ATCO LTD.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

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, 2021.

This MD&A was prepared as of April 28, 2021, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2021. Additional information, including the Company's previous MD&A (2020 MD&A), Annual Information Form (2020 AIF), and audited consolidated financial statements for the year ended December 31, 2020, is available on SEDAR at www.sedar.com. Information contained in the 2020 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) (52.7 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. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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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 2021	2020	Change
Key Financial Metrics			
Revenues	**1,072**	1,056	16
Adjusted earnings (1)	**119**	106	13
Structures & Logistics	**14**	7	7
Neltume Ports	**3**	3	—
ATCO Corporate & Other	**1**	1	—
Canadian Utilities Limited			
Utilities	**106**	99	7
Energy Infrastructure	**5**	3	2
Canadian Utilities Corporate & Other	**(10)**	(7)	(3)
Adjusted earnings ($ per share) (1)	**1.04**	0.93	0.11
Earnings attributable to Class I and Class II Shares	**83**	87	(4)
Earnings attributable to Class I and Class II Shares ($ per share)	**0.73**	0.76	(0.03)
Cash dividends declared per Class I and Class II Share (cents per share)	**44.83**	43.52	1.31
Funds generated by operations (1)	**491**	516	(25)
Capital investment (1)	**253**	303	(50)
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,302**	114,352	(50)
Diluted	**114,551**	114,732	(181)

(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 2021 were $1,072 million, $16 million higher than the same period in 2020. Higher revenues were mainly due to improved performance at ATCOenergy resulting from higher electricity and natural gas commodity prices and customer growth.

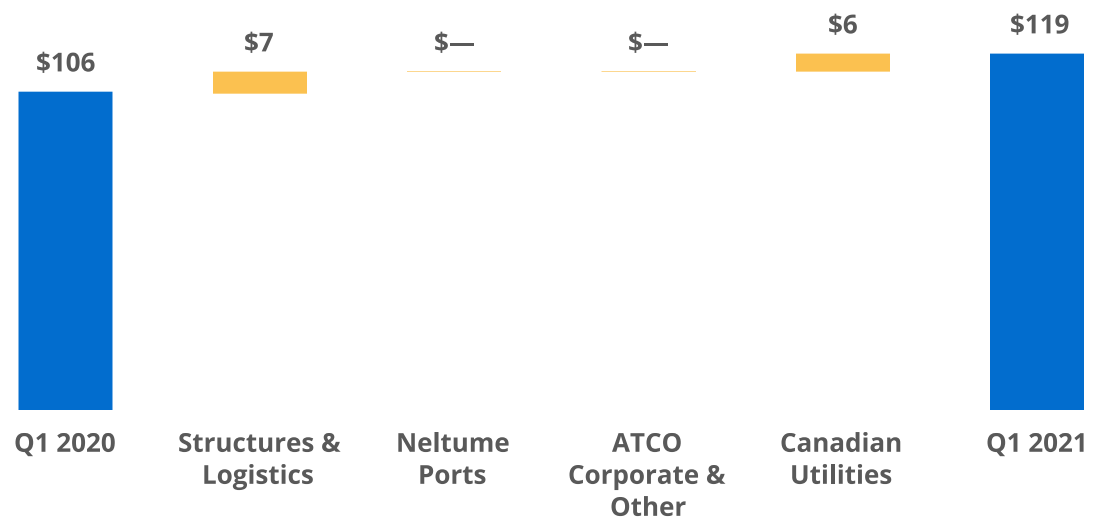
ADJUSTED EARNINGS

Our adjusted earnings in the first quarter of 2021 were $119 million or $1.04 per share, compared to $106 million or $0.93 per share for the same period in 2020.

The primary drivers of adjusted earnings results were as follows:

- Structures and Logistics adjusted earnings in the first quarter of 2021 were $7 million higher than the same period in 2020. Higher earnings were mainly due to ATCO Structures' workforce housing trade sale and rental activity, higher space rental activity, and additional ATCO Frontec client work requests at the BC Hydro Site C Camp due to COVID-19 proactive and preventative safety measures.
- Canadian Utilities adjusted earnings in the first quarter of 2021 were $6 million higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies and growth in the Utilities' rate base, earnings from International Electricity Operations, as well as demand for natural gas storage services and recovered business development costs in Energy Infrastructure.

Adjusted Earnings ($ Millions)



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 $83 million in 2021, $4 million lower compared to 2020. 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.

In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed Master Services Agreements (MSA) with IBM Canada Ltd. and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services are currently provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. For the three months ended March 31, 2021, ATCO recognized $6 million (after-tax and non-controlling interests) in termination and transition costs. As these costs are not in the normal course of business, they have been excluded from 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.

FUNDS GENERATED BY OPERATIONS

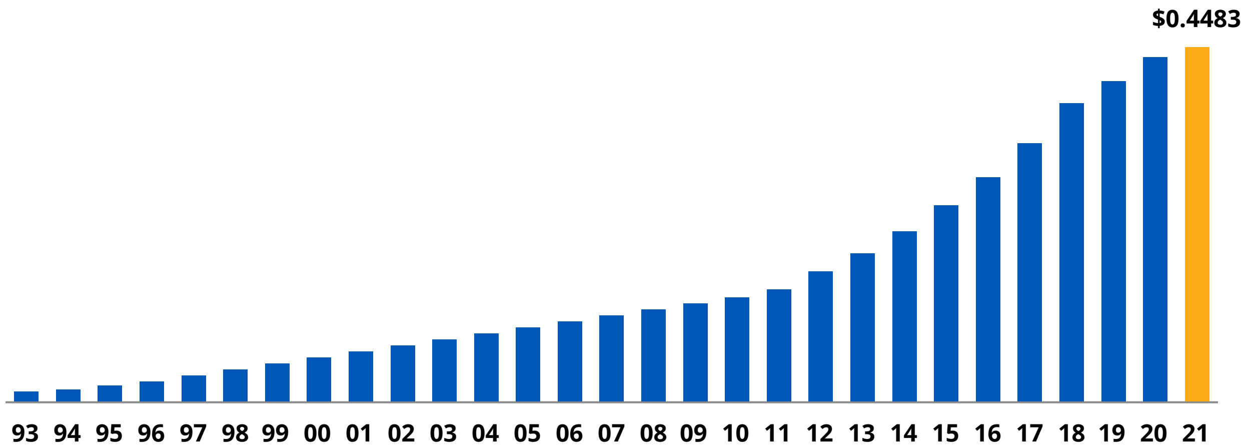
Funds generated by operations were $491 million in the first quarter of 2021, $25 million lower than the same period in 2020. The decrease was mainly due to the timing of certain revenues and expenses. Lower funds generated by operations were partially offset by higher customer contributions for Canadian Utilities' Electricity Transmission capital expenditures.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II share owners totaled $51 million in the first quarter of 2021. On April 14, 2021, the Board of Directors declared a second quarter dividend of 44.83 cents per share.

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

Quarterly Dividend Rate 1993 - 2021
(dollars per share)

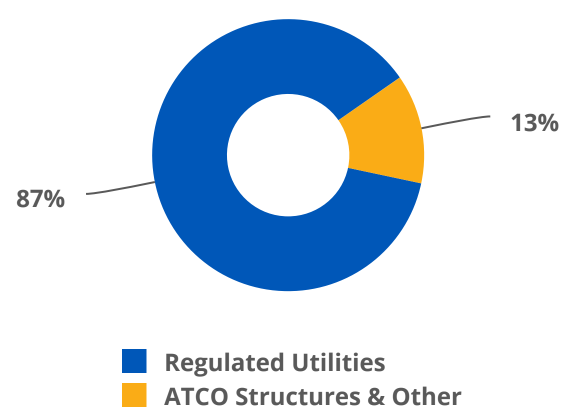


CAPITAL INVESTMENT

Total capital investment of $253 million in the first quarter of 2021 was $50 million lower compared to the same period in 2020 mainly due to lower investment in ATCO Structures' rental fleet and the timing of capital investment in the Utilities.

Capital spending in Canadian Utilities' Regulated Utilities accounted for 87 per cent of total capital invested in the first quarter of 2021. The remaining 13 per cent invested in the first quarter of 2021 included continued expansion of ATCO Structures' space rental fleet and construction of Storage & Industrial Water's long-term contracted hydrocarbon storage cavern in Fort Saskatchewan, Alberta.

Capital Investment for the Three Months Ended March 31, 2021



BUSINESS UNIT PERFORMANCE

REVENUES

Structures & Logistics revenues of $167 million in the first quarter of 2021 were $4 million lower than the same period in 2020 mainly due to the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in the second quarter of 2020, partially offset by ATCO Structures' workforce housing trade sale activity in the US and higher space rental activity in Australia and Canada.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
ATCO Structures	**13**	7	6
ATCO Frontec	**1**	—	1
Total Structures & Logistics	**14**	7	7

Structures & Logistics recorded adjusted earnings of $14 million in the first quarter of 2021, $7 million higher compared to the same period in 2020. Higher earnings were mainly due to ATCO Structures' workforce housing trade sale activity in Canada and the US, workforce housing rental activity in Canada, higher space rental activity in Canada and Australia, and additional ATCO Frontec client work requests at the BC Hydro Site C Camp due to COVID-19 proactive and preventative safety measures.

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 housing, 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 $13 million in the first quarter of 2021, $6 million higher than the same period in 2020 mainly due to workforce housing trade sale activity in Canada and the US, workforce housing rental activity in Canada, and higher space rental activity in Canada and Australia. Higher earnings were partially offset by lower activity on the LNG Canada Cedar Valley Lodge project with the transition from manufacturing to installation work in the second quarter of 2020.

The following table compares ATCO Structures' manufacturing hours and rental fleet for the first quarter of 2021 and 2020.

	Three Months Ended March 31		
	2021	**2020**	**Change**
North America			
Manufacturing hours *(thousands)*	**120**	350	(66%)
Global Space Rentals			
Number of units	**18,927**	16,669	14%
Average utilization *(%)*	**79**	71	8%
Average rental rate *($ per month)*	**582**	551	6%
Global Workforce Housing			
Number of units	**2,552**	2,894	(12%)
Average utilization *(%)*	**60**	45	15%
Average rental rate *($ per month)*	**1,862**	1,646	13%

Manufacturing Hours

The decrease in manufacturing hours in the first quarter of 2021 was mainly due to the completion of manufacturing on the LNG Canada Cedar Valley Lodge project in the second quarter of 2020.

Rental Fleet

Global Space Rentals

ATCO Structures increased its global space rental fleet size by 2,258 units year-over-year. The increase in the number of space rental units was mainly due to the acquisition of the remaining 50 per cent interest in the ATCO Sabinco S.A. joint venture partnership on December 30, 2020, and the continued strategic expansion of the space rental fleet in targeted regions of Canada and the US. In the first quarter of 2021, space rental demand increased in Canada, Australia, the US and Chile mainly due to increased activity in the construction and mining sectors, as well as physical distancing protocols implemented in response to the COVID-19 pandemic. This increase in demand also produced an increase in the utilization and average rental rates.

Global Workforce Housing

ATCO Structures decreased the size of its workforce housing fleet and increased the average utilization rate year-over-year by selling used and non-utilized fleet assets in the US, Canada and Australia. The increase in the utilization rate was also due to workforce housing fleet on rent for the Trans Mountain Expansion project in British Columbia (BC). Workforce housing average rental rates have reflected higher demand compared to the prior year as a result of the conversion of 44-person dorms with shared ensuites to 36-person dorms with private ensuites in Canada.

ATCO Sabinco S.A., Chile

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Brucejack - Pretium Exploration Inc.

ATCO Structures was awarded a contract for the supply of a 450-person camp for Pretium Exploration Inc.'s Brucejack operations in Northwest BC. The $44 million contract includes the supply of accommodation dorms with complete kitchen and recreation amenities. Detailed engineering work has commenced with manufacturing and site work expected to begin in the second quarter of 2021. Installation work is expected to be complete by the end of 2021.

United States

China Lake Military Rebuild - Environmental Chemical Corporation

During the first quarter of 2021, ATCO Structures completed installation on a 450-person camp that had been previously awarded on a $12 million rental contract for 31 months. The project will support the rebuild and expansion of the China Lake Military Base in Southern California. The military base was damaged by two major earthquakes in July 2019.

China Lake Military Rebuild, Southern California, US

ATCO FRONTEC

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

ATCO Frontec's adjusted earnings of $1 million in the first quarter of 2021 were $1 million higher than the same period in 2020 mainly due to additional client work requests at the BC Hydro Site C camp resulting from COVID-19 proactive and preventative safety measures.

ATCO FRONTEC RECENT DEVELOPMENTS

In the fourth quarter of 2020, ATCO Frontec was awarded a 31-month workforce lodging services contract for approximately 450 persons to support the phase I rebuild of the China Lake Military Base. On March 1, 2021, operations work commenced.

Neltume Ports is a port operator and developer with a diversified portfolio of 16 multi-purpose, bulk cargo and container port facilities and three port operation services. The business is located primarily in Chile with additional operations in Uruguay, Argentina, and Brazil.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Neltume Ports	**3**	3	—

Neltume Ports adjusted earnings of $3 million in the first quarter of 2021 were comparable to the the same period in 2020.

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, a company engaged in the processing and marketing of ash, a waste byproduct of electricity generation. 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)	**2021**	**2020**	**Change**
ATCO Corporate & Other	**1**	1	—

ATCO Corporate & Other adjusted earnings in 2021 were comparable to the same period in 2020.

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

UTILITIES

REVENUES

Utilities revenues of $790 million in the first quarter of 2021 were comparable to the same period in 2020.

Revenue growth for Electricity and Natural Gas Distribution in the first quarter of 2021 has been deferred to be collected in a future period as a result of our decision to provide rate relief to customers in light of the current COVID-19 global pandemic and economic situation in Alberta.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Electricity			
Electricity Distribution	**22**	18	4
Electricity Transmission	**23**	23	—
International Electricity Operations	**3**	—	3
Total Electricity	**48**	41	7
Natural Gas			
Natural Gas Distribution	**42**	43	(1)
Natural Gas Transmission	**10**	11	(1)
International Natural Gas Distribution	**6**	4	2
Total Natural Gas	**58**	58	—
Total Utilities Adjusted Earnings	**106**	99	7

Utilities adjusted earnings of $106 million in the first quarter of 2021 were $7 million higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies and continued growth in the regulated rate base, earnings from International Electricity Operations, and favourable inflation rate and foreign exchange adjustments in International 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.

Electricity Distribution adjusted earnings of $22 million in the first quarter of 2021 were $4 million higher compared to the same period in 2020. Higher earnings were mainly due to cost efficiencies and continued growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $23 million in the first quarter of 2021 were comparable to the same period in 2020.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority for a 15-year term after a one-year transition period which commenced on June 22, 2020.

International Electricity Operations adjusted earnings in the first quarter of 2021 were $3 million due to continued operations and maintenance transition work.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $42 million in the first quarter of 2021 were $1 million lower than the same period in 2020. Lower earnings were mainly due to the timing of operating costs, partially offset by growth in rate base.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $10 million in the first quarter of 2021 were $1 million lower than the same period in 2020. Lower adjusted earnings were mainly due to the impact of the 2021-2023 General Rate Application decision which included operating cost efficiencies implemented in prior periods that are being passed on to customers.

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 $6 million in the first quarter of 2021 were $2 million higher compared to the same period in 2020. Higher earnings were mainly due to an adjustment for the impact of the forecasted inflation rate and favourable foreign exchange movements.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

2021 Rate Relief Application

In December 2020, the AUC approved Electric Distribution and Natural Gas Distribution requests to defer rate increases which would normally have come into effect on January 1, 2021. The AUC directed Electricity Distribution and Natural Gas Distribution to file an application outlining the duration of the rate freeze and collection timeline.

On March 1, 2021, ATCO filed a 2021 Rate Relief Application for Electricity Distribution and Natural Gas Distribution to postpone rate increases for the full year 2021 and collect the deferred amounts commencing in 2023 for no more than a 5-year period. This application aligns with our long-standing practice of supporting the communities we have the privilege to serve. The current economic situation in Alberta, including hardships faced by customers due to the COVID-19 pandemic, is the rationale for the rate freeze.

Distribution Regulatory Framework - Post 2022

On March 1, 2021, the AUC initiated a process to set revenues and rates for Electricity Distribution and Natural Gas Distribution for 2023 as well as a process to evaluate the merits of PBR to date. These processes will address how a one-year cost-of-service study for 2023 will be undertaken as well as a proceeding to determine the regulatory framework for Alberta distribution utilities going forward.

Generic Cost of Capital (GCOC)

On March 4, 2021, the AUC issued a decision on the 2022 GCOC proceeding. The Commission approved the extension of the current return on equity of 8.5 per cent and equity thickness ratio of 37 per cent on a final basis for the 2022 period.

ELECTRICITY TRANSMISSION

2020-2022 General Tariff Application (GTA)

In October 2019, Electricity Transmission filed a GTA for its operations for 2020, 2021, and 2022. The decision was received in March 2021 approving the vast majority of requested capital expenditures and operating costs as filed.

NATURAL GAS TRANSMISSION

Natural Gas Transmission 2021-2023 General Rate Application (GRA)

In June 2020, Natural Gas Transmission filed a GRA for the period 2021-2023. The decision was received in March 2021, approving the vast majority of requested capital expenditures and operating costs as filed, which included operating cost efficiencies implemented in prior periods that are being passed on to customers. The decision also approved a placeholder treatment for the Pioneer Pipeline acquisition pending a decision from the AUC on the acquisition proceeding. A decision is expected in the second quarter of 2021.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $52 million in the first quarter of 2021 were $2 million higher than the same period in 2020 mainly due to demand for natural gas storage services.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	2021	2020	Change
Electricity Generation	**3**	2	1
Storage & Industrial Water	**2**	1	1
Total Energy Infrastructure Adjusted Earnings	**5**	3	2

Energy Infrastructure adjusted earnings of $5 million in the first quarter of 2021 were $2 million higher than the same period in 2020 mainly due to demand for natural gas storage services and recovered business development costs.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $3 million in the first quarter of 2021 were $1 million higher than the same period in 2020. Higher earnings were mainly due to recovered business development costs, lower costs of repairs and maintenance at the Karratha Power Station compared to the prior year, and favourable movements in the Australian foreign exchange rate.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $2 million in the first quarter of 2021 were $1 million higher than the same period in 2020. Higher earnings were mainly due to demand for natural gas storage services.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Central West Pumped Storage Hydro Project

On February 1, 2021, ATCO announced an agreement to acquire the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175 km west of Sydney, Australia. The acquisition marks ATCO's first renewable energy investment on Australia's east coast. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales. A final investment decision on project construction is expected in 2023.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Retail Energy through ATCOenergy which provides 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)	**2021**	**2020**	**Change**
Canadian Utilities Corporate & Other	**(10)**	(7)	(3)

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the first quarter of 2021 were $3 million lower than the same period in 2020 mainly due to the timing of certain expenses, partially offset by improved earnings at ATCOenergy.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2021 and 2020 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)	**2021**	**2020**	**Change**
Operating costs	**611**	574	37
Depreciation and amortization	**170**	156	14
Earnings from investment in associate company	**3**	3	—
Earnings from investment in joint ventures	**14**	7	7
Net finance costs	**102**	99	3
Income tax expense	**45**	63	(18)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, were $37 million higher in the first quarter of 2021 compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through Alberta-system natural gas transmission costs in the Utilities, higher electricity costs in ATCOenergy, and the recognition of termination and transition costs in the first quarter of 2021 related to the early termination of the Master Services Agreement with Wipro for managed IT services.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $14 million in the first quarter of 2021 compared to the same period in 2020 mainly due to continued capital investment to expand ATCO Structures' space rental fleet and in Canadian Utilities' regulated businesses.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer 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 in the first quarter of 2021 were comparable to the same period in 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, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures increased by $7 million in the first quarter of 2021 compared to the same period in 2020 mainly due to earnings at LUMA Energy with the commencement of transition work under the Operations and Maintenance Agreement in June 2020.

NET FINANCE COSTS

Net finance costs increased by $3 million in the first quarter of 2021 when compared to the same period in 2020 mainly due to lower interest income resulting from lower interest rates received on bank balances.

INCOME TAX

Income taxes were lower by $18 million in the first quarter of 2021 compared to the same period in 2020 mainly due to lower earnings before income taxes as a result of the timing of certain revenues and expenses, termination and transition costs from the early termination of the Master Services Agreement with Wipro for managed IT services, and a foreign exchange adjustment to the deferred tax asset in Mexico.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utilities 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 capital markets.

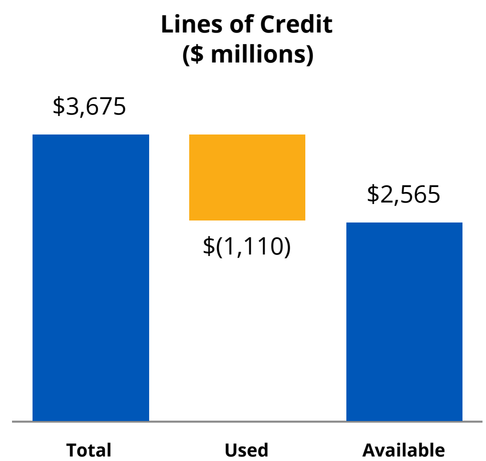
Under normal market conditions, we consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed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

At March 31, 2021, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,104**	946	2,158
Uncommitted	**571**	164	407
Total	**3,675**	1,110	2,565

Of the $3,675 million in total lines of credit, $571 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,104 million in credit lines was committed, with maturities between 2022 and 2024, and may be extended at the option of the lenders.

Of the $1,110 million in lines of credit used, $660 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs. The majority of the remaining usage is for the issuance of Canadian Utilities' letters of credit and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.



CONSOLIDATED CASH FLOW

At March 31, 2021, the Company's cash position was $1,147 million, an increase of $47 million compared to December 31, 2020 mainly due to funds generated by operations achieved during the quarter and the recovery of incurred costs related to the termination of the La Laguna Cogeneration facility contract in the first quarter of 2021, partially offset by dividends paid and cash used to fund the capital investment program.

Funds Generated by Operations

Funds generated by operations were $491 million in the first quarter of 2021, $25 million lower compared to the same period in 2020. The decrease was mainly due to the timing of certain revenues and expenses. Lower funds generated by operations were partially offset by higher customer contributions for Canadian Utilities' Electricity Transmission capital investments.

Funds generated by operations in 2021 are expected to be adversely impacted as a result of ATCO's decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution and the proposal to the AUC to collect these deferred amounts beginning in 2023.

Cash Used for Capital Investment

Cash used for capital investment was $253 million in the first quarter of 2021, $50 million lower compared to the same period in 2020 mainly due to lower investment in ATCO Structures' rental fleet, the timing of capital investment in the Utilities, and the completion of construction in the first quarter of 2020 on the Pembina-Keephills transmission pipeline in Canadian Utilities' Natural Gas Transmission business.

Capital investment for the first quarter of 2021 and 2020 is shown in the table below.

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Structures & Logistics	**18**	38	(20)
Neltume Ports	**—**	—	—
ATCO Corporate & Other	**5**	6	(1)
	23	44	(21)
Canadian Utilities			
Utilities			
Electricity Distribution	**54**	66	(12)
Electricity Transmission	**34**	42	(8)
Natural Gas Distribution	**56**	57	(1)
Natural Gas Transmission	**60**	73	(13)
International Natural Gas Distribution	**16**	11	5
	220	249	(29)
Energy Infrastructure			
Electricity Generation	**—**	2	(2)
Storage & Industrial Water	**8**	6	2
	8	8	—
CU Corporate & Other	**2**	2	—
Canadian Utilities Total Capital Investment	**230**	259	(29)
ATCO Total Capital Investment (1) (2) (3)	**253**	303	(50)

(1) Includes capital expenditures in joint ventures of $5 million (2020 - $2 million) for the first quarter of 2021.

(2) Includes additions to property, plant and equipment, intangibles and $3 million (2020 - $5 million) of interest capitalized during construction for the first quarter of 2021.

(3) Includes $56 million (2020 - $26 million) of capital investment, mainly in the Utilities, that were funded with the assistance of customer contributions.

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of April 28, 2021, aggregate issuances of debentures were $150 million.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 28-year track record. Dividends paid to Class I and Class II Share owners totaled $51 million in the first quarter of 2021.

On April 14, 2021, the Board of Directors declared a second quarter dividend of 44.83 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid

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

On March 9, 2020, we commenced a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. This bid expired on March 8, 2021. During this period, 150,000 shares were purchased for $6 million.

On March 9, 2021, we commenced a normal course issuer bid to purchase up to 1,013,478 outstanding Class I Shares. The bid will expire on March 8, 2022. From March 9, 2021 to April 27, 2021, no shares were purchased.

SHARE CAPITAL

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

At April 27, 2021, we had outstanding 101,356,899 Class I Shares, 13,196,129 Class II Shares, and options to purchase 1,102,600 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 1,998,550 Class I Shares were available for issuance at March 31, 2021. 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

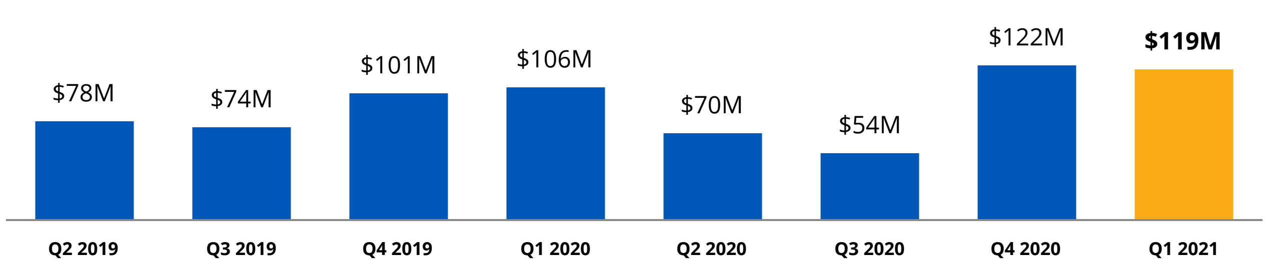
The following table shows financial information for the eight quarters ended June 30, 2019 through March 31, 2021.

($ millions, except for per share data)	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenues	938	897	1,053	**1,072**
Earnings attributable to Class I and Class II Shares	45	54	66	**83**
Earnings per Class I and Class II Share *($)*	0.39	0.48	0.58	**0.73**
Diluted earnings per Class I and Class II Share *($)*	0.39	0.47	0.58	**0.72**
Adjusted earnings per Class I and Class II Share *($)*	0.61	0.47	1.07	**1.04**
Adjusted earnings (loss)				
Structures & Logistics	21	12	17	**14**
Neltume Ports	2	3	7	**3**
ATCO Corporate & Other	(1)	—	—	**1**
Canadian Utilities				
Utilities	57	47	102	**106**
Energy Infrastructure	2	3	7	**5**
Canadian Utilities Corporate & Other	(11)	(11)	(11)	**(10)**
Total adjusted earnings	70	54	122	**119**

($ 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 (loss)				
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

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, cargo volumes and margins at Neltume Ports, and in Canadian Utilities, the timing of utility regulatory decisions, and the seasonal nature of demand for natural gas and electricity.

ADJUSTED EARNINGS



Adjusted earnings in the second and third quarters of 2019 and 2020 were impacted by lower seasonal demand in Canadian Utilities' Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 were positively impacted by ATCO Structures' workforce housing sale and rental activity and space rental activity as well as additional client work requests for COVID-19 proactive and preventative safety measures at ATCO Frontec. Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 in Canadian Utilities were higher compared to the same periods in 2019 and 2020 mainly due to continued cost efficiencies, rate base growth and earnings from International Electricity Operations.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the second, 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 business and Alberta PowerLine resulting in a gain on sale of operations of $65 million (after-tax and non-controlling interests). As these transactions were one-time in nature, they were excluded from adjusted earnings.
- In 2020, impairment and other costs not in the normal course of business of $20 million (after-tax and non-controlling interests) were recorded. These costs mainly related to certain assets that no longer represent strategic value for the Company. As these costs were one-time in nature, they were excluded from adjusted earnings.
- In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed Master Services Agreements with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed information technology services. These services are currently provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is expected to be completed by the third quarter of 2021. ATCO recognized costs of $32 million (after-tax and non-controlling interests) in the fourth quarter of 2020 and termination and transition costs of $6 million (after-tax and non-controlling interests) in the first quarter of 2021. As these costs are not in the normal course of business, they have been 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 US 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. 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, 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**

2021 / 2020	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	**167**	**—**	**(2)**	**790**	**52**	**65**	**907**	**1,072**
	171	—	—	789	50	46	885	1,056
Adjusted earnings (loss)	**14**	**3**	**1**	**106**	**5**	**(10)**	**101**	**119**
	7	3	1	99	3	(7)	95	106
Unrealized gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	—	3	3	3
Rate-regulated activities	**—**	**—**	**—**	**(28)**	**—**	**—**	**(28)**	**(28)**
	—	—	—	(17)	—	—	(17)	(17)
IT Common Matters decision	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(2)	—	—	(2)	(2)
Transition of managed IT services	**—**	**—**	**—**	**(6)**	**—**	**—**	**(6)**	**(6)**
	—	—	—	—	—	—	—	—
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	1	—	(4)	—	(4)	(3)
Earnings (loss) attributable to Class I and Class II Shares	**14**	**3**	**1**	**70**	**5**	**(10)**	**65**	**83**
	7	3	2	80	(1)	(4)	75	87

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.

These contracts are measured at fair value. 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.

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 Regulated 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 Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

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

Rate-regulated accounting differs from IFRS 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:

($ millions)	Three Months Ended March 31 2021	2020	Change
Additional revenues billed in current period			
Future removal and site restoration costs [(1)]	**15**	12	3
Impact of colder temperatures [(2)]	**—**	3	(3)
Revenues to be billed in future periods			
Deferred income taxes [(3)]	**(14)**	(18)	4
Distribution rate relief [(4)]	**(21)**	—	(21)
Impact of warmer temperatures [(2)]	**(1)**	—	(1)
Impact of inflation on rate base [(5)]	**(3)**	(2)	(1)
Settlement of regulatory decisions and other items [(6)]	**(4)**	(12)	8
	(28)	(17)	(11)

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

(2) Natural Gas Distribution 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) In the first quarter of 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $21 million related to interim rate relief for customers as applied for by ATCO and approved by the AUC to hold current distribution base rates in place. This will be recovered from customers in future periods.

(5) The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

(6) In the first quarter of 2020, Electricity Distribution recorded a decrease in earnings of $14 million related to the payment of transmission costs. This is being recovered from customers in future periods.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three months ended March 31, 2021 was $2 million (2020 - $2 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed Master Services Agreements with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed information technology services. These services are currently provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is expected to be completed by the third quarter of 2021.

For the three months ended March 31, 2021, ATCO recognized termination and transition costs of $6 million (after-tax and non-controlling interests). As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

OTHER

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, 2021, the Company recorded a foreign exchange loss of nil after tax and non-controlling interests (2020 - a foreign exchange loss of $4 million) due to a difference between the tax base currency, which is the Mexican peso, and the US 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. 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)

2021	**Three Months Ended March 31**
2020	
Funds generated by operations	**491**
	516
Changes in non-cash working capital	**53**
	62
Cash flows from operating activities	**544**
	578

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is defined as cash used for capital expenditures, business combinations, 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**

2021 2020	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital investment	**18**	**—**	**5**	**220**	**8**	**2**	**230**	**253**
	38	—	6	249	8	2	259	303
Capital expenditure in joint ventures	**—**	**—**	**—**	**—**	**(5)**	**—**	**(5)**	**(5)**
	—	—	—	—	(2)	—	(2)	(2)
Capital expenditures	**18**	**—**	**5**	**220**	**3**	**2**	**225**	**248**
	38	—	6	249	6	2	257	301

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, 2021, and ended on March 31, 2021, 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, 2021. 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, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

AUC means the Alberta Utilities Commission.

Average weekly earnings (AWE) is an indicator of short-term employee earnings growth.

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.

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

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

ECM means Efficiency Carryover Mechanism by which the AUC incents efficiency improvements for the distribution utilities based on certain criteria. If the efficiency improvement criteria are met in a prior PBR term, the ECM provides up to an additional 0.5 per cent return on equity for the first two years of the next PBR term.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

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.

NCI means non controlling interest.

PBR means Performance Based Regulation.

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