ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

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 three months ended March 31, 2019.

This MD&A was prepared as of April 24, 2019, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2019. Additional information, including the Company's previous MD&A (2018 MD&A), Annual Information Form (2018 AIF), and audited consolidated financial statements for the year ended December 31, 2018, is available on SEDAR at www.sedar.com. Information contained in the 2018 MD&A is not discussed in this MD&A if it remains substantially unchanged.

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 (52.2 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), and ATCO Investments Ltd. (100 per cent ownership). The Company also has a non-controlling equity investment in Neltume Ports S.A. (40 per cent). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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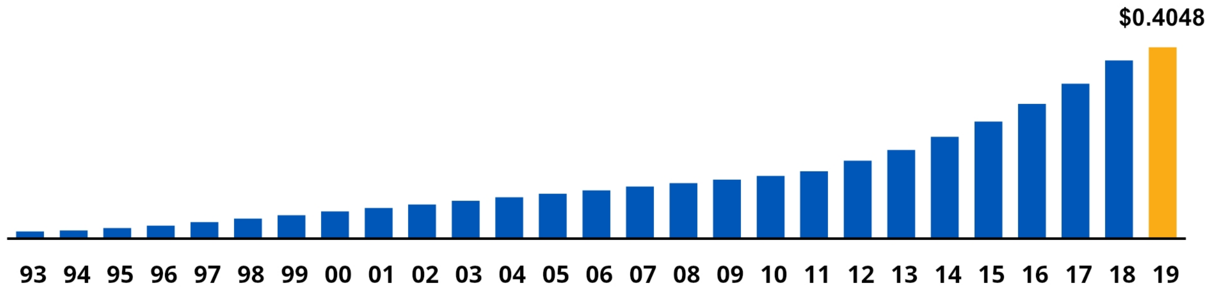
ATCO: WHAT SETS US APART

TRACK RECORD OF DIVIDEND GROWTH

We have increased our common share dividend every year for the past 26 years, a track record of which we are very proud. On April 4, 2019, we declared a second quarter dividend of 40.48 cents per share or $1.62 per share on an annualized basis. As a holding company, ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

Quarterly Dividend Rate 1993 - 2019
(dollars per share)



DIVERSIFIED INFRASTRUCTURE HOLDINGS

ATCO is focused on investments that put us at the forefront of global trends. We will strive to deliver growth within our holding company portfolio with a focus on select opportunities in the essential global services of: housing, logistics and transportation, agriculture, water, real estate, energy and energy infrastructure.

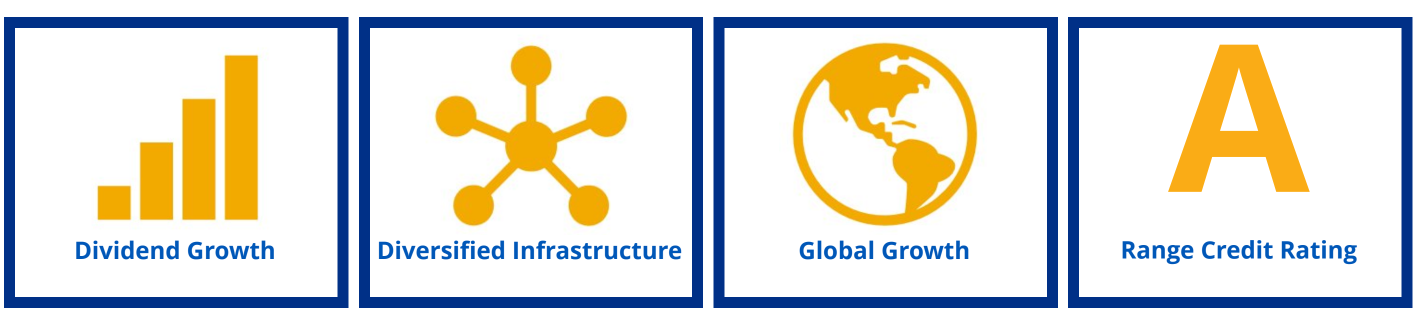
Over the past ten years, ATCO subsidiary Canadian Utilities has more than doubled its asset base by investing approximately $15 billion in regulated and long-term contracted energy infrastructure. This highly contracted and regulated earnings base provides the foundation for continued dividend growth.

GLOBAL GROWTH PLANS

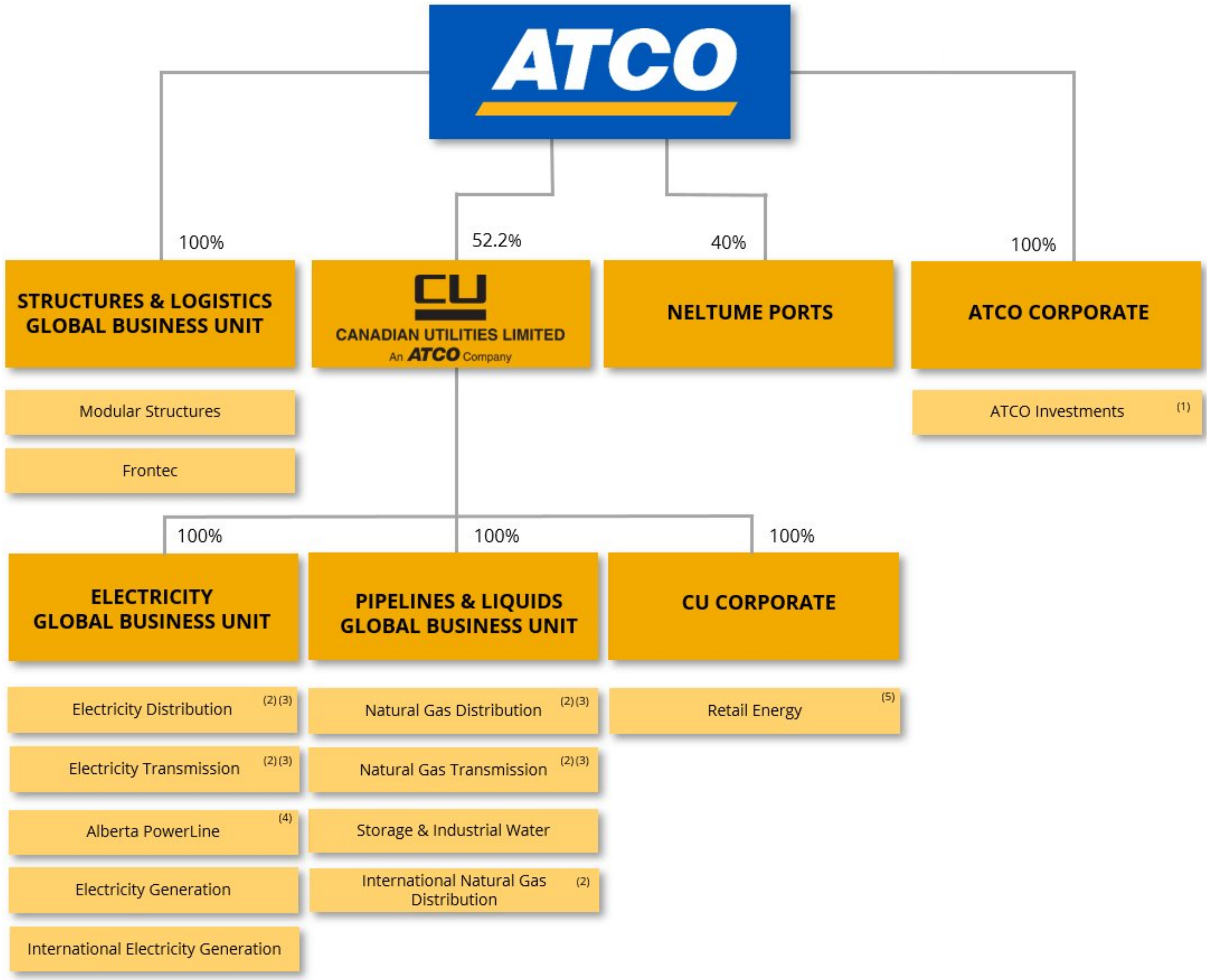
In 2018, ATCO expanded its presence in Latin America with an investment in Neltume Ports, a leading port operator in South America, along with Modular Structures fleet expansions as well as Canadian Utilities' acquisition of a hydroelectric generation facility in Mexico. In the years ahead, we will continue to grow and expand our business with a focus on the select global markets of: Australia, Latin America, United States and Canada. In the period 2019 to 2021, ATCO subsidiary Canadian Utilities expects to invest $3.6 billion in Regulated Utility and long-term contracted assets in Canada, Australia, and Mexico, which will continue to strengthen our high quality earnings base. Of the $3.6 billion planned spend, $3.5 billion will be on Regulated Utilities.

COMMITMENT TO FINANCIAL STRENGTH

Financial strength is fundamental to our current and future success. It ensures we have the financial capacity to fund our existing and future capital investment. We are committed to maintaining our strong, investment grade credit ratings, which allow us to access capital at attractive rates.



ORGANIZATIONAL STRUCTURE



(1) *ATCO Investments includes commercial real estate investments held for sale, lease or development.*

(2) *Regulated businesses include Natural Gas Distribution, Natural Gas Transmission, International Natural Gas Distribution, Electricity Distribution, and Electricity Transmission.*

(3) *Canadian Utilities' 100 per cent owned subsidiary CU Inc. includes Natural Gas Distribution, Natural Gas Transmission, Electricity Distribution, and Electricity Transmission.*

(4) *Alberta PowerLine General Partner Ltd. is the general partner of Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (20 per cent).*

(5) *Retail Energy, through ATCO Energy Ltd. (ATCOenergy), provides retail, commercial and industrial electricity and natural gas service in Alberta.*

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments and its equity-accounted investment in associate company (Neltume Ports). Principal subsidiaries are Canadian Utilities Limited (Canadian Utilities), of which ATCO Ltd. owns 52.2 per cent (38.3 per cent of the Class A non-voting shares and 89.9 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 100 per cent of the common shares. ATCO Ltd. also owns 100 per cent of the common shares of ATCO Investments Ltd. (ATCO Investments) which includes commercial real estate investments held for sale, lease, or development.

The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar. Certain comparative figures throughout this MD&A have been reclassified to conform to the current presentation.

ATCO's website, www.ATCO.com, is a valuable source for the latest news of the Company's activities. Prior years' reports are also available on this website.

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended March 31		
($ millions, except per share data and outstanding shares)	**2019**	**2018**	**Change**
Key Financial Metrics			
Revenues	**1,324**	1,500	(176)
Adjusted earnings (1)	**112**	99	13
Structures & Logistics	**3**	1	2
Canadian Utilities Limited			
Electricity	**61**	51	10
Pipelines & Liquids	**51**	53	(2)
Canadian Utilities Corporate & Other	**(7)**	(8)	1
Neltume Ports	**4**	–	4
ATCO Corporate & Other	**–**	2	(2)
Adjusted earnings ($ per share) (1)	**0.98**	0.87	0.11
Earnings attributable to Class I and Class II Shares	**112**	90	22
Earnings attributable to Class I and Class II Shares ($ per share)	**0.98**	0.78	0.20
Total assets	**23,599**	22,347	1,252
Cash dividends declared per Class I and Class II Share (cents per share)	**40.48**	37.66	2.82
Funds generated by operations (1)	**579**	541	38
Capital investment (1)	**343**	772	(429)
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,323**	114,353	(30)
Diluted	**114,723**	114,756	(33)

(1) Additional information regarding these measures is provided in the Non-GAAP and Additional GAAP Measures section of this MD&A.

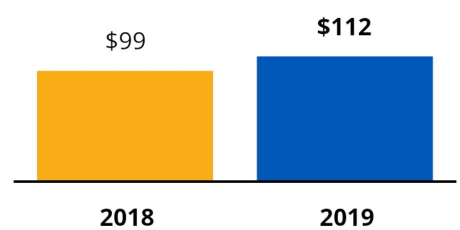
REVENUES

Revenues for the first quarter of 2019 were $1,324 million, $176 million lower than the same period in 2018. Lower revenues were mainly due to reduced Alberta PowerLine construction activity which was completed three months ahead of schedule and on budget.

ADJUSTED EARNINGS

Our adjusted earnings for the first quarter of 2019 were $112 million, or $0.98 per share, compared to $99 million or $0.87 per share for the same period in 2018. Higher earnings were recorded in Structures & Logistics, Canadian Utilities, and Neltume Ports.

Adjusted Earnings ($ Millions)



The primary drivers of higher adjusted earnings results were as follows:

- Structures & Logistics adjusted earnings for the first quarter of 2019 were $2 million higher than the same period in 2018 The increase was mainly due to higher space rental earnings, commencement of work on the LNG Canada workforce accommodation contract, and higher lodging occupancy at the BC Hydro Site C workforce housing camp.
- Canadian Utilities adjusted earnings for the first quarter of 2019 were $9 million higher than the same period in 2018, mainly due to increased Alberta power market prices, ongoing growth in the rate base and cost efficiencies.
- Neltume Ports adjusted earnings for the first quarter of 2019 were $4 million. On September 12, 2018, ATCO invested in a 40 per cent interest in Neltume Ports.
- ATCO Corporate & Other adjusted earnings for the first quarter of 2019 were $2 million lower than the same period in 2018, mainly due to interest expense associated with the financing of the investment in Neltume Ports.

Additional detail on the financial performance of our Global Business Units is discussed in the Global 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 $112 million for the first quarter of 2019, or a $22 million increase compared to $90 million in the same period 2018. Earnings attributable to Class I and Class II Shares include significant impairments, timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward commodity contracts, one-time gains and losses, 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. The main drivers of the increase were improved results in Structures and Logistics, Canadian Utilities and Neltume Ports. Canadian Utilities' earnings attributable to Class I and Class II Shares also included higher unrealized gains on mark-to-market forward commodity contracts in the electricity generation business.

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.

ASSETS

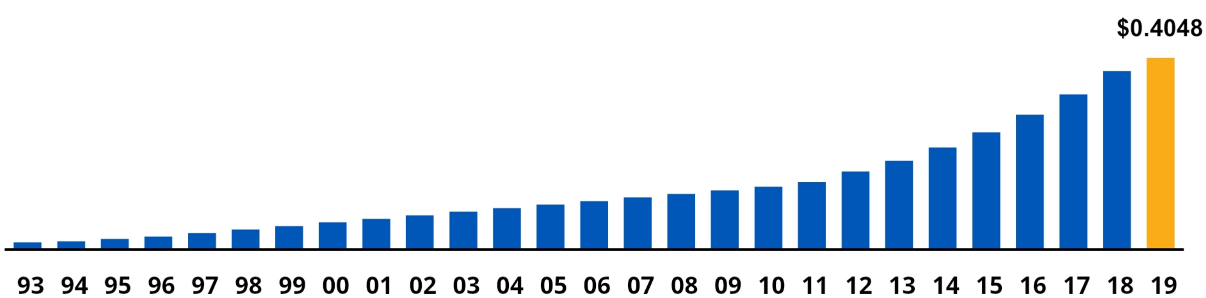
Total assets grew from $22 billion in the first quarter of 2018 to $24 billion in the first quarter of 2019. That growth occurred mainly as a result of the investment in Neltume Ports, and continued capital investment in both APL and in Canadian Utilities' regulated assets.

COMMON SHARE DIVIDENDS

On April 4, 2019, the Board of Directors declared a second quarter dividend of 40.48 cents per share. Dividends paid to Class I and Class II Share owners totaled $46 million in the first quarter of 2019.

We have increased our common share dividend each year since 1993.

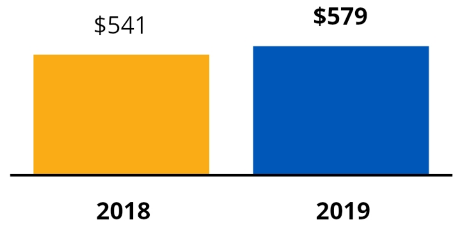
Quarterly Dividend Rate 1993 - 2019
(dollars per share)



FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $579 million for the first quarter of 2019, $38 million higher than the same period in 2018. The increase was mainly due to higher earnings and dividends received from Neltume Ports.

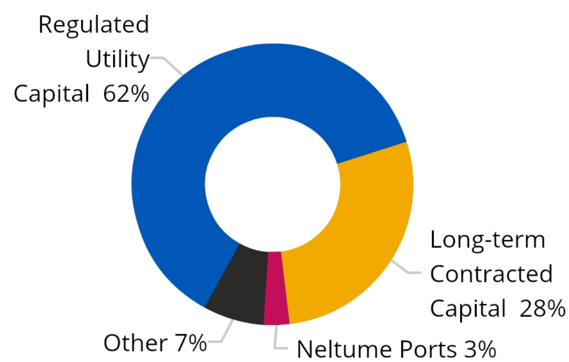
Funds Generated By Operations ($ Millions)



CAPITAL INVESTMENT

Total capital investment in the first quarter of 2019 was $343 million. Of this capital invested, $213 million was invested in Regulated Utilities, and $96 million was invested in long-term contracted assets including Alberta PowerLine. These investments either earn a return under a regulated business model or are under commercially secured long-term contracts. The remaining $34 million invested in the first quarter of 2019 included an acquisition of an additional interest in a Neltume Port and continued global expansion of the Modular Structures space rental fleet.

Capital Investment for the Three Months Ended March 31, 2019



GLOBAL BUSINESS UNIT PERFORMANCE

REVENUES

Structures & Logistics revenues of $138 million in the first quarter of 2019 were $23 million higher than the same period in 2018, mainly due to higher space rentals rates, higher trade sale activity particularly in permanent modular construction, commencement of the LNG Canada project, and higher lodging occupancy at the BC Hydro Site C workforce housing camp.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Modular Structures	**2**	1	1
Frontec	**1**	–	1
Total Structures & Logistics Adjusted Earnings	**3**	1	2

Structures & Logistics recorded adjusted earnings of $3 million in the first quarter 2019, $2 million higher than the same period in 2018. The increase was mainly due to higher space rental earnings, commencement of work on the LNG Canada workforce accommodation contract, and higher lodging occupancy at the BC Hydro Site C workforce housing camp.

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

MODULAR STRUCTURES

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

Modular Structures recorded adjusted earnings of $2 million in the first quarter of 2019, $1 million higher than the same period in 2018. Higher adjusted earnings were mainly due to higher space rental earnings and trade sale activity in Canada and commencement of work on the LNG Canada workforce accommodation contract. Higher earnings were partially offset by lower workforce housing rental earnings in the U.S. and lower used fleet sales in Australia.

Rental Fleet Statistics

The following table compares Structures & Logistics' manufacturing hours and rental fleet for the first quarter of 2019 and 2018.

	Three Months Ended March 31		
	2019	**2018**	**Change**
North America			
Manufacturing hours *(thousands)*	**177**	91	95%
Global Space Rentals			
Number of units	**15,529**	13,597	14%
Average utilization *(%)*	**70**	72	(2%)
Average rental rate *($ per month)*	**561**	485	16%
Global Workforce Housing			
Number of units	**2,902**	3,606	(20%)
Average utilization *(%)*	**37**	39	(2%)
Average rental rate *($ per month)*	**1,725**	1,337	29%

The increase in manufacturing hours in the first quarter of 2019 was mainly due to increased permanent modular construction activity in Canada and expansion of the global space rental fleet.

The increase in the number of space rental units is mainly due to the fourth quarter 2018 acquisition of ATCO Espaciomovil in Mexico as well as the strategic expansion of the space rental fleet in the United States, Central Canada and Australia. The increase in the average rental rate is mainly due to strong activity in the construction sector, particularly in Central Canada and the eastern seaboard of Australia.

The decrease in the number of workforce housing units is mainly due to used fleet sales of non-utilized units in Canada and Australia. The decrease in utilization is mainly due to the ramp down of the LNG Modular Structures project in Lake Charles, Louisiana. The increase in the average rental rate was primarily due to a workforce housing project in Canada that came off rent at a lower than average rate and improved rental rates in the United States.

MODULAR STRUCTURES RECENT DEVELOPMENTS

LNG Canada Workforce Accommodation Contract

In December 2018, ATCO announced that, through its wholly owned entity ATCO Structures LNG Limited Partnership, it entered into a joint venture with a subsidiary of Bird Construction Inc. to design, engineer and construct a 4,500-person workforce accommodation centre, known as the Cedar Valley Lodge. The facility is being built to house workers involved in the construction of LNG Canada's natural gas liquefaction and export facility. The Bird-ATCO Joint Venture has executed a modular supply contract for the Cedar Valley Lodge Project through a joint venture between ATCO and the Haisla Nation. The project is one of the largest accommodation facilities ever built in Canada and will provide high quality amenities for the LNG Canada workforce.

Construction on this project began in the first quarter of 2019 and will continue until early 2021.

Coastal Gaslink Pipeline Contract

In December 2018, Structures & Logistics and its joint-venture partner, the Haisla Nation, were chosen to provide workforce housing and operational support services for three camps in the Haisla territory to support the construction of the Coastal GasLink pipeline in British Columbia. The contract has a combined value of approximately $40 million.

Two camps commenced operations in March 2019 and the third camp is expected to be operational in the third quarter of 2019. The contract will continue until mid-2022.

Modular Structures Contract Awards

U.S.

Modular Structures was awarded a $70 million contract for the installation and rental of a 1,500 person camp for fire disaster relief in Chico, California. The contract began in March 2019 and will continue until early 2020.

Australia

Modular Structures was awarded a $50 million contract for the relocation of 800 rooms from the Wheatstone LNG Project to another customer in North Western Australia. The contract began in March 2019 and will continue until early 2020.

Canada

Modular Structures was awarded a rental contract for the Site C Clean Energy Project in northeast British Columbia. The 42-month rental contract is to provide an additional 150 workforce housing accommodation rooms. The installation work is expected to be complete by mid 2019. In 2016, Modular Structures completed construction on a 630,000 sq. ft. lodge at the Site C Clean Energy Project providing accommodation for more than 1,600 construction workers.

FRONTEC

Frontec provides lodging, catering, waste management, and maintenance services to meet the demands of major, remote resource projects. Frontec also delivers facilities operations and maintenance services, including end-to-end supply chain management, to our clients in the resources, defence and telecommunications sectors as well as emergency management and disaster responses services globally.

Frontec recorded adjusted earnings of $1 million in the first quarter of 2019, $1 million higher than the same period in 2018. Higher adjusted earnings were mainly due to higher lodging occupancy at the BC Hydro Site C workforce housing camp.

Frontec Contract Awards

U.S.

Frontec was awarded a $20 million contract for camp maintenance including food services, housekeeping and janitorial services for the 1,500 person camp being supplied by Modular Structures for fire disaster relief in Chico, California. The contract began in April 2019 and will continue until early 2020.

Canada

Teck Coal

Frontec was awarded a $10 million contract by TECK Coal Limited for camp maintenance including food services, housekeeping and janitorial services for the 500-person Elkford Lodge in British Columbia. The contract will begin in May 2019 and will continue until late 2021.

Site C Clean Energy Project

Frontec was awarded an expansion to an operations and maintenance contract at the Site C Clean Energy Project. Frontec will provide operations and maintenance services for the 150 new workforce housing accommodation rooms being installed by Modular Structures. The 42-month contract will begin in May 2019 and continue until late 2022. The total value of the Modular Structures rental and Frontec expansion contracts is $15 million.

In 2016, Frontec commenced an eight year operations and maintenance contract at the Site C Clean Energy Project for up to 1,600 workers. The original operations and maintenance services contract is in place until late 2022.

Canadian Utilities is a diversified global energy infrastructure corporation delivering service excellence and innovative business solutions in Electricity (electricity generation, transmission, and distribution); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

ELECTRICITY

ELECTRICITY REVENUES

Electricity revenues of $690 million in the first quarter of 2019 were $209 million lower than the same period in 2018, mainly due to reduced construction activity for APL, partially offset by improved market conditions for Independent Power Plants.

ELECTRICITY ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Regulated Electricity			
Electricity Distribution	**20**	17	3
Electricity Transmission	**23**	21	2
Total Regulated Electricity Adjusted Earnings	**43**	38	5
Non-regulated Electricity			
Independent Power Plants	**7**	(2)	9
Thermal PPA Plants	**4**	7	(3)
International Electricity Generation	**3**	3	–
Alberta PowerLine	**4**	5	(1)
Total Non-regulated Electricity Adjusted Earnings	**18**	13	5
Total Electricity Adjusted Earnings	**61**	51	10

Electricity earnings were $61 million in the first quarter of 2019, $10 million higher than the same period in 2018. Higher first quarter earnings were mainly due to increased Alberta power market prices, ongoing growth in the regulated rate base and cost efficiencies.

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

REGULATED ELECTRICITY

Regulated Electricity provides regulated electricity distribution, transmission and distributed generation mainly in northern and central east Alberta, the Yukon and the Northwest Territories.

Electricity Distribution

Electricity distribution recorded adjusted earnings of $20 million in the first quarter of 2019, $3 million higher than the same period in 2018. Higher earnings were mainly due to ongoing growth in the rate base and cost efficiencies.

Electricity Transmission

Electricity transmission recorded adjusted earnings of $23 million in the first quarter 2019, $2 million higher than the same period in 2018. Higher earnings were mainly due to the timing of various operating costs. Electric transmission first quarter 2019 adjusted earnings were recorded using interim rates approved by the Alberta Utilities Commission (AUC) for the 2018 to 2019 General Tariff Application (GTA). If the AUC approves all the aspects of the GTA, the potential increase to first quarter 2019 adjusted earnings would be approximately $2 million and would be recognized in adjusted earnings upon receipt of the decision which is expected in mid-2019.

NON-REGULATED ELECTRICITY

Non-regulated electricity activities supply electricity from natural gas, coal-fired and hydroelectric generating plants in Western Canada, Ontario, Australia and Mexico and non-regulated electricity transmission in Alberta.

Generating Plant Availability

Electricity generating availability for the first quarter of 2019 and 2018 is shown in the table below. Generating plant capacity fluctuates with the timing and duration of outages.

	Three Months Ended March 31		
	2019	**2018**	**Change**
Independent Power Plants	**97%**	90%	7%
Thermal PPA Plants	**95%**	92%	3%
International Electricity Generation	**100%**	100%	_

Higher availability in our Independent Power Plants in the first quarter of 2019 was primarily due to fewer planned outages. In the first quarter of 2018, work was completed on Battle River unit 4 to enable the unit to co-fire with natural gas and a planned minor outage was completed at Joffre.

Higher availability in our Thermal PPA Plants in the first quarter of 2019 was primarily due to fewer planned outages. In the first quarter of 2018, a planned minor outage was completed at the Battle River unit 5 plant. Effective January 1, 2019, Battle River unit 5 is being categorized under Independent Power Plants.

Availability in our International Electricity Generation Plants in the first quarter of 2019 was comparable to the same period in 2018.

Alberta Power Market Summary

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the first quarter of 2019 and 2018 are shown in the table below.

	Three Months Ended March 31		
	2019	**2018**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**69.46**	34.93	34.53
Average natural gas price *($/GJ)*	**2.47**	1.96	0.51
Average market spark spread ($/*MWh*)	**48.47**	20.26	28.21

The average Alberta Power Pool electricity price for first quarter of 2019 was $34.53 per MWh higher compared to the same period in 2018. The increase was mainly due to two factors: near record low temperatures in February which increased electricity demand; less available capacity as a result of coal-fired generation outages and low wind generation.

Realized Forwards Sales Program

	Three Months Ended March 31		
	2019	**2018**	**Change**
Average volumes settled *(MW)*	**423**	229	194
Average realized spark spread *($/MWh)*	**28.79**	16.33	12.46

In the first quarter of 2019, Independent Power Plants sold forward 423 MW of power that settled at an average realized spark spread of $28.79 per MWh compared to 229 MW sold forward that settled at an average of $16.33 per MWh in the same period of 2018. Forward sales in the first quarter of 2019 resulted in lower realized earnings for this program compared to the same period in 2018. This was due to the increase in the spot market in the first quarter of 2019 which resulted in the realized spark spread being lower than the market spark spread of $48.47 per MWh, which is shown above in the Alberta Power Market Summary.

Independent Power Plants

Independent Power Plants recorded adjusted earnings of $7 million in the first quarter of 2019, $9 million higher compared to the same period in 2018. Higher earnings were mainly due to increased Alberta power market prices and lower general and administrative costs primarily due to the sale of the Barking power assets in the fourth quarter of 2018. Independent Power Plants' adjusted earnings includes contributions from Battle River unit 5 effective January 1, 2019.

Thermal PPA Plants

The electricity generated by the Sheerness units, and by Battle River unit 5 until September 30, 2018, is sold through PPAs. Under the PPAs, generating capacity for each generating unit must be made available to the PPA purchaser of that unit. These arrangements entitle us to recover forecast fixed and variable costs from the PPA purchaser. An operations and maintenance margin is included on these fixed and variable costs and is recognized over the term of the PPAs. Under the terms of the PPAs, counterparties are also subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets. These performance obligation amounts are recognized based on the estimates of planned outages that impact future generating unit availability and future electricity prices over the term of the PPAs.

Thermal Power Plants recorded adjusted earnings of $4 million in the first quarter of 2019, $3 million lower than the same period in 2018. Lower earnings were mainly due to Battle River unit 5 earnings being categorized under Independent Power Plants effective January 1, 2019.

International Electricity Generation

International electricity generation activities supplies electricity from two natural gas-fired electricity generation plants in Australia: the Osborne plant in South Australia and the Karratha plant in Western Australia and from distributed electricity generation near San Luis Potosí, Mexico and hydroelectric generation near Veracruz, Mexico.

International electricity generation adjusted earnings in the first quarter of 2019 were comparable to the same period in 2018. Higher earnings from hydroelectricity generation in Veracruz, Mexico were offset by the impact of the new Osborne Power Purchase Agreement which came into effect in December 2018. Canadian Utilities negotiated a five year extension to the Power Purchase Agreement with Origin Energy Electricity Limited for the 180 MW Osborne Power facility. While the extension agreement includes lower pricing terms than the previous agreement, the five year extension represents an outperformance of the project returns contemplated in the original investment decision.

Alberta PowerLine

Alberta PowerLine is a partnership between Canadian Utilities (80 per cent) and Quanta Services, Inc. (20 per cent), with a 35-year contract from the Alberta Electric System Operator (AESO) to design, build, own, and operate the

500 km, Fort McMurray West 500-kV Transmission project, running from Wabamun, near Edmonton to Fort McMurray, Alberta.

APL's adjusted earnings were $4 million in the first quarter of 2019, $1 million lower when compared to the same period in 2018. Lower earnings were mainly due to lower construction activities, partially offset by recognition of the early energization incentive applicable to 2019.

ELECTRICITY RECENT DEVELOPMENTS

Alberta PowerLine

In March 2019, construction was completed the 500 km Fort McMurray West 500-kV Project. First quarter 2019 capital investment of $95 million was mainly due to the completion of electricity transmission line stringing and commissioning. The original target energization date was June 2019. The project was energized on March 28, 2019, three months ahead of schedule and on budget.

A strategic review is ongoing for Canadian Utilities' 80 per cent ownership position in Alberta PowerLine. This process is consistent with the Company's practice of continually evaluating and optimizing its portfolio of businesses. As part of this strategic review process, Canadian Utilities is providing an opportunity for Indigenous communities to obtain an equity interest in Alberta PowerLine. Canadian Utilities intends to remain as the operator of Alberta PowerLine over the 35-year concession arrangement.

Strategic Review of Canadian Electricity Generation Assets

Canadian Utilities announced on September 13, 2018, that it is exploring strategic alternatives for its Canadian electricity generation business. This process is consistent with the Company's practice of continually evaluating and optimizing its portfolio of businesses. There can be no assurance that this process will lead to any transaction.

PIPELINES & LIQUIDS

PIPELINES & LIQUIDS REVENUES

Pipelines & Liquids revenues of $477 million in the first quarter of 2019 were $8 million lower than the same period in 2018. Lower revenues were mainly due to lower flow-through revenues in natural gas distribution for third party franchise and transmission fees.

PIPELINES & LIQUIDS ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Regulated Pipelines & Liquids			
Natural Gas Distribution	**38**	36	2
Natural Gas Transmission	**8**	9	(1)
International Natural Gas Distribution	**4**	7	(3)
Total Regulated Pipelines & Liquids Adjusted Earnings	**50**	52	(2)
Non-regulated Pipelines & Liquids			
Storage & Industrial Water	**1**	1	–
Total Pipelines & Liquids Adjusted Earnings	**51**	53	(2)

Pipelines & Liquids recorded adjusted earnings of $51 million in the first quarter of 2019, $2 million lower than the same period in 2018. Lower earnings were mainly due to inflation rate adjustments applied to the rate of return calculations in international natural gas distribution, partially offset by ongoing growth in the regulated rate base and cost efficiencies.

Detailed information about the activities and financial results of Pipelines & Liquid's businesses is provided in the following sections.

REGULATED PIPELINES & LIQUIDS

Natural Gas Distribution

Natural gas distribution services municipal, residential, business and industrial customers throughout Alberta and in the Lloydminster area of Saskatchewan.

Natural gas distribution recorded adjusted earnings of $38 million in the first quarter of 2019, $2 million higher than the same period in 2018 mainly due to ongoing growth in rate base and customers, and cost efficiencies.

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, primarily for export out of the province.

Natural gas transmission recorded adjusted earnings of $8 million in the first quarter of 2019, $1 million lower than the same period in 2018. Lower earnings were mainly due to the timing of an AUC decision on applied-for rates in the 2019-2020 General Rates Application (GRA). If the AUC approves all the aspects of the GRA, the potential increase to first quarter 2019 adjusted earnings would be approximately $2 million and would be recognized in adjusted earnings upon receipt of the decision which is expected in mid-2019.

International Natural Gas Distribution

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

International natural gas distribution business recorded adjusted earnings of $4 million in the first quarter of 2019, $3 million lower than the same period in 2018, mainly due to a significant difference between inflation rates in the first quarter of 2018 and 2019. Earnings adjustments are made each quarter for the impact of the inflation rate published by the Australian Bureau of Statistics. The published inflation rate for the first quarter of 2019, when applied to the rate of return calculations, produced a reduction to the revenues and earnings for the quarter.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Storage & Industrial Water provides industrial water services and non-regulated natural gas and hydrocarbon storage, and transmission activities in Alberta.

The Storage & Industrial Water business recorded adjusted earnings of $1 million in the first quarter of 2019, comparable to the same period in 2018. Incremental earnings from two additional hydrocarbon storage caverns that became operational in the second quarter of 2018 were offset by lower natural gas storage earnings.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Retail Energy through ATCOenergy, launched in 2016 to provide retail electricity and natural gas services in Alberta. Corporate & Other also includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities Corporate and Other also includes CU Inc. and Canadian Utilities preferred share dividend expenses.

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the first quarter of 2019 were $1 million higher compared to the same period in 2018, mainly due to the timing of certain operating costs.

NELTUME PORTS

Neltume Ports is a port operator and developer with a diversified portfolio of 16 multipurpose, bulk cargo and container port facilities and three port operations services located in Chile, Uruguay, Argentina, and Brazil.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Neltume Ports Adjusted Earnings	**4**	–	4

Neltume Ports recorded adjusted earnings of $4 million in the first quarter of 2019. On September 12, 2018, ATCO invested in a 40 per cent interest in Neltume Ports, a leading port operator and developer in South America.

NELTUME PORTS RECENT DEVELOPMENTS

In February 2019, Neltume Ports acquired an additional 15 per cent ownership in Terminal Puerto de Arica S.A. (TPA), bringing the total ownership to 50 per cent. This will allow Neltume Ports to exercise operational control and therefore strengthen its port operator role in the concession. TPA is a container port located in northern Chile with a diversified cargo mix mainly servicing Bolivian trade. ATCO paid $9 million for its equity share of this investment.

ATCO CORPORATE & OTHER

ATCO Corporate & Other contains ATCO Investments which is a commercial real estate business that holds investments for sale, lease or development. ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses associated with the Neltume Ports investment.

ATCO Corporate & Other adjusted earnings in the first quarter of 2019 were $2 million lower than the same period in 2018, mainly due to interest expense associated with the financing of the investment in Neltume Ports.

REGULATORY DEVELOPMENTS

GENERIC COST OF CAPITAL (POST-2020)

In December 2018, the AUC initiated the 2021 Generic Cost of Capital (GCOC) proceeding. The main focus of the proceeding will be to evaluate if a formula-based approach should be used for the ROE. In April 2019, the AUC issued a letter which stated the scope of the proceeding will include a non-formulaic GCOC inquiry for the years 2021 and 2022, as well as consideration of returning to a formula-based approach. Initial evidence is due to be filed in January 2020. The AUC expects to issue a decision in 2020.

INFORMATION TECHNOLOGY COMMON MATTERS

This proceeding impacts the recovery of information technology costs by the Alberta Utilities from January 1, 2015. The Information Technology Common Matters proceeding was initiated in 2015 and was closed in December 2018. A decision is expected in the second quarter of 2019.

1ST GENERATION PERFORMANCE BASED REGULATION (PBR) RE-OPENER

In June 2018, the AUC initiated a process for electricity distribution and natural gas distribution as the re-opener clause was triggered by both utilities in 2017, the final year of the 1st Generation PBR plan. The PBR re-opener thresholds are triggered if a utility's earnings are +/- 500 bps from the approved ROE in one year or +/- 300 bps from approved ROE in two consecutive years.

In February 2019, the Commission issued its decision that the re-opening of the plan is not warranted, agreeing with Canadian Utilities' submission that the achievements of the utilities were not due to a flaw in the PBR plan, but rather were the result of management decisions responding to the incentives the plan created. This process is now closed.

2ND GENERATION PBR REBASING REVIEW AND VARIANCE

In February 2019, the AUC initiated a proceeding to re-consider the parameters of an anomaly adjustment to the going-in rates of the 2nd Generation PBR Plan, and to consider the types of anomaly adjustments to be permitted for Alberta distribution utilities under PBR. Going-in rates for the natural gas and electric distribution utilities for the 2018-2022 PBR Plan remain in place on an interim basis pending the outcome of this review.

ATCO PIPELINES 2019-2020 GENERAL RATE APPLICATION (GRA)

In July 2018, natural gas transmission filed a GRA for 2019 and 2020. The application requests, among other things, additional revenues due to rate base growth driven by capital expenditures, such as the Pembina-Keephills Pipeline project, and operations and maintenance expenditures. A decision from the AUC is expected in mid-2019.

ATCO ELECTRIC HANNA REGION TRANSMISSION DEVELOPMENT DEFERRAL APPLICATION

In February 2017, electricity transmission filed an application seeking approval of approximately $688 million of capital additions related to the Hanna Regional Transmission Development program with in-service dates between 2012 and 2015. A decision is expected in mid-2019.

ATCO ELECTRIC 2015-2017 DIRECT ASSIGNED PROJECTS DEFERRAL APPLICATION

In March 2019, electricity transmission filed an application seeking the approval of approximately $2.2 billion of capital additions from transmission projects with in-service dates between 2015-2017. The application includes $1.8 billion in capital additions from the Eastern Alberta Transmission Line (EATL).

ATCO GAS AUSTRALIA ACCESS ARRANGEMENT

International natural gas distribution submitted Access Arrangement 5 (AA5) to the Economic Regulation Authority (ERA) on August 31, 2018. The ERA released a draft AA5 decision in April 2019 with a final decision due in late third quarter 2019. International natural gas distribution is reviewing the draft decision and has six weeks to submit responses to the ERA.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

We believe that reducing our environmental impact is integral to the pursuit of operational excellence and long-term sustainable growth. Our success depends on our ability to operate in a responsible and sustainable manner, today and in the future.

SUSTAINABILITY REPORTING

Our annual Sustainability Report, expected to be released in June 2019, will focus on key material topics including:

- Energy Stewardship: access and affordability, security and reliability, and customer satisfaction,
- Environmental Stewardship: climate change and energy use, and environmental compliance,
- Safety: employee health and safety, public safety, and emergency preparedness, and
- Community and Indigenous Relations.

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative (GRI) Standards. Our reporting is also guided by frameworks such as the Sustainability Accounting Standards Board and the Financial Stability Board's Task Force on Climate-related Financial Disclosures recommendations.

The 2018 Sustainability Report, GRI Content Index, and other disclosures will be available on our website, at www.ATCO.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To contribute to a lower carbon future, we continue to pursue initiatives looking at integrating lower intensity fuels, such as natural gas, hydrogen, renewables, and other clean energy solutions.

In 2018, ATCO subsidiary Canadian Utilities installed three electric vehicle (EV) charging stations between Calgary and Edmonton, Alberta providing end-users an opportunity to replace liquid fuel with a low-carbon emitting energy. In 2019, Canadian Utilities plans to significantly expand its number of EV direct current, fast charging stations in Alberta. The fourth EV station is targeted to be in-service in May with 19 more EV charging stations planned for installation throughout 2019 and 2020.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2019 and 2018 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 March 31		
($ millions)	**2019**	**2018**	**Change**
Operating costs	**641**	617	24
Service concession arrangement costs	**95**	368	(273)
Earnings from investment in associate company	**4**	–	4
Earnings from investment in joint ventures	**8**	8	–
Depreciation and amortization	**167**	160	7
Net finance costs	**123**	114	9
Income taxes	**84**	64	20

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, increased by $24 million in the first quarter of 2019 when compared to the same period in 2018. Higher operating costs were mainly due to higher flow-through power and natural gas fuel costs from increased activity in Independent Power Plants and ATCOenergy, and high materials costs in Modular Structures from increased permanent modular construction, partially offset by unrealized gains on mark-to-market forward commodity contracts for the Independent Power Plants.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs in the first quarter of 2019 are costs Alberta PowerLine has recorded on third party construction activities for the Fort McMurray West 500-kV Project.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company is comprised of our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer in South America with operations in 16 port facilities and three port operation services businesses located in Chile, Uruguay, Argentina, and Brazil. Earnings from investment in associate company was $4 million for the first quarter of 2019.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of ownership positions in several electricity generation plants, the Strathcona Storage Limited Partnership which operates hydrocarbon storage facilities near Fort Saskatchewan, Alberta, ATCO-Sabinco S.A which operates a Structures & Logistics business in Chile, and certain lodge assets in Structures & Logistics. Earnings in the first quarter of 2019 were comparable to the same period in 2018.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased by $7 million in the first quarter of 2019 compared to the same period in 2018 mainly due to continued growth in the regulated rate base.

NET FINANCE COSTS

Net finance costs increased by $9 million in the first quarter of 2019 when compared to the same period in 2018, mainly due to lower interest income on APL cash balances and interest expense associated with the incremental debt issued to fund the ongoing capital investment program in the Regulated Utilities, as well as interest expense associated with the Neltume Ports investment.

INCOME TAXES

Income taxes increased by $20 million in the first quarter of 2019 when compared to the same period in 2018 mainly due to higher earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utility and long-term contracted operations. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and the debt and preferred share capital markets.

We consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

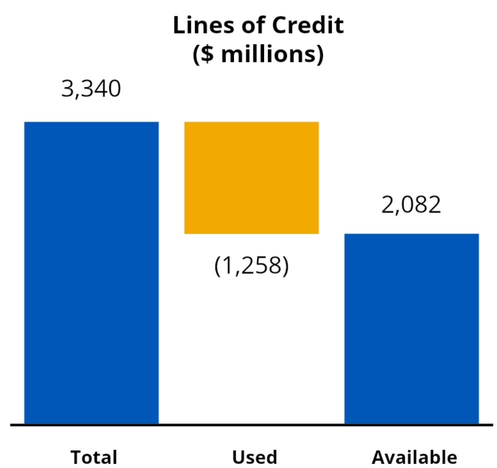
LINES OF CREDIT

At March 31, 2019, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,755**	1,007	1,748
Short-term committed	**14**	14	–
Uncommitted	**571**	237	334
Total	**3,340**	1,258	2,082

Of the $3,340 million in total credit lines, $571 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,769 million in credit lines were committed, with maturities between 2020 and 2023, and may be extended at the option of the lenders.

Of the $1,258 million credit line usage, $382 million was related to ATCO Gas Australia Pty Ltd. and $400 million was related to issuances of commercial paper that are back-stopped by the corporate credit facilities. The majority of the remaining usage was associated with the issuance of letters of credit. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs.



CONSOLIDATED CASH FLOW

At March 31, 2019, the Company's cash position was $701 million, an increase of $10 million compared to December 31, 2018. The increase was mainly due to earnings achieved during the quarter, partially offset by cash used to fund the capital investment program.

Funds Generated by Operations

Funds generated by operations were $579 million in the first quarter of 2019, $38 million higher than the same period in 2018. The increase was mainly due to higher earnings and dividends received from Neltume Ports.

Cash Used for Capital Investment

Cash used for capital investment was $343 million in the first quarter of 2019, $429 million lower than the same period in 2018. Lower capital spending was mainly due to lower planned capital investment in Alberta PowerLine and natural gas distribution and transmission. First quarter 2018 capital investment in electricity generation included the $112 million acquisition of the Mexico hydroelectric facility.

Capital investment for the first quarter of 2019 and 2018 is shown in the table below.

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Electricity			
Electricity Distribution	**45**	46	(1)
Electricity Transmission	**63**	69	(6)
Electricity Generation	**4**	116	(112)
Alberta PowerLine	**95**	368	(273)
Total Electricity	**207**	599	(392)
Pipelines & Liquids			
Natural Gas Distribution	**44**	55	(11)
Natural Gas Transmission	**45**	64	(19)
International Natural Gas Distribution	**16**	16	–
International Natural Gas Transmission and Storage & Industrial Water	**2**	6	(4)
Total Pipelines & Liquids	**107**	141	(34)
CU Corporate & Other	**1**	4	(3)
Canadian Utilities Total	**315**	744	(429)
Structures & Logistics	**18**	22	(4)
Neltume Ports	**9**	–	9
ATCO Corporate & Other	**1**	6	(5)
ATCO Total (1) (2)	**343**	772	(429)

(1) Includes capital expenditures in joint ventures of nil (2018 - $5 million) for the first quarter of 2019.

(2) Includes additions to property, plant and equipment, intangibles and $5 million (2018 - $5 million) of interest capitalized during construction for the first quarter of 2019.

Base Shelf Prospectuses

CU Inc. Debentures

On June 11, 2018, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.5 billion of debentures over the 25-month life of the prospectus. As of April 24, 2019, aggregate issuances of debentures were $385 million.

Canadian Utilities Debt Securities and Preferred Shares

On June 11, 2018, Canadian Utilities filed a base shelf prospectus that permits it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 26-year track record. Dividends paid to Class I and Class II Share owners totaled $46 million in the first quarter of 2019.

On April 4, 2019 the Board of Directors declared a second quarter dividend of 40.48 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.

26 year
track record of increasing common share dividends

Normal Course Issuer Bid

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 our own Class I Shares represents an attractive investment opportunity and 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 8, 2018, we commenced a normal course issuer bid to purchase up to 2,026,725 outstanding Class I Shares. The bid expired on March 7, 2019. During this period, 116,800 shares were purchased for $4 million.

On March 8, 2019, we commenced a normal course issuer bid to purchase up to 1,014,294 outstanding Class I Shares. This bid will expire on March 7, 2020. From March 8, 2019 to April 24, 2019, no shares were purchased.

SHARE CAPITAL

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

At April 23, 2019, we had outstanding 101,447,131 Class I Shares, 13,224,247 Class II Shares, and options to purchase 692,050 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 2,542,100 Class I Shares were available for issuance at March 31, 2019. Options may be granted to our officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2017 through March 31, 2019.

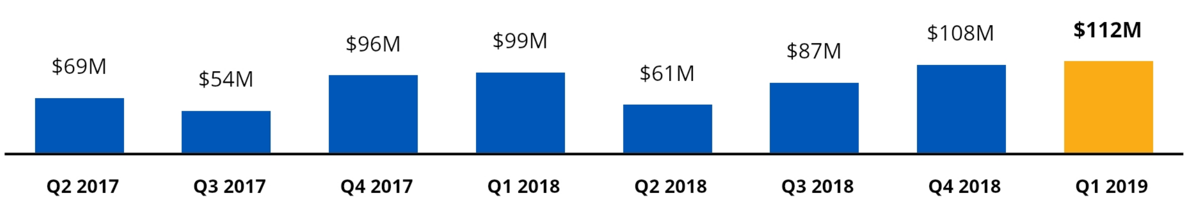
($ millions, except for per share data)	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Revenues	1,103	1,111	1,174	**1,324**
Earnings (loss) attributable to Class I and Class II Shares	(12)	115	135	**112**
Earnings (loss) per Class I and Class II Share *($)*	(0.10)	1.01	1.18	**0.98**
Diluted earnings (loss) per Class I and Class II Share *($)*	(0.10)	1.00	1.18	**0.98**
Adjusted earnings per share per Class I and Class II Share *($)*	0.53	0.76	0.94	**0.98**
Adjusted earnings				
Structures & Logistics	6	3	5	**3**
Canadian Utilities				
Electricity	53	70	54	**61**
Pipelines & Liquids	14	9	54	**51**
Canadian Utilities Corporate & Other	(10)	(11)	(10)	**(7)**
Neltume Ports	–	1	3	**4**
ATCO Corporate & Other	(2)	15	2	**–**
Total adjusted earnings	61	87	108	**112**

($ millions, except for per share data)	Q2 2017 (1)	Q3 2017 (1)	Q4 2017 (1)	Q1 2018
Revenues	1,070	1,062	1,345	1,500
Earnings attributable to Class I and Class II Shares	42	45	32	90
Earnings per Class I and Class II Share *($)*	0.37	0.40	0.28	0.78
Diluted earnings per Class I and Class II Share *($)*	0.37	0.40	0.28	0.78
Adjusted earnings per share per Class I and Class II Share *($)*	0.60	0.47	0.84	0.87
Adjusted earnings				
Structures & Logistics	3	1	2	1
Canadian Utilities				
Electricity	51	46	51	51
Pipelines & Liquids	23	13	49	53
Canadian Utilities Corporate & Other	(8)	(9)	(10)	(8)
Neltume Ports	–	–	–	–
ATCO Corporate & Other	–	3	4	2
Total adjusted earnings	69	54	96	99

(1) These numbers have been restated to account for the impact of IFRS 15 adopted on January 1, 2018.

Adjusted Earnings

Our financial results for the previous eight quarters reflect continued growth and regulatory decisions in Regulated Utility operations as well as fluctuating commodity prices in electricity generation and sales, and natural gas storage operations. Interim results will vary due to the seasonal nature of demand for electricity and natural gas, the timing of utility regulatory decisions and the cyclical demand for workforce housing and space rental products and services.



Structures & Logistics

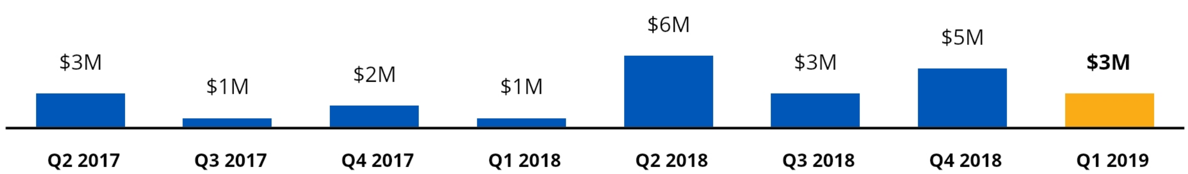
From the second quarter of 2017 to the first quarter of 2018, earnings were lower due to lower profit margins across all business lines and decreased Modular Structures project activity.

In the second quarter of 2018, earnings increased compared to the second quarter of 2017 mainly due to higher used fleet sales and space rental activity in Modular Structures, partially offset by lower workforce housing rental earnings in the U.S.

In the third quarter of 2018, earnings increased compared to the third quarter of 2017 mainly due to improved margins on both used workforce housing fleet sales and space rentals in Canada and Australia, as well as increased space rental activity and asset expansions in Mexico and Chile in Modular Structures.

In the fourth quarter of 2018, earnings increased compared to the fourth quarter of 2017 mainly due to higher space rentals activity, higher trade sale activity particularly in permanent modular construction in Canada and Australia, and higher occupancy at the BC Hydro Site C workforce housing camp.

In the first quarter of 2019, earnings increased compared to the first quarter of 2018 mainly due to higher space rental earnings, commencement of work on the LNG Canada modular structures project, and higher lodging occupancy at the BC Hydro Site C workforce housing camp.



Canadian Utilities

Electricity

Electricity adjusted earnings are impacted by the timing of certain major regulatory decisions, and Alberta Power Pool pricing and spark spreads.

In 2017, second quarter earnings were impacted by the timing of operating and other costs in electricity distribution, and the 2015 to 2017 GTA Compliance decision in electricity transmission. Third quarter 2017 earnings included the adverse impact of the 2013 to 2014 Deferral Accounts decision in electricity transmission. Fourth quarter 2017 earnings were impacted by lower contributions in the electricity generation business from forward sales and increased business development expenses.

In 2018, earnings were impacted by rate rebasing under Alberta's regulated model in electricity distribution and lower electricity transmission interim rates approved by the AUC.

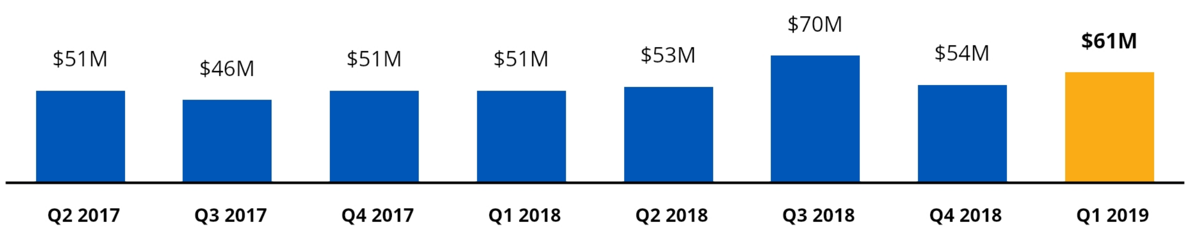
In the first quarter of 2018, Electricity earnings were adversely impacted by realized forward sales and minor plant outage costs in the Independent Power Plants, partially offset by earnings from Alberta PowerLine due to construction activity and earnings in Thermal PPAs due to the recognition of availability incentives.

In the second quarter of 2018, earnings increased compared to the second quarter of 2017 mainly due to improved market conditions for Independent Power Plants and higher recognition of availability incentives in the Thermal PPA Plants.

In the third quarter of 2018, earnings increased compared to the third quarter of 2017 mainly due to the completion of performance obligations and additional availability incentive earnings which resulted from the Battle River unit 5 PPA termination, and improved market conditions for Independent Power Plants. These improved earnings were partially offset by lower earnings due to lower scheduled construction activity at Alberta PowerLine.

In the fourth quarter of 2018, higher earnings compared to the fourth quarter of 2017 were mainly due to earnings from the sale of the Barking Power assets and improved conditions in the Alberta power market, as well as higher APL earnings recorded as result of an early energization incentive.

In the first quarter of 2019, higher earnings were mainly due to increased Alberta power market prices, ongoing growth in the regulated rate base and cost efficiencies in electricity distribution.



Pipelines & Liquids

Pipelines & Liquids' adjusted earnings are impacted by the timing of certain major regulatory decisions, seasonality, and demand for hydrocarbon and natural gas storage and water services.

Earnings in the second quarter of 2017 were impacted by lower seasonal demand in our natural gas distribution business. In the third quarter of 2017, earnings were impacted by inflation adjustments to rates in our international natural gas distribution business. Higher earnings in the fourth quarter of 2017 were mainly a result of rate base growth across Pipelines & Liquids' regulated utilities.

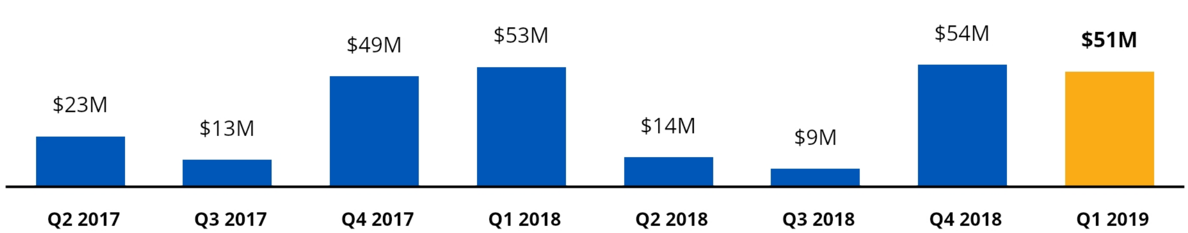
In 2018, earnings were adversely impacted by rate rebasing under Alberta's regulated model in natural gas distribution.

In the first quarter of 2018, earnings were positively impacted by higher seasonal demand and growth in rate base across the Pipelines & Liquids' Regulated businesses.

In the second and third quarters of 2018, lower earnings compared to the same periods in 2017 were mainly due to lower seasonal demand and the impact of rate rebasing under Alberta's regulated model in natural gas distribution, partially offset by growth in rate base across our Regulated Pipelines & Liquids businesses.

In the fourth quarter of 2018, higher earnings compared to the fourth quarter of 2017 were mainly due to growth in rate base, the timing of regulatory decisions and higher seasonal demand.

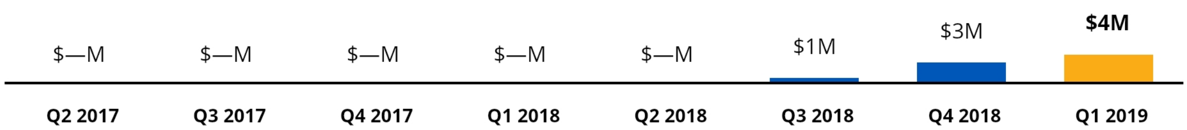
In the first quarter of 2019, lower earnings compared to the first quarter of 2018 were mainly due to inflation rate adjustments applied to the rate of return calculations in international natural gas distribution, partially offset by ongoing growth in the regulated rate base and cost efficiencies in natural gas distribution.



Neltume Ports

In the third quarter and fourth quarter of 2018, Neltume Ports earned $1 million and $3 million. On September 12, 2018, ATCO invested in a 40 per cent interest in Neltume Ports.

In the first quarter of 2019, Neltume Ports earned $4 million.



Earnings Attributable to Class I and Class II Shares

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

- In the fourth quarter of 2017, impairment charges of $23 million after-tax and non-controlling interests were recorded relating to Structures & Logistics' workforce housing assets in Canada and space rental assets in the U.S. The Company determined these assets were impaired due to a reduction in utilization, sustained decreases in key commodity prices as well as a significant reduction in the capital expenditure programs of key customers.
- In the fourth quarter of 2017, the Company recorded an increase to earnings of $31 million ($16 million after-tax and NCI) on derecognition of customer contributions related to a sale of electricity generation assets on transitioning to finance lease accounting which resulted from the implementation of IFRS 15.
- In the second quarter of 2018, restructuring and other costs not in the normal course of business of $39 million after-tax were recorded. These costs mainly relate to staff reductions and associated severance costs, as well as costs related to decisions to discontinue certain projects that no longer represent long-term strategic value to the Company.
- In the third quarter of 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to ATCO subsidiary Canadian Utilities. Canadian Utilities received a payment from the Balancing Pool and also recorded additional coal-related costs and Asset Retirement Obligations associated with the Battle River generating facility. This one-time receipt and costs in the net amount of $19 million after-tax was excluded from adjusted earnings.
- In the fourth quarter of 2018, Canadian Utilities sold its 100 per cent ownership interest in Barking Power assets. An after-tax gain in the amount of $46 million was excluded from adjusted earnings.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings 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 commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 4 of the unaudited interim consolidated financial statements.

Adjusted earnings per Class I and Class II Share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital and change in receivable under service concession arrangement. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies. A reconciliation of funds generated by operations to cash flows from operating activities is presented in this MD&A.

Capital investment is defined as cash used for capital expenditures, business combinations, service concession arrangements, and cash used in the Company's proportional share of capital expenditures in joint ventures, and cash used for equity investment in associate companies. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

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

Adjusted earnings are earnings 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 commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant 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 that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings.

($ millions) **Three Months Ended March 31**

2019 / **2018**	**Structures & Logistics**	**Canadian Utilities Limited**				**Neltume Ports**	**ATCO Corporate & Other**	**Consolidated**
		Electricity	**Pipelines & Liquids**	**CUL Corporate & Other**	**Consolidated**			
Revenues	**138**	**690**	**477**	**22**	**1,189**	**–**	**(3)**	**1,324**
	115	899	485	1	1,385	–	–	1,500
Adjusted earnings	**3**	**61**	**51**	**(7)**	**105**	**4**	**–**	**112**
	1	51	53	(8)	96	–	2	99
Unrealized gains (losses) on mark-to-market forward commodity contracts	**–**	**3**	**–**	**–**	**3**	**–**	**–**	**3**
	–	(9)	–	–	(9)	–	–	(9)
Rate-regulated activities	**–**	**(2)**	**(2)**	**1**	**(3)**	**–**	**–**	**(3)**
	–	(7)	5	–	(2)	–	1	(1)
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	1	–	1	–	–	1
Earnings attributable to Class I and Class II Shares	**3**	**62**	**49**	**(6)**	**105**	**4**	**–**	**112**
	1	35	59	(8)	86	–	3	90

UNREALIZED GAINS (LOSSES) ON MARK-TO-MARKET FORWARD COMMODITY CONTRACTS

The Company enters into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power and Thermal Plants not governed by a Power Purchase Arrangement. The forward contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts are recognized in earnings where hedge accounting is not applied. The CODM believes that removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of operating results for the Company's Independent Power and Thermal Plants not governed by a Power Purchase Arrangement. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

ATCO Electric and its subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as utilities.

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

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulator's decisions on revenues.

At March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended March 31		
($ millions)	**2019**	**2018**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs [1]	**11**	10	1
Impact of colder temperatures [2]	**6**	6	–
Revenues to be billed in future periods			
Deferred income taxes [3]	**(15)**	(17)	2
Settlement of regulatory decisions and other items	**(5)**	–	(5)
	(3)	(1)	(2)

(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) ATCO Gas' 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 in the current period are refunded to or recovered from customers in future periods.

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

Rate-regulated accounting differs from IFRS 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	For further details on regulatory decisions that caused a timing adjustment financial impact, refer to the Regulatory Developments section in this MD&A.	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.
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.

RECONCILIATION OF FUNDS GENERATED BY OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital and change in receivable under service concession arrangement. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

($ millions)	Three Months Ended March 31	
	2019	**2018**
Funds generated by operations	**579**	541
Changes in non-cash working capital	**(95)**	154
Change in receivable under service concession arrangement	**(126)**	(399)
Cash flows from operating activities	**358**	296

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is defined as cash used for capital expenditures, business combinations, service concession arrangements, and cash used in the Company's proportional share of capital expenditures in joint ventures, and cash used for equity investment in associate companies. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

($ millions) **Three Months Ended March 31**

2019 / 2018	**Structures & Logistics**	**Canadian Utilities Limited**				**Neltume Ports**	**ATCO Corporate & Other**	**Consolidated**
		Electricity	**Pipelines & Liquids**	**CUL Corporate & Other**	**Consolidated**			
Capital Investment	**18**	**207**	**107**	**1**	**315**	**9**	**1**	**343**
	22	599	141	4	744	–	6	772
Equity investment in associate company	–	–	–	–	–	**(9)**	–	**(9)**
	–	–	–	–	–	–	–	–
Capital expenditure in joint ventures	–	–	–	–	–	–	–	–
	–	(3)	(2)	–	(5)	–	–	(5)
Business combination [(1)]	–	–	–	–	–	–	–	–
	–	(112)	–	–	(112)	–	–	(112)
Service concession arrangement	–	**(95)**	–	–	**(95)**	–	–	**(95)**
	–	(368)	–	–	(368)	–	–	(368)
Capital Expenditures	**18**	**112**	**107**	**1**	**220**	–	**1**	**239**
	22	116	139	4	259	–	6	287

(1) Business combination includes ATCO subsidiary Canadian Utilities' acquisition of Electricidad de Golfo, a long-term contracted, 35 MW hydroelectric power station in the state of Veracruz, Mexico.

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

On January 1, 2019, the Company adopted the new accounting standard, IFRS 16 *Leases*, which replaces IAS 17 *Leases* and related interpretations. This standard introduces a new approach to lease accounting that requires a lessee to recognize right-of-use assets and lease liabilities for the rights and obligations created by leases. It brings most leases on-balance sheet for lessees, eliminating the distinction between operating and finance leases. Lessor accounting under the new standard retains similar classifications to the previous guidance.

The Company adopted the standard using the modified retrospective approach which does not require restatement of prior period financial information, as it recognizes the cumulative impact on the opening balance sheet and applies the standard prospectively. Accordingly, the comparative information in the unaudited interim consolidated financial statements is not restated.

On adoption of the new standard on January 1, 2019, the Company recognized $107 million of right-of-use assets and $107 million of lease liabilities. The right-of-use assets and lease liabilities relate to leases for land and buildings. From January 1, 2019, the Company recognizes depreciation expense on right-of-use assets and interest expense on lease liabilities with lease payments recorded as a reduction of the lease liability. Prior to the adoption of IFRS 16, lease payments were recorded as expenses in the statement of earnings. The adoption of IFRS 16 has not had a significant impact on earnings. Further information on the adoption of IFRS 16, right-of-use assets and lease liabilities are provided in Notes 3, 9 and 12 of the unaudited interim consolidated financial statements.

There are no other new or amended standards issued, but not yet effective, that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2019, and ended on March 31, 2019, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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", and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

The Company's actual results could differ materially from those anticipated in any forward-looking information contained in this MD&A as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Company.

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

ATCO has published its unaudited interim consolidated financial statements and its MD&A for the three months ended March 31, 2019. Copies of these documents may 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, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

Alberta Power Pool means the market for electricity in Alberta operated by AESO.

Alberta Utilities means Electricity Distribution (ATCO Electric Distribution), Electricity Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas) and Natural Gas Transmission (ATCO Pipelines).

AUC means the Alberta Utilities Commission.

Availability is a measure of time, expressed as a percentage of continuous operation, that a generating unit is capable of producing electricity, regardless of whether the unit is actually generating electricity.

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

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

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

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

Earnings means Adjusted Earnings as defined in the Non-GAAP and Additional GAAP Measures section of this MD&A.

GAAP means Canadian generally accepted accounting principles.

Gigajoule (GJ) is a unit of energy equal to approximately 948.2 thousand British thermal units.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

PPA means Power Purchase Arrangements that became effective on January 1, 2001, as part of the process of restructuring the electricity utility business in Alberta. PPAs are legislatively mandated and approved by the AUC.

Regulated Utilities means Electricity Distribution (ATCO Electric Distribution), Electricity Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas), Natural Gas Transmission (ATCO Pipelines) and International Natural Gas Distribution (ATCO Gas Australia).

Spark spread is the difference between the selling price of electricity and the marginal cost of producing electricity from natural gas. In this MD&A, spark spreads are based on an approximate industry heat rate of 7.5 GJ per MWh.