



ATCO LTD.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

ATCO

ANNUAL REPORT 2025

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MESSAGE FROM THE CHAIR AND CEO

Dear ATCO Share Owners,

In a year marked by geopolitical uncertainty, economic volatility and rapid change across the global energy and infrastructure landscape, ATCO achieved disciplined growth, resilient performance and long-term value creation.

In 2025, we delivered eight per cent year-over-year adjusted earnings growth as a result of our globally diversified portfolio and our focused and determined team tackling the world's most urgent challenges in housing, defence, energy, ports and other complementary investments that align with our long-term growth plans.

Our solid performance is the result of consistent execution against a long-term plan—one that balances growth, capital discipline and risk management.

ATCO Structures: Scaling with Purpose

The growing adoption of modular construction reflects broader market trends—speed, cost certainty, and adaptability—that are ATCO's unique advantage. We continue to see opportunities for modular manufacturing to meaningfully address infrastructure and housing challenges in multiple markets.

In 2025, ATCO Structures secured new awards across North America and Australia, led by a \$179 million contract with Perpetua Resources Corp. for a 1,052-person dormitory lodge and office facilities at Idaho's Stibnite Gold Project, alongside US contracts supporting shipping infrastructure in Alaska, mining in Washington, and nationwide technology construction (chip fabrication, data centres); Canadian contracts supporting attainable housing and gold, silver, copper and uranium operations in Western and Central Canada; and Australian contracts backing mining and infrastructure in Queensland, New South Wales and Victoria, including permanent modular classrooms—demonstrating diversified, mission-critical growth in cost-efficient modular solutions.

ATCO Frontec: Growing Defence Capabilities with Indigenous Partners

Our long history of providing broad range of construction, maintenance and operations services to the military is well known. Our reputation for providing these services in the Arctic with unparalleled expertise that relies on partnerships with Indigenous corporations continues to be our strategic advantage.

ATCO Frontec advanced its defence portfolio on both sides of the border: ARCTEC Alaska, ATCO Frontec's joint venture with ASRC Federal, was awarded a 10-year, US\$596 million US Air Force contract commencing September 2026 to operate and maintain the Alaska Radar System, encompassing 15 long-range radar sites, three remote radio sites, and facilities at Joint Base Elmendorf-Richardson with responsibilities spanning airstrips, roads, utilities, power generation, environmental management, weather observation, and logistics support; and in Canada, Inuvialuit Frontec Services, ATCO Frontec's joint venture with Inuvialuit Development Corporation, secured an approximately \$50 million Polar Over-the-Horizon Radar contract that commenced March 28, 2025 for two years with three one-year renewal options, to design, build, install and operate a new radar defence system in the Northwest Territories.

Canadian Utilities: Meeting Growing Energy Demand

Demand for reliable, affordable, and resilient energy infrastructure continued to grow in 2025, particularly in jurisdictions experiencing population growth, industrial expansion, and electrification.

In August 2025, ATCO's subsidiary, Canadian Utilities Limited, received a key approval from the Alberta Utilities Commission (AUC) on its Need Assessment Application for the Yellowhead Pipeline Project, marking a pivotal regulatory milestone. Spanning approximately 235 km. from Peers to Fort Saskatchewan, the pipeline will deliver approximately 1,200 terajoules per day (1.1 billion cubic feet) of natural gas—a strategic expansion of Alberta's transmission capacity to support industrial and residential growth. The AUC's decision affirms the project's crucial role in Alberta's long-term energy resilience, following extensive consultation with communities along the route. Canadian Utilities filed the facilities application for the project, seeking AUC approval for construction and operation of the pipeline, in November 2025.

Executing in Uncertain Times

Inflationary pressures, tariffs, shifting capital markets, evolving regulatory frameworks, and heightened geopolitical risk contributed to an operating environment in 2025 that was anything but predictable. Yet these conditions also reinforced the value of ATCO's strategy: investing in critical infrastructure and services that communities, industries and governments rely on every day.

Your Board of Directors and executive management team believe we are very well positioned to capitalize on core macroeconomic trends. We remain laser-focused on capital allocation—investing where returns align with risk, maintaining balance sheet strength, and preserving flexibility for future opportunities.

As we enter 2026, the need for essential infrastructure and services continues to grow. ATCO will meet that need, supported by a diversified portfolio, strong Indigenous partnerships and an experienced leadership team. We remain focused on executing our strategy, adapting thoughtfully to change, and creating prosperity and opportunity for generations to come.

On behalf of the Board of Directors and the entire ATCO team, thank you to our share owners, customers, partners, and communities for your continued trust and support.

Sincerely yours,

N.C. Southern

Chair & Chief Executive Officer,
ATCO Ltd.





ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2025

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, 2025.

This MD&A was prepared as of February 25, 2026, and should be read with the Company's audited consolidated financial statements (2025 Consolidated Financial Statements) for the year ended December 31, 2025. Additional information, including the Company's Annual Information Form (2025 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) (52.4 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), and ATCO Energy Ltd. (ATCO Energy) (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, our employees and our share owners. ATCO is charting a course for the future with an ambitious set of objectives that build upon our long corporate history of bringing prosperity and opportunity to the communities we serve.

UNIQUELY POSITIONED FOR THE FUTURE

Our Purpose

Creating prosperity and opportunity for generations to come

Our Objectives

Growth

Financial leadership

Support, Partner & Engage Customers & Communities

Our Experience

- 13 Manufacturing Locations
- 28,500 Fleet Units Globally
- 9 Commercial & 2 Residential Properties
- Top 100 Canadian Defence Company
- Global Operations including key markets of Canada, Australia, the US, Mexico, & South America
- 73 Indigenous Partnerships, MOUs, and agreements
- 4M+ Customers
- 777-MW Power Generation (owned and operated)
- 117 PJ Gas Storage
- 17 Port Facilities + 6 Port Services Businesses
- 362,000+ Retail Energy Sites
- 200ktpa+ fly and bottom ash beneficiation capacity

We tackle the world's most urgent challenges

Our Expertise

Housing	Defence	Energy	Investments
Leading the evolution of building solutions, elevating the modular advantage and delivering with excellence for customers.	Trusted provider of mission-critical services that safeguard communities, national security operations and remote infrastructure.	A modern, customer-focused diversified energy company with a relentless drive for growth, simplicity and safety.	Strategic investments and international interests across essential industries that deliver long-term share owner value.
Industrial Commercial Residential	Facility Operations Emergency Management	Utilities Generation Storage	Ports Development Retail Energy

ATCO is uniquely positioned to capture opportunities across energy, housing and defence services. Additionally, we are positioning ourselves for the future with investments in energy, housing and shelter, defence services, ports, retail services and other early-stage investments.

Our longstanding commitment of supporting, partnering and engaging with our customers and communities has provided a long history of steady, reliant portfolio growth facilitated by financial leadership.

Today, our founding business, ATCO Structures, leads the housing and space provision industry with 13 manufacturing facilities located within five countries around the world. We are delivering innovative products that offer shelter solutions across the housing continuum, providing workforce housing to some of the world's largest infrastructure projects, and supporting construction across numerous industries through a fleet of more than 28,500 rental units. ATCO Structures has successfully diversified and strengthened its business in recent years by widening its geographic reach, expanding its manufacturing capacity and sales branch network, diversifying its product and service offerings and the customers and industries it serves, and further strengthening its dedicated skilled workforce, its processes and supporting systems.

Through our majority controlling investment in Canadian Utilities, we invest in regulated and non-regulated energy infrastructure. Our energy businesses serve more than 4 million customers and generate 777-MW of power through a diversified portfolio of wind, solar, hydro and natural gas facilities, and we have storage facilities capable of storing more than 117 PJ of natural gas and 544,000 m3 of natural gas liquids.

ATCO Frontec is at the forefront of defence services. We are a trusted provider of mission-critical services that safeguard communities, national security operations, and remote infrastructure. ATCO has operations in Canada, Australia, the US, Mexico, and South America, and maintains 73 Indigenous partnerships, Memorandums of Understanding (MOU) and agreements, many in ATCO Frontec, which facilitates their work in remote locations while providing economic participation to the surrounding communities.

Our 40 per cent ownership in Neltume, a port and ports services business owns and operates 17 ports throughout the Americas. This investment in an essential industry positions us for future growth as the movement of goods globally continues

to be vital to the economic prosperity of nations. Additionally, our retail business, built from the ground up, now serves more than 360,000 customer sites.

These investments in essential services position us to capitalize on Canada's need for 3.5 million new homes by 2030 to restore affordability through programs like Build Canada, and participate in new opportunities arising from the global trend in increased defence spending, including Canada's commitment to raise defence spending to 5 per cent of gross domestic product (GDP) by 2035. Lastly, we are positioned to participate in Canada becoming a global energy power with public sentiment shifting to support energy sovereignty and investment in domestic infrastructure.

ATCO VALUES

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 exceptional, comprehensive and integrated solutions to meet their evolving needs and expand into new markets. ATCO has an unwavering commitment to financial strength, operational excellence, our customers, our people and the communities we are privileged to serve around the world.

ATCO'S INVESTMENT STRATEGY

At the heart of ATCO's investment strategy is our globally diversified portfolio that provides integrated, sustainable solutions in the essential services space to tackle the world's most urgent challenges. We are primarily focused on housing, defence services and the energy space, along with other investments that will drive long-term growth. These essential services underpin our portfolio and our commitment to ongoing investments. 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.

Growth

New growth is guided by our focus on essential services, macroeconomic trends, and key relationships.

Value

These investments provide a balance between yield and growth.

Foundational

Drive efficiency and reliability through a modern operating model with a strong commitment to safety, while delivering dependable energy solutions.



At the base of our portfolio we look for a stream of stable and reliable earnings and recurring cash flows for ATCO. This supports new investment and provides surety to our dividends in line with our core financial tenets. Our Canadian Utilities businesses have these characteristics.

Value investments provide a balance between yield and growth and while they likely have some cyclicalities, they also generally have the ability to outpace overall economic growth and drive better returns.

We also look for contributions that are more growth focused. These investments 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. 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. We have been strategically transitioning to a greater proportion of more growth-oriented assets to return the balance and drive long-term growth.

OUR COMPANY

GLOBAL PROFILE

ATCO Ltd. is a publicly traded company with its Class I non-voting shares (Class I Shares) listed as ACO.X on the Toronto Stock Exchange (TSX).

Principal subsidiaries are Canadian Utilities (TSX.CU), of which ATCO owns 52.4 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, and ATCO Energy, and a 40 per cent equity investment in Neltume Ports (the 2025 Consolidated Financial Statements include our equity-accounted investment in this associate company and also our share of joint venture (JV) investments).

PARTNERING AND INVESTING IN LIFE'S ESSENTIALS FOR A CHANGING WORLD

Based in Alberta, ATCO is one of Canada's premier corporations. With assets of approximately \$28 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 12,200 employees in our non-controlled interests around the world.



4M+

Total Customers



\$28B

Total Assets



33

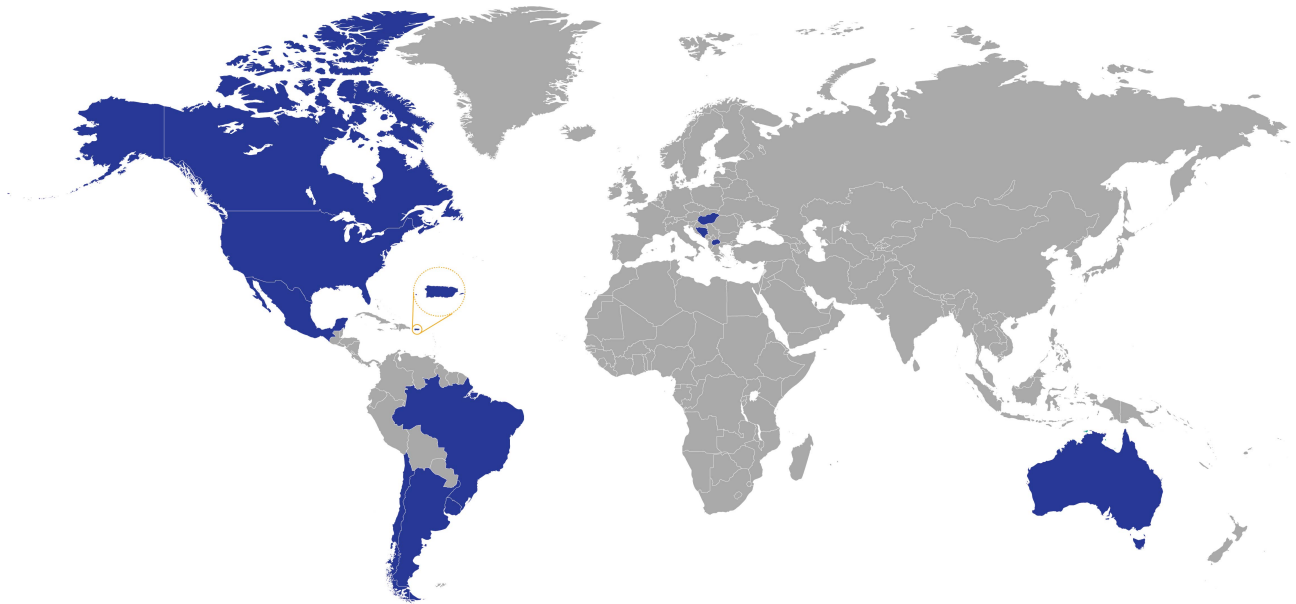
**Years of Annual
Dividend Increases**



**100+
COUNTRIES**

**Long History of Global
Operations**

CURRENT OPERATIONS



OUR BUSINESS UNITS

ATCO reports on the three business units of Structures & Logistics, ATCO Investments, 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; ATCO Investments incorporates Neltume Ports, Other Investments, and ATCO Corporate & Other; and Canadian Utilities reports on ATCO Energy Systems, ATCO EnPower, ATCO Australia, and Canadian Utilities Financing & 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	28,500	13
Operating Locations Worldwide	Total Fleet Size	Manufacturing Locations

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

ATCO Structures, with over 75 years of industrial, commercial and residential modular expertise, is well positioned to capture growth in an expanded market. 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 global operations are strategically positioned near regions with high-growth economic zones.

ATCO Structures' 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 across the globe organically while supplementing with targeted inorganic opportunities to meet the needs of our growing customer base.

ATCO FRONTEC

FAST FACTS

		
30	42 Years	1.3 million
Operating Locations Worldwide	Supporting Government & Defence Clients	Guests Served

ATCO Frontec is a leader in defence and security operations, disaster response and serving remote workforces, and has a longstanding history of supporting Canada's Department of National Defence, the Canadian Armed Forces, and North Atlantic Treaty Organization (NATO). The business provides workforce lodging and support services, facility operations and maintenance services, and continues to grow its business as an international provider of integrated operational support services to government, defence and commercial clients.

With our expertise in comprehensive logistics, operational and in-service support solutions in remote and challenging locations, 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.

ATCO Investments

ATCO Investments incorporates our 40 per cent equity investment in Neltume Ports, and our wholly-owned subsidiaries ATCO Land and Development, Ashcor, and ATCO Energy. ATCO Investments also includes ATCO Corporate & Other which contains the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses.

NELTUME PORTS

FAST FACTS

			
17	6	7,500	47 million
Port Facilities	Port Operations	Approximate Employees in 6 Countries	Tonnes of Product Handled

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, Guatemala, and the US. In 2025, Neltume Ports handled 47 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.

OTHER INVESTMENTS

FAST FACTS



10%

**Year-Over-Year Growth in
Customer Sites**



202,000 tonnes

**RAM™ Facility CO₂ Reduction
per annum**



3

**Active Modular Townhome
Developments**

Other Investments includes ATCO Land and Development, Ashcor, and ATCO Energy. ATCO Land and Development is a commercial real estate business that holds investments for sale, lease or development; Viva Homes by ATCO (Viva Homes) is a branch of the business offering sustainable living solutions in a fraction of the time. Ashcor is a company engaged in the recycling and marketing of ash, a waste byproduct of electricity generation. ATCO Energy provides retail electricity and natural gas services to homes and businesses, along with several home maintenance services in Alberta. The ATCO Energy team also manages its food services division, Blue Flame Kitchen.

Each line of business included in Other Investments is focusing on creating meaningful growth within its industries. ATCO Land and Development is looking towards product portfolio expansion, particularly through its growth in residential development volumes through Viva Homes. Ashcor continues to pursue organic expansion driven by customer demand and unlocking new markets through securing live ash contracts in the US. ATCO Energy's growth pursuits include expanding their market presence across Alberta with a focus on customer sign-ups while continuing to prioritize customer satisfaction and retention.

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



107,000 KM

**Powerlines
(Owns and Operates)**



51,700 KM

**Pipelines
(Owns and Operates)**



3.1 million

**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, Natural Gas Transmission and Natural Gas Distribution) operating in Alberta, Saskatchewan and the northern regions of Canada, have delivered safe, resilient and reliable electricity and natural gas to customers for decades. International Electricity Operations operates in Puerto Rico through Canadian Utilities' indirect 50 per cent ownership in LUMA Energy, LLC (LUMA Energy).

ATCO Energy Systems' value proposition is embedded in its proven ability to: deliver essential energy for an evolving world to satisfy our customers' evolving needs, provide quality of life to a growing population, advance economies and power industry. Our customers need safe, resilient and reliable services balanced with affordability. We safely deliver this reliable and affordable energy by 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' five-year (2026-2030) capital expenditure plan in the Regulated Utilities anticipates approximately \$11.5 billion of capital spending to

support the evolving needs of our customers throughout our regulated jurisdictions. These capital projects are expected to be primarily aligned with customer growth, system reliability and safety, climate adaptation and resilience, new technologies and energy transition initiatives. See Appendix 2 for additional information on the five-year (2026-2030) capital expenditure plan.

ATCO ENPOWER

FAST FACTS



544,000 m³

**Natural Gas Liquids
Storage Capacity**



476-MW

**Electricity Generation
(Owns and Operates)**



117 PJ

**Natural Gas Storage
Capacity**

ATCO EnPower delivers reliable and innovative energy solutions designed to meet the needs of a rapidly changing world. The business focuses on offering dependable, cost-effective, and efficient energy infrastructure while leveraging its core competencies and asset base across the Americas. ATCO EnPower takes a disciplined approach to development and investment, aligning its activities with market conditions, customer requirements, and the business's three-pillar growth strategy and long-term vision: Storage, Generation, and Cleaner Fuels.

ATCO EnPower's businesses include hydro, solar, wind, and natural gas electricity generation in Canada, Mexico, and Chile, as well as natural gas storage, natural gas liquids storage, and industrial water solutions in Alberta. ATCO EnPower is also developing its cleaner fuels business including carbon capture and sequestration (CCS) projects.

ATCO AUSTRALIA

FAST FACTS



15,000 KM

**Natural Gas Pipelines
(Owns and Operates)**



\$1.5 billion

**Regulatory Asset Base as of
December 31, 2025**



14,318

**New Customers
Energized in 2025**

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. Increased demand and reliability shortfalls in key Australian electricity markets requires delivery of new power generation, storage and transmission. Leveraging our strong existing base business and with ATCO Australia's continued focus on delivering and operating strategic energy infrastructure assets, we aim to substantially increase our capacity and play a key role in supporting Australia's energy transition and the rising demand for affordable and cleaner energy. ATCO Gas Australia's five-year (2026-2030) capital expenditure plan anticipates approximately \$0.5 billion of capital spending to support the evolving needs of our customers. These capital projects are expected to be primarily aligned with customer growth, system reliability and safety, climate adaptation and resilience, new technologies and energy transition initiatives. See Appendix 2 for additional information on the five-year (2026-2030) capital expenditure plan.

OUR OPERATING ENVIRONMENT

We operate in a complex and ever-changing world, and as such must anticipate and understand the broad trends impacting our customers and communities.

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.



THE GLOBAL ECONOMY AND MARKET VOLATILITY

The global impacts of large-scale world events continue to create challenges for businesses everywhere. Over the past five years, we have seen trade tensions escalated by economic nationalism and ever-changing tariffs, rapid advancements in artificial intelligence, increasingly destructive climate disasters, supply chain interruptions, and continued geopolitical tensions, all putting pressure on the global economy and increasing market volatility. These factors all underscore one reality: businesses must be ready for anything. By being a forward-looking company, ATCO can reduce our susceptibility to these changes and find opportunities.

We view total share owner return through a long-term lens, and our corporate actions are consistent with that. Our core financial pillars – minimum liquidity and a strong focus on access to capital – 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.



CHANGING POLICY AND REGULATIONS

Over the last few years, there have been 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. Additionally, market conditions within Alberta, where many of our assets are located, have been impacted by market and transmission policy reforms and other regulatory developments. While some changes can present an opportunity to collaborate with new governments, other changes can present threats as abrupt changes in policy create investment instability, protectionist attitudes turn to tariffs, or volatility is introduced in cross-border supply chain. Our Company works to build collaborative and constructive relationships with each level of government within the jurisdictions we operate.

The regulatory landscape surrounding energy in particular is seeing heightened scrutiny as governments reassess their priorities. Moving from focusing primarily on greenhouse-gas reduction mandates, many jurisdictions are placing greater weight on affordability, system reliability, and economic sovereignty. This is prompting changes to domestic-content rules, adjustments to permitting processes, and policies that intended to influence investment and manage costs. Additionally, energy regulation is starting to focus less on prescriptive emissions-based requirements and more towards balancing environmental objectives with economic needs, infrastructure requirements and operational considerations across the energy system.

Companies need to be diligent in making sure they understand the impacts, risks 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, sustainability, government affairs, legal and finance and accounting teams, our Company is proactive in our approach to developments in policy and regulations.



ENERGY SECURITY & TRANSITION

Energy security has emerged as a global priority as markets navigate geopolitical uncertainty, supply chain constraints, and growing electricity demand. In this environment, dependable, affordable, and resilient energy systems are essential. Across the industry, utilities are responding by fortifying and modernizing essential infrastructure systems, diversifying energy sources, and deploying technologies that enhance system reliability and flexibility. ATCO is well positioned to support this shift. With a diversified portfolio across electricity and natural gas—spanning regulated and non-regulated assets—we have the capability to expand critical infrastructure, modernize the grid and pipeline systems, and integrate new technologies that enhance reliability and affordability. Shifts in federal policy are contributing to a more supportive environment for investments that strengthen generation, storage, transmission, and natural gas networks.

Climate change continues to shape the way we plan, operate, and invest. Extreme weather—ranging from wildfires and heat events to ice storms and major wind systems—is becoming more frequent and severe. These events can disrupt communities and strain energy systems, underscoring the need for resilient infrastructure. The Company maintains robust emergency response capabilities and proactive mitigation programs, including comprehensive Wildfire Management Plans and ongoing system-hardening initiatives. When planning new capital investments or evaluating asset acquisitions, we incorporate detailed climate and site-specific assessments such as floodplain mapping, long-term weather trends, and environmental risk factors.

Through this balanced approach, we are advancing energy security today while enabling a responsible, practical energy transition—ensuring the systems we build remain reliable, resilient, and affordable for the customers and communities we serve.



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. ATCO Structures and Viva Homes have collaborated with governments and non-profit organizations to deliver affordable housing projects across Western and Central Canada, including recent projects with the Government of British Columbia, municipalities in Ontario, and Attainable Homes Calgary. The permanent modular construction offered by ATCO is a way to relieve pressure on the housing market with modular construction that can be up to three times 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. ATCO offers innovative solutions for sustainable living, making industry-leading homes attainable in a fraction of the time, by combining with the collective strengths of Triple M Housing, ATCO Structures and Viva Homes. With a strategy aimed at bringing high-quality, cost-competitive housing to the market through the utilization of advanced modular construction processes, and deep development expertise, the Company is breaking new ground in the attainable housing space. This housing strategy aims to help meet the national need for viable housing options and provide government, agency and market owners with a turnkey housing solution at a pace that cannot be matched through conventional on-site construction.



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 industry 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 and have a broad range of skills and expertise that can support the recovery of communities in need or damaged infrastructure.



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.

Additionally, ATCO Frontec has spent considerable effort on its digitization through its all encompassing dashboarding initiative which provides a single source for both financial and non-financial data. The primary goal is for decision makers across the organization to have a single source of information whereby trends can be identified earlier and decisions made more effectively. The platform will also be an ideal area to layer on various AI tools in order to enhance trend analysis and leverage predictive output.

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.



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, including the Polar Over-the-Horizon Radar Contract announced in 2025 with Inuvialuit Frontec Services, a joint venture partnership between ATCO Frontec and Inuvialuit Development Corporation. In December 2025, Denendeh Investments Incorporated (DII) increased their ownership stake in Naka Power Utilities (NWT) Ltd. (Naka) to a majority 51 per cent. Our long history of equitable partnerships also includes ATCO Energy Systems' landmark sale of Alberta PowerLine in which seven Indigenous communities in Alberta purchased a 40 per cent equity interest, 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 Goodstone 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.



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 moderate economic growth, but others have slowed with rising economic uncertainties and geopolitical risks. However, as borrowing costs are expected to continue to hold flat through 2026, it is anticipated that the impact of interest rates will continue to diminish. With increased expenditures of governments around the world, 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 78 years through other times of unpredictable 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.

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 2025 Management Proxy Circular, which will be available in April 2026.

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 rigour 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 the DADs. DADs are generally directors of either ATCO or Canadian Utilities. A DAD may be assigned to one of our business units based on their strengths and experience in various industry sectors. The role of DADs is to supplement the oversight role of the Audit & Risk Committee.

DADs are expected to be better informed on audit- and risk-related issues for the business units than would normally be expected for Audit & Risk Committee members. DADs meet quarterly with senior management of their respective business unit, and annually with internal and external auditors. DADs review financial performance and operating results quarterly, review risks twice yearly, and report to the Audit & Risk Committee. The Audit & Risk Committee annually reviews the mandate of the DADs.

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)	2025	2024	2023
Key Financial Metrics			
Revenues	5,143	4,942	4,741
Adjusted earnings (loss) ⁽¹⁾	518	481	432
ATCO Structures & Logistics ⁽¹⁾	121	104	90
ATCO Investments ^{(1) (2)}	52	37	27
Canadian Utilities Limited ⁽¹⁾			
ATCO Energy Systems ⁽¹⁾	337	333	302
ATCO EnPower ⁽¹⁾	23	23	24
ATCO Australia ⁽¹⁾	36	25	32
Canadian Utilities Financing & Other ⁽¹⁾	(51)	(41)	(43)
Adjusted earnings (\$ per share) ⁽³⁾	4.61	4.29	3.82
Earnings attributable to Class I and Class II Shares	150	430	432
Earnings attributable to Class I and Class II Shares (\$ per share)	1.34	3.83	3.82
Diluted earnings attributable to Class I and Class II Shares (\$ per share)	1.33	3.83	3.82
Total assets	27,668	26,724	25,358
Long-term debt	13,029	11,551	11,048
Class I and Class II Share owners' equity	4,522	4,632	4,423
Cash dividends declared per Class I and Class II Share (cents per share)	2.02	1.96	1.90
Cash flows from operating activities	2,484	2,197	1,965
Capital investment ⁽⁴⁾	1,915	1,871	2,301
Capital expenditures	1,873	1,820	1,586
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding (thousands):			
Basic	112,302	112,174	113,216
Diluted	112,662	112,282	113,378

(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) In 2025, ATCO Ltd. simplified its operating segment structure by combining the Neltume Ports and ATCO Corporate & Other segments into a single ATCO Investments segment. Previously, Neltume Ports and ATCO Corporate & Other had been reported separately. Comparative amounts for prior periods have been reclassified to reflect this change in reportable operating segments.
- (3) 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.
- (4) Non-GAAP financial measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is capital expenditures. Capital investment is not a standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

REVENUES

Revenues in 2025 were \$5,143 million, \$201 million higher than the same period in 2024 mainly due to ATCO Structures' higher sale and lease activity in Canada and the US, and permanent modular construction activity in the US. Higher revenues were also due to revenue growth at Canadian Utilities including growth in the regulated rate base in ATCO Energy Systems, additional revenues from ATCO Energy, which was acquired from Canadian Utilities on August 1, 2024, and higher flow-through natural gas revenues and stronger seasonal spreads in natural gas storage services in ATCO EnPower. Revenues were partially offset by a decrease in 2025 return on equity (ROE) in ATCO Energy Systems, the completion of efficiency carry-over mechanism (ECM) funding in 2024 for Electricity Distribution and Natural Gas Distribution, and the commencement of refunds of \$35 million and \$36 million to the customers of Electricity Distribution and Natural Gas Distribution, respectively, over the September 1, 2025 to February 28, 2026 period, resulting from the AUC's Second Generation Performance Based Regulation (PBR2) re-opener Phase II decision, currently under appeal with the Alberta Court of Appeal.

ADJUSTED EARNINGS ⁽¹⁾

Our adjusted earnings in 2025 were \$518 million or \$4.61 per share, compared to \$481 million or \$4.29 per share for the same period in 2024.

Higher adjusted earnings in 2025 were mainly due to ATCO Structures' increased sale and leasing activity in Canada and the US, permanent modular construction activity in the US, additional earnings from ATCO Energy, which was acquired on August 1, 2024, and favourable cargo mix and improved margins across operations within Neltume Ports' portfolio. Higher adjusted earnings were also due to growth in rate base in ATCO Energy Systems' businesses, and higher rates in ATCO Gas Australia as a result of moving into AA6. Higher earnings were partially offset by a decrease in 2025 ROE in ATCO Energy Systems, and completion of ECM funding in 2024 for Electricity Distribution and Natural Gas Distribution. Additionally, higher earnings were partially offset by higher net finance costs.

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 \$150 million in 2025, \$280 million lower compared to the same period in 2024. 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.

IFRS earnings were negatively affected by the recognition of \$253 million of asset impairments and write-offs in the fourth quarter of 2025 mainly related to the Alberta Renewables Portfolio in ATCO EnPower that was primarily driven by elevated curtailment from inadequate transmission infrastructure and electricity grid deficiencies, and certain hydrogen assets in Natural Gas Distribution which were impaired due to the uncertainty of utility hydrogen regulations. In addition, ATCO Gas Australia recognized an impairment related to the phasing out of an aging liquefied petroleum gas distribution network in Albany, Western Australia due to large sections of the system nearing the end of their service life.

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.

⁽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.

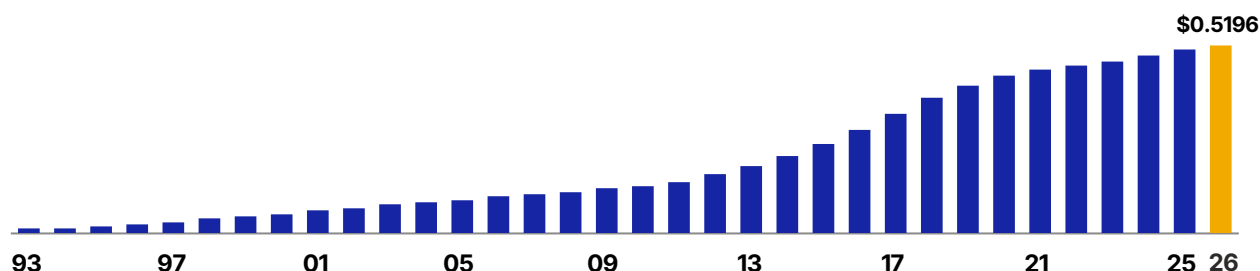
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were \$2,484 million in 2025, \$287 million higher than the same period in 2024. This increase was mainly due to higher earnings in ATCO Structures, the timing of settlement of accounts payable and the collection of trade receivables from customers, and increased customer contributions in the Regulated Utilities.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 33 years, a track record of which we are very proud. Dividends paid to Class I and Class II Share owners totaled \$227 million in 2025. On January 8, 2026, the Board of Directors declared a first quarter dividend of 51.96 cents per share or \$2.08 on an annualized basis. ATCO expects to continue to grow its dividends consistent with the sustainable growth of its investments.

Quarterly Dividend Rate 1993 - 2026
(dollars per share)

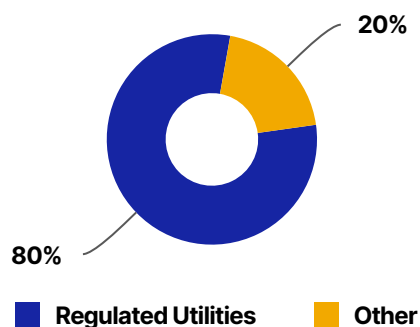


CAPITAL INVESTMENT ⁽¹⁾ AND CAPITAL EXPENDITURES

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 \$1,915 million in 2025 was \$44 million higher compared to the same period in 2024 mainly due to increased capital spend in Natural Gas Transmission on growth projects for new customers, such as Yellowhead, increased capital spending on rental fleet additions in ATCO Structures, and the acquisition of Northstone Power Corp. in the fourth quarter of 2025 by ATCO EnPower. These increases were partially offset by lower capital spend in Electricity Distribution and Electricity Transmission due to the timing of capital projects related to system reliability, safety, as well as climate adaptation and resilience, and ATCO Structures' acquisition of NRB in 2024.

Capital expenditures, a GAAP measure reported in accordance with IFRS, includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Total capital expenditures of \$1,873 million in 2025 were \$53 million higher compared to the same period in 2024 mainly due to the factors outlined above, with the exception of the Northstone Power and NRB acquisitions. Capital expenditures in joint ventures and business combinations are excluded from capital expenditures.

Capital Expenditures in 2025



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

Capital expenditures in Canadian Utilities' Regulated Utilities accounted for 80 per cent of the total in the full year of 2025. The remaining 20 per cent was primarily related to ATCO Structures' continued expansion of its space rentals fleet, largely in the US, and capital spending within ATCO EnPower and ATCO Investments.

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

ATCO Structures & Logistics revenues of \$381 million and \$1,282 million in the fourth quarter and full year of 2025 were \$14 million and \$168 million higher than the same periods in 2024 mainly due to ATCO Structures' higher sale and lease activity in Canada and the US, and permanent modular construction activity in the US. Higher revenues were partially offset by decreased client work requests and occupancy at the ATCO Frontec-operated BC Hydro Site C camp, completion of ATCO Frontec projects in 2024 and 2025, including the Pogo Mine camp in the fourth quarter of 2025, and ATCO Structures' lower workforce housing sale activity in Australia in the fourth quarter of 2025.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
(\$ millions)	2025	2024	Change	2025	2024	Change
ATCO Structures⁽¹⁾	31	25	6	119	108	11
ATCO Frontec⁽¹⁾	(1)	(1)	—	2	(4)	6
Total ATCO Structures & Logistics⁽²⁾	30	24	6	121	104	17

(1) Non-GAAP financial measures. The most directly comparable measure reported in accordance with IFRS is Earnings Attributable to Class I non-voting and Class II voting shares. Adjusted earnings is not a standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. 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 Structures & Logistics adjusted earnings of \$30 million and \$121 million in the fourth quarter and full year of 2025 were \$6 million and \$17 million higher than the same periods in 2024. Higher adjusted earnings were mainly due to ATCO Structures' increased sale and lease activity largely in Canada and the US, and permanent modular construction activity in the US. These increases were partially offset by higher operating costs associated with geographic expansion of branch locations, and reduced workforce housing sale activity in Australia. Workforce housing sale activity in the US contributed to the increase during the quarter but partially offset the increases above for the full year.

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

ATCO STRUCTURES

ATCO Structures operates three business lines: Space Rentals, Workforce Housing, and Permanent Modular Construction. Space Rentals provides prefabricated, transportable spaces such as modular complexes, mobile offices, kiosks, storage, and sanitary solutions that support construction, manufacturing, industrial operations, education, and healthcare. Workforce Housing provides modular accommodation solutions designed for industrial and remote worksites supporting natural resources, large-scale infrastructure development, and defence. Permanent Modular Construction serves both commercial and residential markets, providing modular buildings for education, healthcare, hospitality, sports and recreation, and residential solutions across the housing continuum, including single- and multi-family homes. ATCO Structures operates through two commercial streams: Sales, which encompasses sales of product and service offerings to customers across all three business lines; and Leasing, which includes leasing both Space Rentals and Workforce Housing products to customers.

ATCO Structures' adjusted earnings of \$31 million and \$119 million in the fourth quarter and full year of 2025 were \$6 million and \$11 million higher than the same periods in 2024 mainly due to increased workforce housing sale activity in Canada, space rental sale and leasing activity in Canada and the US, and permanent modular construction activity in the US. This was partially offset by higher operating costs associated with geographic expansion of branch locations in the US and the acquisition of NRB, and reduced workforce housing sale activity in Australia. Workforce housing sale activity in the US contributed to higher earnings during the quarter, but partially offset the increases noted above for the full year.

The following table compares ATCO Structures' rental fleet for the fourth quarter and full year of 2025 and 2024.

	Three Months Ended December 31			Year Ended December 31		
	2025	2024	Change	2025	2024	Change
Global Space Rentals						
Number of units	26,519	25,018	6%	26,519	25,018	6%
Average utilization (%)	74	74	—%	75	74	1%
Average rental rate (\$ per month)	854	794	8%	826	786	5%
Global Workforce Housing						
Number of units	1,983	2,621	(24%)	1,983	2,621	(24%)
Average utilization (%)	60	61	(1%)	58	60	(2%)
Average rental rate (\$ per month)	1,352	1,541	(12%)	1,375	1,446	(5%)

Rental Fleet

Space Rentals

ATCO Structures has increased its global space rentals fleet through increased capital investment in Canada, the US and Australia to capture market share and execute its expansion strategy for 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 leasing assets in these regions. The elevated demand is underpinned by strong general construction activity, public infrastructure development in Canada and technology infrastructure projects in the United States. Consistent utilization rates have been maintained while growing the number of units in the rental fleet through targeted investment to strengthen market position in regions with ongoing activity.

Workforce Housing

ATCO Structures reduced its global workforce housing fleet through the strategic disposition of under-utilized assets in certain regions. ATCO Structures is focused on maintaining the optimized level and mix of workforce housing fleet in Canada, the US and Australia, which includes targeted investment to tailor fleet mix and expand fleet offerings in strategic locations to meet the current and anticipated market demand. Average rental rates decreased due to the conclusion of large, long-term rental contracts in Canada, the US and Australia.

ATCO Structures 2025 Overview

Throughout 2025, ATCO Structures was able to continue growing its operating footprint and customer base through continued investment in its base business. This included physical expansion through the addition of a new operating location in Canada, commencement of modernization and enhancement of the Grimsby, Ontario manufacturing facility, and addition of a

new manufacturing facility in Queensland, Australia. Product offerings were also expanded with the introduction of new residential modular product categories, to enhance our line of products offered across the housing continuum in Canada.

ATCO Structures continued to execute its expansion strategy in the United States, including securing a \$179 million contract with Perpetua Resources Corp., the largest in its operating history in the United States, and being awarded a Multiple Award Schedule contract by the US General Services Administration (GSA), enabling the sale of products and services to the US government directly through the GSA.

ATCO Structures focused on the continuous optimization of rental fleet performance that has sustained steady growth of the rental fleet organically, which is the fundamental component of base business growth. A summary of the key projects and sales contracts that were awarded throughout 2025 is noted below. These were awarded throughout 2025 and comprise a portion of revenues during the year.

Canada

In the fourth quarter of 2025, ATCO Structures was awarded contracts to provide space rental solutions supporting potash mining operations in Western Canada. These awards comprise 15 modular units and represent \$4 million in sale contracts.

During the first three quarters of 2025, ATCO Structures was awarded contracts to provide space rental, workforce housing, and permanent modular construction solutions supporting critical mineral exploration and mining, gold and silver mining, nuclear generation, air transportation, and urban infrastructure projects in western and central Canada, as well as a cultural centre project in northern Canada. These awards comprise over 400 modular units and total \$103 million in sale and lease contracts.

United States

In the fourth quarter of 2025, ATCO Structures was awarded contracts to provide space rental, workforce housing, and permanent modular construction solutions supporting education and data centre construction in Texas. These awards comprise 337 modular units and total \$29 million in sale and lease contracts.

During the first three quarters of 2025, ATCO Structures was awarded a \$179 million contract by Perpetua Resources Corp. to supply and install a 1,052-person dormitory lodge and office facilities in support of the Stibnite Gold Project located near Yellow Pine, Idaho. ATCO Structures was also awarded contracts to provide space rental and workforce housing solutions supporting conventional power generation, critical mineral exploration and mining, shipping infrastructure enhancements, gold exploration and mining, technology construction across the continental US, including projects to construct chip fabrication facilities, data centres and related infrastructure, and provision of standalone offices for use by the US Navy. These awards comprise over 300 modular units and total \$61 million.

Australia

In the fourth quarter of 2025, ATCO Structures was awarded contracts to provide space rental and workforce housing solutions supporting defence, mining, and modular brokering operations in western Australia. These awards comprise 106 units and total \$6 million in sale and lease contracts.

During the first three quarters of 2025, ATCO Structures added a new manufacturing location in Brisbane, Queensland, to increase manufacturing capacity in the region, enable planned fleet expansion, increase capacity for sales in Australia, and provide capacity in anticipation of demand for infrastructure projects related to the 2032 Olympics in Brisbane. ATCO Structures was awarded contracts to provide space rental, workforce housing and permanent modular construction solutions supporting mining operations in New South Wales and Queensland, camp relocation and expansion in Western Australia, infrastructure projects in Victoria, and education facilities in Queensland. These sale awards comprise over 180 units and total \$43 million.

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's adjusted earnings in the fourth quarter of 2025 were comparable to the same period in 2024.

ATCO Frontec's adjusted earnings of \$2 million in the full year of 2025 were \$6 million higher than the same period in 2024. Higher earnings were mainly due to improved earnings from ATCO Frontec's Nasittuq contract and Jansen Discovery Lodge projects, realized operating efficiencies, additional earnings from the Polar Over-the-Horizon Radar project, and a provision

recorded in the third quarter of 2024 regarding the potential collectability of a customer's receivables. Higher earnings were partially offset by decreased client work requests and occupancy at the BC Hydro Site C camp and completion of ATCO Frontec projects in 2024 and 2025, including the Pogo Mine camp in the fourth quarter of 2025.

ATCO Frontec 2025 Overview

Polar Over-the-Horizon Radar Contract

In March 2025, the Government of Canada awarded Inuvialuit Frontec Services (IFS), a joint venture partnership between ATCO Frontec and Inuvialuit Development Corporation (IDC), a contract to design, build, install and operate a new radar defence system in the Northwest Territories. The \$49 million contract commenced on March 28, 2025, with a term of two years and potential for three additional one-year options. IDC holds 51 per cent ownership in the IFS joint venture.

Mining Operations Award

In the second quarter of 2025, Frontec commenced mobilization for the operation of an existing 500-bed facility. This \$47 million three-year contract is in support of mining operations located in British Columbia, Canada.

Prime Contractor Role Secured

In the third quarter of 2025, ATCO Frontec secured a position as a US Prime Contractor on the US Navy's Worldwide Expeditionary Multiple Award Contract 2.1 – Territorial Integrity of the United States. ATCO Frontec is now eligible to bid on task orders under the program to deliver expeditionary logistics and life support services across the continental US and outlying territories, positioning ATCO Frontec as a trusted, large-scale US prime contractor.

Canadian Forces College (CFC) Award

ATCO Frontec was awarded a new one-year contract to provide full-service food catering at the CFC in Toronto, Ontario starting in the third quarter of 2025. This \$1 million contract runs until July 31, 2026, with a one-year extension option.

US Camp Awards

In the fourth quarter of 2025, ATCO Frontec mobilized the operation of a workforce housing camp supporting a gold mine in Boise, Idaho. ATCO Frontec was also awarded a 30-month contract to provide camp services for a 1,000-bed and 1,000-RV site camp supporting a copper mine in Bagdad, Arizona. Mobilization for this Bagdad camp is expected to begin in the second quarter of 2026.

Alaska Radar System

ARCTEC Alaska, a joint venture between ATCO Frontec and ASRC Federal Subsidiary Primus Solutions, Inc. (Primus), has been awarded the rebid contract to provide operations and maintenance services for the Alaska Radar System. The initial contract term is one year, followed by nine optional one-year extensions, with a potential contract value of approximately \$596 million USD. ARCTEC will operate and maintain 15 long-range radar sites across Alaska, three remote radio sites, and facilities at Joint Base Elmendorf-Richardson for the US Air Force. This contract builds on ARCTEC's continuous US Air Force service agreements since 1994. This new contract commences operations in the third quarter of 2026.



ATCO Investments incorporates our 40 per cent equity investment in Neltume Ports, and our wholly-owned subsidiaries ATCO Land and Development, Ashcor, and ATCO Energy. ATCO Investments also includes ATCO Corporate & Other which contains the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses.

REVENUES

Including intersegment eliminations, ATCO Investments' revenues of \$38 million in the fourth quarter of 2025 were \$4 million lower than the same period in 2024 mainly due to lower revenues in ATCO Energy due to decreased commodity prices.

Including intersegment eliminations, ATCO Investments' revenues of \$171 million in the full year of 2025 were \$85 million higher than the same period in 2024 mainly due to additional revenues from ATCO Energy which was acquired from Canadian Utilities on August 1, 2024, and increased volume and pricing at Ashcor's facilities.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
(\$ millions)	2025	2024	Change	2025	2024	Change
Investments						
Neltume Ports	10	6	4	35	24	11
Other Investments ⁽¹⁾	7	3	4	21	7	14
Total Investments ⁽¹⁾	17	9	8	56	31	25
ATCO Corporate & Other ⁽¹⁾	5	6	(1)	(4)	6	(10)
Total ATCO Investments ⁽²⁾	22	15	7	52	37	15

(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.

Including intersegment eliminations, ATCO Investments' adjusted earnings of \$22 million and \$52 million in the fourth quarter and full year of 2025 were \$7 million and \$15 million higher than the same periods in 2024 mainly due to additional earnings from ATCO Energy which was acquired on August 1, 2024, favourable cargo mix and improved margins across operations within Neltume Ports' portfolio, and ATCO Land and Development's gain on a land sale in the fourth quarter of 2025. Increased earnings were also due to additional nonrecurring services throughout 2025 in Neltume Ports which contributed approximately \$4 million to adjusted earnings in 2025. Partially offsetting these increases were higher net interest expenses in ATCO Corporate & Other.

Neltume Ports

Neltume Ports is a port operator and developer with a diversified portfolio of 17 multi-purpose, bulk cargo and container port facilities and 6 port operation services. The business is located primarily in Chile with additional operations in Uruguay, Argentina, Brazil, Guatemala, and the US.

Neltume Ports' adjusted earnings of \$10 million and \$35 million in the fourth quarter and full year of 2025 were \$4 million and \$11 million higher than the same periods in 2024 mainly due to favourable cargo mix and improved margins across operations within the portfolio of ports. Additionally, nonrecurring services contributing approximately \$4 million to earnings over the third and fourth quarters of 2025.

Other Investments

Other Investments includes ATCO Land and Development, Ashcor, and ATCO Energy. ATCO Land and Development is a commercial real estate business that holds investments for sale, lease or development. Ashcor is a company engaged in the recycling and marketing of ash, a waste byproduct of electricity generation. ATCO Energy provides retail electricity and natural gas services, home products, home maintenance services and professional home advice in Alberta, and includes our retail food services brand Blue Flame Kitchen.

Other Investments' adjusted earnings of \$7 million and \$21 million in the fourth quarter and full year of 2025 were \$4 million and \$14 million higher than the same periods in 2024 mainly due to ATCO Land and Development's gain on a land sale in the fourth quarter of 2025, and additional earnings from ATCO Energy, which was acquired from Canadian Utilities on August 1, 2024. ATCO Energy's earnings were higher in the full year of 2025 compared to the same period in 2024 mainly due to increased commodity margins. Higher earnings were partially offset by increased business development costs within Ashcor and ATCO Land and Development.

ATCO Corporate and Other

ATCO Corporate & Other contains the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses.

ATCO Corporate & Other's adjusted earnings in the fourth quarter and full year of 2025 were \$1 million and \$10 million lower than the same periods in 2024 mainly due to higher net interest expenses.

ATCO INVESTMENTS 2025 OVERVIEW

In 2025, ATCO simplified its operating segment structure by combining the Neltume Ports and ATCO Corporate & Other segments into a single ATCO Investments segment. Previously, Neltume Ports and ATCO Corporate & Other, which then included ATCO Land and Development, Ashcor, and ATCO Energy, had been reported separately. Comparative amounts for prior periods have been reclassified to reflect this change in reportable operating segments.

Neltume Ports

Vancouver Bulk Terminal Joint Venture

In May 2025, Vancouver Bulk Terminal, a joint venture between Neltume Ports and Nautilus International Holding Corporation, held a groundbreaking ceremony to mark the commencement of construction for the soda ash export bulk facility at Terminal 2 within the Port of Vancouver, Washington. This 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. Soda ash plays a key role in the manufacturing of glass used for buildings, solar panels, containers, and vehicles. It is also vital for the production of lithium used in electric vehicle batteries and other electronics, and a fundamental ingredient in everyday items such as detergents, pharmaceuticals, and baking soda. The upgraded terminal is expected to be operational by late 2026.

Automobile International Terminal, LLC (AIT)

On June 16, 2025, Neltume sold its 50 per cent interest in the AIT port, located in Mobile, Alabama, to its 50/50 joint venture partner, Terminal Zarate US, Inc., who now maintains full 100 per cent ownership of the port.

Odivesa Acquisition

On December 30, 2025, Neltume acquired an 80 per cent interest in Odivesa, a stevedoring company that operates in Puerto Quetzal, Guatemala for \$0.5 million USD.

Ashcor

On January 6, 2025, Ashcor announced an agreement with Consumers Energy to extract and repurpose impounded coal ash from the J.H. Campbell Generating Complex, located near Holland, Michigan. This project represents Ashcor's first RAM™ facility in the US, and construction of the facility will commence in 2026. The operational life of the project is expected to be approximately twenty years.

ATCO Land and Development

Viva Homes by ATCO

In March 2025, the Company introduced ATCO Land and Development's new venture, Viva Homes. This venture is working in the residential housing space with a strategy of bringing high-quality, cost-competitive housing to the market through the utilization of ATCO Structure's advanced modular construction processes and ATCO's development expertise. This strategy will support the national need for housing at an expedited pace relative to conventional on-site construction. Viva Homes has two upcoming projects in Calgary, Alberta in the communities of Arbour Lake and Forest Lawn, which broke ground in the second quarter of 2025, and the first quarter of 2026, respectively.

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

REVENUES

ATCO Energy Systems revenues of \$811 million in the fourth quarter of 2025 were \$17 million lower than the same period in 2024. Lower revenues were mainly due to the commencement of refunds of \$35 million and \$36 million to the customers of Electricity Distribution and Natural Gas Distribution, respectively, over the September 1, 2025 to February 28, 2026 period, resulting from the Alberta Utilities Commission's (AUC's) PBR2 re-opener Phase II Decision rendered in the second quarter of 2025. The Company has been granted leave to appeal this decision, which will be heard by the Alberta Court of Appeal in April 2026.

ATCO Energy Systems revenues of \$3,108 million in the full year of 2025 were \$37 million higher than the same period in 2024. Higher revenues were mainly due to growth in rate base. Higher revenues were partially offset by a decrease in the approved ROE following the annual update of the AUC approved ROE formula which set the 2025 ROE at 8.97 per cent compared to the 2024 rate of 9.28 per cent, and the completion of ECM funding of up to 0.5 per cent additional ROE in 2024 for Electricity Distribution and Natural Gas Distribution. In addition, higher revenues were partially offset by the commencement of the PBR2 re-opener refund.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
(\$ millions)	2025	2024	Change	2025	2024	Change
Electricity						
Electricity Distribution ⁽¹⁾	20	24	(4)	82	79	3
Electricity Transmission ⁽¹⁾	23	25	(2)	93	100	(7)
International Electricity Operations ⁽¹⁾	7	8	(1)	30	29	1
Total Electricity ⁽¹⁾	50	57	(7)	205	208	(3)
Natural Gas						
Natural Gas Distribution ⁽¹⁾	38	37	1	75	75	—
Natural Gas Transmission ⁽¹⁾	14	15	(1)	57	50	7
Total Natural Gas ⁽¹⁾	52	52	—	132	125	7
Total ATCO Energy Systems ⁽²⁾	102	109	(7)	337	333	4

(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 \$102 million in the fourth quarter of 2025 were \$7 million lower than the same period in 2024 mainly due to a decrease in 2025 ROE which was set at 8.97 per cent compared to the 2024 rate of 9.28 per cent, and the completion of ECM funding of up to 0.5 per cent additional ROE in 2024 for Electricity Distribution and Natural Gas Distribution, partially offset by growth in rate base and cost efficiencies. Additionally, lower earnings were partially due to tax adjustments recorded in the fourth quarter of 2024 in Electricity Distribution.

ATCO Energy Systems' adjusted earnings of \$337 million in the full year of 2025 were \$4 million higher than the same period in 2024 mainly due to growth in rate base and cost efficiencies. Higher earnings were partially offset by a decrease in 2025 ROE which was set at 8.97 per cent compared to the 2024 rate of 9.28 per cent, and the completion of ECM funding of up to 0.5 per cent additional ROE in 2024 for Electricity Distribution and Natural Gas Distribution.

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

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in northern and central east Alberta, the Yukon, the Northwest Territories, and in the Lloydminster area of Saskatchewan.

Electricity Distribution adjusted earnings of \$20 million in the fourth quarter of 2025 were \$4 million lower than the same period in 2024 mainly due to tax adjustments recorded in 2024, the completion of ECM funding in 2024, and lower ROE in 2025, partially offset by growth in rate base and cost efficiencies.

Electricity Distribution adjusted earnings of \$82 million in the full year of 2025 were \$3 million higher than the same period in 2024 mainly due to growth in rate base and cost efficiencies, partially offset by the completion of ECM funding in 2024 and lower ROE in 2025.

Electricity Transmission

Electricity Transmission provides electricity transmission mainly in northern and central east Alberta, and in the Lloydminster area of Saskatchewan. Additionally, 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 \$23 million and \$93 million in the fourth quarter and full year of 2025 were \$2 million and \$7 million lower than the same periods in 2024 mainly due to lower ROE in 2025.

International Electricity Operations

International Electricity Operations includes a 50 per cent ownership in LUMA Energy, LLC (LUMA Energy), held by a subsidiary of Canadian Utilities. LUMA Energy is a company formed and awarded an Operations and Maintenance Agreement (OMA) 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.

International Electricity Operations adjusted earnings of \$7 million in the fourth quarter of 2025 were comparable to the same period in 2024.

International Electricity Operations adjusted earnings of \$30 million in the full year of 2025 were \$1 million higher than the same period in 2024 mainly due to higher management fees as a result of inflation adjustments and favourable foreign exchange rates, partially offset by higher non-recoverable costs.

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 \$38 million and \$75 million in the fourth quarter and full year of 2025 were comparable to the same periods in 2024.

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 \$14 million in the fourth quarter of 2025 were comparable to the same period in 2024.

Natural Gas Transmission adjusted earnings of \$57 million in the full year of 2025 were \$7 million higher than the same period in 2024 mainly due to growth in rate base and cost efficiencies, partially offset by lower ROE in 2025.

ATCO ENERGY SYSTEMS 2025 OVERVIEW

Yellowhead Pipeline Project (Yellowhead)

Yellowhead consists of approximately 235 kilometres of high-pressure natural gas pipeline with the projected spend estimated at \$2.9 billion, a Class III estimate with an expected accuracy of +/-20 per cent. The pipeline is 100 per cent contracted with customers, and is on track for construction to commence in 2026, subject to both AUC and corporate approvals. In the third quarter of 2025, the AUC approved the Need Assessment Application for the project. As one of two key regulatory filings that require approval from the AUC to advance, this approval marks a major milestone in the development of Alberta's energy infrastructure. ATCO Energy Systems filed a separate facility application on November 4, 2025, to seek AUC approval for construction and operation of the physical infrastructure. The AUC is expected to render a decision on this application in the third quarter of 2026.

The Company expects to fund Yellowhead's development within CU Inc., according to their regulated capital structure, which is 63 per cent regulated debt and 37 per cent regulated equity. The regulated debt is expected to be funded with CU Inc. debenture issuances throughout 2026 and 2027. The regulated equity is expected to be funded with internally generated cash flows, equity contributions from Canadian Utilities and Indigenous partnerships are expected to contribute up to 30 per cent of the equity. In 2025, Canadian Utilities raised \$500 million fixed to fixed rate subordinate notes and \$200 million preferred shares to substantially pre-fund its equity contribution.

Central East Transfer Out (CETO) Project

CETO consists of a 135-km 240kV transmission line, of which Electricity Transmission is building 85-km of the transmission line and AltaLink LP is constructing the remaining 50-km. Electricity Transmission completed the winter season construction in the first quarter of 2025, including substation tendering for civil, structural and electrical works, began fall season construction in the third quarter of 2025, and continues to progress on target timelines. Electricity Transmission's 85-km of the transmission line is on track to be energized by June 2026 with an approximate \$255 million project spend. CETO 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.

ATCO ENERGY SYSTEMS REGULATORY FRAMEWORKS

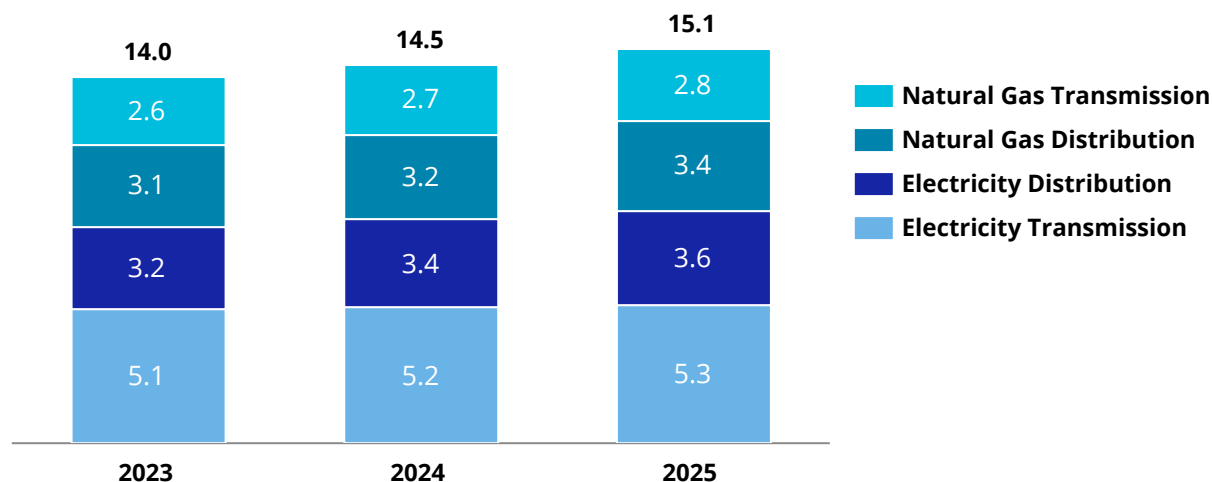
Regulated Business Models

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 (as defined in NI 52-112). Mid-year rate base is not a standardized measure under the reporting framework used to prepare the Company's financial statements and may not be comparable to similar measures disclosed by other issuers. The most directly comparable measures to mid-year rate base reported in accordance with IFRS are property, plant and equipment and intangible assets. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Rate Base and Mid-Year Rate Base to Property, Plant and Equipment and Intangible Assets" in this MD&A.

Performance Based Regulation

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 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	- 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) - 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 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 2025 REGULATORY DEVELOPMENTS

Common Matters

2026 Return on Equity

On November 12, 2025, the AUC issued a decision setting the 2026 ROE at 9.02 per cent. The ROE determination utilized the approved formula set in the 2023 Generic Cost of Capital proceeding. The 2026 ROE of 9.02 per cent is slightly higher than the 2025 ROE of 8.97 per cent, due to favourable bond and utility spreads.

Third Generation PBR (PBR3) Decision Permission to Appeal

On March 12, 2025, the Alberta Court of Appeal granted ATCO Electric Permission to Appeal (PTA) a decision of the AUC that established the parameters of the PBR3 plan that will apply to the Alberta Electric and Gas Distribution utilities for the period 2024 to 2028 (PBR3 Decision).

The PTA was granted to ATCO Electric on the issue of whether the AUC erred in failing to provide ATCO Electric with a reasonable opportunity to recover and earn a fair return on its prudent costs of capital for its required Grid Modernization Program during the PBR3 term, contrary to the regulatory compact and the statutory obligation of the AUC as per the *Electric Utilities Act*. The appeal was heard on January 15, 2026 and a decision is expected within 2026.

Second Generation PBR (PBR2) 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' earnings in 2022, the final year of PBR2. The PBR2 re-opener thresholds were triggered as a result of both utilities' earnings being either +/- 500 basis points from the approved ROE in one year or +/- 300 basis points from the approved ROE in two consecutive years.

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

On May 28, 2025, the AUC issued its Phase II Decision related to the PBR2 re-opener proceeding to refund \$35 million to the customers of Electricity Distribution and \$36 million to the customers of Natural Gas Distribution over a six-month period, from September 1, 2025 to February 28, 2026. In regard to the Phase II Decision, a Review and Variance (R&V) and a PTA were filed with the AUC and the Alberta Court of Appeal, respectively, on June 27, 2025. On September 22, 2025, the PTA of the Phase II Decision was granted by the Alberta Court of Appeal. The Phase I and Phase II appeals have been combined into a single proceeding before the Alberta Court of Appeal, which is scheduled to be heard in April 2026. On October 6, 2025, the AUC denied the application to R&V the Phase II Decision.

Electricity Distribution and Natural Gas Distribution were the only utilities in Alberta to lower rates in 2023 due to efficiencies being passed onto customers. The after-the-fact requirement to track cost efficiencies at a granular level is inconsistent with PBR regulatory principles and past AUC positions. As Electricity Distribution and Natural Gas Distribution are appealing both

the Phase I and Phase II Decisions of the PBR2 re-opener proceeding with the Alberta Court of Appeal, and the Company believes it will more likely than not succeed on appeal, no impact to Adjusted Earnings has been recognized in 2025 related to the PBR2 re-opener decisions.

Natural Gas Transmission

2026-2028 General Rate Application (GRA)

On September 22, 2025, ATCO Pipelines filed its GRA with the AUC to establish its revenue requirement for the 2026–2028 Test Period. The application seeks approval for revenue requirements of \$381 million, \$489 million and \$680 million for the years 2026, 2027 and 2028, respectively. Increases over the test period are largely related to the Yellowhead Pipeline Project. ATCO Pipelines is requesting a deferral account to manage uncertainties for Yellowhead and measures to provide credit relief during the construction. The temporary credit relief includes three options to be considered: a temporary ROE adder of 1 per cent for 2026 and 2027, a temporary deemed equity thickness adder of 2 per cent for 2026 and 2027, and Construction Work in Progress to be included in rate base.

In January 2026, ATCO Pipelines and interveners reached a comprehensive settlement in principle, except for IT O&M costs and matters excluded from negotiations by the AUC, including requested deferral accounts for growth and Yellowhead, temporary credit relief during construction of the Yellowhead project, and a depreciation expense placeholder. These excluded items will be adjudicated separately by the AUC.

Electricity Transmission

2026-2027 General Tariff Application (GTA)

On November 21, 2025, Electricity Transmission filed its GTA with the AUC. This application seeks approval for revenue requirements of \$687 million for 2026 and \$701 million for 2027, which includes the impact of capital investments made in 2023 and 2024 that are not yet in rate base. This GTA reflects Electricity Transmission being mindful of affordability – the modest proposed tariff increases are less than 3 per cent in 2026 and 2 per cent in 2027.

Along with the GTA, Electricity Transmission filed its 2022-2024 Deferral Application, which establishes the prudence of actual expenditures and investments incurred in deferral accounts in 2022-2024. The largest of these are direct assigned capital investments put into service during that period.

ATCO EnPower

REVENUES

ATCO EnPower revenues of \$100 million and \$328 million in the fourth quarter and full year of 2025 were \$13 million and \$15 million higher compared to the same periods in 2024 mainly due to higher flow-through natural gas revenues and stronger seasonal spreads in natural gas storage services, partially offset by lower generation and capture pricing realized at the Forty Mile wind facility.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
(\$ millions)	2025	2024	Change	2025	2024	Change
Electricity Generation ⁽¹⁾	(2)	(1)	(1)	(3)	3	(6)
Storage & Industrial Water ⁽¹⁾	4	3	1	26	20	6
Total ATCO EnPower ⁽²⁾	2	2	—	23	23	—

(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 and \$23 million in the fourth quarter and full year of 2025 were comparable to the same periods in 2024.

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, gas and distributed generation facilities in Canada, Mexico, and Chile.

Electricity Generation adjusted earnings in the fourth quarter and full year of 2025 were \$1 million and \$6 million lower compared to the same periods in 2024 mainly due to lower generation and capture pricing realized at the Forty Mile wind facility.

The following table compares ATCO EnPower's renewable portfolio performance in Canada for the fourth quarter and full year of 2025 and 2024.

	Three Months Ended December 31			Year Ended December 31		
	2025	2024	Change	2025	2024	Change
Capacity Share ⁽¹⁾ (MW)	390	390	—	390	390	—
Average Availability (%)	91	93	(2)	95	92	3
Generation (MWh)	206,898	236,617	(29,719)	870,210	943,014	(72,804)
Wind	175,835	211,898	(36,063)	631,017	726,503	(95,486)
Solar	23,543	21,409	2,134	180,176	167,338	12,838
Hydroelectric	7,520	3,310	4,210	59,017	49,173	9,844
% Merchant	28	24	4	31	27	4
% PPA ⁽²⁾	72	76	(4)	69	73	(4)
Average Realized Price (\$/MWh)	78	75	3	74	75	(1)

(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) PPA means Power Purchase Agreement.

Wind generation for the fourth quarter and full year 2025 was lower than the same periods in 2024, primarily at the Forty Mile wind facility, partially offset by improved performance at the Adelaide facility. The Forty Mile wind facility was affected by increasing levels of grid curtailments throughout 2025 caused by transmission system congestion in the southeast portion of Alberta along with lower fleet capacity experienced in the same region. Solar generation for the fourth quarter and full year of 2025 was higher than the same periods in 2024 due to uprates achieved at the Barlow and Deerfoot facilities in the third quarter of 2024 and improved availability at the Empress facility. We also continued to see improved generation in 2025 at our hydroelectric facility compared to the prior periods, which was impacted by lower reservoir and river flow levels in the first half of 2024.

Despite successful completion of the uprates in the third and fourth quarter of 2024 at our Deerfoot, Barlow and Forty Mile facilities, and improved performance and availability of our solar and hydroelectric facilities in 2025, total generation from the renewable portfolio decreased in 2025. This is primarily due to rates of curtailment rising considerably in 2025 at our Forty Mile wind facility to monthly levels above 40 per cent by the fourth quarter. The highest levels of curtailment were experienced in the fourth quarter of 2025 which resulted in an increase in average realized price for the renewable portfolio of \$3 per MWh as the decrease in generation outpaced the corresponding decrease in revenue for the quarter. Year-over-year, the impact on average realized price was a slight decrease of \$1 per MWh, which is directly correlated to the fact that the increasing levels of curtailment were much higher in the second half of the year; as a result, on an overall basis, the decrease in generation was slightly lower than the increase in revenue for the same period.

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 \$4 million and \$26 million in the fourth quarter and full year of 2025 were \$1 million and \$6 million higher compared to the same periods in 2024 mainly due to stronger seasonal spreads in natural gas storage services.

ATCO ENPOWER 2025 OVERVIEW

Elmworth Generating Station Acquisition

In December 2025, ATCO EnPower acquired a 100 per cent ownership interest in Northstone Power Corp., a privately-owned Alberta-based independent power producer. Northstone is located near Grande Prairie, Alberta, and owns and operates the 18.6-MW Elmworth generating station. Operating primarily as a gas peaking facility, this acquisition complements ATCO EnPower's existing Alberta generation portfolio. A natural gas peaker has different economics as it supplements power flowing onto the grid during times of high usage and captures a different price profile than the existing renewables in the portfolio.

ATCO Heartland Hydrogen Hub Project (AH3)

In the fourth quarter of 2025, ATCO EnPower recorded an impairment charge of \$4 million (after-tax and non-controlling interests) related to the decision to pause development of AH3, its ammonia export project, due to current market conditions, infrastructure limitations, and insufficient policy certainty, all of which undermine the project's near-term viability. While western Canada has strong fundamentals for low-carbon hydrogen and ammonia production, the absence of clear, stable policy frameworks, competitive funding, and the ability to move product to tidewater present material barriers.

Despite this pause, ATCO EnPower remains committed to advancing practical, value-creating opportunities in its non-regulated energy portfolio—such as energy storage and power generation—while continuing to advocate for the market conditions, incentives, and carbon policy tools needed to resume cleaner fuels hydrogen-related development when the environment improves.

Impairment of Alberta Renewables Portfolio

ATCO EnPower has experienced significant erosion in value of its approximately \$1 billion investment in renewable energy in Alberta. This is driven primarily by the Government of Alberta's recent legislated policy and regulatory changes, including the retirement of the zero-congestion transmission framework, combined with longstanding transmission infrastructure constraints that were not addressed prior to these changes. The transition to Optimal Transmission Planning (OTP) and the forthcoming Restructured Energy Market (REM) are expected to introduce additional uncertainty and downside risk. Market conditions, specifically oversupply driving low power prices and weak carbon pricing signals, further amplified the financial impact. ATCO EnPower is exploring all remedies associated with this situation through engagement and, where necessary, legal recourse, to secure timely resolution regarding a market design that is demonstrably fair, efficient, and openly competitive. The Company believes the changes in policy, and resulting uncertainty for large infrastructure investment, is detrimental to the Government of Alberta's stated objectives to promote investment in the Province of Alberta.

ATCO EnPower has sought to work constructively with the AESO and the Government of Alberta; however, current policy direction and implementation have materially disadvantaged incumbent generators by altering, without effective transition measures, the market and transmission conditions under which existing assets were financed and constructed. Actions taken and proposed to date have not provided adequate timely, defined, or enforceable mitigation for the operational and pricing impacts arising from congestion and curtailment, nor have they offered a reliable transition framework that preserves the investment assumptions underpinning existing assets. ATCO EnPower's renewable facilities were constructed under Alberta's zero-congestion transmission policy, which required that in-merit generation be dispatched without constraints under normal operating conditions and at least 95 per cent of the time under abnormal operating conditions ⁽¹⁾. This framework provided developers with a reasonable assurance that their production would not be grid limited. Since 2022, however, transmission constraints—most pronounced in southeast Alberta—have grown in frequency, with monthly curtailment levels exceeding 40 per cent at times in 2025, as opposed to the above noted maximum 5 per cent policy objective. In 2025, ATCO EnPower's Forty Mile wind facility was the most curtailed renewable facility in the province during the second quarter and second most in the first and third quarters ⁽²⁾. Impact to Forty Mile is further intensified by the AESO's unequal curtailment practices which

⁽¹⁾ Extract from Alberta Regulation 86/2007, *Electric Utilities Act, Transmission Regulation: 15(1)* In making rules under section 20 of the Act, and in exercising its duties under sections 17 and 33(1) of the Act, the ISO must:

(e) taking into consideration the characteristics and expected availability of generating units or energy storage resources, plan a transmission system that

(i) is sufficiently robust so that 100% of the time, transmission of all anticipated in-merit electric energy referred to in section 17(c) of the Act can occur when all transmission facilities are in service, and

(ii) is adequate so that, on an annual basis, and at least 95% of the time, transmission of all anticipated in-merit electric energy referred to in section 17(c) of the Act can occur when operating under abnormal operating conditions.

(f) make arrangements for the expansion or enhancement of the transmission system so that, under normal operating conditions, all anticipated in-merit electricity referred to in clause (e)(i) and (ii) can be dispatched without constraint.

⁽²⁾ As reported by the Alberta Market Surveillance Administrator in their quarterly reports. The Q4/2025 report has not yet been released at the time of this disclosure. Accessible online at [https:// www.albertamsa.ca/documents/reports/quarterly-reports](https://www.albertamsa.ca/documents/reports/quarterly-reports).

benefit Renewable Energy Program (REP) facilities that are contracted by, and benefit, the Government of Alberta at the expense of non-REP generators in the area.

The government has retired the zero-congestion framework in favour of OTP via legislation passed in 2025, a planning approach that anticipates and accepts persistent congestion in certain areas. As a result, Forty Mile wind remains exposed to sustained curtailment and uncertain timelines for relief, which will continue to depress cash flows until definitive transmission solutions are implemented.

In addition to OTP, Alberta's REM will move from a single provincial price to locational marginal pricing (LMP) in 2027, fundamentally changing how transmission constraints affect generator revenues. Combined with the new transmission policy that permits greater congestion and real-time line losses, LMP is expected to lower capture prices relative to uniform pricing for generation, creating an incremental material negative financial impact for many renewable assets. Lastly, newly added costs associated with ancillary services are also expected to be disproportionately allocated to renewable generators and would meaningfully increase annual operating costs—particularly for solar projects. The proposed protections for existing assets provide only partial relief and fall short of addressing the broader congestion and curtailment challenges now affecting generators.

In addition to market and transmission policy reforms, other regulatory developments are expected to further negatively impact the outlook for incumbent Alberta renewable generators; notably, the Government of Alberta's December 2025 reforms to *Alberta's Technology Innovation and Emissions Reduction Regulation* (TIER). Viability of these recent changes under a successful carbon pricing equivalency agreement with the federal government, as agreed to between Alberta and Canada, is uncertain as they worsen the supply demand balance. Other policy changes which are detrimental to renewable generation include amendments to the *Conservation and Reclamation Regulation*, potential solar panel recycling obligations, and proposed bat impact mitigation requirements.

As a result of the factors described above, ATCO EnPower conducted a comprehensive review of the carrying value of its Alberta renewable assets for the year ended December 31, 2025. Discounted cash flow analyses prepared for operating renewable facilities indicated that the carrying values of the Forty Mile wind, Deerfoot Solar, Barlow Solar and Empress Solar facilities exceeded their respective fair values, less costs of disposal. These impacts reflect changes in policy and market design described above, rather than deterioration in asset performance or execution.

Accordingly, ATCO EnPower recorded an impairment charge of approximately \$214 million (after-tax and non-controlling interests). This includes \$95 million (after-tax and non-controlling interests) related to Forty Mile, Deerfoot Solar, Barlow Solar and Empress Solar, \$63 million (after-tax and non-controlling interests) related to goodwill associated with the acquisition of the Forty Mile wind facility, \$29 million (after-tax and non-controlling interests) related to the decision in the fourth quarter of 2025 not to proceed with certain development projects, and \$11 million (after-tax and non-controlling interests) related to internally generated emission credits inventory ⁽³⁾.

Legislated changes to Alberta's transmission and market frameworks have materially and retroactively altered the economic conditions under which these renewable assets were developed and financed, resulting in the impairment recognized. The impairment reflects a disciplined reassessment under the current policy environment and does not assume policy reversals or mitigation measures.

ATCO Australia

REVENUES

ATCO Australia revenues of \$58 million in the fourth quarter of 2025 were \$3 million lower than the same period in 2024 mainly due to the revenues in 2024 from the South Australia Hydrogen Jobs Plan project in ATCO Power Australia, partially offset by increased rates in ATCO Gas Australia as a result of moving into AA6.

ATCO Australia revenues of \$243 million in the full year of 2025 were \$2 million higher than the same period in 2024 mainly due to increased rates in ATCO Gas Australia as a result of moving into AA6, partially offset by the revenues in 2024 from the South Australia Hydrogen Jobs Plan project in ATCO Power Australia.

⁽³⁾ The net realizable value used in determining the write-down was based on market transactions entered into by ATCO EnPower in December 2025 at a price of \$31 per tonne.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
(\$ millions)	2025	2024	Change	2025	2024	Change
ATCO Gas Australia ⁽¹⁾	6	2	4	34	24	10
ATCO Power Australia ⁽¹⁾	(2)	—	(2)	2	1	1
Total ATCO Australia ⁽²⁾	4	2	2	36	25	11

(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 \$4 million and \$36 million in the fourth quarter and full year of 2025 were \$2 million and \$11 million higher than the same periods in 2024 mainly due to higher rates in ATCO Gas Australia as a result of moving into AA6, and ATCO Power Australia's execution of a settlement deed for the South Australia Hydrogen Jobs Plan project after the terms of the Early Contractor Involvement were agreed upon with the Department of Energy and Mining.

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 \$6 million and \$34 million in the fourth quarter and full year of 2025 were \$4 million and \$10 million higher than the same periods in 2024 mainly due to higher rates as a result of moving into AA6.

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 2025 were \$2 million lower than the same period in 2024 mainly due to a revision to the asset retirement obligation at the Karratha Power Station.

ATCO Power Australia adjusted earnings of \$2 million in the full year of 2025 were \$1 million higher than the same period in 2024 mainly due to execution of a settlement deed for the South Australia Hydrogen Jobs Plan project after the terms of the Early Contractor Involvement were agreed upon with the Department of Energy and Mining.

ATCO AUSTRALIA 2025 OVERVIEW

South Australian Hydrogen Jobs Plan

On February 20, 2025, the Australian Government confirmed that the South Australian Hydrogen Jobs Plan project had been deferred. In the third quarter of 2025, ATCO Australia executed a settlement deed for the South Australia Hydrogen Jobs Plan project after the terms of the Early Contractor Involvement were agreed upon with the Department of Energy and Mining.

Albany Gas Network Decommissioning

During 2025, ATCO Australia performed an extensive review of its non-regulated Albany Gas Distribution System (AGDS), and identified that many of the pipes that make up AGDS are nearing end-of-life and the cost of replacing them would be too financially onerous for customers. As a result, ATCO Gas Australia announced its intention to phase out the AGDS network over the next three years commencing in the second half of 2026. ATCO is working with the Western Australia Government and industry partners to support a smooth transition for the almost 8,000 households and businesses served by the network.

In the fourth quarter of 2025, ATCO Australia recorded an asset impairment of \$11 million (after-tax and non-controlling interests) related to AGDS. As impairments are not in the normal course of business, they have been excluded from adjusted earnings. Please refer to the "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" section of this MD&A.

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 mid-year 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 \$1.4 billion in 2023, \$1.4 billion in 2024 and \$1.5 billion in 2025. 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 and Mid-Year Rate Base to Property, Plant and Equipment, and Intangible Assets" in this MD&A.

Access Arrangement

Under Access Arrangement 6 (AA6), which covers January 1, 2025 to December 31, 2029, 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's decision to approve AA6 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 to confirm that the capital expenditures met the regulatory criteria.

The ERA is also required to publish a Rate of Return Instrument (the Instrument) that details the methodology and parameters to determine the WACC and ROE relevant to Access Arrangement periods. 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 AA6 period. An ROE of 8.23 per cent was determined for the AA6 period, compared to 5.02 per cent in the previous Access Arrangement.

Canadian Utilities Financing & Other

Canadian Utilities Financing & Other includes CU Inc. and Canadian Utilities preferred share dividends and financing expenses.

REVENUES

Including intersegment eliminations, Canadian Utilities Financing & Other revenues of \$2 million in the fourth quarter of 2025 were \$3 million lower compared to the same period in 2024 mainly due to lower rental revenues resulting from restructuring of rental agreements.

Including intersegment eliminations, Canadian Utilities Financing & Other revenues of \$11 million in the full year of 2025 were \$106 million lower compared to the same period in 2024 mainly due to the decreased revenue contribution from ATCO Energy which was acquired by ATCO on August 1, 2024.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2025	2024	Change	2025	2024	Change
Canadian Utilities Financing & Other ⁽¹⁾	(6)	(6)	—	(51)	(41)	(10)

(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 Financing & Other adjusted earnings in the fourth quarter of 2025 were comparable to the same period in 2024.

Including intersegment eliminations, Canadian Utilities Financing & Other adjusted earnings in the full year of 2025 were \$10 million lower compared to the same period in 2024 mainly due to lower interest income earned, and decreased earnings contribution from ATCO Energy, which was sold to ATCO on August 1, 2024.

CANADIAN UTILITIES FINANCING & OTHER 2025 OVERVIEW

In 2025, the Company renamed the Canadian Utilities Corporate & Other reporting segment to Canadian Utilities Financing & Other to reflect the segment's composition after the sale of ATCO Energy to ATCO in 2024.

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

THE FEDERAL CONSUMER CARBON PRICE (FUEL CHARGE)

On April 1, 2025, the federal consumer carbon price (fuel charge) in Canada was eliminated, ending the requirement for provinces and territories to maintain a consumer-facing carbon price. This terminated the system where fuels such as gasoline and natural gas were taxed based on carbon content, with rebates provided to households through the Canada Carbon Rebate. Final rebate payments were issued in April 2025. Industrial carbon pricing remains in place. Under the federal Output-Based Pricing System (OBPS), the carbon price for large emitters increased to \$95 per tonne of CO₂e in 2025, following the scheduled annual \$15 increments on the path toward \$170 per tonne by 2030. The OBPS applies to large facilities that exceed sector-specific emissions limits, with provinces permitted to operate equivalent approved systems.

CANADA'S NEW PRIME MINISTER, MARK CARNEY

On April 28, 2025, the Liberal Party secured victory in the federal election, bringing Mark Carney to office. His campaign emphasized making Canada the "world's leading superpower in both clean and conventional energy," guided by three core objectives: energy security, trade diversification, and long-term competitiveness. Following the election, the Prime Minister committed to addressing economic challenges, housing, defence, energy, trade, and affordability, particularly in response to escalating external tariff pressures and economic threats from Canada's largest trading partner, the US. Early policy direction also highlights the federal government's intention to accelerate the removal of interprovincial trade barriers, a reform expected to strengthen economic resilience and enhance national competitiveness.

ENVIRONMENTAL CLAIMS - THE COMPETITION ACT AND FEDERAL BILL C-15

During the fiscal period, regulatory developments occurred relating to environmental claims under the *Competition Act (Canada)*, affecting compliance expectations, legal-risk management, environmental disclosure practices, and strategic planning for sustainability-related communications.

On June 5, 2025, the Competition Bureau released final guidelines to help address the anti-greenwashing provisions that came into force on June 20, 2024. These guidelines clarified the Bureau's approach to assessing environmental claims, outlined six compliance principles, and reaffirmed that due diligence may serve as a defence against deceptive-marketing allegations.

On November 18, 2025, the federal government introduced Bill C-15 as part of its broader Climate Competitiveness Strategy under Budget 2025. Budget 2025 acknowledged that the greenwashing rules introduced in 2024–2025 created investment uncertainty and, in some cases, impeded environmental initiatives. Bill C-15 proposes amendments to remove the "internationally recognized methodology" requirement and reduces exposure to private enforcement.

These amendments could reduce regulatory uncertainty and mitigate litigation risk associated with business-activity environmental claims, while maintaining the Bureau's oversight of environmental representations.

MAJOR PROJECTS OFFICE

On August 29, 2025, the federal government launched the Major Projects Office (MPO) under the *Building Canada Act*, which came into force on June 26, 2025. The MPO is intended to accelerate and streamline the approval of nationally significant infrastructure projects, targeting a two-year regulatory timeline, while coordinating financing from private capital and federal initiatives such as the Canada Infrastructure Bank, the Canada Growth Fund, and the Indigenous Loan Guarantee Program.

On September 11, 2025, the MPO announced its first tranche of five nation-building projects, which will be fast-tracked through the regulatory process. A second tranche was subsequently announced on November 13, 2025. These projects include major clean energy, liquified natural gas, transmission, and critical minerals developments, supporting federal objectives to enhance energy security, diversify trade corridors, and expand Canada's critical mineral and strategic infrastructure base.

BUILD CANADA HOMES

On September 14, 2025, the federal government launched Build Canada Homes (BCH), a new national agency mandated to build affordable housing at scale and address homelessness by delivering transitional, supportive, and community housing in partnership with provinces, territories, municipalities, and Indigenous communities. BCH is capitalized with \$13 billion to provide financing, land, and project-de-risking tools—such as flexible incentives, large portfolio approvals, and the use of public land—while supporting modern construction methods including modular and prefabricated units. Its mandate is focused on expanding the share of non-market and mission-driven housing, building a high-capacity and scalable non-market housing sector with reduced reliance on ongoing subsidies, and creating long-term demand for factory-built homes to lower construction time and cost across Canada.

FEDERAL BUDGET 2025

On November 4, 2025, the federal government released Budget 2025, marking a shift toward an investment-focused fiscal strategy centered on large-scale national infrastructure, clean-energy development, and long-term economic competitiveness. The budget introduced a five-year, \$280 billion capital plan, including \$115 billion for federal infrastructure, with priority placed on expanding interprovincial transmission, modernizing the grid, and accelerating clean-energy and trade-enabling projects. To support these goals, Budget 2025 established two structural policy mechanisms—the *One Canadian Economy Act* and the Buy Canadian Policy—to strengthen domestic supply chains, harmonize procurement, and reduce internal trade barriers. The budget also provided the legislative foundation for the *Building Canada Act* and the creation of the MPO, reinforcing the federal push to accelerate project delivery amid heightened trade uncertainty and rising national infrastructure demand.

US TARIFFS ON CANADA

Throughout 2025, trade tensions between Canada and the US escalated sharply, resulting in multiple rounds of tariff measures that materially increased uncertainty for Canadian exporters. Beginning in March 2025, the US imposed significant tariffs on a wide range of Canadian goods, including 25 per cent duties on most imports and targeted surcharges on steel and aluminum. Subsequent actions expanded these measures to cover automobiles and, later in the year, a broad 35 per cent tariff on nearly all Canadian imports, subject to limited exemptions for goods compliant with the Canada-U.S.–Mexico Agreement (CUSMA).

For Canada, these developments created heightened risks for key sectors such as manufacturing, metals, automobiles, and agriculture, and introduced volatility in cross-border supply chains. The Government of Canada continues to negotiate with its US counterparts, and has indicated that some level of tariffs may need to be accepted as part of a broader trade resolution. The situation remains fluid and represents a continued external risk factor for 2026.

ALBERTA

BILL 52 & BILL 8 – MODERNIZING ALBERTA'S ELECTRICITY AND UTILITIES FRAMEWORK

In 2025, Alberta advanced two major legislative initiatives—Bill 52: *Energy and Utilities Statutes Amendment Act, 2025* and Bill 8: *Utilities Statutes Amendment Act, 2025*—together representing one of the most significant restructurings of the province's electricity and utility industries in decades.

Bill 52 – Energy and Utilities Statutes Amendment Act, 2025

On April 10, 2025, Alberta introduced Bill 52, a key legislative step enabling the province's transition to the REM and the new OTP framework. The legislation introduces a dual-market design with both a day-ahead and real-time market, expands administrative and locational pricing tools, and enhances AESO's authority to manage transmission constraints and implement new ISO rules. Provincial implementation is targeted for 2027. The bill also permits hydrogen blending in natural-gas distribution under defined conditions.

Bill 8 – Utilities Statutes Amendment Act, 2025

Bill 8 builds on Bill 52 to address surging demand from AI-driven, energy-intensive data centres. The bill enables "bring-your-own-power" models, prioritizes grid access for self-supplied projects, and requires developers—not ratepayers—to fund transmission upgrades. Additional regulatory powers allow tailored rules for large-load integration as Alberta prepares for REM deployment.

TECHNOLOGY INNOVATION AND EMISSIONS REDUCTION (TIER) – INDUSTRIAL CARBON PRICING

On May 12, 2025, the Government of Alberta announced it would freeze the TIER Fund price at \$95/tonne CO₂e, halting the scheduled annual increases that were previously intended to reach \$170/tonne by 2030 under the federal program. This freeze provides short-term cost relief for regulated facilities but introduces longer-term uncertainty regarding carbon-price signals for emissions-reduction investments.

On September 16, 2025, the Government of Alberta introduced further proposed adjustments to TIER, some of the highlights include:

- allowing certain facilities which voluntarily opted in to opt back out, following the federal elimination of the fuel charge; and
- establishing a direct investment compliance pathway, permitting regulated entities to meet a portion of their obligations through eligible on-site emissions-reduction projects rather than solely through fund payments or credit instruments.

On December 3, 2025, the Government of Alberta implemented amendments to TIER introducing investment credits and credit reactivation, formally establishing the direct investment pathway as an additional compliance mechanism. While these changes expand compliance options, the overall implications for long-term costs, investment decisions, and emissions-reduction strategies remain uncertain as program details and standards continue to evolve.

AESO LARGE LOAD INTEGRATION

In June 2025, the AESO launched a two-phase Large Load Integration program in response to unprecedented large load connection requests (including data centres), with reported requests exceeding 16-GW in the connection process. As an interim reliability measure, the AESO established a 1,200-MW interim connection limit for near-term large load connections (2027/2028 horizon), including qualification requirements such as municipal support and financial security.

In November 2025, the AESO reported Phase 1 completion, with the interim 1,200-MW limit fully allocated and confirmed that remaining large-load requests will progress under the forthcoming Phase 2 long-term framework. Phase 2 pre-engagement began in late 2025, incorporating early stakeholder input and establishing a working group to guide development. A draft proposal is planned for consultation in early 2026, with Phase 2 work continuing through the year to define long-term connection pathways and refine large-load integration processes.

RESTRUCTURED ENERGY MARKET – MARKET REDESIGN

On August 27, 2025, the AESO released the final technical design for Alberta's REM, with implementation targeted for mid-2027, marking one of the most significant modernizations of Alberta's electricity market framework in decades. The Government of Alberta purports that the REM is designed to enhance system reliability and affordability, introduce more refined market signals, and better align investment decisions with Alberta's evolving supply mix and emerging large-load demands.

TRANSMISSION INTERTIES – PROVINCIAL DIRECTION

On October 14, 2025, the Government of Alberta issued direction to the AESO underscoring the need to restore and expand provincial intertie capability, including the Montana–Alberta Tie Line (MATL) and other key interconnections. The province instructed the AESO to take all reasonable steps to restore MATL's available transfer capability by 2029, provide regular public reporting on intertie performance, and support full import capability during normal operating conditions. The provincial government also directed the AESO to engage with all intertie owners in Alberta's neighbouring jurisdictions to explore value-creation opportunities for each interconnection, with the desired outcome of developing appropriate agreements with each jurisdiction. These measures are intended to enhance system reliability, improve import flexibility, and align Alberta's transmission planning with evolving market and policy requirements.

CANADA–ALBERTA MEMORANDUM OF UNDERSTANDING (MOU) – ENERGY COLLABORATION

On November 27, 2025, Canada and Alberta signed an energy MOU establishing a collaborative framework to advance major infrastructure—pipelines, transmission systems, ports, and trade corridors—while improving regulatory alignment and expanding Indigenous economic participation. The agreement is intended to enhance long-term competitiveness by accelerating market access, modernizing energy systems, and supporting investment in low-carbon and strategically important infrastructure.

A key feature of the MOU is the suspension of the federal Clean Electricity Regulations (CER) in Alberta, enabling work toward a province-specific equivalency pathway for electricity-sector emissions. With CER paused, carbon pricing becomes the primary compliance tool, increasing reliance on Alberta's TIER program to guide emissions-reduction decisions and support low-carbon investment. The MOU also links regulatory cooperation to major project advancement, including large-scale carbon capture utilization and storage (CCUS) initiatives and potential new export pipelines tied to successful carbon-capture deployment. Alongside commitments to streamline approvals and shorten permitting timelines, the agreement aims to reduce regulatory uncertainty and support investment in transmission, generation capacity, and emissions-reduction infrastructure.

Alberta must still demonstrate that its carbon-pricing-based approach can deliver emissions-reduction outcomes equivalent to federal expectations. This includes showing an effective carbon price consistent with federal benchmark stringency, meeting methane-reduction equivalency obligations—such as the federal–Alberta commitment to a 2035 target date and a 75 per cent reduction relative to 2014 levels—and continuing progress on CCUS and cooperative federal–provincial processes, including impact assessment frameworks. Continued progress will depend on stable federal–provincial cooperation, investor confidence in CCUS development, and predictable long-term carbon-price signals—all critical to advancing major infrastructure and sustaining Alberta's decarbonization trajectory.

SUSTAINABILITY

Within our group of companies, our guiding principle is to deliver long-term value to our customers, share owners, and other stakeholders through sustainable growth. This requires more than strong financial performance – it requires integrating financial and environmental, social and governance (ESG) considerations into our strategy and anticipating the evolving needs and expectations of society and our customers.

For decades, our commitment to these principles has guided investments in critical energy infrastructure, created ambitious and transformative partnerships with Indigenous communities, and supported the growth and prosperity of the hundreds of communities we are privileged to serve. We continue to pursue growth by investing in regulated utilities, modular construction and manufactured housing, and technologies such as carbon capture, hydrogen, renewable power, and electrification. Our priority is scalable projects that deliver measurable impacts today while laying the groundwork for long-term transformation.

When we disclosed our 2050 net-zero ambition in our 2021 Sustainability Report, we recognized it would require unprecedented, coordinated action across industries, policy, and markets. However, recent shifts—including regulatory and policy changes, legal liability concerns, and macroeconomic pressures—have introduced uncertainty regarding the feasibility, timing, and pathways for achieving net-zero by the middle of this century. While our commitment to enabling the energy transition remains strong, we continue to review our 2050 net-zero ambition and the key dependencies influencing the pace of transition. Our 2025 Sustainability Report will be published in May of 2026.

The 2024 Sustainability Report, ESG Datasheet, materiality assessment, 2024 highlights, and other disclosures are available on our website at www.atco.com.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the fourth quarter and full year of 2025 and 2024 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)	2025	2024	Change	2025	2024	Change
Operating costs	838	846	(8)	2,992	2,866	126
Depreciation, amortization and impairments	780	209	571	1,413	811	602
Earnings from investment in associate company	8	6	2	31	24	7
Earnings from investment in joint ventures	24	19	5	91	73	18
Net finance costs	130	121	9	489	462	27
Income tax expense (recovery)	(42)	44	(86)	110	189	(79)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairments, decreased by \$8 million in the fourth quarter of 2025 compared to the same period in 2024. Lower operating costs were mainly due to the restructuring costs incurred in 2024, and higher unrealized and realized gains on derivative financial instruments in ATCO Energy. These decreases were partially offset by higher fuel costs in ATCO EnPower's Storage & Industrial Water business.

Operating costs increased by \$126 million in the full year of 2025 compared to the same period in 2024. Higher operating costs were mainly due to increased material costs due to higher project activity in ATCO Structures, higher flow-through expense in Natural Gas Distribution for third-party franchise and transmission fees, and the recognition of transition costs related to activities to shift the managed information technology (IT) services from a single-vendor service provider to a hybrid model of multiple new vendors and internal teams. Increased costs were partially offset by higher restructuring costs in 2024.

DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

Depreciation, amortization and impairments increased by \$571 million and \$602 million in the fourth quarter and full year of 2025 compared to the same periods in 2024 mainly due to asset impairments and write-offs recognized in the fourth quarter of 2025. These impairments and asset write-offs mainly relate to the Alberta Renewables Portfolio in ATCO EnPower that was primarily driven by elevated curtailment from inadequate transmission infrastructure and electricity grid deficiencies and certain hydrogen assets in Natural Gas Distribution which were impaired due to the uncertainty of utility hydrogen regulations. In addition, ATCO Gas Australia recognized an impairment related to the phasing out of an aging liquefied petroleum gas distribution network in Albany, Western Australia due to large sections of the system nearing the end of their service life. Ongoing capital investment also contributed to increased expenses in the fourth quarter and full year of 2025.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports, a port operator and developer with a diversified portfolio of 17 multi-purpose, bulk cargo and container port facilities and 6 port operation services. The business is located primarily in Chile with additional operations in Uruguay, Argentina, Brazil, Guatemala, and the US.

Earnings from investment in associate company in the fourth quarter and full year of 2025 were \$2 million and \$7 million higher than the same periods in 2024 mainly due to favourable cargo mix and improved margins across operations within the portfolio of ports. Additionally, nonrecurring services contributing approximately \$4 million to earnings over the third and fourth quarters of 2025.

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 including Naka Power Utilities (NWT) Ltd. (Naka); LUMA

Energy electricity operations and maintenance in Puerto Rico; and the Strathcona Storage Limited Partnership (Strathcona Storage), 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 2025 were \$5 million higher than the same period in 2024 mainly due to additional earnings from joint ventures within the ATCO Frontec business.

Earnings from investment in joint ventures in the full year of 2025 were \$18 million higher than the same period in 2024 mainly due to additional earnings from joint ventures within the ATCO Frontec business, and a gain on sale of the Hay River Franchise assets in Naka. In addition, LUMA Energy earnings were higher due to increased management fees as a result of inflation adjustments and favourable foreign exchange rates, partially offset by higher non-recoverable costs.

NET FINANCE COSTS

Net finance costs increased by \$9 million and \$27 million in the fourth quarter and full year of 2025 compared to the same periods in 2024 mainly due to additional debt issued to fund ongoing capital investment and lower interest income primarily resulting from lower interest rates in 2025 on cash investments.

INCOME TAX EXPENSE (RECOVERY)

Income taxes decreased by \$86 million and \$79 million in the fourth quarter and full year of 2025 compared to the same periods in 2024 mainly due to lower IFRS earnings before tax as a result of asset impairments and write-offs in the fourth quarter of 2025, partially offset by a non-deductible impairment of goodwill in ATCO EnPower.

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, 2025.

	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⁾ an A- 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 July 23, 2025, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc.

On August 28, 2025, 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.

On October 27, 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.

Subsequent to year-end, on February 25, 2026, S&P Global Ratings revised Canadian Utilities' subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating with a positive outlook to an 'A-' issuer credit rating with a stable outlook.

LINES OF CREDIT

At December 31, 2025, ATCO and its subsidiaries had the following lines of credit.

(\$ millions)	Total	Used	Available
Long-term committed	3,383	1,019	2,364
Short-term committed	343	343	—
Uncommitted	742	228	514
Total	4,468	1,590	2,878

Of the \$4,468 million in total lines of credit, \$742 million was in the form of uncommitted credit facilities with no set maturity date. The other \$3,726 million in credit lines was committed with maturities between 2026 and 2029, and may be extended at the option of the lenders.

Of the \$1,590 million in lines of credit used, \$681 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 needs in ATCO EnPower and CU Inc., the issuance of Canadian Utilities' letters of credit, and ATCO Structures & Logistics' expansion of its global rental fleet and working capital needs on workforce housing projects.

CONSOLIDATED CASH FLOWS

At December 31, 2025, the Company's cash position was \$977 million. This represents an increase of \$883 million compared to the cash position at December 31, 2025. Cash movements for the fourth quarter and full year of 2025 and 2024 are outlined in the following table:

	Three Months Ended December 31			Year Ended December 31		
(\$ millions)	2025	2024	Change	2025	2024	Change
Cash position, beginning of period	902	272	630	94	288	(194)
Cash from (used in):						
Operating activities	662	617	45	2,484	2,197	287
Investing activities	(560)	(591)	31	(1,899)	(1,798)	(101)
Financing activities	(28)	(198)	170	291	(588)	879
Foreign currency translation	1	(6)	7	7	(5)	12
Cash position, end of the period	977	94	883	977	94	883

The opening cash position of \$902 million in the fourth quarter of 2025 was \$630 million higher compared to the opening cash position for the fourth quarter of 2024 mainly due to 2025 debt issuances.

The opening cash position of \$94 million in the full year of 2025 was \$194 million lower compared to the opening cash position for the full year of 2024 mainly due to repayment of long-term debt, and funding of capital projects.

Operating Activities

Cash flows from operating activities were \$662 million and \$2,484 million in the fourth quarter and full year of 2025, \$45 million and \$287 million higher than the same periods in 2024 mainly due to higher earnings in ATCO Structures, the timing of settlement of accounts payable and the collection of trade receivables from customers, and increased customer contributions in the Regulated Utilities.

Investing Activities

Cash flows used in investing activities were \$560 million in the fourth quarter of 2025, \$31 million lower than the same period in 2024 mainly due to the timing of capital project spend in the Regulated Utilities related to system reliability and safety, as well as climate adaptation and resilience, and lower capital expenditures by ATCO EnPower on the Atlas Carbon Storage Hub project. These decreases were partially offset by the timing of settlement of accounts payable for capital projects and the acquisition of Northstone Power Corp. by ATCO EnPower.

Cash flows used in investing activities were \$1,899 million in the full year of 2025, \$101 million higher than the same period in 2024 mainly due to the timing of settlement of accounts payable for capital projects, capital spending on rental fleet additions in ATCO Structures, and the acquisition of Northstone Power Corp by ATCO EnPower. Partially offsetting these increases is the ATCO Structures' acquisition of NRB in 2024.

A reconciliation of capital investment to capital expenditures is summarized below.

Cash Used for Capital Investment and Capital Expenditures

Capital investment and capital expenditures for the fourth quarter and full year of 2025 and 2024 are shown in the following table.

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2025	2024	Change	2025	2024	Change
ATCO Structures & Logistics	80	62	18	240	182	58
ATCO Investments	11	14	(3)	33	27	6
	91	76	15	273	209	64
Canadian Utilities						
ATCO Energy Systems						
Electricity	157	269	(112)	664	761	(97)
Natural Gas	201	202	(1)	735	638	97
	358	471	(113)	1,399	1,399	—
ATCO EnPower	27	51	(24)	89	104	(15)
ATCO Australia	30	26	4	100	89	11
CU Financing & Other	—	11	(11)	12	19	(7)
Canadian Utilities Total Capital Expenditures ^{(1) (2)}	415	559	(144)	1,600	1,611	(11)
ATCO Total Capital Expenditures	506	635	(129)	1,873	1,820	53
Capital Expenditures in joint ventures						
ATCO Energy Systems						
Electricity	1	1	—	3	4	(1)
ATCO EnPower	2	1	1	6	3	3
Business Combinations						
ATCO Structures & Logistics	—	—	—	3	40	(37)
ATCO EnPower	30	—	30	30	—	30
CU Financing & Other	—	—	—	—	4	(4)
Canadian Utilities Total Capital Investment ⁽³⁾	448	561	(113)	1,639	1,622	17
ATCO Total Capital Investment ⁽³⁾	539	637	(98)	1,915	1,871	44

(1) Includes additions to property, plant and equipment, and intangibles as well as \$10 million and \$33 million (2024 - \$4 million and \$16 million) of capitalized interest during construction for the fourth quarter and full year of 2025.

(2) Includes \$40 million and \$137 million for the fourth quarter and full year of 2025 (2024 - \$27 million and \$108 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions.

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

Total capital investment of \$539 million in the fourth quarter of 2025 was \$98 million lower compared to the same period in 2024 mainly due to the timing of capital project spend in Electricity Distribution and Electricity Transmission and decreased capital spend in ATCO EnPower on the Atlas Carbon Storage Hub project. Lower capital investment was partially offset by the

acquisition of Northstone Power Corp. by ATCO EnPower and increased capital spending on rental fleet additions in ATCO Structures.

Total capital investment of \$1,915 million in the full year of 2025 was \$44 million higher compared to the same period in 2024 mainly due to increased capital spend in Natural Gas Transmission on growth projects for new customers, such as Yellowhead, increased capital spending on rental fleet additions in ATCO Structures, and the acquisition of Northstone Power Corp. in the fourth quarter of 2025 by ATCO EnPower. These increases were partially offset by lower capital spend in Electricity Distribution and Electricity Transmission due to the timing of capital projects related to system reliability, safety, as well as climate adaptation and resilience, and ATCO Structures' acquisition of NRB in 2024.

Total capital expenditures of \$506 million in the fourth quarter of 2025 and \$1,873 million in the full year of 2025 were \$129 million lower and \$53 million higher, respectively, compared to the same periods in 2024 mainly due to the factors outlined above, with the exception of the Northstone Power and NRB acquisitions. Capital expenditures in joint ventures and business combinations are excluded from capital expenditures.

Financing Activities

Cash flows (used in) from financing activities were \$(28) million and \$291 million in the fourth quarter and full year of 2025, \$170 million and \$879 million higher compared to the same periods in 2024 mainly due to increased issue of long-term debt and Canadian Utilities' equity preferred shares related to growth projects for new customers in the Regulated Utilities and other project activities. These increases are partially offset by a higher redemption of equity preferred shares in Canadian Utilities and repayments of debt.

Information pertaining to financing activities is summarized below.

Debenture Issuances

In June 2025, Canadian Utilities issued \$300 million of 4.412 per cent unsecured debentures maturing on June 24, 2035. The proceeds from the issuance were used to repay outstanding indebtedness.

In September 2025, Canadian Utilities' subsidiary CU Inc. issued \$370 million of 4.787 per cent debentures maturing on September 16, 2055. The proceeds from the issuance were used to finance capital expenditures, repay existing indebtedness, and for other general corporate purposes.

Other Debt Issuances

In 2025, CU Inc., a wholly owned subsidiary of Canadian Utilities, borrowed \$65 million from its \$155 million non-revolving unsecured amortizing credit facility to support the construction of CETO within ATCO Energy System's Electricity Transmission business. The fixed interest rate is at a below-market rate of interest of 2.17 per cent. The difference between the market rate for an equivalent loan and the rate granted is accounted for as a government grant and will be amortized over the useful life of the asset. Quarterly repayments, which will commence once the project reaches commercial operations, are expected to continue until June 30, 2056. Additional draws from the facility are expected in 2026 as construction progresses.

In May 2025, ATCO issued \$250 million of 3.878 per cent senior unsecured notes maturing on May 27, 2030. The proceeds from the issuance were used to repay outstanding indebtedness.

In September 2025, Canadian Utilities issued \$750 million of 5.45 per cent fixed-to-fixed rate subordinated notes due December 22, 2055. The proceeds from the issuance will be used to finance capital expenditures, repay or refinance existing obligations, and for other general corporate purposes.

Debt Repayment

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

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 33-year track record. Dividends paid to Class I Share and Class II Share owners totalled \$57 million and \$227 million in the fourth quarter and full year of 2025.

On January 8, 2026, the Board of Directors declared a first quarter dividend of 51.96 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, 2025, ATCO commenced an NCIB to purchase up to 1,996,301 outstanding Class I Shares. The bid will expire on March 12, 2026. As of February 24, 2026, 513,500 Class I Shares were purchased for approximately \$26 million. Upon the expiration of our current NCIB, 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 permitted it to issue Class A non-voting shares, preferred shares and debt securities, over the 25-month life of the prospectus. As of October 14, 2025, when the prospectus expired, no securities had been issued.

Preferred Shares Issuances

In November 2025, Canadian Utilities issued \$175 million of 5.6 per cent Cumulative Redeemable Second Preferred Shares Series JJ by means of a short form prospectus and granted the underwriters an option to purchase an additional \$26 million. This option was exercised in November 2025 increasing the total gross proceeds to approximately \$201 million. The Company intends to use the proceeds for capital expenditures and for other general corporate purposes.

Redemption of Preferred Shares

On December 1, 2025, Canadian Utilities redeemed all outstanding Cumulative Redeemable Second Preferred Shares Series FF at a price of \$25.00 per share less any tax required to be deducted or withheld by the Company. Accrued and unpaid dividends of \$0.28125 per share were paid to Series FF shareholders on redemption. The \$250 million aggregate cost of redemption was funded from available cash.

Cash Requirements

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

(\$ millions)	2026	2027	2028	2029	2030	2031 and thereafter
Financial Liabilities ⁽¹⁾						
Accounts payable and accrued liabilities	936	—	—	—	—	—
Long-term debt:						
Principal	377	862	398	32	279	11,182
Interest payments ⁽²⁾	550	518	502	484	483	8,064
Derivatives ⁽³⁾	22	14	1	1	1	4
	1,885	1,394	901	517	763	19,250
Commitments ⁽¹⁾						
Purchase obligations:						
Operating and maintenance agreements ⁽⁴⁾	747	553	478	346	105	173
Capital expenditures	665	5	—	—	—	—
Other	9	6	6	6	6	51
Future lease commitments ⁽⁵⁾	—	—	—	5	5	73
	1,421	564	484	357	116	297
Total	3,306	1,958	1,385	874	879	19,547

(1) Additional detail is discussed in Note 21 ("Risk Management") and Note 31 ("Commitments") of the 2025 Consolidated Financial Statements.

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

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

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

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

SHARE CAPITAL

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

At February 24, 2026, we had outstanding 100,863,233 Class I Shares, 11,542,320 Class II Shares, and options to purchase 2,984,275 Class I Shares.

PLAN OF ARRANGEMENT TRANSACTION

On December 11, 2025, ATCO completed an exchange proposal (the ATCO Arrangement) to holders (Class II Non-Controlling Holders) of Class II voting shares other than Sentgraf Enterprises Ltd. (Sentgraf). The ATCO Arrangement was completed by way of a statutory plan of arrangement under the *Business Corporations Act* (Alberta). Under the terms of the ATCO Arrangement, each Class II voting share held by a Class II Non-Controlling Holder was exchanged for 1.15 Class I non-voting shares of ATCO. Following completion of the ATCO Arrangement, the only remaining holder of Class II voting shares is Sentgraf, and the Class II voting shares were delisted from the TSX on December 15, 2025.

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 6,570,950 Class I Shares were available for issuance at December 31, 2025. 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 TSX 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, 2024 through December 31, 2025.

(\$ millions, except for per share data)	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Revenues	1,411	1,158	1,184	1,390
Earnings (loss) attributable to Class I and Class II Shares	144	64	85	(143)
Earnings (loss) per Class I and Class II Share (\$)	1.28	0.57	0.76	(1.27)
Diluted earnings (loss) per Class I and Class II Share (\$)	1.28	0.57	0.75	(1.27)
Adjusted earnings per Class I and Class II Share (\$) ⁽¹⁾	1.43	0.90	0.91	1.37
Adjusted earnings (loss) ⁽²⁾				
ATCO Structures & Logistics ⁽²⁾	27	32	32	30
ATCO Investments ⁽²⁾	11	6	13	22
Canadian Utilities ⁽²⁾				
ATCO Energy Systems ⁽²⁾	122	60	53	102
ATCO EnPower ⁽²⁾	6	6	9	2
ATCO Australia ⁽²⁾	7	11	14	4
Canadian Utilities Financing & Other ⁽²⁾	(13)	(14)	(18)	(6)
Total adjusted earnings ⁽²⁾	160	101	103	154
(\$ 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⁾				
ATCO Structures & Logistics ⁽²⁾	25	29	26	24
ATCO Investments ⁽²⁾	5	5	12	15
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 Financing & Other ⁽²⁾	(8)	(16)	(11)	(6)
Total adjusted earnings ⁽²⁾	148	96	91	146

(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.

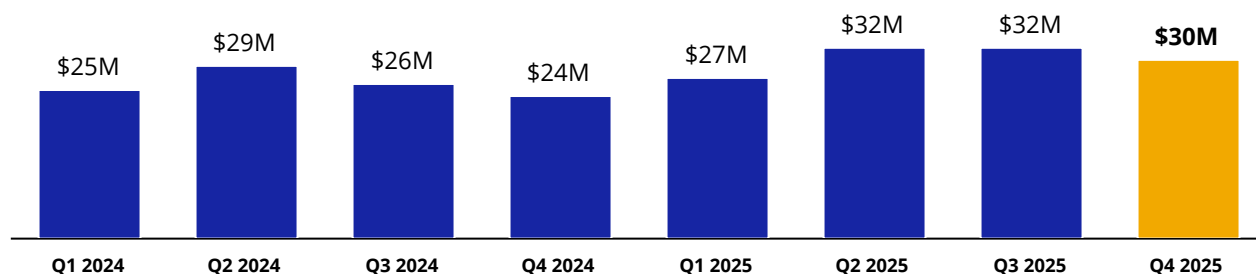
STRUCTURES & LOGISTICS ⁽¹⁾

In the first quarter of 2025, adjusted earnings were higher compared to the same period in 2024 mainly due ATCO Structures' strong base business performance driven by increased workforce housing sale activity in Australia and improved space rentals fleet performance in most geographies.

In the second quarter of 2025, adjusted earnings were higher compared to the same period in 2024 mainly due to ATCO Structures' strong base business performance driven by increased workforce housing sale activity in Australia and Chile, increased permanent modular construction activity in Canada, increased space rental leasing activity in the US and Canada, and realized operating efficiencies within ATCO Frontec. Higher earnings were partially offset by ATCO Structures' lower workforce housing sale activity in the US and lower space rental sale activity in Australia.

In the third quarter of 2025, adjusted earnings were higher compared to the same period in 2024 mainly due to ATCO Frontec's realized operating efficiencies and a provision recorded in the third quarter of 2024 regarding the potential collectability of a customer's receivables, ATCO Structures' increased space rental sale and leasing activity in Canada and the US, and permanent modular construction activity in Canada. This was partially offset by ATCO Structures' higher operating costs associated with US expansion, workforce housing sale performance in Australia, reduced used fleet sale activity in the US, and reduced space rental sale activity in Australia.

In the fourth quarter of 2025, adjusted earnings were higher compared to the same period in 2024 mainly due to ATCO Structures' increased sale and lease activity largely in Canada and the US, and permanent modular construction activity in the US. These increases were partially offset by higher operating costs associated with geographic expansion of branch locations, and reduced workforce housing sale activity in Australia.



(1) Adjusted earnings for ATCO 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.

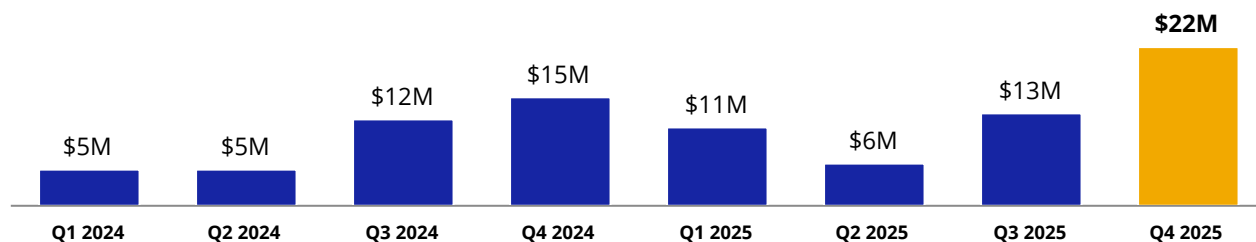
ATCO INVESTMENTS ⁽¹⁾

In the first quarter of 2025, adjusted earnings were higher than the same period in 2024 mainly due to additional earnings from ATCO Energy, which was acquired in the third quarter of 2024, and favourable cargo mix and improved margins across operations within Neltume Ports' portfolio.

In the second quarter of 2025, adjusted earnings were higher compared to the same period in 2024 mainly due to additional earnings from ATCO Energy, which was acquired in the third quarter of 2024, and favourable cargo mix and improved margins across operations within Neltume Ports' portfolio, partially offset by higher net interest expenses in ATCO Corporate & Other.

In the third quarter of 2025, adjusted earnings were comparable to the same period in 2024.

In the fourth quarter of 2025, adjusted earnings were higher compared to the same period in 2024 mainly due to favourable cargo mix and improved margins across operations within Neltume Ports' portfolio, partially offsetting these increases were higher net interest expenses in ATCO Corporate & Other.



(1) Adjusted earnings for ATCO Investments 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.

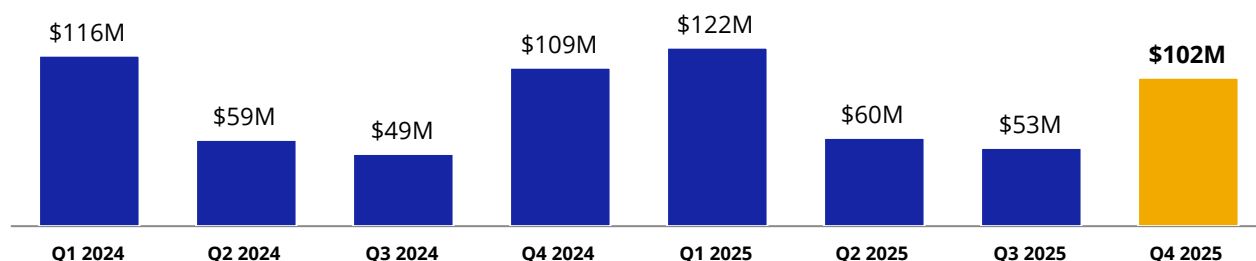
CANADIAN UTILITIES

ATCO Energy Systems ⁽¹⁾

In the first three quarters of 2025, adjusted earnings were higher in each quarter compared to the same periods in 2024 mainly due to growth in rate base and cost efficiencies. Higher earnings were partially offset by a decrease in 2025 ROE which is set at 8.97 per cent compared to the 2024 rate of 9.28 per cent, and the completion of ECM funding of up to 0.5 per cent additional ROE in 2024 for Electricity Distribution and Natural Gas Distribution.

In the fourth quarter of 2025, adjusted earnings were lower than the same period in 2024 mainly due to a decrease in 2025 ROE which was set at 8.97 per cent compared to the 2024 rate of 9.28 per cent, and the completion of ECM funding of up to 0.5 per cent additional ROE in 2024 for Electricity Distribution and Natural Gas Distribution, partially offset by growth in rate

base and cost efficiencies. Additionally, lower earnings were partially due to tax adjustments recorded in the fourth quarter of 2024 in Electricity Distribution.



(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.

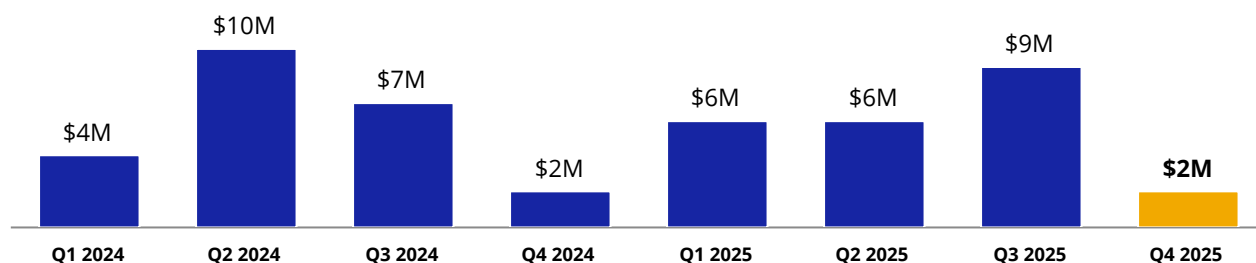
ATCO EnPower ⁽¹⁾

In the first quarter of 2025, adjusted earnings were higher than the same period in 2024 mainly due to stronger seasonal spreads in natural gas storage services, partially offset by lower capture pricing realized at the Forty Mile wind facility.

In the second quarter of 2025, adjusted earnings were lower than the same period in 2024 mainly due to lower compensation related to turbine availability guarantees at the Forty Mile wind facility, and lower generation and capture pricing realized at the Forty Mile wind facility. Lower earnings were partially offset by stronger seasonal spreads in natural gas storage services.

In the third quarter of 2025, adjusted earnings were higher than the same period in 2024 mainly due to higher compensation related to turbine availability guarantees at the Forty Mile wind facility and higher generation at the Veracruz hydro facility in Mexico.

In the fourth quarter of 2025, adjusted earnings were comparable to the same period in 2024.



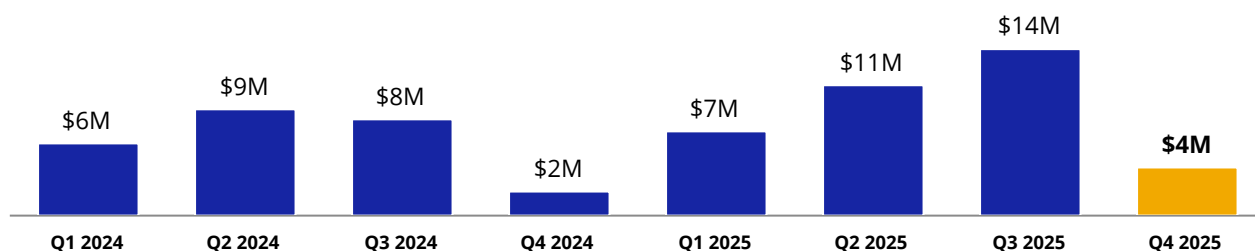
(1) Adjusted earnings for ATCO EnPower is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

ATCO Australia ⁽¹⁾

In the first and second quarters of 2025, adjusted earnings were higher than the same periods in 2024 mainly due to higher rates in ATCO Gas Australia as a result of moving into AA6 and operating efficiencies.

In the third quarter of 2025, adjusted earnings were higher than the same period in 2024 mainly due to higher rates in ATCO Gas Australia as a result of moving into AA6, and ATCO Power Australia's execution of a settlement deed for the South Australia Hydrogen Jobs Plan project after the terms of the Early Contractor Involvement were agreed upon with the Department of Energy and Mining.

In the fourth quarter of 2025, adjusted earnings were higher than the same period in 2024 mainly due to higher rates in ATCO Gas Australia as a result of moving into AA6.



(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 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 from Canadian Utilities to ATCO was completed. Canadian Utilities recorded a loss of \$14 million (\$7 million after non-controlling interests) which is eliminated on consolidation with ATCO.
- In the first quarter of 2025, the Company recorded restructuring costs of \$8 million (after-tax and non-controlling interests) mainly related to staff reductions and associated severance costs. Restructuring costs incurred in 2025 were a continuation of restructuring activities commenced in 2024.
- In each of the four quarters of 2025, the Company recognized IT transition costs of \$5 million (after-tax and non-controlling interests), \$3 million (after-tax and non-controlling interests), \$1 million (after-tax and non-controlling interests) and \$2 million (after-tax and non-controlling interests), respectively. The transition activities commenced on January 1, 2025 and concluded in the fourth quarter of 2025. The transition costs were primarily related to activities to shift the managed IT services from a single-vendor service provider to a hybrid model of multiple new vendors and internal teams.
- In the fourth quarter of 2025, the Company recognized asset impairments and write-offs of \$253 million (after-tax and non-controlling interests) mainly related to the Alberta Renewables Portfolio in ATCO EnPower that was primarily driven by elevated curtailment from inadequate transmission infrastructure and electricity grid deficiencies, and certain hydrogen assets in Natural Gas Distribution which were impaired due to the uncertainty of utility hydrogen regulations. In addition, ATCO Gas Australia recognized an impairment related to the phasing out of an aging liquefied petroleum gas distribution network in Albany, Western Australia due to large sections of the system nearing the end of their service life.

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 strategy includes multiple capital projects. The Company is subject to normal risks associated with major capital projects, including cancellations, delays, cost increases, and execution risk. 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, assigning clear accountability and leadership for executing and realizing capital investment, and implementing prudent stage-gating of projects. Planned capital expenditures 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

ATCO 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, 2025, there were available committed and uncommitted lines of credit of approximately \$2.9 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 assets 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 instrument assets.

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 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, 2025, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 95 per cent (2024 - 93 per cent) of total long-term debt. Consequently, the 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. 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.

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.

Income Tax Risk

DESCRIPTION AND CONTEXT

The Company is subject to income taxes primarily in Canada, Australia, the United States, Mexico, Chile, and Puerto Rico. Due to economic and political conditions in those jurisdictions, tax rates, tax laws and interpretation of those laws may be subject to significant change that cannot be predicted. Such changes can materially impact current tax obligations and the valuation of deferred tax assets and liabilities, resulting in material change to the Company's effective tax rate. Although income taxes at our Regulated Utilities are generally recovered in customer rates, regulatory lag can defer recovery for certain periods.

The Company is also subject to the audit of our tax returns and other tax matters by Canada Revenue Agency and its global counterparts. We regularly and prudently assess the possibility of adverse outcomes resulting from these audits in providing for income taxes in the financial statements. However, there can be no assurance as to the outcome of these audits. Our financial statements could be materially impacted should the outcome of such an audit result in an excess of taxes owing than was previously accrued.

RISK MANAGEMENT APPROACH

The Company manages tax risk by staying informed about changes in tax legislation through ongoing communication with advisors and via membership in tax-focused lobby groups. When necessary, the Company obtains third-party opinions on significant transactions and reviews plans to ensure compliance with current laws and guidelines.

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

While climate-related risks and opportunities are integrated into our enterprise risk management process, we also recognize unique attributes, such as longer time horizons and interconnectivity, could change the profile of this risk over time. In some cases, there could be 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 is useful for the investment community.

DESCRIPTION AND CONTEXT

Climate-related transition risk includes policy and regulatory risks related to potential shifts in government decarbonization policies, at times with limited transitional periods. The potential of aggressive shifts increases investment uncertainty for future projects in addition to increasing risk to the energy transition being implemented in an effective, reliable and affordable manner.

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. Changes in carbon pricing and policies, fluctuations in commodity pricing, and uncertainties in carbon markets could impact revenue streams and operational costs.

Changing customer, public and stakeholder perceptions of climate-related risks and opportunities could impact the Company's businesses from a reputational perspective. In addition, changing customer sentiment and behaviour could cause changes to traditional energy systems and energy flows which introduce both risk and opportunity for the Company.

RISK MANAGEMENT APPROACH

The Company is actively and constructively 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 customers' and partners' goals for the pace and scale of energy transition while maintaining essential infrastructure and services.

The Company's exposure to climate-related transition 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.

For non-regulated operations, the Company has taken steps to reduce exposure through commercial contracting efforts, such as long-term offtake agreements including virtual power purchase agreements (VPPAs), as well as developing strategies to manage and optimize our carbon credit portfolio.

The Company undertakes engagement and collaboration with municipalities, customers, and partners to better understand their needs for the future, and to guide the development of strategic partnerships and common advocacy efforts. Where possible, we share our expertise and innovation in our operating communities to inform discussions regarding the pace of energy transition taking into consideration safety, reliability, resiliency and affordability.

The Company reports annually on its sustainability activities, emissions reduction efforts and initiatives, as well as continued business and portfolio diversification. Our 2025 Sustainability Report will be published in May of 2026. The 2024 Sustainability Report, ESG Datasheet, materiality assessment, 2024 highlights, and other disclosures are available on our website at www.atco.com.

Climate Change - Physical Risks

Climate-related risks and opportunities are integrated into our risk management processes and are identified, assessed and managed similar to other risks. In some cases, there could be 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 is useful for the investment community.

DESCRIPTION AND CONTEXT

Physical risks associated with climate change include those arising from an increase in frequency and severity of extreme weather events such as wildfires, floods, extreme winds, and ice storms. While a number of assets within ATCO's and Canadian Utilities' businesses are exposed to extreme weather events, our above ground linear infrastructure has been identified as having the highest exposure.

In addition to these acute physical risks, chronic 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 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.

For example, for electricity transmission and distribution operations, the Company continues to invest in wildfire mitigation and obtains approval of its costs from the Alberta regulator. The Company 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 prudence review.

Prevention and adaptation 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 Wildfire Management Plans. When planning for capital investments and acquisitions, 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 in that jurisdiction.

Pipeline Integrity

DESCRIPTION AND CONTEXT

Natural Gas Transmission, Natural Gas Distribution and ATCO Gas Australia have significant pipeline infrastructure. Although the possibility exists for a pipeline failure with severe consequences, the likelihood of such a failure is managed to a very low level, as outlined below.

RISK MANAGEMENT APPROACH

Programs are in place to monitor the integrity of the pipeline infrastructure and remediate or replace pipelines or pipeline infrastructure as required to address safety, reliability, and future growth. These programs include Natural Gas Transmission and Distribution integrity management programs, as well as 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, excavation and homeowner communities, promoting ground disturbance and excavation safety.

Political

DESCRIPTION AND CONTEXT

The Company's operations are exposed to risks arising from changes in relevant political and legislative environments in which we operate, including regulations, policy shifts and compliance requirements. In addition, adjustments to international trade policies, such as US tariffs and supporting domestic suppliers, may influence supply chain costs and market dynamics.

Collectively, these changes could negatively impact the financial performance of operations, including earnings, ROE, asset values, 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 collaborates with peers and industry associations to develop common positions and strategies. Additionally, geographic diversification of assets by region and by country helps reduce the impact of political and legislative changes.

Supply Chain Risk

DESCRIPTION AND CONTEXT

The Company faces increasing supply chain risk driven by global volatility, inflationary pressures, labour constraints, and geopolitical uncertainty. As supply chains grow more interconnected and vulnerable to disruption — from severe weather, trade disputes, labour conditions and ethical sourcing risks, cybersecurity incidents, and international conflicts to shipping constraints and material shortages — the Company may experience delays, increased costs, or constrained access to critical equipment, materials, and services essential to operations and capital projects. These pressures could impede timely project execution, elevate operational and development expenditures, and create challenges in maintaining reliable service to customers. In addition, sustainability considerations and responsible sourcing expectations, evolving regulatory requirements, and potential shifts in tariff or trade policy introduce further uncertainty that may affect procurement strategies and supplier resilience.

RISK MANAGEMENT APPROACH

The Company mitigates these risks by maintaining robust supplier due diligence and onboarding processes, diversified relationships, securing multiple procurement channels, monitoring critical inventories, placing orders earlier to offset extended lead times, and embedding sustainability considerations and responsible sourcing expectations into supplier engagement. Collectively, these measures aim to strengthen long-term supply chain reliability and reduce our exposure to external disruption.

US Tariffs and Canadian Retaliatory Measures

DESCRIPTION AND CONTEXT

Recent changes in trade policies between Canada and the US could have an adverse effect on our business, financial condition and results of our operations. As new tariffs are introduced or existing tariffs are increased, implications for our operations could include higher procurement costs, supply chain disruptions with potential delays in project timelines, regulatory uncertainty and market capital volatility which could negatively impact overall profitability. 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 escalation in trade disputes between Canada and the US, such as additional tariff hikes or expanded retaliatory measures, could intensify these risks, undermine investor confidence and create volatility in capital markets, potentially affecting both current operations and future investment plans.

RISK MANAGEMENT APPROACH

We continue to monitor trade developments closely and assess mitigation strategies, taking appropriate actions as needed to reduce potential risks. However, the scope, duration and impact of any US tariffs or Canadian retaliatory measures remain uncertain 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 both current and future 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 operational issues such as fires, line strikes, extreme weather events or similar events that may affect our services. The Company prepares informational materials for customers and other stakeholders as rate changes are approved by the regulator and ready to be applied to the customers' bills. These communications 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. 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 and actions that support being a positive contributor to the communities we operate in are 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 or are governed by partnership, joint venture, shareholder agreements, or other contracts entered into with third parties. As a result, certain decisions relating to such contracts, relationships, or assets require the approval of a simple or special majority of the partners, owners, or counterparties, while others require unanimous approval. In addition, certain assets are owned, constructed, maintained, and/or operated by unrelated third-party entities. The success of such assets is, to some extent, dependent on the effectiveness of the business relationship and decision-making among the Company and the other partner(s), owner(s) or counterparties, and the expertise and ability of any third-party contract counterparties, constructors, material suppliers, consultants or operators with respect to the ownership, operation, or maintenance of the assets. The Company may encounter disputes with contract counterparties, partners, or owners, or assets operated by third parties may not perform as expected. Such events could impact operations or cash flows related to contracts, joint ventures, partnerships, or 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.

Artificial Intelligence (AI)

DESCRIPTION AND CONTEXT

The Company leverages advanced technologies, including generative AI, across all business units to deliver services in innovative, efficient, and cost effective ways. When deployed securely, generative AI enhances productivity, communication, and user experience.

While AI offers significant opportunities to improve efficiency and performance, it also introduces operational and compliance risks. A primary risk associated with generative AI is content integrity. Errors or biases within AI models, or insufficient user diligence, may result in inaccurate outputs or data reliability concerns. In addition, because AI systems depend on large volumes of data, they may be exposed to cybersecurity threats, data breaches, and privacy risks. Finally, the Company's reliance on third-party vendors for AI-enabled solutions may create additional exposure to service disruptions, regulatory non-compliance, or other operational risks arising from those vendors' use of AI.

RISK MANAGEMENT APPROACH

To manage AI-related opportunities and risks, the Company has established an AI strategy to ensure that AI is adopted responsibly and in a manner that mitigates operational, financial, cybersecurity, and privacy risks.

This program includes an AI Acceptable Use Policy, a user attestation process, controls to prevent AI development or deployment without internal IT/Cybersecurity oversight and approval, testing of AI in a controlled internal IT environment, blocking of all AI except for the Company-approved AI tools (Co-Pilot and Google), and the use of approved AI tools focused on augmenting employee productivity.

The Company permits the use of approved generative AI tools only and does not allow the use of agentic AI. Accordingly, the Company's AI systems do not operate, control, or independently interact with other company assets or operations. All permitted AI activities are accompanied by human oversight, data protection measures, and transparency in usage. Collectively, these measures are intended to reduce AI-associated risks and prevent unauthorized data exposure or loss.

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 (UNDRIP)* is in place and being incorporated into Canadian law with the adoption of *The United Nations Declaration on the Rights of Indigenous Peoples Act*. The *UNDRIP Act* provides a roadmap for the Government of Canada and Indigenous peoples to work together to implement the rights 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 are 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 determine 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 significant employee departures, and therefore 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 and be costly for the organization to build back the organizational knowledge and critical skills of the departed employees.

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 retention strategy. This includes enhancing ATCO employee value proposition 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 wellness programs. 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 and employee engagement surveys are conducted. Results are reviewed with leaders to inform areas of risk, and action plans are developed accordingly 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. Risks exist in existing unionized environments for potential labour disruption, loss of favourable management rights (e.g., contracting out ability), strong push for job determinations (and therefore losing flexibility), and we may face union drive attempts in our non-union environments. In addition, should any developments result in a strained relationship with any of our associations or labour unions, it could create operational and financial risk for our businesses through 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 advancing mutually respectful relationships to resolve 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. In non-unionized environments, we are committed to quickly resolving employee concerns through transparent communication and strong leadership.

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.

International Jurisdiction Risk

DESCRIPTION AND CONTEXT

There are a number of risks associated with operating in international jurisdictions, including but not limited to: the risk of political interference; changes in applicable laws or regulatory requirements, or the interpretation or manner of enforcement of such laws or regulatory requirements; funding challenges or constraints; political, economic and social instability; civil unrest; the risk of the frustration, annulment, nullification, termination or cancellation of contracts; the risk of expropriation or nationalization of assets or operations; risks related to unfamiliar legal systems or business or labour practices; risks related to complex foreign laws, regulations and/or treaties, including those pertaining to taxation, international trade, tariffs, and creditor protection. For example, the LUMA Energy joint venture is exposed to various risks operating in Puerto Rico. Furthermore, we have incurred, and may in the future incur, significant costs or liabilities associated with entering a new market and we have entered, and may in the future enter, a new market that ultimately proves to be unprofitable or has an otherwise adverse effect on our business. We may also incur significant costs and liabilities associated with winding down or leaving an existing market. These risks could restrict our ability to provide services to customers, operate our business in these locations profitably and/or fund strategic objectives, which could negatively impact our overall business, reputation, financial condition, results of operations and cash flows.

RISK MANAGEMENT APPROACH

The Company mitigates these risks by having appropriate corporate structures and governance approval mechanisms in place and by conducting appropriate due diligence and obtaining independent legal and financial advice before investing in or entering into new markets. Subsidiaries and joint ventures that operate in foreign jurisdictions engage in government and public relations, and also engage with customers, regulatory authorities, and other stakeholders. Such subsidiaries and joint ventures also may pursue legal recourse through local or appellate courts or arbitration, or engage in local regulatory processes or proceedings to enforce their contractual or legal rights and remedies.

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 2025 Consolidated Financial Statements. The 2025 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", "non-GAAP financial measures", and "non-GAAP ratios" (as such terms are 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 (a) is a subtotal or total of two or more reportable segments of an entity, (b) is not a component of a line item disclosed in the primary financial statements of the entity, (c) is disclosed in the notes to the financial statements of the entity, and (d) is not disclosed in the primary financial statements of the entity.

Consolidated adjusted earnings (loss) and adjusted earnings (loss) for each of ATCO Structures & Logistics, ATCO Investments, Canadian Utilities Limited, ATCO Energy Systems, ATCO EnPower, ATCO Australia, and Canadian Utilities Financing & 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.

Capital investment; adjusted earnings (loss) for each of ATCO Structures, ATCO Frontec, Other Investments, Total Investments, ATCO Corporate & Other, Electricity Distribution, Electricity Transmission, International Electricity Operations, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, Total Natural Gas, Electricity Generation, Storage & Industrial Water, ATCO Gas Australia, and ATCO Power Australia; 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

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 considered prior to adopting IFRS Accounting Standards – that basis being the US accounting principles taking into account a more likely than not recognition threshold for rate regulated activities. Adjusted earnings (loss) are presented in Note 3 of the 2025 Consolidated Financial Statements.

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. For further information, a "Reconciliation of Adjusted Earnings to Earnings attributable to Class I and Class II Shares" is presented in this MD&A.

Capital Investment

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. For further information, a "Reconciliation of Capital Investment to Capital Expenditures" is presented in this MD&A.

Adjusted EBITDA

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

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. For further information, a "Reconciliation of Rate Base and 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) is a non-GAAP ratio, as defined in NI 52-112. Adjusted earnings (loss) per Class I and Class II Share is calculated by dividing adjusted earnings (loss) by the weighted average number of shares outstanding for the period.

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.

The following tables reconcile adjusted earnings (loss) to the directly comparable financial measure, earnings (loss) attributable to Class I and Class II shares.

(\$ millions)	Three Months Ended December 31							
2025	ATCO Ltd.							ATCO Consolidated
2024	ATCO Structures & Logistics	ATCO Investments	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Financing & Other	Consolidated	
Revenues	381	38	811	100	58	2	971	1,390
	367	42	828	87	61	5	981	1,390
Adjusted earnings (loss)	30	22	102	2	4	(6)	102	154
	24	15	109	2	2	(6)	107	146
Impairments	(1)	(5)	(22)	(214)	(11)	—	(247)	(253)
	—	—	—	—	—	—	—	—
Transition of managed IT services	—	—	(2)	—	—	—	(2)	(2)
	—	—	—	—	—	—	—	—
Restructuring	—	—	—	—	—	—	—	—
	—	—	(2)	(1)	—	(1)	(4)	(4)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	—	(4)	—	(1)	—	—	(1)	(5)
	—	63	—	—	—	(39)	(39)	24
Rate-regulated activities	—	—	(28)	—	(5)	—	(33)	(33)
	—	—	(21)	—	(3)	—	(24)	(24)
IT Common Matters decision	—	—	(1)	—	—	—	(1)	(1)
	—	—	(4)	—	—	—	(4)	(4)
Other	—	(1)	—	—	(1)	(1)	(2)	(3)
	—	—	—	—	—	—	—	—
(Loss) earnings attributable to Class I and Class II Shares	29	12	49	(213)	(13)	(7)	(184)	(143)
	24	78	82	1	(1)	(46)	36	138

								Year Ended December 31
(\$ millions)								
2025	ATCO Ltd.							
2024	ATCO Structures & Logistics	ATCO Investments	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Financing & Other	Consolidated	ATCO Consolidated
Revenues	1,282	171	3,108	328	243	11	3,690	5,143
	1,114	86	3,071	313	241	117	3,742	4,942
Adjusted earnings (loss)	121	52	337	23	36	(51)	345	518
	104	37	333	23	25	(41)	340	481
Impairments	(1)	(5)	(22)	(214)	(11)	—	(247)	(253)
	—	—	—	—	—	—	—	—
Transition of managed IT services	(1)	(1)	(8)	(1)	—	—	(9)	(11)
	—	—	—	—	—	—	—	—
Restructuring	—	(1)	(5)	(1)	(1)	—	(7)	(8)
	(10)	—	(19)	(2)	(1)	(1)	(23)	(33)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	—	(31)	—	(1)	—	—	(1)	(32)
	—	75	—	2	—	(47)	(45)	30
Rate-regulated activities	—	—	(35)	—	(20)	—	(55)	(55)
	—	—	(26)	—	(13)	—	(39)	(39)
IT Common Matters decision	—	—	(3)	—	—	—	(3)	(3)
	—	—	(12)	—	—	—	(12)	(12)
Loss on sale of ATCO Energy ⁽¹⁾	—	—	—	—	—	—	—	—
	—	14	—	—	—	(7)	(7)	7
ATCO Electric settlement	—	—	—	—	—	—	—	—
	—	—	(4)	—	—	—	(4)	(4)
Other	—	(3)	—	(1)	(1)	(1)	(3)	(6)
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	119	11	264	(195)	3	(52)	20	150
	94	126	272	23	11	(96)	210	430

(1) The 2024 transfer of ownership of ATCO Energy from Canadian Utilities to ATCO. Canadian Utilities recorded a loss of \$14 million (\$7 million after non-controlling interests) which is eliminated on consolidation with ATCO.

IMPAIRMENTS

In 2025, impairments of \$253 million (after-tax and non-controlling interests) were recorded for certain assets and cash-generating units. The impairments primarily include:

ATCO EnPower:

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

ATCO Australia:

An asset write-off of \$11 million (after-tax and non-controlling interests) in ATCO Gas Australia related to the phasing out of an aging liquefied petroleum gas (LPG) distribution network (Network) in Albany, Western Australia. The write-off was driven by

an extensive review of the Network, noting that many of the pipes are nearing the end of their service life and would require significant investment to continue operations.

ATCO Energy Systems:

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

Others Segments:

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

TRANSITION OF MANAGED IT SERVICES

The Company recognized IT transition costs of \$2 million and \$11 million (after-tax and non-controlling interests) in the fourth quarter and year ended December 31, 2025. The transition costs were primarily related to activities to shift from a single-vendor service provider to a hybrid model of multiple new vendors and internal teams. The transition activities commenced on January 1, 2025 and were substantially completed in the fourth quarter of 2025. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

RESTRUCTURING

The Company recorded restructuring costs of nil and \$8 million (after-tax and non-controlling interests) in the fourth quarter and year ended December 31, 2025 (2024 - \$4 million and \$33 million (after-tax and non-controlling interests)), mainly related to staff reductions and associated severance costs. This restructuring is a continuation of the restructuring activities commenced in 2024. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

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

The Company's electricity generation and electricity and natural gas retail businesses enter into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts where hedge accounting is not applied, or due to hedge ineffectiveness where hedge accounting is applied, together with reclassifications of unrealized gains or losses from other comprehensive income or loss related to both the electricity generation business and retail business, are recognized in the ATCO EnPower and ATCO Investments segments, respectively.

The Senior Management Team, consisting of the Chief Executive Officer (CEO) and other members of the Executive Committee, believes that removal of the unrealized gains and losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

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

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

The Company considers standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles taking into account a more likely than not recognition threshold in accounting for rate-regulated activities in its internal reporting provided to the Senior Management Team, which believes that earnings presented in this manner are a better representation of the operating results of the Company's rate-regulated

activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulator's decisions on revenues.

Rate-regulated 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 2025 and 2024, 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)	2025	2024	Change	2025	2024	Change
Additional revenues billed in current period						
Future removal and site restoration costs ⁽¹⁾	18	16	2	71	65	6
Revenues to be billed in future periods						
Deferred income taxes ⁽²⁾	(27)	(26)	(1)	(82)	(76)	(6)
Impact of warmer temperatures ⁽³⁾	2	(5)	7	(5)	(5)	—
Impact of inflation on rate base ⁽⁴⁾	(6)	(1)	(5)	(15)	(9)	(6)
Settlement of regulatory decisions and other items						
PBR2 re-opener proceeding refund to customers ⁽⁵⁾	(15)	—	(15)	(19)	—	(19)
Other ⁽⁶⁾	(5)	(8)	3	(5)	(14)	9
	(33)	(24)	(9)	(55)	(39)	(16)

(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 periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of

rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related asset.

- (5) In connection with the PBR2 re-opener proceeding (Phase II Decision), Electricity Distribution and Natural Gas Distribution refunded \$10 million (after-tax and non-controlling interests) and \$9 million (after-tax and non-controlling interests), respectively, to customers for the year ended December 31, 2025.
- (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 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 fourth quarter and year ended December 31, 2025 was \$1 million and \$3 million (after-tax and non-controlling interests) (2024 - \$4 million and \$12 million (after-tax and non-controlling interests)).

ATCO ELECTRIC SETTLEMENT

On June 24, 2024, AUC Enforcement filed a joint submission with ATCO Electric seeking the AUC's approval of a settlement agreement involving two historical matters ATCO Electric had previously identified and self-reported to AUC Enforcement staff. The settlement agreement included an administrative penalty of \$3 million, and a refund to customers through a billing adjustment to the AESO of \$4 million. For the year ended December 31, 2024, the Company recognized costs of \$4 million (after tax and non-controlling interests) related to the proceeding. As this was not in the normal course of business, it was excluded from adjusted earnings.

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

ATCO Structures & Logistics

The following tables reconcile adjusted earnings (loss) for the ATCO 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	
2025	ATCO Ltd.		
2024	Structures	Frontec	ATCO Structures & Logistics
Adjusted earnings (loss)	31	(1)	30
	25	(1)	24
Impairment	(1)	—	(1)
	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	30	(1)	29
	25	(1)	24

(\$ millions)

2025	ATCO Ltd.		
2024			
	Structures	Frontec	ATCO Structures & Logistics
Adjusted earnings (loss)	119	2	121
	108	(4)	104
Impairment	(1)	—	(1)
	—	—	—
Transition of managed IT services	(1)	—	(1)
	—	—	—
Restructuring	—	—	—
	(6)	(4)	(10)
Earnings (loss) attributable to Class I and Class II Shares	117	2	119
	102	(8)	94

ATCO Investments

The following tables reconcile adjusted earnings (loss) for the ATCO Investments to the directly comparable financial measure, earnings (loss) attributable to Class I and Class II Shares.

Three Months Ended
December 31

(\$ millions)

2025	ATCO Ltd.				
2024	Investments				ATCO Investments
	Nettume Ports	Other Investments	Consolidated Investments	ATCO Corporate & Other	
Adjusted earnings	10	7	17	5	22
	6	3	9	6	15
Impairments	(1)	—	(1)	(4)	(5)
	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	—	(4)	(4)	—	(4)
	—	(10)	(10)	73	63
Other	(1)	—	(1)	—	(1)
	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	8	3	11	1	12
	6	(7)	(1)	79	78

(\$ millions)

Year Ended
December 31

2025	ATCO Ltd.				
	Investments			ATCO Corporate & Other	ATCO Investments
	Neltume Ports	Other Investments	Consolidated Investments		
2024					
Adjusted earnings (loss)	35	21	56	(4)	52
	24	7	31	6	37
Impairments	(1)	—	(1)	(4)	(5)
	—	—	—	—	—
Transition of managed IT services	—	(1)	(1)	—	(1)
	—	—	—	—	—
Restructuring	—	—	—	(1)	(1)
	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	—	(31)	(31)	—	(31)
	—	2	2	73	75
Loss on sale of ATCO Energy ⁽¹⁾	—	—	—	—	—
	—	—	—	14	14
Other	(3)	—	(3)	—	(3)
	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	31	(11)	20	(9)	11
	24	9	33	93	126

(1) The 2024 transfer of ownership of ATCO Energy from Canadian Utilities to ATCO. Canadian Utilities recorded a loss of \$14 million (\$7 million after non-controlling interests) which is eliminated on consolidation with ATCO.

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.

Three Months Ended December 31								
(\$ millions)								
2025	Canadian Utilities Limited							
2024	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	20	23	7	50	38	14	52	102
	24	25	8	57	37	15	52	109
Impairments	(1)	(5)	—	(6)	(14)	(2)	(16)	(22)
	—	—	—	—	—	—	—	—
Transition of managed IT services	—	(1)	—	(1)	(1)	—	(1)	(2)
	—	—	—	—	—	—	—	—
Restructuring	—	—	—	—	—	—	—	—
	(1)	—	—	(1)	(1)	—	(1)	(2)
Rate-regulated activities	(13)	(5)	—	(18)	(4)	(6)	(10)	(28)
	(10)	(11)	—	(21)	3	(3)	—	(21)
IT Common Matters decision	—	—	—	—	(1)	—	(1)	(1)
	(2)	—	—	(2)	(2)	—	(2)	(4)
Earnings attributable to Class I and Class II Shares	6	12	7	25	18	6	24	49
	11	14	8	33	37	12	49	82

Year Ended
December 31

(\$ millions)

2025	Canadian Utilities Limited							
2024	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	82	93	30	205	75	57	132	337
	79	100	29	208	75	50	125	333
Impairments	(1)	(5)	—	(6)	(14)	(2)	(16)	(22)
	—	—	—	—	—	—	—	—
Transition of managed IT services	(2)	(1)	—	(3)	(5)	—	(5)	(8)
	—	—	—	—	—	—	—	—
Restructuring	(2)	(1)	—	(3)	(1)	(1)	(2)	(5)
	(5)	(3)	—	(8)	(9)	(2)	(11)	(19)
Rate-regulated activities	(22)	(12)	—	(34)	9	(10)	(1)	(35)
	(22)	(18)	—	(40)	21	(7)	14	(26)
IT Common Matters decision	(1)	(1)	—	(2)	(1)	—	(1)	(3)
	(5)	(2)	—	(7)	(5)	—	(5)	(12)
ATCO Electric settlement	—	—	—	—	—	—	—	—
	—	(4)	—	(4)	—	—	—	(4)
Earnings attributable to Class I and Class II Shares	54	73	30	157	63	44	107	264
	47	73	29	149	82	41	123	272

ATCO EnPower

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

Three Months Ended
December 31

(\$ millions)

2025	Canadian Utilities Limited		
2024	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss)	(2)	4	2
	(1)	3	2
Impairments	(200)	(14)	(214)
	—	—	—
Restructuring	—	—	—
	—	(1)	(1)
Unrealized losses on mark-to-market forward and swap commodity contracts	(1)	—	(1)
	—	—	—
(Loss) earnings attributable to Class I and Class II Shares	(203)	(10)	(213)
	(1)	2	1

Year Ended
December 31

(\$ millions)

2025	Canadian Utilities Limited		
2024	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss)	(3)	26	23
	3	20	23
Impairments	(200)	(14)	(214)
	—	—	—
Transition of managed IT services	—	(1)	(1)
	—	—	—
Restructuring	—	(1)	(1)
	—	(2)	(2)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	(1)	—	(1)
	2	—	2
Other	(1)	—	(1)
	—	—	—
(Loss) earnings attributable to Class I and Class II Shares	(205)	10	(195)
	5	18	23

ATCO Australia

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

Three Months Ended
December 31

(\$ millions)

2025	Canadian Utilities Limited		
2024	ATCO Gas Australia	ATCO Power Australia	ATCO Australia
Adjusted earnings (loss)	6	(2)	4
	2	—	2
Impairment	(11)	—	(11)
	—	—	—
Rate-regulated activities	(5)	—	(5)
	(3)	—	(3)
Other	(1)	—	(1)
	—	—	—
Loss attributable to Class I and Class II Shares	(11)	(2)	(13)
	(1)	—	(1)

(\$ millions)

Year Ended
December 31

2025	Canadian Utilities Limited		
2024			
	ATCO Gas Australia	ATCO Power Australia	ATCO Australia
Adjusted earnings	34	2	36
	24	1	25
Impairment	(11)	—	(11)
	—	—	—
Restructuring	(1)	—	(1)
	(1)	—	(1)
Rate-regulated activities	(20)	—	(20)
	(13)	—	(13)
Other	(1)	—	(1)
	—	—	—
Earnings attributable to Class I and Class II Shares	1	2	3
	10	1	11

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

2025	ATCO Ltd.							ATCO Consolidated
2024	ATCO Structures & Logistics	ATCO Investments	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Financing & Other	Consolidated	
Capital Investment	80	11	359	59	30	—	448	539
	62	14	472	52	26	11	561	637
Capital expenditures in joint ventures	—	—	(1)	(2)	—	—	(3)	(3)
	—	—	(1)	(1)	—	—	(2)	(2)
Business combination ⁽¹⁾	—	—	—	(30)	—	—	(30)	(30)
	—	—	—	—	—	—	—	—
Capital Expenditures	80	11	358	27	30	—	415	506
	62	14	471	51	26	11	559	635

(1) The ATCO EnPower business combination refers to the acquisition of Northstone Power Corp. in December 2025, which owns and operates Elmworth Generating Station.

(\$ millions)								Year Ended December 31
2025	ATCO Ltd.							ATCO Consolidated
2024	ATCO Structures & Logistics	ATCO Investments	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Financing & Other	Consolidated	
Capital Investment	243	33	1,402	125	100	12	1,639	1,915
	222	27	1,403	107	89	23	1,622	1,871
Capital expenditures in joint ventures	—	—	(3)	(6)	—	—	(9)	(9)
	—	—	(4)	(3)	—	—	(7)	(7)
Business combinations ⁽¹⁾	(3)	—	—	(30)	—	—	(30)	(33)
	(40)	—	—	—	—	(4)	(4)	(44)
Capital Expenditures	240	33	1,399	89	100	12	1,600	1,873
	182	27	1,399	104	89	19	1,611	1,820

(1) The business combinations refer to ATCO Structures & Logistics' acquisition of NRB in the third quarter of 2024 and the final working capital adjustment completed in the first quarter of 2025, and ATCO EnPower's acquisition of Northstone Power Corp. in December 2025, which owns and operates Elmworth Generating Station.

RECONCILIATION OF RATE BASE AND MID-YEAR 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 AND MID-YEAR 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.

⁽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 Energy Systems

The following table reconciles rate base and mid-year rate base to property, plant and equipment and intangible assets for 2025, 2024 and 2023.

	Year Ended December 31		
(\$ billions)	2025	2024	2023
Property, plant and equipment ⁽¹⁾	20.3	19.8	19.0
Intangible assets ⁽¹⁾	1.1	1.1	1.0
	21.4	20.9	20.0
Adjustments:			
Property, plant and equipment, and intangible assets of non-regulated businesses	(2.1)	(2.2)	(2.2)
Customer contributions ⁽²⁾	(2.1)	(2.0)	(2.0)
Removal costs collected from customer rates	(1.7)	(1.6)	(1.5)
Other	(0.1)	(0.3)	(0.2)
Rate Base ⁽³⁾	15.4	14.8	14.1
Mid-Year Rate Base ⁽³⁾	15.1	14.5	14.0

(1) Please refer to Note 3 - Geographic Information section (Canada) of the Company's 2025 Consolidated Financial Statements (2024 - Note 3).

(2) Please refer to Note 10 - Customer Contributions section of the Company's 2025 Consolidated Financial statements (2024 - Note 16).

(3) Non-GAAP financial measure.

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 2025, 2024 and 2023.

	Year Ended December 31		
(\$ billions)	2025	2024	2023
Property, plant and equipment, and intangible assets ⁽¹⁾	1.6	1.5	1.5
	1.6	1.5	1.5
Adjustments:			
Property, plant and equipment, and intangible assets of non-regulated businesses	(0.2)	(0.2)	(0.2)
Other	0.1	0.1	0.1
Rate Base ⁽²⁾	1.5	1.4	1.4
Mid-Year Rate Base ⁽²⁾	1.5	1.4	1.4

(1) Please refer to Note 3 - Geographic Information section (Australia) of the Company's 2025 Consolidated Financial Statements (Note 3).

(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 2025 Consolidated Financial Statements.

MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's material accounting judgments, estimates and assumptions are described in Note 23 of the 2025 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 2025 Consolidated Financial Statements, which are prepared in accordance with IFRS.

RELATED PARTY TRANSACTIONS

Transactions with related parties in the normal course of business are measured at the exchange amount. Transfers of assets or business combinations between entities under common control are measured at the carrying amount. For further information, please refer to Note 32 of the 2025 Consolidated Financial Statements.

NEW OR AMENDED IFRS ACCOUNTING STANDARDS ADOPTED

No new or amended standards were adopted during the current year that have a material effect on the 2025 Consolidated Financial Statements.

IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

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

Agreements Referencing Nature-Dependent Electricity

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

Settlement By Electronic Payments

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

Presentation and Disclosure In Financial Statements

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

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

Disclosures about uncertainties in the financial statements

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

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2025, 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 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, 2025.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of annual filings for the year ended December 31, 2025, 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, 2025 and ending on December 31, 2025.

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, 2025, 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, 2025.

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: the Company's strategic plans and investment strategy; the payment of dividends and dividend growth; emissions reduction efforts and initiatives; the Company's 2050 net-zero ambition; expected growth, expansion and diversification opportunities; the expected timing of commencement, completion or commercial operations of activities, contracts and projects; the expected term or expiry of contracts or concessions; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; the size, storage, building, generation or transmission capacity expected from business units, assets and projects; Canadian Utilities' \$12 billion five-year (2026-2030) capital expenditure plan for its Regulated Utilities, with related projects expected to be primarily aligned with customer growth, system reliability and safety, climate adaptation and resilience, new technologies and energy transition initiatives; expectations regarding ATCO Energy Systems' mid-year rate base; the Company being well-positioned to support energy security as a global priority; expectations regarding ATCO Structures' and ATCO Frontec's various projects;

expectations regarding ATCO Structures' sustainable earnings growth, growth strategy, and it being well positioned to capture growth in an expanded market; ATCO Structures' expectations regarding additional demand for infrastructure projects related to the 2032 Olympics in Brisbane; ATCO Frontec continuing to grow its business as an international provider of integrated operation support services to government, defence and commercial clients; expected timing for mobilizing the Bagdad, Arizona, camp; 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; ATCO Land and Development's housing and growth strategy (including through its new venture, Viva Homes) helping to meet the national need for attainable housing and offering turnkey housing solutions at an expedited pace, and Viva Homes' upcoming projects; Ashcor's continued pursuit of organic expansion; ATCO Energy's growth pursuits, including expanding market presence in Alberta; expectations regarding the PBR2 and PBR3 appeals, including timing expectations, scope of the proceedings, and anticipated outcomes; expectations regarding ATCO Pipeline's 2026-2028 GRA; the anticipated size, specifications and incremental natural gas delivery capacity of Yellowhead, the anticipated capital spend on Yellowhead and expected accuracy of the estimate, and the number of regulatory applications and expected timing for commencement of construction and bringing Yellowhead on-stream; expectations regarding Yellowhead's funding structure, including sources of equity and debt funding for the project and potential Indigenous equity participation on the project; expectations regarding Electricity Transmission's 2026-2027 GTA; ATCO EnPower developing its cleaner fuels business and remaining committed to advancing practical, value-creating opportunities in its non-regulated energy portfolio; impairments related to ATCO EnPower's Alberta renewable energy portfolio caused by changes and anticipated future negative impacts arising from regulatory reforms, and ATCO EnPower exploring all remedies associated with this situation through engagement, and where necessary, legal recourse, to secure a timely resolution regarding market redesign; changes and anticipated expectations around demand in Australian electricity markets; Australia's developing regulations, government emissions reduction targets and associated investment incentives presenting ATCO Australia with opportunities it is well positioned to pursue; the expected operational date for the soda ash bulk facility being developed at Terminal 2 within the Port of Vancouver, Washington, and the export capacity to be achieved therefrom; the construction timeline for the referenced Ashcor RAM facility and its expected operational life; expectations regarding CETO, including the anticipated size, capacity and benefits of the project, the anticipated timing for energization of the project, and the anticipated total investment in the project; ATCO Gas Australia's intention to phase out the AGDS network commencing and the anticipated timeline for doing so; expectations regarding the use of proceeds resulting from Canadian Utilities' recent hybrid note issuance, CU Inc.'s recent debenture issuance and Canadian Utilities' Cumulative Redeemable Second Preferred Share Series JJ short form prospectus issuance; the Company's intention to apply for a renewed NCIB subsequent to the expiration of its current NCIB, subject to acceptance by the TSX; the expected impact of new legislation; the expected timing and impact of policy and regulatory decisions and announcements, including the new federal MPO, and governmental frameworks; and the Company's liquidity, capital resources, contractual financial obligations and other commitments.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things: the Yellowhead and CETO projects underpinning Canadian Utilities' \$12 billion five-year capital plan (2026-2030) for its Regulated Utilities; other utility capital spending during the five-year forecast period being associated with customer growth, system reliability and safety, climate and technology, energy transition initiatives, and program and system investments; planned capital investments for the Alberta Utilities being based on a number of significant assumptions, including: projects identified by the AESO will proceed as currently scheduled, and the remaining planned capital investments are required to maintain safe and reliable service and meet planned growth in the Alberta Utilities' service areas; planned capital investments for ATCO EnPower being 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 ATCO EnPower 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 approval of capital expenditures; regulatory approvals to allow for the recovery of prudently incurred capital expenditures and to earn a fair return on investment; certain other regulatory applications being made and approved; the applicability and stability of legal and regulatory requirements in the

jurisdictions in which we invest and/or operate; the payment of fees owing pursuant to applicable contracts; 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 budgets; the availability of financing sources on acceptable terms; expected future borrowing costs and interest rates; 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 and regulations and the interpretation and manner of enforcement of such laws and regulations; changes to government policies; regulatory decisions; competitive factors in the industries in which the Company operates; evolving market or 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 cancellation, termination, default, non-compliance, or breach of contract by contract counterparties; the risk that payments owed may not be collected or received in a timely manner, or at all; risks associated with potential litigation proceedings; potential damage to our brand and/or reputation that may result from a failure to perform, or from factors outside of our control, or negative publicity related to significant projects, investments, operations or activities; the risk of operational disruptions, outages, or force majeure events; 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 or changes to existing customs duties, tariffs or other trade restrictions; geopolitical tensions and wars; risks associated with operating in international jurisdictions; 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 2025 Consolidated Financial Statements and most recent Annual Information Form dated February 25, 2026, 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

Access Arrangement (AA) means the agreement between ATCO Gas Australia and the Economic Regulatory Authority that outlines the terms and conditions of accessing the gas network of Western Australia. It outlines the services provided, revenue and policies under which the network operator, ATCO Gas Australia, functions. Access Arrangement 6 (AA6) refers to the AA covering the period January 1, 2025 to December 31, 2029.

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.

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

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

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.

ERA means the Economic Regulation Authority of Western Australia.

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.

GTA means general tariff application.

IFRS means International Financial Reporting Standards.

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

K Bar means the AUC allowance for capital additions under Performance Based Regulation.

LPG means liquefied petroleum 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, 2025 and 2024 is shown below.

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	2025	2024
Revenues	1,390	1,390
Costs and expenses		
Salaries, wages and benefits	(177)	(191)
Energy transmission and transportation	(87)	(79)
Plant and equipment maintenance	(66)	(77)
Fuel costs	(42)	(30)
Purchased power	(58)	(59)
Materials and consumables	(235)	(237)
Depreciation, amortization and impairments	(780)	(209)
Franchise fees	(80)	(79)
Property and other taxes	(20)	(19)
Derivative financial instruments gains	17	7
Other	(90)	(82)
	(1,618)	(1,055)
Earnings from investment in associate company	8	6
Earnings from investment in joint ventures	24	19
Operating (loss) profit	(196)	360
Interest income	21	21
Interest expense	(151)	(142)
Net finance costs	(130)	(121)
(Loss) earnings before income taxes	(326)	239
Income taxes recovery (expenses)	42	(44)
(Loss) earnings for the period	(284)	195
(Loss) earnings attributable to:		
Class I and Class II Shares	(143)	138
Non-controlling interests	(141)	57
	(284)	195
(Loss) earnings per Class I and Class II Share	(\$1.27)	\$1.23
Diluted (loss) earnings per Class I and Class II Share	(\$1.27)	\$1.23

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31	
(millions of Canadian Dollars)	2025	2024
Operating activities		
(Loss) earnings for the period	(284)	195
Adjustments to reconcile earnings to cash flows from operating activities	934	431
Changes in non-cash working capital	12	(9)
Cash flows from operating activities	662	617
Investing activities		
Additions to property, plant and equipment	(453)	(600)
Proceeds on disposal of property, plant and equipment	12	—
Additions to intangibles	(43)	(31)
Acquisition, net of cash acquired	(30)	—
Investment in joint ventures	(4)	(1)
Investment in marketable securities	(3)	(3)
Changes in non-cash working capital	(36)	46
Other	(3)	(2)
Cash flows used in investing activities	(560)	(591)
Financing activities		
Issue of long-term debt	365	147
Repayment of long-term debt	(59)	(63)
Repayment of lease liabilities	(9)	(8)
Issue of equity preferred shares by subsidiary company	201	—
Redemption of equity preferred shares by subsidiary company	(250)	—
Issue of Class A shares by subsidiary company	8	—
Net issue of Class I Shares	7	2
Dividends paid to Class I and Class II Share owners	(57)	(55)
Dividends paid to non-controlling interests	(81)	(83)
Interest paid	(151)	(138)
Other	(2)	—
Cash flows used in financing activities	(28)	(198)
Increase (decrease) in cash position	74	(172)
Foreign currency translation	1	(6)
Beginning of period	902	272
End of period	977	94

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 ⁽¹⁾ is a non-GAAP financial measure. 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 2025 and 2024. 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 this MD&A.

	Three Months Ended December 31		Year Ended December 31	
(\$ millions)	2025	2024	2025	2024
Adjusted Earnings ⁽¹⁾	31	25	119	108
Add:				
Interest expense	4	4	17	13
Income tax	13	7	44	38
Depreciation and amortization	24	23	94	82
Total Adjusted EBITDA ⁽¹⁾	72	59	274	241

⁽¹⁾ Non-GAAP financial measures.

⁽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 2025 and 2024. 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 this MD&A.

(\$ millions)		Three Months Ended December 31	
2025	Canadian Utilities Limited		
2024	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss) ⁽¹⁾	(2)	4	2
	(1)	3	2
Add:			
Interest expense	4	—	4
	4	1	5
Income tax expense (recovery)	—	3	3
	(1)	1	—
Depreciation and amortization	5	3	8
	6	3	9
Total Adjusted EBITDA ⁽¹⁾	7	10	17
	8	8	16

(1) Non-GAAP financial measures.

(\$ millions)		Year Ended December 31	
2025	Canadian Utilities Limited		
2024	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss) ⁽¹⁾	(3)	26	23
	3	20	23
Add:			
Interest expense	15	1	16
	14	2	16
Income tax expense	1	9	10
	2	5	7
Depreciation and amortization	20	11	31
	20	11	31
Total Adjusted EBITDA ⁽¹⁾	33	47	80
	39	38	77

(1) Non-GAAP financial measures.

⁽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.

REGULATED UTILITIES CAPITAL EXPENDITURES BY CATEGORY

Management has chosen to provide supplemental non-audited financial information to help readers further understand the five-year (2026-2030) capital expenditure plan in the Regulated Utilities. The approximately \$12 billion of anticipated capital spend will support the evolving needs of our customers throughout our regulated jurisdictions. These capital projects are expected to be primarily aligned with customer growth, system reliability and safety, climate adaptation and resilience, new technologies, and energy transition initiatives. Additionally, Yellowhead supports the expansion of natural gas transmission in Alberta, relieving capacity constraints and supporting economic growth within Canada. In the latter years of the forecast period, we anticipate customer growth, system reliability and safety, and climate adaptation and resilience to continue to be strong investment themes.

(\$ billions)	2026	2027	2028	2029	2030	Cumulative
ATCO Energy Systems						
Yellowhead Pipeline	1.1	1.4	0.2	0.1	—	2.8
Customer Growth	0.5	0.6	0.6	0.7	1.1	3.5
System Reliability and Safety	0.7	0.7	0.7	0.8	0.8	3.7
Climate and Technology	0.3	0.3	0.3	0.3	0.3	1.5
Total ATCO Energy Systems Capital	2.6	3.0	1.8	1.9	2.2	11.5
ATCO Gas Australia						
Total ATCO Gas Australia Capital	0.1	0.1	0.1	0.1	0.1	0.5
TOTAL REGULATED UTILITIES CAPITAL	2.7	3.1	1.9	2.0	2.3	12.0



**ATCO LTD.
CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

[Original signed by N.C. Southern]

Chair & Chief Executive Officer

[Original signed by K. Patrick]

Executive Vice President, Chief Financial & Investment Officer

February 25, 2026



Independent auditor's report

To the Share Owners of ATCO Ltd.

Our opinion

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

What we have audited

The Company's consolidated financial statements comprise:

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

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

Basis for opinion

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

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

Independence

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

Key audit matters

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

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

Key audit matter**How our audit addressed the key audit matter**

assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. Management exercises material judgment when determining the recoverable amount in an impairment assessment.

During the year, management identified impairment indicators and performed impairment assessments on the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs in the ATCO EnPower segment. The recoverable amounts of the CGUs were based on a fair value less cost of disposal method using discounted cash flow models. The determination of the recoverable amounts included the following significant assumptions: forecasted merchant pricing, forecasted generation and discount rates. Management's estimates of forecasted merchant pricing and generation were supported by third party analyses and based on engineering studies, respectively (management's experts).

During the year ended December 31, 2025, the Company recognized a goodwill impairment expense of \$121 million related to the Forty Mile Wind CGU and a PP&E impairment expense of \$225 million related to the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs.

We considered this a key audit matter due to the material judgment by management in developing the significant assumptions to determine the recoverable amounts. This in turn resulted in significant audit effort and subjectivity in performing procedures to test the recoverable amounts determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

results historically achieved; and (iii) assessing whether these significant assumptions were consistent with evidence obtained in other areas of the audit. The work of management's experts was used in performing the procedures to evaluate the reasonableness of the forecasted merchant pricing and generation assumptions. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated.

- Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the appropriateness of the discounted cash flow models, and the reasonableness of the discount rates used within the models.

- Tested the disclosures made in the consolidated financial statements with regard to the significant assumptions in the impairment assessments for the Forty Mile Wind, Deerfoot Barlow Solar and Empress Solar CGUs.

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

Other information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

[Original signed by "PricewaterhouseCoopers LLP"]

Chartered Professional Accountants

Calgary, Alberta

February 25, 2026

CONSOLIDATED STATEMENTS OF EARNINGS

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

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

(3) Net of income taxes of nil (2024 - nil).

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

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

See accompanying Notes to Consolidated Financial Statements.

[Original signed by N.C. Southern]

DIRECTOR

[Original signed by N.M. Steinberg]

DIRECTOR

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

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

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

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

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

BASIS OF MEASUREMENT

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

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

USE OF JUDGMENTS AND ESTIMATES

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

3. SEGMENTED INFORMATION

SEGMENT DESCRIPTIONS AND PRINCIPAL OPERATING ACTIVITIES

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

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

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

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

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

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.
ATCO Investments			The ATCO Investments segment includes the Company's 40 per cent equity interest in Neltume Ports S.A., a business that operates seventeen port facilities and six port operation services businesses located in Chile, Uruguay, Argentina, Brazil and the United States; ATCO Energy, a retail electricity and natural gas business, and a home maintenance solution provider; ATCO Land and Development, a business that holds commercial real estate for sale, lease and development; and Ashcor, a business engaged in the recycling and marketing of ash, a waste byproduct of electricity generation. ATCO Investments also includes ATCO Ltd.'s corporate financing, headquarters and support functions.
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.
	Financing & Other		Financing & Other includes Canadian Utilities Limited's corporate financing, headquarters and support functions. In the first quarter of 2025, the Corporate & Other segment was renamed Financing & Other to reflect its primary business activities. For the period from January 1, 2024 until the date of sale on August 1, 2024, ATCO Energy Ltd. (ATCO Energy), a retail electricity and natural gas business, and a home maintenance solution provider was included in Financing and Other (See Note 32).

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

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

Elims - Intersegment Eliminations

- (1) Includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in ATCO Energy Systems are disclosed below.
- (2) Commencing in 2025, Canadian Utilities Limited's Corporate & Other segment was renamed to Financing & Other to reflect its primary business activities which include corporate financing, headquarters and support functions.
- (3) Includes total costs and expenses, excluding depreciation, amortization and impairments expense.
- (4) Includes additions to property, plant and equipment, intangibles and \$33 million of interest capitalized during construction for the year ended December 31, 2025 (2024 - \$16 million).

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

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

Elims - Intersegment Eliminations

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

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

GEOGRAPHIC INFORMATION

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

Revenues - external

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

Non-current assets

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

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

ADJUSTED EARNINGS

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

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

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

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

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

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

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

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

Impairments and write-offs

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

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

ATCO EnPower:

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

ATCO Australia:

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

ATCO Energy Systems:

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

Other Segments:

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

Transition of managed IT services

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

Restructuring

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

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

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

Rate-regulated activities

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

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

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

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

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

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

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

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

Rate-regulated activities - Timing Adjustments

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

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

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

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

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

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

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

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

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

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

IT Common Matters decision

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

ATCO Electric settlement

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

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

4. REVENUES

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

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

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

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

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

- (4) For the year ended December 31, 2025, ATCO Australia segment includes \$29 million of unbilled revenue (2024 - \$26 million). At December 31, 2025, \$29 million of the unbilled revenue is included in accounts receivable and contract assets (2024 - \$26 million).
- (5) Other revenues of \$173 million (2024 - \$199 million) include revenues generated from electricity and natural gas infrastructure installation services, management fees from joint ventures, facility charge agreements and maintenance services rendered to certain customers.

REMAINING PERFORMANCE OBLIGATIONS

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

- (i) the Company's 35-year service agreement to operate the Fort McMurray 500 kV Transmission line that amounts to \$0.7 billion (2024 - \$0.7 billion). The remaining duration of the agreement is 29 years. The Company expects that approximately 2 per cent of the amount will be recognized as revenue for the year ending December 31, 2026, subject to satisfaction of related performance obligations;
- (ii) provision of storage and industrial water services over the life of the contracts that in aggregate approximates \$0.4 billion (2024 - \$0.4 billion). The remaining duration of the contracts range between 3 to 20 years. The Company expects that approximately 28 per cent of the amount will be recognized as revenue for the year ending December 31, 2026, subject to satisfaction of related performance obligations; and
- (iii) manufacturing of transportable workforce housing and space rental products under the terms of fixed price contracts that in aggregate approximates \$0.2 billion (2024 - \$0.1 billion). The remaining duration of the contracts range between 1 to 2 years. The Company expects that approximately 85 per cent will be recognized as revenue for the year ending December 31, 2026, subject to satisfaction of related performance obligations.

5. OTHER COSTS AND EXPENSES

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

6. INTEREST EXPENSE

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

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

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

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

7. INCOME TAXES

INCOME TAX EXPENSE

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

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

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

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

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

INCOME TAX ASSETS AND LIABILITIES

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

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

DEFERRED INCOME TAXES

The changes in deferred income tax assets are as follows:

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

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

The changes in deferred income tax liabilities are as follows:

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

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

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

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

Pillar Two Model Rules

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

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

8. EARNINGS PER SHARE

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

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

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

9. MARKETABLE SECURITIES

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

Marketable securities at December 31 are comprised of:

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

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

10. BALANCES FROM CONTRACTS WITH CUSTOMERS

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

ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

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

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

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

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

CUSTOMER CONTRIBUTIONS

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

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

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

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

11. LEASES

THE COMPANY AS LESSOR

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

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

Finance leases

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

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

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

Operating leases

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

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

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

THE COMPANY AS LESSEE

Right-of-use assets

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

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

Lease liabilities

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

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

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

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

Other

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

12. INVENTORIES

Inventories at December 31 are comprised of:

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

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

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

IMPAIRMENT

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

ASSET RETIREMENT COSTS

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

At December 31, 2025, the consolidated balance sheets include AROs of \$6 million (2024 - \$8 million) in provisions and other current liabilities, and \$82 million (2024 - \$63 million) in other liabilities. The inflation rate used to determine the AROs ranged

from 2.0 per cent to 2.6 per cent (2024 - ranged from 2.0 per cent to 2.3 per cent), and the discount rate used to calculate the present value of the asset retirement costs ranged from 3.4 per cent to 5.0 per cent (2024 - 3.3 per cent to 5.0 per cent).

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

GOVERNMENT GRANTS

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

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

IMPAIRMENTS AND WRITE-OFFS

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

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

Alberta renewables portfolio

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

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

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

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

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

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

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

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

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

Albany LPG distribution network

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

Natural gas distribution hydrogen assets

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

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

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

Jasper Astoria water power facility

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

Other assets

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

14. INTANGIBLES

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

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

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

IMPAIRMENTS AND WRITE-OFFS

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

15. RETIREMENT BENEFITS

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

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

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

BENEFIT PLAN ASSETS, OBLIGATIONS AND FUNDED STATUS

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

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

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

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

BENEFIT PLAN COST

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

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

RE-MEASUREMENT OF RETIREMENT BENEFITS

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

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

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

PLAN ASSETS

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

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

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

FUNDING

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

WEIGHTED AVERAGE ASSUMPTIONS

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

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

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

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

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

RISKS

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

Investment risk

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

Interest rate risk

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

Inflation risk

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

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

Life expectancy

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

SENSITIVITIES

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

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

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

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

16. GOODWILL

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

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

ATCO Energy Systems, Electricity and Natural Gas segments

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

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

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

ATCO EnPower segment

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

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

Adelaide Wind

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

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

Forty Mile Wind

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

17. LONG-TERM DEBT

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

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

CORRA - Canadian Overnight Repo Rate Average

BBSY - Bank Bill Swap Benchmark 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, 2025, the CU Inc. unsecured debentures mature from 2028 to 2055 (2024 - from 2028 to 2054) and the Canadian Utilities Limited unsecured debentures mature from 2035 to 2052 (2024 - 2052).
- (2) In 2025, the maturity date of the CU Inc. other long-term obligation was extended from June 2026 to June 2027.
- (3) In 2025, the above interest rates had additional margin fees at a weighted average rate of 1.17 per cent (2024 - 1.19 per cent). The margin fees are subject to escalation.
- (4) The rate of 5.50 per cent is fixed for the period from November 1, 2018 to October 31, 2028. Starting November 1, 2028, and on every interest reset date (February 1, May 1, August 1, November 1) of each year until November 1, 2048, the interest rate will be reset to the three-month BA plus 2.92 per cent. Starting November 1, 2048, and on every interest reset date of each year until November 1, 2078, the interest rate will be reset to BA rate plus 3.67 per cent.
- (5) Floating interest rates have been partially or completely hedged with interest rate swap agreements (see Note 20).
- (6) At December 31, 2025, Deerfoot Barlow Solar Limited Partnership, an indirect subsidiary of Canadian Utilities Limited, was not in compliance with the long-term debt covenant requiring a minimum projected debt service coverage ratio of 1.00 for its amortizing non-revolving credit facility. Deerfoot Barlow Solar Limited Partnership obtained a waiver from the lender prior to December 31, 2025.

CORPORATE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

CU Inc.

Debenture issuances and repayment:

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

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

Non-revolving unsecured amortizing credit facility debt issuance:

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

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

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

Canadian Utilities Limited

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

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

ATCO Ltd.

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

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

SUBSIDIARIES AND PROJECT FINANCE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

Subsidiaries

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

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

Project finance

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

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

PLEDGED ASSETS

Subsidiaries

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

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

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

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

Project finance

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

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

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

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

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

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

18. CLASS I AND CLASS II SHARES

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

AUTHORIZED AND ISSUED

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

Class I and Class II Shares have no par value.

DIVIDENDS

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

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

SHARE OWNER RIGHTS

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

NORMAL COURSE ISSUER BID

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

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

PLAN OF ARRANGEMENT

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

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

19. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

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

CHANGES IN NON-CASH WORKING CAPITAL

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

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

DEBT RECONCILIATION

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

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

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

CASH POSITION

Cash position at December 31 is comprised of:

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

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

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

20. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

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

Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hedge ineffectiveness

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

Changes to other comprehensive income

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

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

Notional value and maturity summary

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

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

(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.

(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes in the contracts.

(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

21. RISK MANAGEMENT

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

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

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

MARKET RISK

Interest rate risk

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

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

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

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

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

Foreign exchange risk

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

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

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

Energy commodity price risk

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

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

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

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

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

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

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

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

CREDIT RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY RISK

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

Lines of credit

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

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

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

Lines of credit utilized at December 31 are comprised of:

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

Commercial paper

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

Maturity analysis of financial obligations

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

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

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

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

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

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

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

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

22. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to:

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

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

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

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

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

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

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

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

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

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

23. MATERIAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

ACCOUNTING JUDGMENTS

Revenue related items

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

Impairment of financial assets

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

Associates

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

Joint arrangements

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

Impairment of long-lived assets

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

Property, plant and equipment and intangibles

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

Leases

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

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

Income taxes

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Revenue recognition

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

Impairment of financial assets

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

Valuation of emission credits and allowances

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

Useful lives of property, plant and equipment and intangibles

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

Impairment of long-lived assets

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

Leases

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

Retirement benefits

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

Asset retirement obligations

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

Income taxes

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

Fair value measurements

The Company has material accounting policies and disclosures that require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data, where available. Significant unobservable inputs and valuation adjustments are periodically reviewed. If third

party information, such as broker quotes or pricing services, is used to measure fair values, then the Company uses the evidence obtained from third parties to support measurement valuations.

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

24. BUSINESS COMBINATIONS

ACQUISITION OF NORTHSTONE POWER CORP.

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

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

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

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

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

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

ACQUISITION OF NRB LIMITED

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

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

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

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

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

25. INVESTMENT IN ASSOCIATE COMPANY

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

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

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

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

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

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

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

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

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

26. SUBSIDIARIES

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

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

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

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

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

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

27. JOINT ARRANGEMENTS

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

JOINT VENTURES

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

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

Strathcona Storage LP

Strathcona Storage Limited Partnership (Strathcona Storage LP) is a partnership that operates hydrocarbon storage facilities at the Alberta Industrial Heartland near Fort Saskatchewan, Alberta. The facility consists of five underground storage salt caverns, which have a combined storage capacity of 544,000 cubic metres (m³).

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

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

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

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

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

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

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

OTHER JOINT VENTURES

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

LUMA Energy

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

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

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

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

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

Osborne Cogeneration Facility

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

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

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

Commitments

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

Dividends and Distributions

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

JOINT OPERATIONS

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

The Atlas Carbon Storage Hub is a partnership developing a carbon capture and underground sequestration (CCUS) facility at the Alberta Industrial Heartland near Fort Saskatchewan, Alberta. The facility is expected to have an initial capacity to capture 800,000 tonnes of CO₂ per year and is planned to be operational by late 2028.

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

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

28. NON-CONTROLLING INTERESTS

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

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

NCI IN CANADIAN UTILITIES LIMITED

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

Class A and Class B shares

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

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

Dividend reinvestment program

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

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

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

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

Equity Preferred Shares

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

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

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

Rights and privileges

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

(1) Plus accrued and unpaid dividends.

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

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

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

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

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

Adelaide Wind Limited Partnership

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

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

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

Other

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

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

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

29. SHARE-BASED COMPENSATION PLANS

PLAN FEATURES

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

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

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

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

(3) Issued from Treasury.

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

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

STOCK OPTION PLAN

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

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

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

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

SHARE APPRECIATION RIGHTS

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

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

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

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

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

RESTRICTED SHARE UNIT PLAN

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

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

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

STOCK OPTION, SARs AND RSUs WEIGHTED AVERAGE ASSUMPTIONS

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

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

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

30. CONTINGENCIES

MEASUREMENT INACCURACIES

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

DIRECT ENERGY PARTNERSHIP RETAIL OBLIGATION

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

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

OTHER

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

31. COMMITMENTS

PURCHASE OBLIGATIONS AND OTHER

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

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

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

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

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

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

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

PERFORMANCE GUARANTEE OBLIGATIONS

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

32. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATE COMPANIES

Transfer of ATCO Energy

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

Other

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

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

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

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

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

KEY MANAGEMENT COMPENSATION

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

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

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

33. MATERIAL ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

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

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

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

ASSOCIATES

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

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

The Company's interests in associates are tested for recoverability when events or circumstances indicate a possible impairment. An impairment loss is recognized in earnings when the carrying value of the Company's interest in an individual associate is higher than its recoverable amount. The recoverable amount is the higher of fair value less disposal costs and

value in use. An impairment loss may be reversed if there is objective evidence that a change in the estimated recoverable amount of the investment is warranted.

JOINT ARRANGEMENTS

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

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

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

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

BUSINESS COMBINATIONS

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

REVENUE RECOGNITION

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

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

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

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

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

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

Electricity generation and delivery

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

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

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

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

Electricity and natural gas transmission

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

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

Electricity and natural gas distribution

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

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

Gas storage and transportation

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

Modular structures and related services

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

Lease revenue

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

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

Franchise fees

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

SHORT-TERM EMPLOYEE BENEFITS

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

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

INCOME TAXES

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

MARKETABLE SECURITIES

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

INVENTORIES

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

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

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

Emission credits and allowances

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

INTANGIBLES

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

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

Property, plant and equipment and intangible assets with finite lives are tested for recoverability when events or circumstances indicate a possible impairment. Assets that cannot be tested individually for impairment are assessed at the cash generating unit (CGU) level to which the assets belong, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. The recoverable amount is the greater of the CGU's fair value less disposal costs and its value in use. An impairment loss may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable

amount is warranted. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

GOVERNMENT GRANTS

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

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

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

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

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

GOODWILL

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

LEASES

The Company as a lessor

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

The Company as a lessee

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

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

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

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

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

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

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

PROVISIONS

The Company recognizes provisions when:

- (i) there is a current legal or constructive obligation as a result of a past event;
- (ii) a probable outflow of economic benefits will be required to settle the obligation; and
- (iii) a reliable estimate of the obligation can be made.

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

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

CONTINGENCIES

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

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

Contingent assets are not recognized in the consolidated financial statements.

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

ASSET RETIREMENT OBLIGATIONS

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

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

FINANCIAL INSTRUMENTS

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

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

- (i) held for the purpose of collecting contractual cash flows, and
- (ii) the contractual cash flows of the financial asset solely represent payments of principal and interest.

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

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

Amortized cost

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

Fair value through profit or loss

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

Transaction costs

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

Offsetting financial instruments

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

- (i) if there is a legally enforceable right to offset the recognized amounts, and
- (ii) if the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

Financial assets are derecognized:

- (i) when the right to receive cash flows from the financial assets has expired or been transferred, and
- (ii) the Company has transferred substantially all the risks and rewards of ownership.

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

Fair value hierarchy

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

The hierarchy is as follows:

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

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

IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

Cash flow hedges

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

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

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

RETIREMENT BENEFITS

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

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

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

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

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

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

SHARE-BASED COMPENSATION PLANS

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

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

RELATED PARTY TRANSACTIONS

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

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

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

Foreign operations

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

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

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

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

NEW OR AMENDED IFRS ACCOUNTING STANDARDS ADOPTED

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

IFRS ACCOUNTING STANDARDS NOT YET ADOPTED

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

Agreements referencing nature-dependent electricity

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

Settlement by electronic payments

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

Presentation and disclosure in financial statements

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

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

Disclosures about uncertainties in the financial statements

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

CONSOLIDATED ANNUAL RESULTS ⁽¹⁾

YEAR ENDED DECEMBER 31, 2025

(Millions of Canadian dollars, except as indicated)

	2025	2024	2023	2022	2021
EARNINGS STATEMENT					
Revenues	5,143	4,942	4,741	4,978	4,289
Earnings attributable to Class I and Class II shares	150	430	432	370	246
Adjusted earnings ⁽²⁾					
Structures & Logistics ⁽²⁾	121	104	90	61	53
ATCO Investments ^{(2) (3)}	52	37	27	14	19
Canadian Utilities Limited ⁽²⁾					
ATCO Energy Systems ⁽²⁾	337	333	302	330	302
ATCO EnPower ⁽²⁾	23	23	24	18	10
ATCO Australia ⁽²⁾	36	25	32	41	32
Financing & Other ^{(2) (3)}	(51)	(41)	(43)	(41)	(34)
Adjusted earnings	518	481	432	423	382
BALANCE SHEET					
Cash ⁽⁴⁾	977	94	288	1,033	1,088
Total assets	27,668	26,724	25,358	24,139	23,004
Capitalization					
Bank indebtedness	27	280	—	—	3
Short-term debt	—	—	—	—	206
Long-term debt	13,029	11,551	11,048	10,087	9,852
Non-controlling interests	3,827	4,078	4,075	3,968	3,838
Share owners' equity	4,522	4,632	4,423	4,376	4,111
Capitalization	21,405	20,541	19,546	18,431	18,010
CASH FLOW STATEMENT					
Cash flows from operating activities	2,484	2,197	1,965	2,396	1,864
Capital expenditures					
Structures & Logistics	240	182	198	204	114
ATCO Investments ⁽³⁾	33	27	28	10	11
ATCO Energy Systems					
Electricity	664	761	630	566	350
Natural Gas	735	638	500	472	656
ATCO EnPower	89	104	139	234	120
ATCO Australia	100	89	83	99	91
Financing & Other ⁽³⁾	12	19	8	12	10
Capital expenditures	1,873	1,820	1,586	1,597	1,352
PER SHARE DATA					
Earnings per share (\$)	1.34	3.83	3.82	3.25	2.16
Adjusted earnings per share (\$) ⁽⁵⁾	4.61	4.29	3.82	3.71	3.35
Dividends paid per share (\$)	2.02	1.96	1.90	1.85	1.79
Equity per share (\$)	40.23	41.27	39.44	38.42	35.94
Class I non-voting closing share price (\$)	56.38	47.58	38.67	42.38	42.70

(1) Financial results have been prepared in accordance with International Financial Reporting Standards (IFRS).

(2) Total of segments measures (as defined in NI 52-112). The most directly comparable measure reported in accordance with International Financial Reporting Standards is Earnings Attributable to Class I non-voting and Class II voting shares. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" on pages 64 and 66, respectively, of this Annual Report.

(3) In 2025, the Company simplified its operating segment structure by combining Neltume Ports and ATCO Ltd.'s Corporate & Other segments into a newly-formed ATCO Investments operating segment. Comparative segment results previously reported have been reclassified to reflect this change in the reportable operating segments. In addition, Canadian Utilities Limited's Corporate & Other segment was renamed to Financing & Other.

(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 64 and 66, respectively, of this Annual Report.

CONSOLIDATED OPERATING SUMMARY

YEAR ENDED DECEMBER 31, 2025

(Millions of Canadian dollars, except as indicated)

	2025	2024	2023	2022	2021
Structures & Logistics					
Capital expenditures	240	182	198	204	114
Workforce housing lease fleet (units in thousands)	2	3	3	3	3
Workforce housing lease fleet utilization (%)	58	60	69	75	71
Space rental lease fleet (units in thousands)	27	25	24	22	20
Space rental lease fleet utilization (%)	75	74	75	79	82
ATCO Investments					
Neltume Ports					
Port products handling (millions of tonnes)	47	45	46	43	46
ATCO Energy					
Residential sites served (units in thousands)	362	329	308	267	236
ATCO Energy Systems					
Electricity Distribution and Transmission					
Capital expenditures	664	761	630	566	350
Power lines (thousands of kilometres)	107	106	105	105	105
Power lines owned (thousands of kilometres)	71	71	71	71	71
Electricity distributed (millions of kilowatt hours)	12,526	12,396	11,951	12,489	12,491
Average customers during the year (thousands)	264	265	264	263	261
Natural Gas Distribution					
Capital expenditures	443	407	355	329	294
Pipelines (thousands of kilometres)	42	42	41	41	41
Natural gas distributed (petajoules)	270	271	250	276	271
Natural Gas Transmission					
Capital expenditures	292	231	145	143	362
Pipelines (thousands of kilometres)	10	9	9	9	9
ATCO EnPower					
Electricity Generation					
Capital expenditures	14	17	86	123	28
Generating capacity operated (megawatts)	476	457	426	81	81
Generating capacity owned (megawatts)	418	400	373	71	71
Energy Storage & Industrial Water					
Capital expenditures	75	87	53	111	92
Natural gas storage capacity (petajoules)	117	117	117	117	101
Salt cavern storage capacity (thousands of m ³)	544	544	544	550	400
Industrial water infrastructure intake capacity (thousands of m ³ /day)	85	85	85	85	85
ATCO Australia					
Natural Gas Distribution					
Capital expenditures	100	88	83	99	91
Pipelines (thousands of kilometres)	15	15	15	14	14
Natural gas distributed (petajoules)	27	27	28	28	28
Average customers during the year (thousands)	827	815	803	791	781
Electricity Generation					
Capital expenditures	—	1	—	—	—
Power generating capacity operated (megawatts)	266	266	268	267	267
Power generating capacity owned (megawatts)	176	176	178	177	177

GENERAL INFORMATION

INCORPORATION

ATCO Ltd. was incorporated under the laws of the province of Alberta on August 31, 1962.

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Calgary, AB

LEGAL COUNSEL

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