ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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, 2020.

This MD&A was prepared as of April 30, 2020, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2020. Additional information, including the Company's previous MD&A (2019 MD&A), Annual Information Form (2019 AIF), and audited consolidated financial statements for the year ended December 31, 2019, is available on SEDAR at www.sedar.com. Information contained in the 2019 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 (Canadian Utilities or CU) (52.2 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies 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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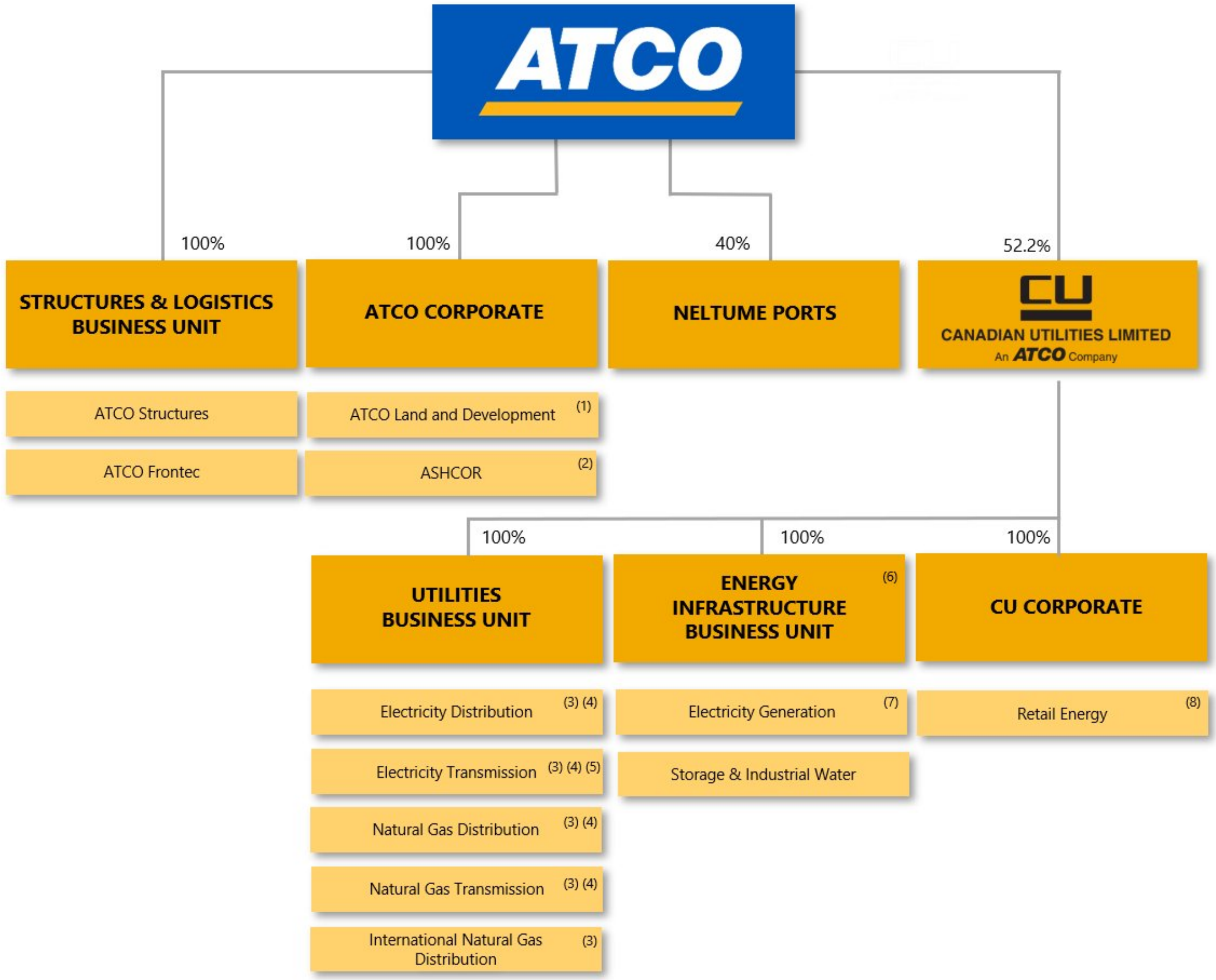
ORGANIZATIONAL STRUCTURE



(1) *ATCO Land and Development Ltd. includes commercial real estate investments held for sale, lease or development.*

(2) *In December 2019, ATCO purchased Canadian Utilities' 100 per cent ownership interest in ASHCOR Technologies Ltd. (ASHCOR), an Alberta-based company engaged in marketing fly ash.*

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

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

(5) *Electricity Transmission was the construction project manager for Alberta PowerLine and is the operator of Alberta PowerLine under a 35-year contract.*

(6) *Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), was a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (Quanta) (20 per cent). In 2019, Canadian Utilities, and Quanta completed the sale of APL. Canadian Utilities received aggregate proceeds of $222 million for its interest in APL. Electricity Transmission will remain as the operator over its 35-year contract with the Alberta Electric System Operator.*

(7) *In the fourth quarter of 2019, Canadian Utilities completed the sale of its Canadian fossil fuel-based electricity generation portfolio for aggregate proceeds of $821 million. Canadian Utilities continues to own 244-MW of electricity generation assets in Canada, Mexico and Australia.*

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

In the first quarter of 2020, the Company reorganized its reporting segments. These segments are reported in a manner consistent with the internal reporting provided to the Chair and Chief Executive Officer and other members of the Executive Committee of the Company. Comparative amounts for prior periods have been restated to reflect the realigned segments.

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, of which ATCO Ltd. owns 52.2 per cent (38.3 per cent of the Class A non-voting shares and 90.2 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 Land and Development Ltd. and ASHCOR Technologies Ltd.

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.

($ millions, except per share data and outstanding shares)	Three Months Ended March 31 **2020**	**2019**	**Change**
Key Financial Metrics			
Revenues	**1,056**	1,324	(268)
Adjusted earnings [(1)]	**106**	112	(6)
Structures & Logistics	**7**	3	4
Neltume Ports	**3**	4	(1)
ATCO Corporate & Other	**1**	–	1
Canadian Utilities Limited			
Utilities	**99**	93	6
Energy Infrastructure	**3**	19	(16)
Canadian Utilities Corporate & Other	**(7)**	(7)	–
Adjusted earnings ($ per share) [(1)]	**0.93**	0.98	(0.05)
Earnings attributable to Class I and Class II Shares	**87**	112	(25)
Earnings attributable to Class I and Class II Shares ($ per share)	**0.76**	0.98	(0.22)
Cash dividends declared per Class I and Class II Share (cents per share)	**43.52**	40.48	3.04
Funds generated by operations [(1)]	**516**	579	(63)
Capital investment [(1)]	**303**	343	(40)
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,352**	114,323	29
Diluted	**114,732**	114,723	9

(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 2020 were $1,056 million, $268 million lower than the same period in 2019. Lower revenues were mainly due to forgone revenue following the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Revenues from Alberta PowerLine construction activity in the first quarter of 2019 and the subsequent sale of APL in the fourth quarter of 2019 also contributed to lower revenues in the first quarter of 2020. These factors were partially offset by higher first quarter revenues in ATCO Structures mainly due to the LNG Canada Cedar Valley Lodge contract and in the Alberta Utilities from growth in the regulated rate base.

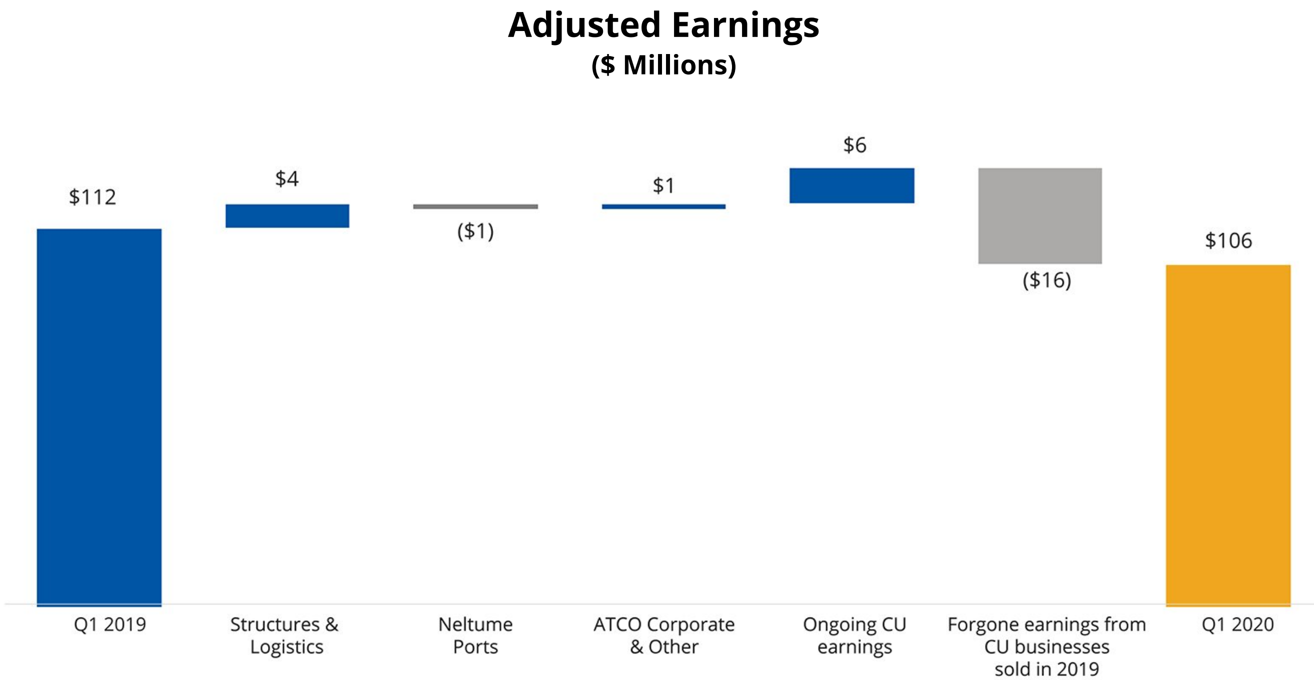
ADJUSTED EARNINGS

Our adjusted earnings in the first quarter of 2020 were $106 million or $0.93 per share, compared to $112 million or $0.98 per share for the same period in 2019.

The primary drivers of adjusted earnings results were as follows:

- Structures & Logistics adjusted earnings in the first quarter of 2020 were $4 million higher than the same period in 2019. The increase was mainly due to continued work on ATCO Structures' LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia.
- Canadian Utilities adjusted earnings in the first quarter of 2020 were $10 million lower than the same period in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and APL in the fourth quarter of 2019. Excluding the forgone earnings impact from the sale of these

businesses in 2019, Canadian Utilities earnings in the first quarter of 2020 were $6 million higher than the same period in 2019 mainly due to continuing cost efficiencies, utility rate base growth and lower income taxes.



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

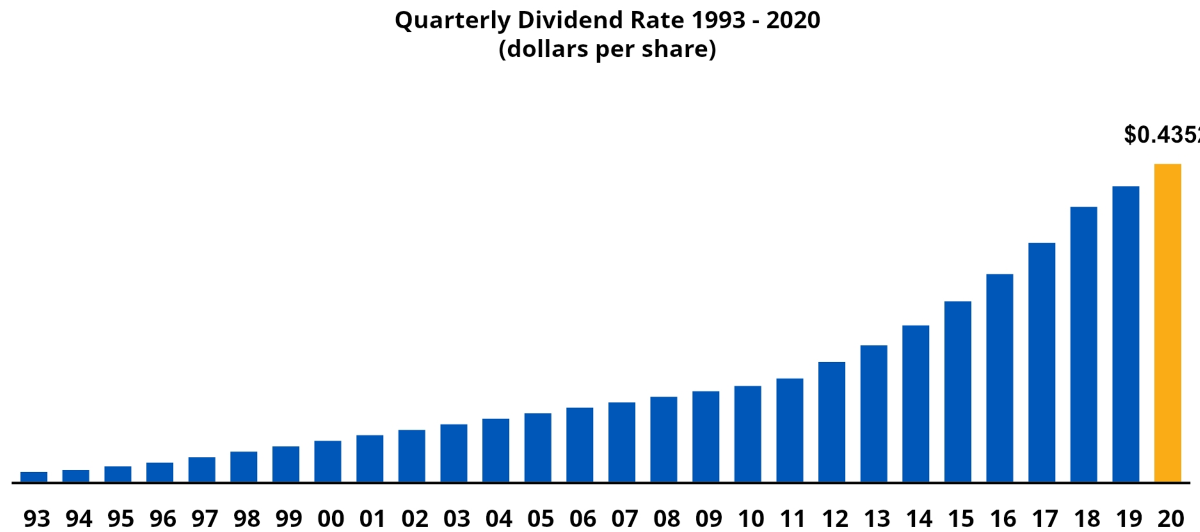
Earnings attributable to Class I and Class II Shares were $87 million in the first quarter of 2020, $25 million lower compared to the first quarter of 2019. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

COMMON SHARE DIVIDENDS

On March 31, 2020, the Board of Directors declared a second quarter dividend of 43.52 cents per share. Dividends paid to Class I and Class II Share owners totaled $50 million in the first quarter of 2020.

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



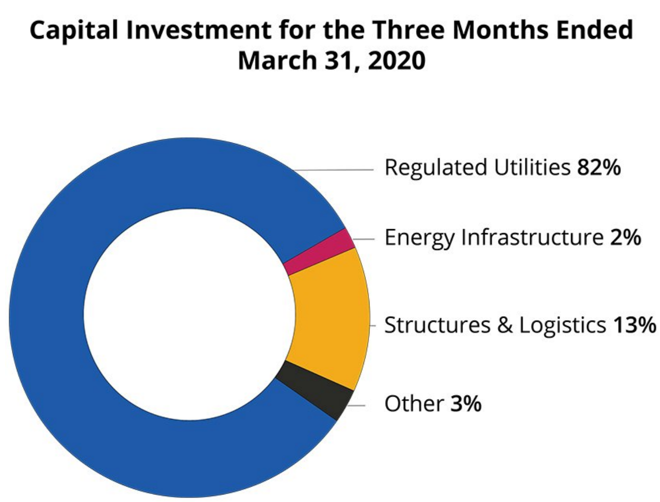
FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $516 million in the first quarter of 2020, $63 million lower than in the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Electricity Distribution business as a result of the timing of transmission costs which will be recovered in future periods and in Electricity Generation as a result of Canadian Utilities' third quarter 2019 sale of the Canadian fossil-fuel based electricity generation portfolio. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to continued activity on the LNG Canada Cedar Valley Lodge project.

CAPITAL INVESTMENT

Total capital investment of $303 million in the first quarter of 2020 was $40 million lower than the first quarter of 2019. Lower capital spending in Canadian Utilities was mainly due to the completion of construction on Alberta PowerLine at the end of the first quarter of 2019. This lower spending was partially offset by higher capital investment in Canadian Utilities' Natural Gas Transmission business on the Pembina-Keephills Transmission Pipeline and in ATCO Structures mainly due to the commencement of manufacturing and installation work for Phase 2 of the BC Hydro Site C Two Rivers Lodge, and expansion of the global space rental fleet.

Capital spending in Canadian Utilities' regulated utility businesses accounted for $249 million or 82 per cent of total capital invested in the first quarter of 2020. The remaining $54 million or 18 per cent invested in the first quarter of 2020 included ATCO Structures' capital for manufacturing and installation work for Phase 2 of the BC Hydro Site C Two Rivers Lodge, and expansion of the global space rental fleet.



COVID-19 AND GLOBAL MACROECONOMIC CONDITIONS

The COVID-19 pandemic, oil price decline and slowing global economic activity have caused far-reaching concern and economic hardship for consumers, businesses and communities across the globe. In this time of uncertainty, our people are working hard to ensure that we continue to support our customers and the communities that depend on our essential services.

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 disruptions, labour shortages and shutdowns, including as a result of government regulation and prevention measures, which could have a negative impact on the Company's operations.

Any adverse changes in general economic and market conditions arising as a result of a public health threat could negatively impact 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; which could result in a material adverse effect on the Company's business.

Below we have summarized the impact on each of our businesses in the first quarter of 2020. ATCO continues to monitor the situation.

ATCO Structures

Due to the COVID -19 pandemic and slowing global economic activity, ATCO Structures anticipates that customers may delay making final investment decisions on prospective modular structures projects which may impact 2020 earnings.

ATCO Structures is responding to inquiries from customers who are looking for potential solutions to the COVID-19 pandemic to assist in the prevention of the spread of the virus. In March and April 2020, ATCO Structures signed three short-term rental contracts to supply 630 beds in the U.S. to support the fight against COVID-19.

ATCO Frontec

ATCO Frontec and its customers have taken active measures to ensure the safety of its employees and the public to reduce the spread of the COVID-19 virus by lowering occupancy levels at camps by 50 per cent or more and limiting the type of work on site to essential activities only. Lower earnings were mainly due to scaled back activity at the BC Hydro Site C Two Rivers Lodge, Real Property North maintenance and support service contracts and our Iqaluit fueling contracts. Lower occupancy levels at camps and reduced services requests are expected to continue while COVID-19 proactive and preventative actions remain in place.

Neltume Ports

Neltume Ports adjusted earnings in the first quarter of 2020 were $1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.

Canadian Utilities

Canadian Utilities continues to review its 2020 capital investment plan to optimize free cash flow and liquidity. This may result in a lowering of the planned 2020 capital investment and postponement of capital projects into future years.

Under normal market conditions, 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.

On March 27, 2020, the Bank of Canada announced the Commercial Paper Purchase Program (CPPP) to support the continuous functioning of financial markets. Under the CPPP, for the next 12 months the Bank of Canada will conduct primary and secondary market purchases of commercial paper (CP) issued by Canadian companies with an outstanding CP program. Due to their strong CP credit ratings and existing CP programs, both Canadian Utilities Limited and CU Inc. are eligible to participate in the CPPP. Through the CPPP, Canadian Utilities and CU Inc. can issue up to an aggregate of $875 million. If Canadian Utilities or CU Inc. were to take advantage of CPPP, it would increase liquidity beyond the normal course lines of credit as outlined in the Liquidity and Capital Resources section of this MD&A.

Utilities

The COVID-19 pandemic, oil price decline and slowing global economic activity did not have a material impact on adjusted earnings in the first quarter of 2020.

Government of Alberta 90 Day Utility Bill Deferral Program

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The initial deferred payment period will last for 90 days. The terms of the utility deferral bill program have not been finalized and Canadian Utilities continues to communicate with industry participants, the Government of Alberta, and the Alberta Utilities Commission (AUC) on this initiative.

Electricity Distribution

Electricity Distribution operates on a price indexing mechanism for the setting of its rates under Performance Based Regulation (PBR). While the price indexing mechanism does not offer the same adjustment or updates as the Natural Gas Distribution revenue indexing mechanism for future years, its current rate structure utilizes a variety of mechanisms to limit the exposure to demand reductions from industrial and commercial customers. Under PBR, there is also the opportunity to file regulatory applications seeking recovery of lost revenue related to events outside the control of the utility. While there was no material impact to revenues in the first quarter of 2020 as a result of the COVID-19 pandemic, oil price decline and slowing economic activity, we continue to monitor changes in demand from industrial and commercial customers for future possible impacts.

Electricity and Natural Gas Transmission

Electricity and Natural Gas Transmission rates are spread across all customers in the province. Changes in customers' demand and use are reflected in customer rates over time. At this time, we do not expect material changes in 2020 revenue as a result of the COVID-19 pandemic, oil price decline and slowing economic activity.

Natural Gas Distribution

Natural Gas Distribution operates on a revenue mechanism under PBR. This mechanism provides protection and adjustments on future revenue variances associated with changes in volumes or customer counts. While future changes in customer counts may impact the revenue stream, the majority of customers are residential and these customer counts are not expected to change materially. At this time, we do not expect material changes in 2020 revenue as a result of the COVID-19 pandemic, oil price decline and slowing global economic activity. Under PBR, there is also the opportunity to file regulatory applications seeking recovery of lost revenue related to events outside the control of the utility.

International Natural Gas Distribution

The new 5-year Access Arrangement (AA5) effective January 1, 2020 has lowered the return on equity from 7.21 per cent to 5.02 per cent and increased the common equity ratio from 40 per cent to 45 per cent when compared to the previous access arrangement. AA5 also includes rebasing of revenues for the recovery of operating costs, the approved capital expenditure program and forecast for demand and throughput. Variables that may impact financial results include Australia's inflation rate and the exchange rate compared to the Canadian dollar.

Energy Infrastructure

The COVID-19 pandemic, oil price decline and slowing global economic activity did not have a material impact on adjusted earnings in the first quarter of 2020.

The global macroeconomic situation, low commodity prices, and potential business disruptions due to the COVID-19 pandemic may have an adverse impact on energy storage.

Further Information

Please refer to the *Health and Safety Pandemic Update* in the Sustainability, Climate Change and Energy Transition section of this MD&A for further discussion on the COVID-19 pandemic and how ATCO is adjusting its operations to maintain safe and reliable service during the pandemic.

BUSINESS UNIT PERFORMANCE

REVENUES

Structures & Logistics revenues of $171 million in the first quarter of 2020 were $33 million higher than the same period in 2019, mainly due to incremental revenues from ATCO Structures' LNG Canada Cedar Valley Lodge contract.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
ATCO Structures	**7**	2	5
ATCO Frontec	**–**	1	(1)
Total Structures & Logistics Adjusted Earnings	**7**	3	4

Structures & Logistics recorded adjusted earnings of $7 million in the first quarter of 2020, $4 million higher than the same period in 2019. The increase was mainly due to incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.

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

ATCO STRUCTURES

ATCO Structures manufactures, sells and leases 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.

ATCO Structures recorded adjusted earnings of $7 million in the first quarter of 2020, $5 million higher than the same period in 2019. Higher earnings were mainly due to continued work on the LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.

Rental Fleet Statistics

The following table compares ATCO Structures' manufacturing hours and rental fleet for the first quarter of 2020 and 2019.

	Three Months Ended March 31		
	2020	**2019**	**Change**
North America			
Manufacturing hours *(thousands)*	**350**	177	98%
Global Space Rentals			
Number of units	**16,669**	15,529	7%
Average utilization *(%)*	**71**	70	1%
Average rental rate *($ per month)*	**551**	561	(2%)
Global Workforce Housing			
Number of units	**2,894**	2,902	–
Average utilization *(%)*	**45**	37	8%
Average rental rate *($ per month)*	**1,646**	1,725	(5%)

The increase in manufacturing hours in the first quarter of 2020 was mainly due to increased LNG Canada Cedar Valley Lodge manufacturing activity, the newly awarded Phase 2 of the BC Hydro Site C Two Rivers Lodge expansion in Canada, and building permanent modular supply product for Marriott Hotels in the U.S. ATCO Structures also continues to manufacture additional units to support the planned expansion of the central Canada, BC and U.S. space rental fleet. Given the current economic outlook, ATCO Structures continues to monitor its future capital plans.

The increase in the number of space rental units was mainly due to the continued strategic expansion of the space rental fleet in the United States, central Canada, BC, Mexico and Chile. ATCO Structures has increased its fleet size by 1,140 units year-over-year and maintained a steady utilization rate providing strong revenue growth on the product line over the period. The decrease in the average rental rate was mainly due to lower rates in Australia partially offset by stronger rental rates in Canada driven by increased activity in the construction sector.

The increase in utilization in workforce housing was mainly due to rental projects in Western Australia and BC. The decrease in the average rental rate was mainly due to the lower rates in Canada and the U.S partially offset by higher rates in Australia.

ATCO STRUCTURES RECENT DEVELOPMENTS

United States

COVID-19 Pandemic Response

ATCO Structures is responding to inquiries from customers who are looking for potential solutions to the COVID-19 pandemic to assist in the prevention of the spread of the virus. In March and April 2020, ATCO Structures signed three short-term rental contracts to supply 630 beds in the U.S. to support the fight against COVID-19.

Canada

LNG Canada Cedar Valley Lodge Contract

ATCO Structures, through its joint venture with Bird Construction and the Haisla Nation, continues to progress on both manufacturing and site construction work for the LNG Canada Cedar Valley Lodge contract. Manufacturing of the modules for the accommodation facility is expected to be complete in the second quarter of 2020. Installation activity will continue throughout 2020 and into 2021. The facility is being built to house workers involved in the construction of LNG Canada's natural gas liquefaction and export facility in Kitimat, British Columbia (BC). The project is one of the largest accommodation facilities ever built in Canada.

LNG Canada Cedar Valley Lodge - Kitimat, BC

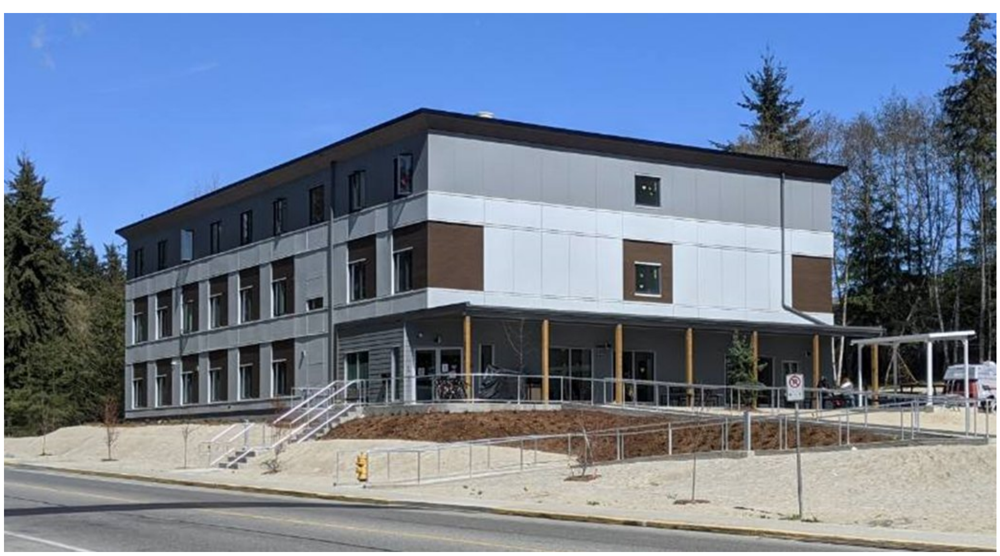
BC Hydro Site C Two Rivers Lodge – Phase 2 Expansion

In 2016, Structures & Logistics commenced a supply, installation, operations and maintenance contract at the BC Hydro Site C Two Rivers Lodge for up to 1,750 workers. The original operations and maintenance services contract is in place until late 2022.

In October 2019, Structures & Logistics executed a change order with BC Hydro for the phase 2 expansion of the lodge. During the first quarter of 2020, ATCO Structures began the manufacturing and installation work on a 12-dorm, 444-person expansion. The additional rooms are anticipated to be handed over by June 1, 2020 and will contribute $25 million in installation and rental revenue during the 12-month contract term for ATCO Structures.

Permanent Modular Construction - BC Housing

During the first quarter of 2020, ATCO Structures completed a 44-unit complex in Powell River, BC for the Government of British Columbia's supportive housing program. In addition, ATCO Structures began construction of a $9 million, 44-unit apartment building in New Westminster, BC with expected completion in the second quarter of 2020. The housing projects will provide affordable housing to low income individuals and families across the province.



44-unit supportive housing complex – Powell River, BC

Australia

Victoria Department of Education

ATCO Structures was awarded a contract in the first quarter of 2020 to design, manufacture and install three permanent modular classrooms in Melbourne, Australia. The $5 million project with the Victoria Department of Education will see classrooms progressively completed from June to October of 2020.

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 recorded adjusted earnings of $nil in the first quarter of 2020, $1 million lower than the same period in 2019. ATCO Frontec and its customers have taken active measures to ensure the safety of its employees and the public to reduce the spread of the COVID-19 virus by lowering occupancy levels at camps by 50 per cent or more and limiting the type of work on site to essential activities only. Lower earnings were mainly due to scaled back activity at the BC Hydro Site C Two Rivers Lodge, Real Property North maintenance and support service contracts and our Iqaluit fueling contracts.

Lower occupancy levels at camps and reduced services requests are expected to continue while COVID-19 proactive and preventative actions remain in place.

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. The business is located primarily in Chile, with smaller operations in Uruguay, Argentina, and Brazil.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Neltume Ports	**3**	4	(1)

Neltume Ports recorded adjusted earnings of $3 million in the first quarter of 2020, $1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.

RECENT DEVELOPMENTS

New Port - AutoMobile International Terminal

In January 2020, Neltume Ports entered into a 50/50 joint venture (JV) partnership with Terminal Zarate to build and operate a roll-on roll-off (RoRo) terminal in Mobile, Alabama. The JV will invest 30 per cent of construction costs. Neltume Ports' portion of the investment will be approximately US$9 million and will be funded with existing cash reserves. The Alabama State Port Authority will provide the remaining capital funding. The JV will operate the terminal beginning in 2021 under a 10-year concession agreement with two consecutive 10-year extensions at the JV's election for a total of up to 30 years. The port will primarily support the import and export needs of the growing local automotive sector in the region.

Neltume Ports' partner, Terminal Zarate, a member company of Grupo Murchison, provides port operations services, integrated logistics, warehousing and other related business activities in Argentina and Uruguay. Terminal Zarate operates the largest RoRo terminal in Latin America.

This investment allows Neltume Ports to grow and diversify, by both geography and product type, while partnering with an experienced and respected partner.

ATCO CORPORATE & OTHER

ATCO Corporate & Other contains ATCO Land and Development Ltd. which is a commercial real estate business that holds investments for sale, lease or development, as well as ASHCOR, an Alberta-based company engaged in marketing fly ash. 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.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
ATCO Corporate & Other	**1**	–	1

ATCO Corporate & Other adjusted earnings in the first quarter of 2020 were $1 million higher than the same period in 2019, mainly due to the timing of certain expenditures.

Canadian Utilities is a diversified global energy infrastructure corporation delivering service excellence and innovative business solutions in Utilities (Electricity Transmission and Distribution, and Natural Gas Transmission and Distribution); Energy Infrastructure (Electricity Generation, Energy Storage, and Industrial Water Solutions); and Retail Energy (Electricity and Natural Gas Retail Sales).

UTILITIES

REVENUES

Utilities revenues of $789 million in the first quarter of 2020 were $5 million lower than the same period in 2019. Lower revenues were mainly due to the timing of settlements from various regulatory decisions, the completion of project management construction activities on APL at the end of the first quarter of 2019 and transition to APL operating activities by Electricity Transmission. Lower revenues were also a result of the completion of the PBR efficiency carry-over mechanism (ECM) funding in 2019. The ECM was the incentive granted to Alberta distribution utilities in the first two years of the second generation of PBR for demonstrating superior cost savings in the prior PBR period. Lower revenues were partially offset by higher revenues from growth in the Alberta regulated rate base.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Electricity			
Electricity Distribution	**18**	20	(2)
Electricity Transmission	**23**	23	–
Total Electricity	**41**	43	(2)
Natural Gas			
Natural Gas Distribution	**43**	38	5
Natural Gas Transmission	**11**	8	3
International Natural Gas Distribution	**4**	4	–
Total Natural Gas	**58**	50	8
Total Utilities Adjusted Earnings	**99**	93	6

Utilities adjusted earnings of $99 million in the first quarter of 2020 were $6 million higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

Detailed information about the activities and financial results of the Utilities 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.

In the first quarter of 2020, Electricity Distribution adjusted earnings of $18 million were $2 million lower than the same period in 2019. Lower earnings were mainly due to the completion of ECM funding in 2019 and timing of operating costs, partially offset by continued growth in the utility rate base.

Electricity Transmission

Electricity Transmission provides regulated electricity transmission mainly in northern and central east Alberta, the Yukon, the Northwest Territories, and in the Lloydminster area of Saskatchewan. Electricity Transmission was the construction project manager for Alberta PowerLine (APL) and is the operator of Alberta PowerLine under a 35-year contract.

Electricity Transmission adjusted earnings of $23 million in the first quarter of 2020 were comparable to the same period in 2019.

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 recorded adjusted earnings of $43 million in the first quarter of 2020, $5 million higher than the same period in 2019. Higher earnings were mainly due to continuing cost efficiencies, lower income taxes, and growth in the utility rate base. Higher earnings were partially offset by the completion of ECM funding in 2019.

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 $11 million in the first quarter of 2020, $3 million higher than the same period in 2019. Higher adjusted earnings were mainly due to lower income taxes, and continued growth in the utility rate base.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $4 million in the first quarter of 2020 were comparable to the same period in 2019. Lower earnings were mainly due to the new five year Access Arrangement commencing January 1, 2020, with a lower rate of return and rebasing of the demand forecast, financing and operating allowances. Lower earnings were partially offset by the net impact of inflation rate adjustments applied to rate of return calculations in the first quarter of 2019 and 2020.

UTILITIES RECENT DEVELOPMENTS

Pembina Keephills

On April 1, 2020, Natural Gas Transmission completed and placed in-service the Pembina-Keephills transmission pipeline ahead of schedule and below the $230 million approved budget. The 59-km high-pressure natural gas pipeline supports coal-to-gas conversion of power producers in the Genesee and surrounding areas of Alberta with the capacity to deliver up to 550-TJ per day.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $50 million in the first quarter of 2020 were $323 million lower than the same period in 2019 mainly due to forgone revenue associated with the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Revenues from APL construction activity in the first quarter of 2019 and the subsequent sale of APL in the fourth quarter of 2019 also contributed to lower revenues in the first quarter of 2020.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Electricity Generation	**2**	2	–
Storage & Industrial Water	**1**	1	–
	3	3	–
Adjusted Earnings from Businesses Sold in 2019			
Canadian Fossil Fuel-Based Electricity Generation	–	12	(12)
Alberta PowerLine (APL)	–	4	(4)
	–	16	(16)
Total Energy Infrastructure Adjusted Earnings	**3**	19	(16)

Energy Infrastructure recorded adjusted earnings of $3 million in the first quarter of 2020, $16 million lower than the same period in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019. Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings in the first quarter of 2020 were comparable to the same period in 2019.

Detailed information about the activities and financial results of Energy Infrastructure's businesses are provided in the following sections.

Electricity Generation

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

Electricity Generation adjusted earnings of $2 million recorded in the first quarter of 2020 were comparable to the same period in 2019.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $1 million in the first quarter of 2020 were comparable to the same period in 2019.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Retail Energy through ATCOenergy 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. In addition, Canadian Utilities Corporate & Other includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Canadian Utilities Corporate & Other	**(7)**	(7)	–

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the first quarter of 2020 were comparable to the same period in 2019.

REGULATORY DEVELOPMENTS

ALBERTA REGULATORY UPDATES

GOVERNMENT OF ALBERTA 90 DAY UTILITY BILL DEFERRAL PROGRAM

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The initial deferred payment period will last for 90 days. The terms of the utility deferral bill program have not been finalized and Canadian Utilities continues to communicate with industry participants, the Government of Alberta, and the Alberta Utilities Commission (AUC) on this initiative.

2021 GENERIC COST OF CAPITAL PROCEEDING

In December 2018, the AUC initiated the 2021 Generic Cost of Capital (GCOC) proceeding. The main focus of the proceeding will be to determine the rate of return for the years 2021 and 2022, as well as consideration of returning to a formula-based approach. Initial evidence was filed in January 2020. In March 2020, the AUC suspended the proceeding and will re-evaluate the suspension every 30-60 days.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

SUSTAINABILITY REPORTING

Our 2019 Sustainability Report, which is expected to be published in June 2020, will focus on the material topics listed below.

- 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 the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations.

The 2018 Sustainability Report, Sustainability Framework Reference Document, and other disclosures are available on our website, at www.atco.com.

HEALTH AND SAFETY PANDEMIC UPDATE

As we navigate the challenges of the COVID-19 pandemic, the health and safety of our people, customers, and communities is of critical importance to us. ATCO's Pandemic Response Plan was activated in February 2020 by our Crisis Management Committee (CMC). Since then our teams across the globe have been responding to this rapidly changing situation to ensure a coordinated approach across ATCO.

As a provider of essential services around the world, we are determined to continue delivering the reliable service customers need. In accordance with our Pandemic Response Plan that is aimed at protecting the health of our employees and our customers while sustaining our essential services, we have implemented several enhanced protocols including travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment (PPE) for essential workers, limiting access to our facilities, and alternative work options for employees where possible (i.e. working from home). An employee helpline has also been established to provide assistance and advice to employees, and an employee communication is sent to all employees each day highlighting trends and key information.

We are committed to doing our part to limit the spread of COVID-19 by following the guidance of local health authorities and governments. We continue to actively monitor the situation and act accordingly as new information becomes available.

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.

At the end of 2019, Canadian Utilities had 18 electric vehicle (EV) charging stations in Alberta providing end-users an opportunity to replace liquid fuel with a low-carbon emitting energy. In the first quarter of 2020, five additional EV charging stations were installed in Alberta.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2020 and 2019 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)	**2020**	**2019**	**Change**
Operating costs	**574**	641	(67)
Service concession arrangement costs	**–**	95	(95)
Depreciation and amortization	**156**	167	(11)
Earnings from investment in associate company	**3**	4	(1)
Earnings from investment in joint ventures	**7**	8	(1)
Net finance costs	**99**	123	(24)
Income taxes	**63**	84	(21)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, decreased by $67 million in the first quarter of 2020 when compared to the same period in 2019. Lower operating costs were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Lower operating costs were partially offset by higher materials costs in ATCO Structures due to progress on the LNG Canada Cedar Valley Lodge contract.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs were recorded for third party construction and operation activities for Canadian Utilities' Fort McMurray West-500kV Project. Service concession arrangement costs in the first quarter of 2020 were $95 million lower compared to the same period in 2019 due to the sale of APL in the fourth quarter of 2019.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased by $11 million in the first quarter of 2020 mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, partially offset by higher depreciation at ATCO Structures due to the expansion of the global space rental fleet.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company are 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 were $3 million in the first quarter of 2020, $1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, and the Strathcona Storage Limited Partnership which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. It also includes ATCO-Sabinco S.A. which operates an ATCO Structures business in Chile, and certain ATCO Frontec facility operations and maintenance contracts.

Earnings from investment in joint ventures decreased by $1 million in the first quarter of 2020 compared to the same period in 2019 mainly due to the sale of the joint venture ownership positions included within the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019.

NET FINANCE COSTS

Net finance costs decreased by $24 million in the first quarter of 2020 when compared to the same period in 2019, mainly due to lower interest expense on non-recourse long-term debt related to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business, and lower interest expense under service concession arrangement accounting for APL. Decreased net finance costs were also due to the positive impact of a new interest rate hedging arrangement for International Natural Gas Distribution in Canadian Utilities which became effective at the beginning of January, 2020.

INCOME TAXES

Income taxes decreased by $21 million in the first quarter of 2020 compared to the same period in 2019 mainly due to lower taxable earnings and the impact of the continued phased reduction of the Alberta tax rate.

In June 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent over four years, commencing with a one per cent decrease on July 1, 2019 followed by a one per cent reduction on January 1 of each of the following three years. This change lowered first quarter 2020 IFRS earnings and adjusted earnings.

In April 2019, capital cost allowance acceleration measures enacted by the Government of Canada had no impact to IFRS earnings because lower current taxes were equally offset by higher deferred taxes. However, there was a positive impact to first quarter 2020 adjusted earnings for the Natural Gas Distribution and Transmission businesses.

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.

Under normal market conditions, 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.

COMMERCIAL PAPER PROGRAMS

On March 27, 2020, the Bank of Canada announced the Commercial Paper Purchase Program (CPPP) to support the continuous functioning of financial markets. Under the CPPP, for the next 12 months the Bank of Canada will conduct primary and secondary market purchases of commercial paper (CP) issued by Canadian companies with an outstanding CP program. Due to their strong CP credit ratings and existing CP programs, both Canadian Utilities Limited and CU Inc. are eligible to participate in the CPPP. Through the CPPP, Canadian Utilities and CU Inc. can issue up to an aggregate of $875 million. If Canadian Utilities or CU Inc. were to take advantage of CPPP, it would increase liquidity beyond the normal course lines of credit.

LINES OF CREDIT

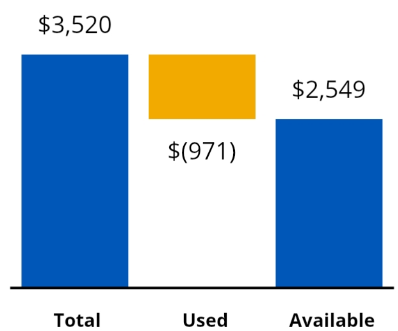
At March 31, 2020, ATCO and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,932**	778	2,154
Short-term committed	**17**	11	6
Uncommitted	**571**	182	389
Total	**3,520**	971	2,549

Of the $3,520 million in total lines of credit, $571 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,949 million in credit lines was committed, with maturities between 2021 and 2023, and may be extended at the option of the lenders.

Of the $971 million in lines of credit used, $570 million was related to ATCO Gas Australia Pty Ltd. with the majority of the remaining usage pertaining to 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.

Lines of Credit ($ millions)



CONSOLIDATED CASH FLOW

At March 31, 2020, the Company's cash position was $1,207 million, an increase of $67 million compared to December 31, 2019 mainly due to funds generated by operations achieved during the quarter partially offset by cash used to fund the capital investment program and dividends paid.

Funds Generated by Operations

Funds generated by operations were $516 million in the first quarter of 2020, $63 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Electricity Distribution business as a result of the timing of transmission costs which will be recovered in future periods and in Electricity Generation as a result of Canadian Utilities' third quarter 2019 sale of the Canadian fossil-fuel based electricity generation portfolio. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to continued activity on the LNG Canada Cedar Valley Lodge project.

Cash Used for Capital Investment

Cash used for capital investment was $303 million in the first quarter of 2020, $40 million lower than the same period in 2019. Lower capital spending in Canadian Utilities was mainly due to the completion of construction on Alberta PowerLine at the end of the first quarter of 2019. This lower spending was partially offset by higher capital investment in Canadian Utilities' Natural Gas Transmission business on the Pembina-Keephills Transmission Pipeline and in ATCO Structures mainly due to the commencement of manufacturing and installation work for Phase 2 of the BC Hydro Site C Two Rivers Lodge, and expansion of the global space rental fleet.

Capital investment for the first quarter of 2020 and 2019 is shown in the table below.

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Structures & Logistics	**38**	18	20
Neltume Ports	**–**	9	(9)
ATCO Corporate & Other	**6**	1	5
	44	28	16
Canadian Utilities			
Utilities			
Electricity Distribution	**66**	45	21
Electricity Transmission	**42**	63	(21)
Natural Gas Distribution	**57**	44	13
Natural Gas Transmission	**73**	45	28
International Natural Gas Distribution	**11**	16	(5)
	249	213	36
Energy Infrastructure			
Electricity Generation	**2**	1	1
Storage & Industrial Water	**6**	2	4
	8	3	5
Capital Investment from Businesses Sold in 2019 (1)			
Canadian Fossil Fuel-Based Electricity Generation	**–**	3	(3)
Alberta PowerLine	**–**	95	(95)
	–	98	(98)
CU Corporate & Other	**2**	1	1
ATCO Total Capital Investment (2) (3)	**303**	343	(40)

(1) Capital investment specific to the Canadian fossil fuel-based electricity generation portfolio sold in September 2019 and Alberta PowerLine sold in December 2019.

(2) Includes capital expenditures in joint ventures of $2 million (2019 - nil) for the first quarter of 2020.

(3) Includes additions to property, plant and equipment, intangibles and $5 million (2019 - $5 million) of interest capitalized during construction for the first quarter of 2020.

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 30, 2020, aggregate issuances of debentures were $965 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 27-year track record. Dividends paid to Class I and Class II Share owners totaled $50 million in the first quarter of 2020.

On March 31, 2020, the Board of Directors declared a second quarter dividend of 43.52 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.

27 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, 2019, we commenced a normal course issuer bid to purchase up to 1,014,294 outstanding Class I Shares. This bid expired on March 7, 2020. During this period, 101,350 shares were purchased for $5 million.

On March 9, 2020, we commenced a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. This bid will expire on March 8, 2021. From March 9, 2020 to April 30, 2020, no shares were purchased.

SHARE CAPITAL

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

At April 29, 2020, we had outstanding 101,472,899 Class I Shares, 13,196,129 Class II Shares, and options to purchase 690,700 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, 2,444,450 Class I Shares were available for issuance at March 31, 2020. 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

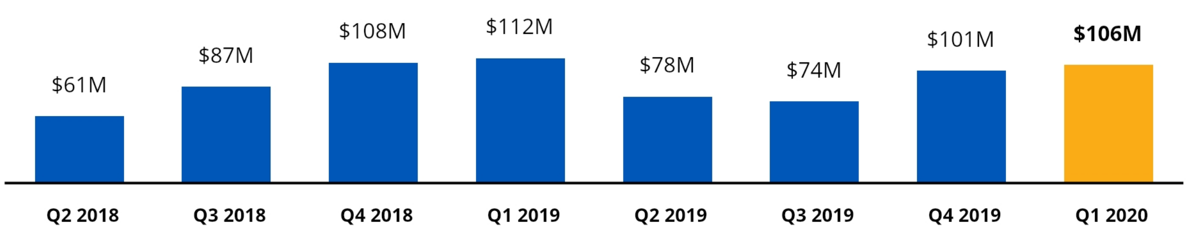
The following table shows financial information for the eight quarters ended June 30, 2018 through March 31, 2020.

($ millions, except for per share data)	**Q2 2019**	**Q3 2019**	**Q4 2019**	**Q1 2020**
Revenues	1,103	1,097	1,182	**1,056**
Earnings attributable to Class I and Class II Shares	158	160	83	**87**
Earnings per Class I and Class II Share *($)*	1.38	1.40	0.73	**0.76**
Diluted earnings per Class I and Class II Share *($)*	1.37	1.40	0.72	**0.76**
Adjusted earnings per Class I and Class II Share *($)*	0.68	0.65	0.88	**0.93**
Adjusted earnings				
Structures & Logistics	7	13	14	**7**
Neltume Ports	4	3	4	**3**
ATCO Corporate & Other	–	3	(9)	**1**
Canadian Utilities				
Utilities	68	48	92	**99**
Energy Infrastructure	10	20	8	**3**
Canadian Utilities Corporate & Other	(11)	(13)	(8)	**(7)**
Total adjusted earnings	78	74	101	**106**

($ 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 Class I and Class II Share *($)*	0.53	0.76	0.94	0.98
Adjusted earnings				
Structures & Logistics	6	3	5	3
Neltume Ports	–	1	3	4
ATCO Corporate & Other	(2)	15	2	–
Canadian Utilities				
Utilities	56	43	86	93
Energy Infrastructure	11	36	22	19
Canadian Utilities Corporate & Other	(10)	(11)	(10)	(7)
Total adjusted earnings	61	87	108	112

ADJUSTED EARNINGS

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

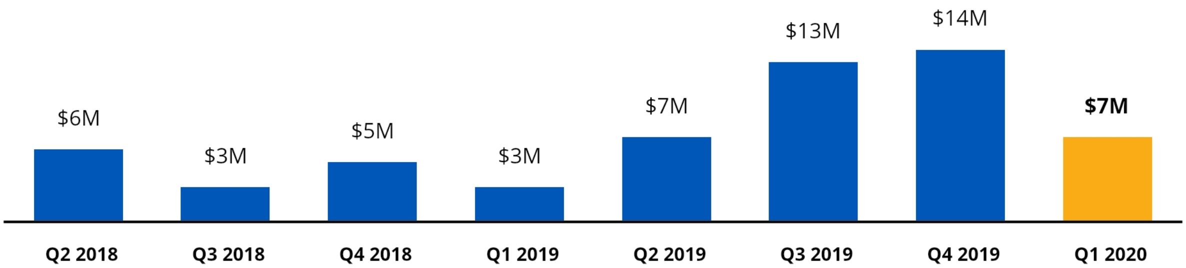


STRUCTURES & LOGISTICS

In the second, third and fourth quarters of 2018, and first quarter of 2019 earnings were adversely impacted by low demand globally for workforce housing camps in the natural resource sector, partially offset by asset expansions in Mexico and Chile, improving space rentals activity, and higher trade sale activity particularly in permanent modular construction in Canada and Australia. In the first quarter of 2019, work commenced on the LNG Canada Cedar Valley Lodge contract.

In the second, third and fourth quarters of 2019, earnings increased compared to the same periods in 2018 mainly due to incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge contract and incremental ATCO Frontec earnings from North American camp services and maintenance contracts.

In the first quarter of 2020, earnings increased compared to the same period in 2019, mainly due to incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.



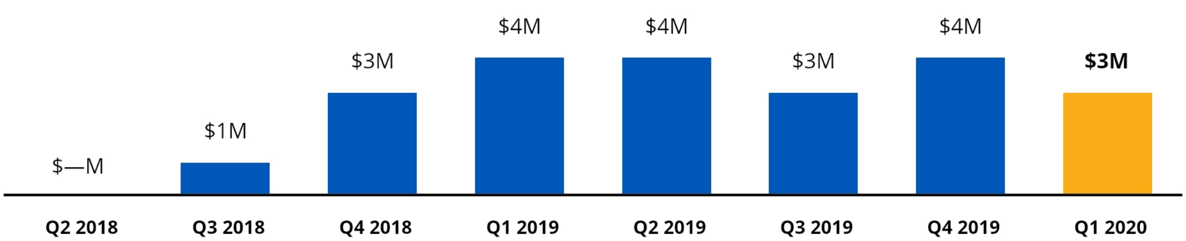
NELTUME PORTS

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

In the first, second and third quarters of 2019, Neltume Ports earned $4 million, $4 million and $3 million.

Neltume Ports recorded adjusted earnings of $4 million in the fourth quarter of 2019. Earnings were $1 million higher compared to the same period of 2018 mainly due to higher container volumes at the Terminal Pacifico Sur port.

Neltume Ports recorded adjusted earnings of $3 million in the first quarter of 2020, $1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.



CANADIAN UTILITIES

Utilities

Utilities adjusted earnings are impacted by the timing of certain major regulatory decisions and seasonality.

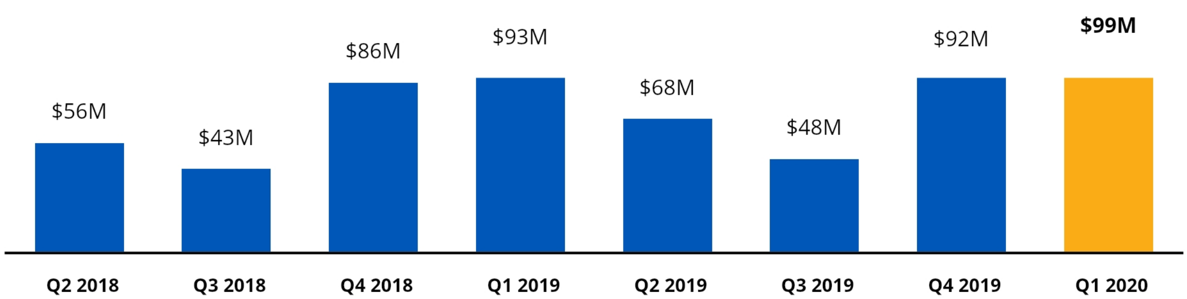
In 2018, earnings were adversely impacted by performance based regulation rate rebasing under Alberta's regulated model in Natural Gas and Electricity Distribution and lower Electricity Transmission interim rates approved by the AUC, partially offset by growth in rate base across the Utilities, and higher seasonal demand in Natural Gas Distribution.

In the first quarter of 2019, higher earnings compared to the first quarter of 2018 were mainly due to ongoing growth in the regulated rate base and cost efficiencies in Natural Gas and Electricity Distribution, partially offset by inflation adjustments applied to the rate of return calculations in International Natural Gas Distribution.

In the second quarter of 2019, higher earnings compared to the second quarter of 2018 were mainly due to the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) decision, the impact of the Natural Gas Transmission 2019-2020 General Rate Application (GRA) decision, continued growth in the regulated rate base, cost efficiencies, and lower income taxes.

Utilities earnings in the third and fourth quarters of 2019 were higher compared to the third and fourth quarters of 2018, mainly due to the positive impact of the Electricity Transmission 2018-2019 GTA decision received in the second quarter of 2019, overall cost efficiencies and lower income taxes.

In the first quarter of 2020, adjusted earnings increased compared to the same period in 2019 mainly due to cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.



Energy Infrastructure

Up until the third quarter of 2019 when the Canadian fossil fuel-based electricity generation portfolio was sold, Energy Infrastructure's adjusted earnings could be materially impacted by Alberta Power Pool pricing and spark spreads. Demand for hydrocarbon and natural gas storage and water services continues to have a potential impact on Energy Infrastructure adjusted earnings.

In the third quarter of 2018, higher earnings compared to the second quarter of 2018 were mainly due to the completion of performance obligations and additional availability incentive earnings which resulted from the Battle River unit 5 PPA terminations.

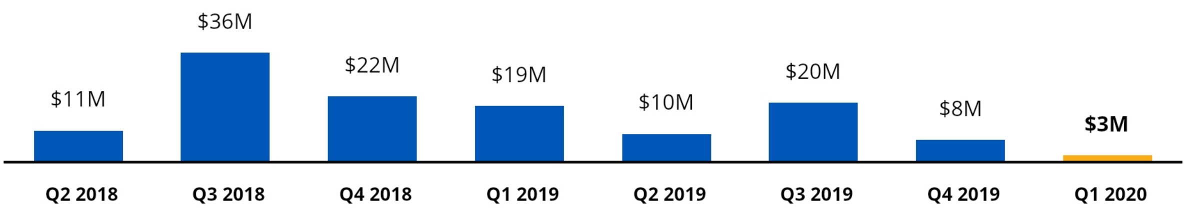
In the fourth quarter of 2018, earnings were positively impacted from the sale of the Barking Power assets and higher Alberta PowerLine earnings recorded as a result of an early energization incentive.

In the first quarter of 2019, earnings were positively impacted by increased Alberta power market prices.

In the second quarter of 2019, lower electricity generation earnings compared to the second quarter of 2018 mainly due to planned outages were offset by incremental earnings from two additional hydrocarbon storage caverns.

Energy Infrastructure earnings in the third and fourth quarters of 2019 were lower compared to the third and fourth quarters of 2018, mainly due to forgone earnings from the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and lower earnings contributions from Alberta PowerLine as a result of an early energization incentive recorded in the fourth quarter of 2018.

Energy infrastructure recorded lower earnings in the first quarter of 2020 compared to the first quarter of 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019. Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings in the first quarter of 2020 were comparable to the same period in 2019.



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 and swap 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 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 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 were excluded from adjusted earnings.
- In the fourth quarter of 2018, Canadian Utilities sold its 100 per cent ownership interest in Barking Power assets. A gain in the amount of $46 million was excluded from adjusted earnings.
- In the third and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation portfolio and Alberta PowerLine resulting in a gain on sale of operations of $65 million. As these transactions are one-time in nature, they are 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 and swap 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 3 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 EARNINGS 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 and swap 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**

2020 / 2019	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited: Utilities	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: CUL Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Revenues	**171**	**–**	**–**	**789**	**50**	**46**	**885**	**1,056**
	138	–	(3)	794	373	22	1,189	1,324
Adjusted earnings (loss)	**7**	**3**	**1**	**99**	**3**	**(7)**	**95**	**106**
	3	4	–	93	19	(7)	105	112
Unrealized gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**3**
	–	–	–	–	3	–	3	3
Rate-regulated activities	**–**	**–**	**–**	**(17)**	**–**	**–**	**(17)**	**(17)**
	–	–	–	(4)	–	1	(3)	(3)
IT Common Matters decision	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**	**(2)**
	–	–	–	–	–	–	–	–
Other	**–**	**–**	**1**	**–**	**(4)**	**–**	**(4)**	**(3)**
	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	**7**	**3**	**2**	**80**	**(1)**	**(4)**	**75**	**87**
	3	4	–	89	22	(6)	105	112

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

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. Prior to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, these contracts were accounted for as normal purchase agreements as they were with an affiliate company and the own use exemption was applied. Starting September 30, 2019, these contracts are measured at fair value because the contracts are with a third party and the own use exemption no longer applies. Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment of Canadian Utilities Limited.

Additionally, prior to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, the Company entered 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 were measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts were recognized in the earnings of the Energy Infrastructure operating segment where hedge accounting was not applied.

The CODM believes that removal of the unrealized gains or 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

Electricity Distribution and Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as Natural Gas Distribution, Natural Gas Transmission and International Natural Gas Distribution are collectively referred to as the 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.

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	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.
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.

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)	**2020**	**2019**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs (1)	**12**	11	1
Impact of colder temperatures (2)	**3**	6	(3)
Revenues to be billed in future periods			
Deferred income taxes (3)	**(18)**	(15)	(3)
Impact of inflation on rate base (4)	**(2)**	–	(2)
Settlement of regulatory decisions and other items (5)	**(12)**	(5)	(7)
	(17)	(3)	(14)

(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.

(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 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 assets.

(5) In the first quarter of 2020, ATCO Electric Distribution recorded a decrease in earnings of $14 million related to payment of transmission costs. This will be recovered from customers in future periods.

INFORMATION TECHNOLOGY (IT) COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the first quarter of 2020 was $2 million (2019 - nil).

OTHER

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three months ended March 31, 2020, the Company recorded a foreign exchange loss of $4 million after tax and non-controlling interests (2019 - $nil) due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

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	
	2020	**2019**
Funds generated by operations	**516**	579
Changes in non-cash working capital	**62**	(95)
Change in receivable under service concession arrangement	**–**	(126)
Cash flows from operating activities	**578**	358

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.

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

2020 / **2019**	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital Investment	**38**	**–**	**6**	**249**	**8**	**2**	**259**	**303**
	18	9	1	213	101	1	315	343
Equity investment in associate company	–	–	–	–	–	–	–	–
	–	(9)	–	–	–	–	–	(9)
Capital expenditure in joint ventures	–	–	–	–	**(2)**	–	**(2)**	**(2)**
	–	–	–	–	–	–	–	–
Service concession arrangement	–	–	–	–	–	–	–	–
	–	–	–	–	(95)	–	(95)	(95)
Capital Expenditures	**38**	**–**	**6**	**249**	**6**	**2**	**257**	**301**
	18	–	1	213	6	1	220	239

OTHER FINANCIAL INFORMATION

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, 2020, and ended on March 31, 2020, 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 (including as may be affected by the COVID-19 pandemic) 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 MD&A for the three months ended March 31, 2020. 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.

Availability Incentive Under the term of a PPA, counterparties are subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets.

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

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

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

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

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

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.

Kilowatt (kW) is a measure of electric power equal to 1,000 watts.

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.

NCI means non controlling interest.

PBR means Performance Based Regulation.

PPA means Power Purchase Arrangements.

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).

Terajoule (TJ) is a unit of energy equal to the use of 100 cubic feet of natural gas.

Thermal PPA Plant is a coal-fired power station in which heat energy is converted to electric power and the electricity generated is sold through PPAs. Under the PPAs, generating capacity must be made available for each generating unit to the PPA purchaser of that unit. These arrangements allow for the recovery of 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 PPA.