving credit facility. The facility matures on September 3, 2026 and bears interest at CORRA plus an applicable margin.

SUBSIDIARIES AND PROJECT FINANCE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

Subsidiaries

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

Project finance

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

On July 3, 2024, Achernar Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, entered into a non-revolving amortizing credit facility of $42 million with a bank lender (Empress Solar Project Finance Debt). The Empress Solar Project Finance Debt amortizes quarterly until March 31, 2036 and bears interest at CORRA plus an applicable margin. The variable CORRA interest rate is hedged until the loan matures with an interest rate swap agreement which fixes the interest rate at 5.86 per cent.

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. The variable CDOR interest rate is hedged until the loan matures with an interest rate swap agreement which fixes the interest rate at 4.88 per cent. In June 2024, the Adelaide Wind Project Finance Debt's reference interest rate together with the underlying hedge agreement transitioned to CORRA.

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 in June 2049.

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

At December 31, 2024, the book value of assets pledged to maintain the subsidiaries' credit facilities was $2,306 million (2023 - $1,857 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 Empress Solar Project Finance Debt is secured by the assets of the Empress solar generation facility and a pledge of Canadian Utilities Limited's indirect partnership interest in Achernar Limited Partnership.

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

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

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

At December 31, 2024, the book value of assets pledged to maintain the project finance debts was $1,116 million (2023 - $914 million).

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:

	2024		2023	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Market value of plan assets				
Beginning of year	**2,472**	**–**	2,437	–
Interest income	**109**	**–**	122	–
Employer contributions	**3**	**–**	4	–
Benefit payments	**(152)**	**–**	(148)	–
Return on plan assets, excluding amounts included in interest income	**4**	**–**	57	–
End of year	**2,436**	**–**	2,472	–
Accrued benefit obligations				
Beginning of year	**2,566**	**101**	2,544	92
Current service cost	**3**	**2**	5	2
Interest cost	**116**	**5**	124	5
Benefit payments from plan assets	**(152)**	**–**	(148)	–
Benefit payments by employer	**(8)**	**(5)**	(8)	(5)
Actuarial (gains) losses	**(2)**	**(1)**	49	7
End of year	**2,523**	**102**	2,566	101
Funded status				
Net retirement benefit obligations	**87**	**102**	94	101
Included in net retirement benefit obligations are:				
Registered funded defined benefit pension plan asset [1]	**(59)**	**–**	(49)	–
Non-registered, non-funded defined benefit pension plans obligation [2]	**146**	**–**	143	–
OPEB Plans	**–**	**102**	–	101
	87	**102**	94	101

(1) The registered funded defined benefit pension plan was in an asset position of $59 million at December 31, 2024 due to the impacts of returns on plan assets, (2023 - $49 million due to the impacts of returns on plan assets, partly offset by a decrease in the liability discount rate).

(2) In the Company's non-registered, non-funded defined benefit pension plans, accrued benefit obligations increased to $146 million at December 31, 2024 due to experience adjustments (2023 - increased to $143 million due to a decrease 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:

	2024		2023	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Current service cost	**3**	**2**	5	2
Interest cost	**116**	**5**	124	5
Interest income	**(109)**	**–**	(122)	–
Defined benefit plans cost	**10**	**7**	7	7
Defined contribution plans cost	**39**	**–**	37	–
Total cost	**49**	**7**	44	7
Less: capitalized	**(15)**	**(3)**	(17)	(3)
Net cost recognized in earnings	**34**	**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:

	2024		2023	
	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	**4**	**–**	57	–
Gains (losses) on plan obligations from:				
Changes in financial assumptions	**2**	**1**	(49)	(7)
Gains (losses) recognized in other comprehensive income [(1)]	**6**	**1**	8	(7)

(1) Gains net of income taxes were $5 million for the year ended December 31, 2024 (2023 - gains net of income taxes were $1 million).

PLAN ASSETS

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

	2024				2023			
Plan asset mix	**Quoted**	**Un-quoted**	**Total**	**%**	**Quoted**	**Un-quoted**	**Total**	**%**
Equity securities								
Public								
Canada	**1**	**–**	**1**		3	–	3	
United States	**133**	**–**	**133**		126	–	126	
International	**59**	**–**	**59**		66	–	66	
Private	**–**	**2**	**2**		–	2	2	
	193	**2**	**195**	**8**	195	2	197	8
Fixed income securities								
Government bonds	**1,124**	**–**	**1,124**		1,156	–	1,156	
Corporate bonds and debentures	**590**	**–**	**590**		615	–	615	
Securitizations	**119**	**–**	**119**		92	–	92	
Mortgages	**–**	**96**	**96**		–	94	94	
	1,833	**96**	**1,929**	**79**	1,863	94	1,957	79
Real estate								
Land and building [(1)]	**–**	**23**	**23**		–	25	25	
Real estate funds	**–**	**184**	**184**		–	216	216	
	–	**207**	**207**	**9**	–	241	241	10
Cash and other assets								
Cash	**35**	**–**	**35**		31	–	31	
Short-term notes and money market funds	**65**	**–**	**65**		41	–	41	
Accrued interest and dividends receivable	**5**	**–**	**5**		5	–	5	
	105	**–**	**105**	**4**	77	–	77	3
	2,131	**305**	**2,436**	**100**	2,135	337	2,472	100

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

FUNDING

In 2024, an actuarial valuation for funding purposes as of December 31, 2023 was completed for the registered defined benefit pension plans. The estimated contribution for 2025 is $3 million. The next actuarial valuation for funding purposes must be completed as of December 31, 2026.

WEIGHTED AVERAGE ASSUMPTIONS

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

	2024		2023	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Benefit plan cost				
Discount rate for the year	**4.65 %**	**4.65 %**	5.28 %	5.28 %
Average compensation increase for the year	**2.25 %**	**n/a**	2.25 %	n/a
Accrued benefit obligations				
Discount rate at December 31	**4.66 %**	**4.66 %**	4.65 %	4.65 %
Long-term inflation rate [1]	**2.00 %**	**n/a**	2.00 %	n/a
Health care cost trend rate:				
Drug costs [2]	**n/a**	**4.89 %**	n/a	4.95 %
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, 2024 was 2.20 per cent for 2024, and 2.00 per cent thereafter (2023 - 4.00 per cent for 2023, 2.20 per cent for 2024, and 2.00 per cent thereafter).

(2) The Company uses a graded drug cost trend rate, which assumes a 4.89 per cent rate per annum (2023 - 4.95 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 11.1 years (2023 - 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 years.

Interest rate risk

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

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

Life expectancy

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

SENSITIVITIES

The 2024 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 %	(259)	309	5	(7)
Future compensation rate	1 %	1	(1)	–	–
Long-term inflation rate [1]	1 %	306	(259)	8	(7)
Health care cost trend rate	1 %	6	(5)	–	–
Life expectancy	10 %	66	(73)	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:

	2024	2023
Trade accounts receivable and contract assets	**999**	855
Other accounts receivable	**19**	35
	1,018	890
Contract assets included in other assets	**6**	5
	1,024	895

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

	2024	2023
Beginning of year	**860**	920
Revenue from satisfied performance obligations	**4,762**	4,580
Customer billings and other items not included in revenue	**1,028**	600
Credit loss allowance	**(6)**	–
Acquisitions (*Note 24)*	**57**	11
Payments received	**(5,696)**	(5,251)
End of year	**1,005**	860

CUSTOMER CONTRIBUTIONS

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

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

	2024	2023
Beginning of year	**2,041**	1,989
Receipt of customer contributions	**108**	127
Amortization	**(65)**	(60)
Foreign exchange rate adjustment and other	**4**	(15)
End of year [1]	**2,088**	2,041

(1) At December 31, 2024, customer contributions in ATCO Energy Systems and ATCO Australia were $2,008 million (2023 - $1,968 million) and $80 million (2023 - $73 million), respectively.

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:

	2024	2023
Cost		
Beginning of year	**185**	167
Additions	**38**	20
Acquisitions *(Note 24)*	**12**	5
Disposals	**(8)**	(6)
Foreign exchange rate adjustment	**1**	(1)
End of year	**228**	185
Accumulated depreciation		
Beginning of year	**71**	58
Depreciation	**24**	19
Disposals	**(4)**	(6)
End of year	**91**	71
Net book value	**137**	114

Lease liabilities

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

	2024	2023
Beginning of year	**121**	115
Additions	**38**	20
Disposals	**(5)**	–
Acquisitions *(Note 24)*	**14**	5
Interest expense *(Note 6)*	**5**	4
Lease payments	**(26)**	(21)
Foreign exchange rate adjustment	**1**	(2)
End of year	**148**	121
Less: amounts due within one year	**(23)**	(17)
End of year	**125**	104

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

In one year or less	**29**
In more than one year, but not more than five years	**93**
In more than five years	**82**
	204

Other

For the year ended December 31, 2024, $10 million (2023 - $15 million) was expensed in relation to short-term leases, and less than $1 million (2023 - less than $1 million) was expensed for leases with variable payments and low values.

THE COMPANY AS LESSOR

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

At December 31, 2024 and 2023, 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.

	2024	2023
Net investment in finance leases		
Finance lease - gross investment	**204**	221
Unearned finance income	**(79)**	(83)
	125	138
Current portion	**13**	12
Non-current portion	**112**	126
	125	138
Gross receivables from finance leases		
In one year or less	**25**	25
In more than one year, but not more than five years	**103**	98
In more than five years	**76**	98
	204	221
Net investment in finance leases		
In one year or less	**13**	12
In more than one year, but not more than five years	**69**	60
In more than five years	**43**	66
	125	138

For the year ended December 31, 2024, $2 million (2023 - $2 million) of contingent rent was recognized as income from these finance leases.

Operating leases

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

	2024	2023
Minimum lease payments receivable		
In one year or less	**86**	67
In more than one year, but not more than five years	**87**	32
In more than five years	**–**	1
	173	100

For the years ended December 31, 2024 and 2023, 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, 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
Stock options exercised	**76,700**	**4**	_	_	**76,700**	**4**
December 31, 2024	**99,810,591**	**189**	**12,424,987**	**2**	**112,235,578**	**191**

Class I and Class II Shares have no par value.

DIVIDENDS

The Company declared and paid cash dividends of $1.9592 per Class I and Class II Share for the year ended December 31, 2024 (2023 - $1.9024). 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 9, 2025, the Company declared a first quarter dividend of $0.5045 per Class I and Class II Share, payable on March 31, 2025 to share owners of record as of February 27, 2025.

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. In May 2023, the MTIP 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 the consolidated statements of cash flows, the proceeds from the sale of $11 million were recorded in financing activities. 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.

NORMAL COURSE ISSUER BID

On March 13, 2024, the Company began a normal course issuer bid (NCIB) to purchase up to 1,994,677 outstanding Class I shares. The bid will expire on March 12, 2025. The prior year NCIB to purchase up to 2,214,881 outstanding Class I shares began on March 13, 2023 and expired on March 12, 2024.

For the year ended December 31, 2024, no Class I shares were purchased (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).

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.

	2024	2023
Depreciation, amortization and impairment	**811**	811
Earnings from investment in associate company	**(24)**	(22)
Dividends received from associate company	**16**	16
Earnings from investment in joint ventures	**(73)**	(72)
Dividends and distributions received from investment in joint ventures	**82**	82
Income tax expense	**189**	242
Unrealized losses (gains) on derivative financial instruments	**8**	(240)
Contributions by customers for extensions to plant	**108**	127
Amortization of customer contributions	**(65)**	(60)
Net finance costs	**462**	434
Income taxes paid	**(50)**	(52)
Interest received	**79**	64
Other	**51**	9
	1,594	1,339

CHANGES IN NON-CASH WORKING CAPITAL

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

	2024	2023
Operating activities		
Accounts receivable and contract assets	**(100)**	44
Inventories	**(32)**	(34)
Prepaid expenses and other current assets	**(23)**	(8)
Accounts payable and accrued liabilities	**47**	(138)
Provisions and other current liabilities	**–**	(57)
	(108)	(193)
Investing activities		
Accounts receivable and contract assets	**4**	(1)
Prepaid expenses and other current assets	**(28)**	(1)
Accounts payable and accrued liabilities	**53**	(58)
	29	(60)

DEBT RECONCILIATION

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

	Long-term debt
Liabilities from financing activities	
December 31, 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
Net issue of debt	**515**
Foreign currency translation	**(9)**
Debt issue costs	**(6)**
Amortization of deferred financing charges	**3**
December 31, 2024	**11,551**

See Note 17 for the reconciliation of the changes in lease liability for the years ended December 31, 2024 and 2023.

CASH POSITION

Cash position at December 31 is comprised of:

	2024	2023
Cash	**362**	250
Short-term investments	**2**	22
Restricted cash [1]	**10**	16
Cash and cash equivalents	**374**	288
Bank indebtedness [2]	**(280)**	–
	94	288

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

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

20. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

	2024		2023	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**125**	**145**	138	156
Long-term advances due from joint venture [(1)]	**35**	**33**	33	32
Financial Liabilities				
Long-term debt	**11,551**	**11,184**	11,048	10,744

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, nil (2023 - $3 million), and other assets, $35 million (2023 - $30 million), in the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

At December 31, 2024 and 2023, the Company's marketable securities measured at fair value include investment grade corporate bonds and debentures, private fixed income funds, bank loans and commercial mortgage funds, and government bonds (see Note 9).

Derivative financial instruments

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

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

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

	Level 2			Level 3		
	Subject to Hedge Accounting			Subject to Hedge Accounting [1]	Not Subject to Hedge Accounting [2]	
Recurring Measurements	Interest Rate Swaps	Commodities [1]	Foreign Currency Forward Contracts	Commodities		Total Fair Value of Derivatives
December 31, 2024						
Financial Assets						
Prepaid expenses and other current assets	**4**	**4**	**1**	_	**66**	**75**
Other assets	**7**	**1**	_	**131**	**61**	**200**
Financial Liabilities						
Provisions and other current liabilities	**1**	**50**	_	_	_	**51**
Other liabilities	**4**	**40**	_	_	_	**44**
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

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

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

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

Valuation Technique	Unobservable Input	Range [1]		Sensitivity of Input to Fair Value	
		2024	2023	2024	2023
Forecast pricing model	Forward power prices - Solar [2]	**$16 to $135 /MWh**	$29 to $181 /MWh	**8**	11
	Forward power prices - Wind [2]	**$13 to $88 /MWh**	$24 to $130 /MWh	**25**	35
Forecast generation volume model	Electricity generation forecast volumes - Solar	**12,961 MWhs**	12,967 MWhs	**3**	2
	Electricity generation forecast volumes - Wind	**46,415 MWhs**	46,430 MWhs	**10**	7
Internal forecasting model	Retail electricity forecast consumption	**46,619 MWhs**	51,604 MWhs	**8**	8
	Retail natural gas forecast consumption	**424,743 GJs**	444,129 GJs	**6**	6

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

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

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

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 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
Settlement of derivative contracts	**(18)**	**(72)**	**(90)**
Gains recognized in earnings	**4**	**60**	**64**
Gains recognized in other comprehensive income	**55**	_	**55**
December 31, 2024 [1]	**131**	**127**	**258**

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

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

	2024			2023		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**1**	**12**	**13**	(13)	_	(13)
Fuel costs	**(27)**	_	**(27)**	(15)	_	(15)
Purchased power	**(14)**	_	**(14)**	83	_	83
Derivative financial instruments [1]	**(6)**	**78**	**72**	9	(29)	(20)
Interest expense	**27**	_	**27**	23	_	23
	(19)	**90**	**71**	87	(29)	58
Unrealized (losses) gains						
Derivative financial instruments [1]	_	**(8)**	**(8)**	_	240	240
Total	**(19)**	**82**	**63**	87	211	298

(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

For the year ended December 31, 2024, hedge ineffectiveness of $3 million related to derivative financial instruments gains was recognized in the consolidated statements of earnings (2023 - derivative financial instruments gains of $11 million).

Changes to other comprehensive income

For the year ended December 31, 2024, unrealized losses before income taxes of $39 million (2023 - unrealized losses before income taxes of $33 million) were recognized in other comprehensive income (OCI), and $1 million of realized losses before income taxes (2023 - realized gains before income taxes of $128 million) were reclassified to the consolidated statements of earnings.

Over the next 12 months, the Company estimates that losses before income taxes of $25 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 financial instruments outstanding are as follows:

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas [1]**	**Power [2]**	**Foreign Currency Forward Contracts**	**Natural Gas [1]**	**Power [2]**	**Foreign Currency Forward Contracts**
December 31, 2024							
Purchases [3]	–	**34,422,975**	**3,191,402**	–	–	–	–
Sales [3]	–	**580,162**	**9,513,570**	–	**25,484,562**	**2,797,128**	–
Currency							
Canadian dollars	**204**	–	–	–	–	–	–
Australian dollars	**757**	–	–	–	–	–	–
U.S. dollars	–	–	–	**26**	–	–	–
Mexican pesos	–	–	–	–	–	–	–
Maturity	**2025-2036**	**2025-2030**	**2025-2038**	**2025**	**2025-2029**	**2025-2029**	–
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	–	–	–	–	–	–
U.S. dollars	–	–	–	5	–	–	1
Mexican pesos	–	–	–	–	–	–	23
Maturity	2024-2034	2024-2028	2024-2038	2024	2024-2028	2024-2028	2024

(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:

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

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

(2) At December 31, 2024, $75 million is included in prepaid expenses and other assets, and $200 million is included in other assets in the consolidated balance sheets (2023 - $109 million and $203 million).

(3) At December 31, 2024, $51 million is included in provisions and other current liabilities, and $44 million is included in other liabilities in the consolidated balance sheets (2023 - $49 million and $36 million).

21. RISK MANAGEMENT

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

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

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

MARKET RISK

Interest rate risk

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

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

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

The Company closely monitors market interest rates and maintains a balance between variable rate and fixed rate borrowings in order to reduce its exposure. The Company has fixed interest rates, either directly or through interest rate swap agreements, on 93 per cent (2023 - 94 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 $4 million (2023 - $5 million) and would increase or decrease OCI by $26 million (2023 - $11 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, 2024.

Interest rate benchmark reform risk

A fundamental reform of major interest rate benchmarks has been undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative reference rates (IBOR reform). At December 31, 2024, the Company has fully completed the transition of its existing credit facilities, debt agreements, and interest rate swap agreements to alternative reference rates. The transition did not have a material impact to the Company's interest expense as the changes to the rates were economically equivalent to the previous basis.

Foreign exchange risk

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

A 10 per cent increase or decrease in the U.S. dollar and Australian dollar would each increase or decrease earnings and OCI by $1 million (2023 - $2 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, 2024.

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

Energy commodity price risk

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

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

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

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

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

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

	2024		2023	
	Earnings	OCI	Earnings	OCI
Forward prices of natural gas	**4**	**7**	6	12
Forward prices of electricity	**11**	**11**	22	7

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

CREDIT RISK

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

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

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

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

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

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

	High (AA to AAA)	Medium (BBB to A)	Low (BB and below)
December 31, 2024	0%-0.02%	0.05%-0.14%	0.45%-2.73%
December 31, 2023	0%-0.02%	0.05%-0.14%	0.45%-2.85%

At December 31, 2024, the Company had $102 million of accounts receivable and contract assets classified as Low (BB and below) (2023 - $95 million).

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

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

	2024	2023
Beginning of year	**11**	11
Credit loss allowance	**8**	2
Utilization of credit loss allowance	**(2)**	(2)
End of year	**17**	11

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

	2024	2023
Up to 30 days	**929**	814
31 to 60 days	**33**	26
61 to 90 days	**21**	5
Over 90 days	**16**	10
	999	855

At December 31, 2024, the Company held $371 million in letters of credit for certain counterparty receivables (2023 - $368 million). The Company did not take possession of any collateral it holds as security in 2024 or 2023. 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:

	2024			2023		
	Total	Used	Available	Total	Used	Available
Long-term committed	**3,568**	**1,525**	**2,043**	3,063	973	2,090
Short-term committed	**–**	**–**	**–**	316	316	–
Uncommitted	**715**	**306**	**409**	692	275	417
	4,283	**1,831**	**2,452**	4,071	1,564	2,507

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:

	2024	2023
Long-term debt due within one year	**–**	316
Long-term debt	**1,494**	899
Letters of credit	**337**	349
	1,831	1,564

Commercial paper

The Company is authorized to issue $1.2 billion of commercial paper notes against its long-term committed credit facilities. At December 31, 2024 and 2023, 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, 2024 of the Company's financial liabilities based on the contractual undiscounted cash flows.

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

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

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

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, as reported in the consolidated financial statements for the year ended December 31, 2023.

	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 derivative financial instruments have been estimated using exchange rates and commodity prices in effect at December 31, 2023.

22. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to:

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

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

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

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

Debt capitalization does not have 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:

	2024	2023
Bank indebtedness	**280**	–
Long-term debt	**11,551**	11,048
Total debt	**11,831**	11,048
Class I and Class II shares	**191**	187
Contributed surplus	**17**	14
Retained earnings	**4,423**	4,216
Accumulated other comprehensive (loss) income	**1**	6
Non-controlling interests	**4,078**	4,075
Total equity	**8,710**	8,498
Total capitalization	**20,541**	19,546
Debt capitalization	**58 %**	57 %

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 EBITDA over interest expense, as defined in the agreements.

For the years ended December 31, 2024 and 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

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

Impairment of long-lived assets

Long-lived assets consist primarily of property, plant and equipment, intangibles, 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.

Valuation of emission credits and allowances

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

Useful lives of property, plant and equipment and intangibles

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

Impairment of long-lived assets

The Company continually monitors its long-lived assets and the markets and business environment in which it operates 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.

Asset retirement obligations

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

Income taxes

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

Fair value measurements

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

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

In connection with the 2023 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 NRB LIMITED

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

The Company has determined the preliminary fair values of the assets acquired and liabilities assumed. These values are subject to change once additional reviews of the assumptions utilized have been completed. The preliminary allocation of the purchase price regarding the fair values of the identifiable assets acquired and liabilities assumed is as follows:

	Preliminary Values
Assets	
Accounts receivable and contract assets	**57**
Inventories	**8**
Property, plant and equipment	**11**
Right-of-use assets	**12**
Total assets	**88**
Liabilities	
Accounts payable and accrued liabilities	**34**
Lease liabilities	**14**
Total liabilities	**48**
Total identifiable net assets acquired	**40**

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

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

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Renewables 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 total consideration paid was $691 million, net of cash acquired of $38 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 operating segment.

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

Assets	
Accounts receivable and contract assets	11
Property, plant and equipment	640
Intangible assets	107
Other assets	9
Right-of-use assets	5
Goodwill	141
Total assets	913
Liabilities and non-controlling interest	
Accounts payable and accrued liabilities	(37)
Deferred income tax liabilities	(145)
Lease liabilities	(5)
Other liabilities	(8)
Non-controlling interest	(27)
Total liabilities and non-controlling interest	(222)
Total identifiable net assets acquired	691

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 were incurred in 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.

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).

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

	2024	2023
Beginning of year	**464**	473
ATCO's share of earnings	**24**	22
ATCO's share of other comprehensive loss	**(1)**	(5)
Dividends received	**(16)**	(16)
Foreign exchange	**39**	(10)
End of year	**510**	464

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

	2024	2023
Statements of earnings and other comprehensive loss		
Revenues	**457**	460
Depreciation and amortization	**(92)**	(69)
Interest income	**10**	10
Interest expense	**(6)**	(6)
Income taxes	**(12)**	(14)
Earnings attributable to:		
Neltume Ports' share owners	**61**	55
Non-controlling interests	**6**	6
	67	61
Other comprehensive loss attributable to:		
Neltume Ports' share owners	**(1)**	(12)
Non-controlling interests	**–**	1
	(1)	(11)
ATCO's share of earnings	**24**	22
ATCO's share of other comprehensive loss	**(1)**	(5)

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

	2024	2023
Balance sheets		
Cash and cash equivalents	**223**	229
Other current assets	**94**	94
Current assets	**317**	323
Non-current assets	**1,368**	1,262
Total assets	**1,685**	1,585
Financial liabilities [(1)]	**(49)**	(49)
Other current liabilities	**(55)**	(63)
Current liabilities	**(104)**	(112)
Financial liabilities [(1)]	**(108)**	(122)
Other non-current liabilities	**(137)**	(150)
Non-current liabilities	**(245)**	(272)
Total liabilities	**(349)**	(384)
Net assets attributable to:		
Neltume Ports' share owners	**1,274**	1,160
Non-controlling interests	**62**	41
	1,336	1,201
ATCO's share of net assets	**510**	464

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

26. SUBSIDIARIES

Principal operating subsidiaries at December 31, 2024 are listed below. Subsidiaries are wholly owned, unless otherwise indicated.

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

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

(2) At December 31, 2024, ATCO Ltd. has an ownership interest of 52.5 per cent (2023 - 52.7 per cent).

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

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

27. JOINT ARRANGEMENTS

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

JOINT VENTURES

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

	Strathcona Storage LP		Other joint ventures		Total	
	2024	2023	2024	2023	2024	2023
Beginning of year	**147**	146	**113**	118	**260**	264
The Company's share of net earnings	**10**	10	**63**	62	**73**	72
The Company's share of other comprehensive income	**–**	–	**5**	3	**5**	3
Dividends received	**(15)**	(14)	**(67)**	(68)	**(82)**	(82)
Contributions	**2**	5	**2**	2	**4**	7
Foreign exchange	**–**	–	**1**	(4)	**1**	(4)
End of year	**144**	147	**117**	113	**261**	260

Strathcona Storage LP

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

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

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

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

	2024	2023
Statements of earnings		
Revenues	**37**	37
Depreciation and amortization	**(8)**	(8)
Operating expenses	**(12)**	(12)
Earnings	**17**	17
The Company's share of earnings	**10**	10

Strathcona Storage LP had no other comprehensive income for the years ended December 31, 2024 and 2023.

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

	2024	2023
Balance sheets		
Cash and cash equivalents	**3**	6
Other current assets	**5**	3
Current assets	**8**	9
Non-current assets	**248**	256
Total assets	**256**	265
Current liabilities	**(4)**	(5)
Non-current liabilities	**(12)**	(15)
Total liabilities	**(16)**	(20)
Net assets	**240**	245
The Company's share of net assets	**144**	147

OTHER JOINT VENTURES

At December 31, 2024, other joint ventures of the Company comprise 10 joint ventures (2023 - 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 31,000 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 the Company, holds a 50 per cent ownership in LUMA Energy, with the remaining 50 per cent held by Quanta Services, Inc.

The Company's equity interest in LUMA Energy is reported in ATCO Energy Systems, Electricity operating segment. For the year ended December 31, 2024, the Company's share in net earnings and dividends received amounted to $62 million (2023 - $52 million) and $58 million (2023 - $55 million), respectively.

For the year ended December 31, 2024, the Company recognized revenues of $20 million (2023 - $26 million) primarily for services provided to LUMA Energy at cost.

Osborne Cogeneration Facility

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

ATCO Australia Pty Ltd, a wholly owned subsidiary of the Canadian Utilities Limited, indirectly holds a 50 per cent ownership in the Osborne cogeneration facility, with the remaining 50 percent held by Origin Energy Limited (Origin Energy). The facility's capacity has been contracted with Origin Energy Electricity Ltd. (Origin Electricity) under a PPA that expires December 31, 2026 with an option to extend for one year. In February 2025, Origin Electricity exercised their option to extend the PPA to December 31, 2027.

The Company's equity interest in Osborne cogeneration facility is reported in the ATCO Australia operating segment. For the year ended December 31, 2024, the Company's share in net earnings and dividends amounted to $5 million (2023 - $6 million) and $5 million (2023 - $7 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 $34 million at December 31, 2024 (2023 - $31 million).

Dividends and Distributions

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

JOINT OPERATIONS

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

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

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

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

28. NON-CONTROLLING INTERESTS

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

	2024	2023
NCI in Canadian Utilities Limited	**4,085**	4,082
NCI in ATCO Espaciomovil S.A.P.I. de C.V., 70 per cent owned subsidiary of ATCO Structures & Logistics Ltd.	**(7)**	(7)
	4,078	4,075

NCI IN CANADIAN UTILITIES LIMITED

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

Class A and Class B shares

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

	2024	2023
Class A non-voting shares and Class B common shares	**%**	**%**
Total ownership interest held	**47.5**	47.3
Proportion of voting rights held (Class B voting common shares of Canadian Utilities Limited) [1]	**0.4**	0.4
Proportion of non-voting rights held (Class A non-voting shares of Canadian Utilities Limited)	**62.7**	62.6

(1) On December 15, 2023, Canadian Utilities Limited completed a transaction by way of a plan of arrangement to exchange the Class B shares held by non-controlling Class B Share Owners to Class A shares. Under the terms of the arrangement, each Class B share was exchanged for 1.1 Class A shares. The Company did not participate in the arrangement.

Mid-term incentive plan

In May 2023, Canadian Utilities Limited terminated its MTIP. 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.

Dividend reinvestment program

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

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

Effective July 11, 2024, Canadian Utilities Limited suspended its dividend reinvestment program.

For the year ended December 31, 2024, non-controlling interests acquired 631,759 (2023 - 828,033) Class A shares of Canadian Utilities Limited, using re-invested dividends of $19 million (2023 - $27 million). The shares were priced at an average of $30.14 per share (2023 - $32.28 per share).

Equity Preferred Shares

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

	2024	2023
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	**(33)**	(33)
	1,758	1,758

Rights and privileges

Preferred shares	Redemption Amount [1]	Quarterly Dividend [2]	Reset Premium [3]	Date Redeemable/Convertible	Convertible To
Cumulative Redeemable Preferred Shares					
Series 1	25.00	0.2875	Does not reset	Currently redeemable	Not convertible
Series 4	25.00	0.14325	1.36 %	June 1, 2026 [4]	Series 5 [5]
Cumulative Redeemable Second Preferred Shares					
Series Y	25.00	0.32475	2.40 %	June 1, 2027 [4]	Series Z [5]
Series AA	25.00	0.30625	Does not reset	September 1, 2017 [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 issuing company or convertible by the holder on the date noted and every five years thereafter.

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

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

Adelaide Wind Limited Partnership

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

ATCO Renewables Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 75 per cent ownership in Adelaide LP, with the remaining 25 per cent interest held by the Aamjiwnaang First Nation. Canadian Utilities Limited's interest in Adelaide LP was acquired from Suncor in January 2023 (see Note 24). At December 31, 2024, the non-controlling interest amounted to $25 million (2023 - $25 million).

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

Other

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

	2024	2023
Consolidated Statements of Comprehensive Income		
Revenues	**3,742**	3,796
Earnings for the year	**491**	717
Attributable to NCI:		
Earnings for the year	**281**	387
Other comprehensive income (loss)	**14**	(59)
Total comprehensive income	**295**	328
Consolidated Balance Sheets		
Current assets	**1,301**	1,437
Non-current assets	**22,486**	21,721
Current liabilities	**(1,182)**	(1,422)
Non-current liabilities	**(15,484)**	(14,580)
Net assets	**7,121**	7,156
Attributable to NCI	**4,085**	4,082
Consolidated Statements of Cash Flows		
Cash flows from operating activities	**1,917**	1,780
Cash flows used in investing activities	**(1,409)**	(2,253)
Cash flows used in financing activities	**(790)**	(19)
Decrease in cash position	**(282)**	(492)
Dividends paid to NCI		
Class A and Class B share owners	**237**	229
Equity preferred shares	**84**	84
Adelaide Wind Limited Partnership	**3**	5
	324	318

29. SHARE-BASED COMPENSATION PLANS

PLAN FEATURES

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

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

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

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

(3) Issued from Treasury.

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

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

STOCK OPTION PLAN

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

	2024		2023	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options authorized for grant	**10,200,000**		10,200,000	
Options available for issuance	**7,268,650**		7,829,400	
Outstanding options, beginning of year	**2,353,600**	**$42.64**	1,882,600	$44.71
Granted	**661,500**	**45.46**	577,000	36.46
Exercised	**(76,700)**	**38.38**	(4,900)	41.45
Forfeited	**(4,250)**	**42.68**	(29,100)	48.16
Expired	**(96,500)**	**49.56**	(72,000)	44.98
Outstanding options, end of year	**2,837,650**	**$43.18**	2,353,600	$42.64
Options exercisable, end of year	**1,389,900**	**$43.26**	1,076,850	$44.03

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	952,300	5.4	$37.28	522,925	$37.99
$40.38 - $42.77	90,050	3.5	41.99	85,800	42.02
$45.09 - $49.51	1,794,800	5.8	46.37	780,675	46.92
$50.33	500	2.4	50.33	500	50.33
$36.41 - $50.33	2,837,650	5.6	$43.18	1,389,900	$43.26

Compensation expense related to stock options was $4 million in 2024 (2023 - $3 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.

	2024		2023	
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding SARs, beginning of year	**521,350**	**$45.91**	630,600	$46.06
Granted [1]	**14,000**	**45.46**	18,000	36.41
Exercised	**(9,700)**	**40.88**	(6,400)	41.88
Forfeited	**(6,500)**	**41.69**	(28,850)	49.24
Expired	**(107,500)**	**49.55**	(92,000)	44.31
Outstanding SARs, end of year	**411,650**	**$45.12**	521,350	$45.91
SARs exercisable, end of year	**354,650**	**$45.36**	440,350	$46.12

(1) In 2024 and 2023, SARs granted were related to international executives, officers and employees.

SARs			Outstanding		Exercisable
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$36.41 - $38.93	82,800	2.5	$38.44	66,800	$38.93
$40.38 - $42.08	77,050	4.2	42.06	77,050	42.06
$45.38 - $49.51	251,300	3.6	48.25	210,300	48.59
$50.33	500	3.5	50.33	500	50.33
$36.41 - $50.33	411,650	3.5	$45.12	354,650	$45.36

In 2024, compensation expense related to SARs was $1 million due to an increase in the share price of Class I shares (2023 - a credit of $1 million). The total carrying value of liabilities arising from SARs at December 31, 2024 was $3 million (2023 - $2 million). The total intrinsic value of all vested SARs at December 31, 2024 was $1 million (2023 - nil).

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.

Information about the RSUs outstanding at December 31 is summarized below.

	2024	2023
Outstanding RSUs, beginning of year	–	–
Granted	**111,500**	–
Dividends reinvested	**2,314**	–
Forfeited	**(1,516)**	–
Outstanding RSUs, end of year [1]	**112,298**	–

(1) At December 31, 2024, no RSUs have vested.

In 2024, compensation expense related to RSUs was $2 million (2023 - nil), with a corresponding increase to liabilities from RSUs. The total carrying value of liabilities arising from RSUs at December 31, 2024 was $2 million (2023 - nil).

STOCK OPTION, SARS AND RSUs WEIGHTED AVERAGE ASSUMPTIONS

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

	2024			2023		
	Options	SARs	RSUs	Options	SARs	RSUs
Class I share price	**$45.46**	**$45.46**	**$39.43**	$36.46	$36.41	n/a
Risk-free interest rate	**2.76 %**	**2.83 %**	**3.73 %**	3.78 %	3.56 %	n/a
Share price volatility [1]	**24.62 %**	**16.49 %**	**17.02 %**	24.45 %	29.62 %	n/a
Estimated annual Class I share dividend	**4.24 %**	**4.07 %**	**4.97 %**	5.13 %	3.98 %	n/a
Expected holding period prior to exercise or settlement	**7 years**	**4 years**	**2.2 years**	7 years	4 years	n/a

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

30. CONTINGENCIES

MEASUREMENT INACCURACIES

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

DIRECT ENERGY PARTNERSHIP RETAIL OBLIGATION

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

NRG Energy Inc. (NRG), Direct Energy's parent company, provided a $300 million guarantee (2023 - $360 million), supported by a $300 million (2023 - $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 legal matters. The Company believes that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

31. COMMITMENTS

PURCHASE OBLIGATIONS AND OTHER

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

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

PERFORMANCE GUARANTEE OBLIGATIONS

The Company guarantees a certain specified minimum renewable energy availability factor determined every two years on its renewable power purchase agreements (see Note 20). The renewable energy generation facilities are monitored to ensure the availability factor is achieved. The Company evaluates if any amounts are due to counterparties based on not meeting the guaranteed renewable energy availability factor at the end of each reporting period. At December 31, 2024 and 2023, the guaranteed minimum renewable energy availability factor has been met and the Company has recorded no performance guarantee obligations.

32. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATE COMPANIES

Transfer of ATCO Energy

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

Other

In transactions with the Company's joint ventures, the Company recognized revenues of $27 million relating to management fees and other charges (2023 - $32 million).

In transactions with the Company's group pension plans, the Company paid $4 million in occupancy costs in 2024 relating to property owned by the pension plans (2023 - $3 million).

The Company received less then $1 million (2023 - $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 (2023 - $3 million).

At December 31, 2024 and 2023, CU Inc. had unsecured interest-bearing long-term advances due from Northland Utilities Enterprises Ltd. (NUE), a joint venture. Long term advances due from joint venture are recorded in prepaid expenses and other current assets, was nil (2023 - $3 million), and other assets, $35 million (2023 - $30 million), on the consolidated balance sheets.

KEY MANAGEMENT COMPENSATION

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

	2024	2023
Salaries and short-term employee benefits	**21**	20
Retirement benefits	**2**	2
Share-based compensation	**8**	2
Other	**2**	1
	33	25

Key management personnel comprise members of executive management and the Board, a total of 20 individuals (2023 - 21 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 non-controlling interests (NCI). NCI in subsidiaries are identified separately from equity attributable to Class I and Class II owners of the Company. Earnings and each component of OCI are attributed to the Class I and Class II owners of the Company and to NCI, even if this results in the NCI having a deficit balance. Earnings attributable to the Class I and Class II owners are determined after adjusting for dividends on equity preferred shares held by NCI.

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

ASSOCIATES

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

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

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

JOINT ARRANGEMENTS

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

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

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

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

BUSINESS COMBINATIONS

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

REVENUE RECOGNITION

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

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

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

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

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

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

Electricity generation and delivery

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

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

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

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

Electricity and natural gas transmission

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

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

Electricity and natural gas distribution

Revenue from distribution of electricity and natural gas is recognized when the services are provided to the customer based on metered consumption, which is adjusted periodically to reflect differences between estimated and actual consumption. Distribution of regulated and non-regulated electricity and natural gas is based on tariff-approved rates established by the

Alberta Electric System Operator and Natural Gas Exchange and rates stipulated in the contracts, respectively. The Company recognizes revenue in an amount that corresponds directly with the services delivered and the amount invoiced.

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

Gas storage and transportation

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

Modular structures and related services

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

Lease revenue

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

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

Franchise fees

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

SHORT-TERM EMPLOYEE BENEFITS

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

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

INCOME TAXES

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

MARKETABLE SECURITIES

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

INVENTORIES

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

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

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

Emission credits and allowances

Emission performance and offset credits that are internally generated are initially recognized and measured in accordance with the Company's accounting policy for government grants.

The credits are subsequently measured at the lower of cost 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	52 years	1.9 %
Electricity distribution equipment	15 to 103 years	43 years	2.3 %
Gas transmission equipment	3 to 81 years	42 years	2.4 %
Gas distribution plant and equipment	3 to 120 years	37 years	2.7 %
Energy generation and storage:			
Gas-fired generation	10 to 15 years	13 years	7.7 %
Hydroelectric generation	43 to 50 years	43 years	2.3 %
Solar power generation	10 to 35 years	27 years	3.7 %
Wind power generation	30 years	30 years	3.3 %
Storage and other infrastructure	3 to 100 years	34 years	2.9 %
Buildings	4 to 73 years	38 years	2.6 %
Other:			
Rental assets	17 years	17 years	5.9 %
Other plant, equipment and machinery	2 to 100 years	13 years	7.7 %

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

INTANGIBLES

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

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

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

GOVERNMENT GRANTS

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

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

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

Government grants related to emission performance and offset credits that are internally generated are measured using emission compliance rates in effect at the time of initial recognition.

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

The economic benefit of a loan received from a government-controlled financial institution at a below-market rate of interest is 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 accumulated other comprehensive income (AOCI) is transferred to earnings when the hedged item affects earnings. If a forecast transaction results in the recognition of a non-financial asset or liability, the amount in AOCI is added to the initial cost of the non-financial asset or liability.

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

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

RETIREMENT BENEFITS

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

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

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

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

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

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

SHARE-BASED COMPENSATION PLANS

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

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

RELATED PARTY TRANSACTIONS

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

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

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

Foreign operations

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

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

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

	Exchange Rates as at December 31		Average Exchange Rates for Year Ended December 31	
	2024	2023	2024	2023
U.S. dollar	**1.4361**	1.3223	**1.3698**	1.3497
Australian dollar	**0.8888**	0.9025	**0.9035**	0.8967

NEW OR AMENDED IFRS ACCOUNTING STANDARDS ADOPTED

The following outlines the IFRS Accounting Standards adopted by the Company for the year ended December 31, 2024, and their impact on the Company's consolidated financial statements.

Presentation of Non-Current Liabilities with Covenants

The Company has adopted amendments to IAS 1, *Presentation of Financial Statements* that are effective January 1, 2024. The amendments clarified the requirements for classifying current or non-current liabilities and introduced additional disclosures to assist users of financial statements in understanding the risk that non-current liabilities with covenants may become payable within the next twelve months after the balance sheet date. The adoption of the amendments did not have an impact to the Company's consolidated financial statements.

IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

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

Agreements referencing nature-dependent electricity

In December 2024, the IASB issued amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures* to improve the reporting of the financial effects of nature-dependent electricity agreements, often structured as power purchase agreements. The amendments clarify the application of the own-use requirements, permit hedge accounting when these agreements are used as hedging instruments, and introduce new disclosure requirements to assist users of financial statements in understanding the effects of these agreements. The amendments are effective for annual periods beginning on or after January 1, 2026. The Company is assessing the impact of the amendments to its consolidated financial statements.

Settlement by electronic payments

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments,* to clarify the date of recognition and derecognition of financial assets and liabilities, with a new exception for financial liabilities settled using electronic forms of payment. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Company is assessing the impact of the amendments to its consolidated financial statements.

Presentation and disclosure in financial statements

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

CONSOLIDATED ANNUAL RESULTS [1]

YEAR ENDED DECEMBER 31, 2024

(Millions of Canadian dollars, except as indicated)	2024	2023	2022	2021	2020
EARNINGS STATEMENT					
Revenues	**4,942**	4,741	4,978	4,289	3,944
Earnings attributable to Class I and Class II shares	**430**	432	370	246	252
Adjusted earnings [2]					
Structures & Logistics [2]	**104**	90	61	53	57
Neltume Ports	**24**	22	14	13	15
Corporate & Other [2]	**13**	5	—	6	—
Canadian Utilities Limited [2] [3]					
ATCO Energy Systems [2] [3]	**333**	302	330	302	289
ATCO EnPower [2] [3]	**23**	24	18	10	10
ATCO Australia [2] [3]	**25**	32	41	32	16
Corporate & Other [2] [3]	**(41)**	(43)	(41)	(34)	(35)
Adjusted earnings	**481**	432	423	382	352
BALANCE SHEET					
Cash [4]	**94**	288	1,033	1,088	1,100
Total assets	**26,724**	25,358	24,139	23,004	22,200
Capitalization					
Bank indebtedness	**280**	—	—	3	3
Short-term debt	**—**	—	—	206	—
Long-term debt	**11,551**	11,048	10,087	9,852	9,619
Non-controlling interests	**4,078**	4,075	3,968	3,838	3,797
Share owners' equity	**4,632**	4,423	4,376	4,111	4,052
Capitalization	**20,541**	19,546	18,431	18,010	17,471
CASH FLOW STATEMENT					
Cash flows from operating activities	**2,197**	1,965	2,396	1,864	1,843
Capital expenditures					
Structures & Logistics	**182**	198	204	114	125
Corporate & Other	**27**	28	10	11	13
ATCO Energy Systems					
Electricity	**761**	630	566	350	366
Natural Gas [3]	**638**	500	472	656	440
ATCO EnPower [3]	**104**	139	234	120	19
ATCO Australia [3]	**89**	83	99	91	70
Corporate & Other	**19**	8	12	10	8
Capital expenditures	**1,820**	1,586	1,597	1,352	1,041
PER SHARE DATA					
Earnings per share ($)	**3.83**	3.82	3.25	2.16	2.21
Adjusted earnings per share ($) [5]	**4.29**	3.82	3.71	3.35	3.08
Dividends paid per share ($)	**1.96**	1.90	1.85	1.79	1.74
Equity per share ($)	**41.27**	39.44	38.42	35.94	35.37
Class I non-voting closing share price ($)	**47.58**	38.67	42.38	42.70	36.49
Class II Voting closing share price ($)	**48.90**	40.27	40.45	43.00	37.81

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 IFRS 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 61 and 62, respectively, of this Annual Report.

(3) In 2024, the Company changed its operating segment structure to better align with management accountability. This change involved reporting a new operating segment, ATCO Australia, which includes natural gas distribution and electricity generation operations based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating segment. In addition, ATCO Australia's corporate office was included in the Company's Corporate & Other. Comparative amounts have been reclassified to reflect this change in the reportable operating segments.

(4) Cash is defined as cash and cash equivalents less current bank indebtedness.

(5) Non-GAAP ratio (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is Earnings Attributable to Class I and Class II shares ($ per share). See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" on pages 61 and 62, respectively, of this Annual Report.

CONSOLIDATED OPERATING SUMMARY

YEAR ENDED DECEMBER 31, 2024

(Millions of Canadian dollars, except as indicated)	2024	2023	2022	2021	2020
Structures & Logistics					
Capital expenditures	**182**	198	204	114	125
Workforce housing lease fleet (units in thousands)	**3**	3	3	3	3
Workforce housing lease fleet utilization (%)	**60**	69	75	71	52
Space rental lease fleet (units in thousands)	**25**	24	22	20	19
Space rental lease fleet utilization (%)	**74**	75	79	82	73
Neltume					
Port products handling (millions of tonnes)	**45**	46	43	46	45
ATCO Energy Systems					
Electricity Distribution and Transmission					
Capital expenditures	**761**	630	566	350	366
Power lines (thousands of kilometres)	**106**	105	105	105	75
Power lines owned (thousands of kilometres)	**71**	71	71	71	71
Electricity distributed (millions of kilowatt hours)	**12,396**	11,951	12,489	12,491	12,012
Average annual use per residential customer (kWh)	**7,269**	7,062	7,334	7,535	7,528
Average customers during the year (thousands)	**265**	264	263	261	261
Natural Gas Distribution					
Capital expenditures	**407**	355	329	294	237
Pipelines (thousands of kilometres)	**42**	41	41	41	41
Maximum daily demand (terajoules)	**2,479**	2,184	2,391	2,350	2,422
Natural gas distributed (petajoules)	**271**	250	276	271	273
Average annual use per residential customer (gigajoules)	**105**	105	108	111	113
Average customers during the year (thousands)	**1,313**	1,290	1.272	1,255	1,241
Natural Gas Transmission					
Capital expenditures	**231**	145	143	362	203
Pipelines (thousands of kilometres)	**9**	9	9	9	9
ATCO EnPower					
Electricity Generation					
Capital expenditures	**17**	86	123	28	2
Generating capacity operated (megawatts)	**457**	426	81	81	80
Generating capacity owned (megawatts)	**400**	373	71	71	70
Energy Storage & Industrial Water					
Capital expenditures	**87**	53	111	92	17
Natural gas storage capacity (petajoules)	**117**	117	117	101	52
Salt cavern storage capacity (thousands of m^3)	**544**	544	550	400	400
Industrial water infrastructure intake capacity (thousands of m^3/day)	**85**	85	85	85	85
ATCO Australia					
Natural Gas Distribution					
Capital expenditures	**88**	83	99	91	70
Pipelines (thousands of kilometres)	**15**	15	14	14	14
Maximum daily demand (terajoules)	**109**	125	118	126	113
Natural gas distributed (petajoules)	**27**	28	28	28	27
Average annual use per residential customer (gigajoules)	**12**	13	14	14	13
Average customers during the year (thousands)	**815**	803	791	781	773
Electricity Generation					
Capital expenditures	**1**	—	—	—	—
Generating capacity operated (megawatts)	**266**	268	267	267	267
Generating capacity owned (megawatts)	**176**	178	177	177	177

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

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Class I Non-Voting and

Class II Voting Shares

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