DISCLAIMER

Due to uncertainty surrounding the application of recent amendments to the Competition Act (Canada), these documents are provided for historical information purposes only and do not constitute active or current representations of ATCO Ltd. or any of its related parties. The purpose of these documents is to comply with disclosure requirements that were in effect on the date these documents were filed; ATCO undertakes no obligation to update such information except as required by applicable law. ATCO remains committed to taking steps to address climate change and continuing to engage in sustainability initiatives.

ATCO LTD.

FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2023

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2023 FIRST QUARTER FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2023

TABLE OF CONTENTS

ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2023

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, 2023.

This MD&A was prepared as of April 26, 2023, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2023. Additional information, including the Company's previous MD&A (2022 MD&A), Annual Information Form (2022 AIF), and audited consolidated financial statements for the year ended December 31, 2022, is available on SEDAR at www.sedar.com. Information contained in the 2022 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) (52.8 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASCHOR Technologies Ltd. (Ashcor) (100 per cent ownership). The Company also has an equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

TABLE OF CONTENTS

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 2023**	**2022**	**Change**
Key Financial Metrics			
Revenues	**1,358**	1,311	47
Adjusted earnings (loss) (1)	**137**	134	3
Structures & Logistics	**22**	20	2
Neltume Ports	**5**	4	1
ATCO Corporate & Other	**(5)**	(6)	1
Canadian Utilities Limited			
Utilities (1)	**120**	124	(4)
Energy Infrastructure	**8**	4	4
Canadian Utilities Corporate & Other	**(13)**	(12)	(1)
Adjusted earnings ($ per share)	**1.21**	1.17	0.04
Earnings attributable to Class I and Class II Shares	**167**	128	39
Earnings attributable to Class I and Class II Shares ($ per share)	**1.47**	1.12	0.35
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**1.47**	1.12	0.35
Total assets	**25,060**	23,184	1,876
Long-term debt	**10,825**	9,860	965
Class I and Class II Share owners' equity	**4,429**	4,236	193
Cash dividends declared per Class I and Class II Share (cents per share)	**47.56**	46.17	1.39
Cash flows from operating activities	**554**	688	(134)
Capital investment (2)	**1,050**	304	746
Capital expenditures	**358**	302	56
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**113,624**	114,142	(518)
Diluted	**113,925**	114,426	(501)

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

(2) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

REVENUES

Revenues in the first quarter of 2023 were $1,358 million, $47 million higher than the same period in 2022. Higher revenues were mainly due to the additional revenue from ATCO Structures' acquisition of Triple M Housing Ltd. (Triple M) in December 2022 and Energy Infrastructure's acquisition of the Forty Mile and Adelaide wind assets in January 2023, higher flow-through revenues in Electricity Distribution, higher revenues at the Alberta Hub and Carbon natural gas storage facilities in the Energy Infrastructure segment, and higher space rentals activity across all geographies in ATCO Structures. Higher revenues were partially offset by cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Base Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the first quarter of 2023 were $137 million or $1.21 per share, compared to $134 million or $1.17 per share for the same period in 2022.

Higher adjusted earnings in the first quarter of 2023 were mainly due to earnings from Energy Infrastructure's acquisition of the Forty Mile and Adelaide wind assets in January 2023 and ATCO Structures' acquisition of Triple M in December 2022, new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, increased space rentals activity in most geographies for ATCO Structures, and the timing of the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution. Higher earnings were partially offset by cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework.

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 $167 million in the first quarter of 2023, $39 million higher compared to 2022. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

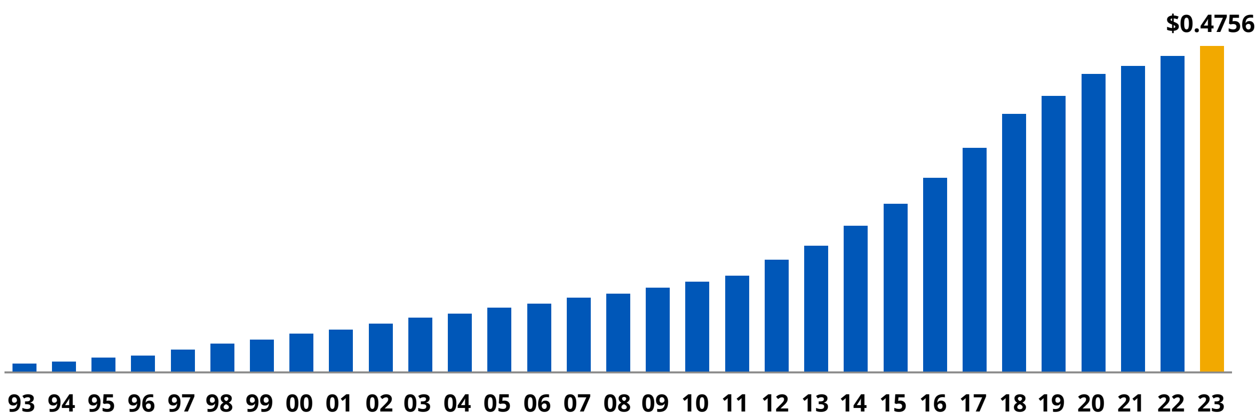
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $554 million in the first quarter of 2023, $134 million lower than the same period in 2022 mainly due to timing of payables.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II Share owners totaled $55 million in the first quarter of 2023. On April 13, 2023, the Board of Directors declared a second quarter dividend of 47.56 cents per share or $1.90 on an annualized basis. ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

Quarterly Dividend Rate 1993 - 2023
(dollars per share)



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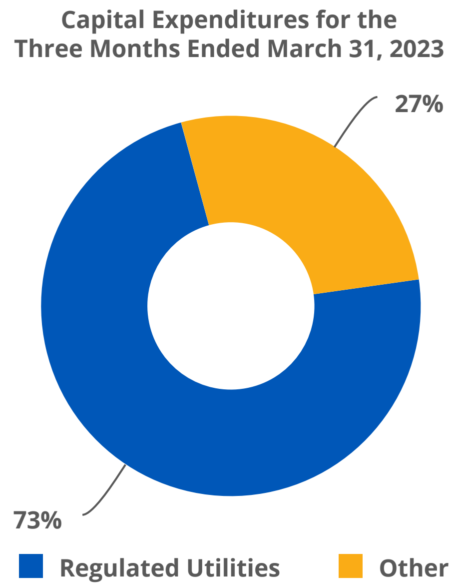
[1] *Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.*

CAPITAL INVESTMENT [(1)] AND CAPITAL EXPENDITURES

Total capital investment of $1,050 million in the first quarter of 2023 was $746 million higher compared to the same period in 2022 mainly due to the acquisition of the renewable energy portfolio in Canadian Utilities' Energy Infrastructure segment, ongoing capital investment in the Regulated Utilities, and continued expansion of ATCO Structures' space rentals fleet globally.

Total capital expenditures of $358 million in the first quarter of 2023 were $56 million higher compared to the same period in 2022 mainly due to the factors outlined above with the exception of the renewable energy portfolio acquisition within Canadian Utilities' Energy Infrastructure segment as this business combination is excluded from capital expenditures.



Capital expenditures in Canadian Utilities' Regulated Utilities accounted for 73 per cent of the total in the first quarter of 2023. The remaining 27 per cent was mainly related to ATCO Structures' continued expansion of its space rentals fleet globally and capital spending within Canadian Utilities' Energy Infrastructure segment, mainly related to the Barlow, Deerfoot and Empress Solar Projects.

(1) *Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

BUSINESS UNIT PERFORMANCE

ATCO Structures & Logistics' activities are conducted through two complementary businesses: ATCO Structures and ATCO Frontec. Diversified by geography, product and service offerings, these businesses meet the needs of customers and communities globally. Together they offer workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services.

REVENUES

Structures & Logistics revenues of $226 million in the first quarter of 2023 were $24 million higher than the same period in 2022 mainly due to additional revenue from Triple M acquired in December 2022, higher space rentals activity across all geographies, the Bechtel Pluto Train II project in Australia, and increases in client work requests and occupancy for ATCO Frontec-operated camps. Higher revenues were partially offset by lower workforce housing activity due to substantial used fleet sales and installation activity in 2022 in Australia and Canada and the completion of a project in Mexico.

ADJUSTED EARNINGS

		Three Months Ended March 31	
($ millions)	**2023**	**2022**	**Change**
ATCO Structures [1] [2]	**19**	16	3
ATCO Frontec [1] [2]	**3**	4	(1)
Total Structures & Logistics [2]	**22**	20	2

(1) Considered to be non-GAAP financial measures.

(2) Additional information is provided under the headings “Other Financial and Non-GAAP Measures” and “Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares” in this MD&A.

Structures & Logistics adjusted earnings of $22 million in the first quarter of 2023 were $2 million higher than the same period in 2022. Higher adjusted earnings were mainly due to earnings from Triple M acquired in December 2022, increased space rentals performance in most geographies for ATCO Structures, and earnings from ATCO Frontec's North Warning System contract. Earnings were partially offset by ATCO Structures' lower workforce housing rental activity in Canada and the US and lower workforce housing trade activity due to substantial used fleet sales and installation activity in 2022 in Australia and Canada, and start-up costs on ATCO Frontec's Pogo Mine project and the closure of the Trans Mountain Clearwater camp.

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

ATCO STRUCTURES

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

ATCO Structures adjusted earnings of $19 million in the first quarter of 2023 were $3 million higher than the same period in 2022 mainly due to additional earnings from Triple M and increased space rentals performance in most geographies, partially offset by lower workforce housing rental activity in Canada and the US and lower workforce housing trade activity due to substantial used fleet sales and installation activity in 2022 in Australia and Canada.

The following table compares ATCO Structures' rental fleet for the first quarter of 2023 and 2022.

	Three Months Ended March 31		
	2023	**2022**	**Change**
Global Space Rentals			
Number of units	**23,024**	20,273	14%
Average utilization *(%)*	**75**	81	(6%)
Average rental rate *($ per month)*	**692**	581	19%
Global Workforce Housing			
Number of units	**2,681**	2,672	—%
Average utilization *(%)*	**74**	77	(3%)
Average rental rate *($ per month)*	**1,971**	2,034	(3%)

Rental Fleet

Space Rentals

The year-over-year growth of the space rentals fleet is the result of continued strategic expansion in targeted regions of Canada, Australia, the US and Chile. ATCO Structures has increased the number of units on rent and realized higher average rental rates due to sustained higher demand for space rentals fleet in these regions. Following the easing of distancing requirements related to COVID-19, utilization has returned to the typical seasonal profile with cyclical lows in the first and fourth quarters. Utilization has been temporarily impacted by the strategic fleet expansion due to the timing of placing fleet additions on rent.

Workforce Housing

Workforce housing fleet has remained consistent year-over-year following strategic disposals of non-utilized fleet assets in the US, Canada, and Australia in the prior year. The decrease in utilization was mainly attributable to the rental term concluding for Trans Mountain Expansion Project's (TMEP) 600-person camp in Clearwater, BC during the first quarter of 2023. Clearwater is the first of three TMEP camps to come offline; rental terms for the remaining two camps will conclude in the second and third quarters of 2023.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Residential Housing

Triple M posted strong results for the first quarter of 2023 due to execution of orders placed in 2022, and seasonal peaks in the first and fourth quarters offsetting the seasonality of ATCO Structures' Space Rentals business during these periods.

Triple M Housing Unit, Morinville, Alberta

United States

KBR & Zachry Group Joint Venture (KZJV) - Plaquemines LNG Export Facility

ATCO Structures was previously awarded a rental contract for 50 space rentals units to support the LNG export facility construction in Plaquemines Parish, Louisiana. In the first quarter of 2023, a supplemental contract for 79 additional space rentals units was awarded, bringing the total contract value to $11 million for 129 units with terms ranging from 30 to 36 months.

Australia

Bechtel Pluto Train II

ATCO Structures continues to progress construction of the previously awarded 2,200-person accommodation village. In the first quarter of 2023, the stage three milestone was completed, which included relocated and refurbished accommodations and central facilities. Site preparation and refurbishment of buildings for the stage four milestone continued during the first quarter of 2023 with handover expected in the second quarter of 2023. The project continues to track ahead of planned progress.

The supplemental parallel modular facility that was previously awarded in the first quarter of 2022 continues to progress on schedule with the handovers of multiple milestones completed in the first quarter of 2023. Additional handovers are expected through the second quarter of 2023.

Central America

Grupo Financiero Banorte (Banorte) Mobile Banking Terminals

In the first quarter of 2023, ATCO Espaciomovil manufactured and installed mobile banking terminals for Banorte throughout Mexico. Manufacturing and installation is expected to continue into the second quarter of 2023.

Mobile banking terminal, Mexico

ATCO FRONTEC

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

ATCO Frontec adjusted earnings of $3 million in the first quarter of 2023 were $1 million lower than the same period in 2022 mainly due to start-up costs on ATCO Frontec's Pogo Mine project and the closure of the Trans Mountain Clearwater camp. Lower earnings were partially offset by earnings from the North Warning System contract.

ATCO FRONTEC RECENT DEVELOPMENTS

BHP Jansen Discovery Lodge

In February 2023, Wicehtowak Frontec Services (WFS), ATCO Frontec’s joint venture partnership with George Gordon Developments Ltd., was awarded a three-and-a-half-year base contract to provide camp support services for the BHP Jansen Discovery Lodge in Saskatchewan. The lodge, which was originally designed and built in 2012 by ATCO Structures, features diverse, high-end amenities, and accommodates up to 2,500 workers. WFS will provide management and administration, food services, retail, housekeeping and janitorial, and maintenance work for the facility. As of April 1, 2023, WFS has successfully transitioned to operating the Jansen Discovery Lodge.

Trans Mountain Clearwater Camp

In January 2023, one of the Trans Mountain camps located in Clearwater, BC was closed as the Trans Mountain Expansion Project moves towards completion. The camp was an ATCO Frontec joint venture operation with Simpcw First Nation and began operating the 540-bed camp in October 2020 with an average occupancy of 242 rooms per day.

NELTUME PORTS

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

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
Neltume Ports [1]	**5**	4	1

(1) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Neltume Ports adjusted earnings of $5 million in the first quarter of 2023 were $1 million higher than the same period in 2022 due to favourable foreign exchange rates during the quarter.

RECENT DEVELOPMENTS

On March 31, 2023, Neltume acquired an additional five per cent ownership in Sagres, raising Neltume's equity ownership from 90 per cent to 95 per cent.

ATCO CORPORATE & OTHER

ATCO Corporate & Other contains ATCO Land and Development Ltd. and Ashcor. ATCO Land and Development is a commercial real estate business that holds investments for sale, lease or development, and Ashcor is a company engaged in the processing and marketing of fly ash, predominantly reclaimed from landfills. ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses associated with credit facilities.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
ATCO Corporate & Other (1)	**(5)**	(6)	1

(1) Additional information is provided under the headings “Other Financial and Non-GAAP Measures” and “Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares” in this MD&A.

ATCO Corporate & Other adjusted earnings in the first quarter of 2023 were $1 million higher compared to the same period in 2022 mainly due to the timing of certain expenses and higher interest income earned.

Canadian Utilities is a diversified global energy infrastructure corporation delivering operating and service excellence and innovative business solutions in Utilities (Electricity and Natural Gas transmission and distribution, and International Operations); Energy Infrastructure (Energy Storage, Energy Generation, Industrial Water Solutions, and Clean Fuels); and Retail Energy (Electricity and Natural Gas Retail Sales, and Whole-Home Solutions).

UTILITIES

REVENUES

Utilities revenues of $933 million in the first quarter of 2023 were $31 million lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. In addition, revenues in Electricity Transmission are lower due to the setting of interim rates. The applied for negotiated settlement agreement reflects ceased collection as well as a refund of previously collected federal deferral income taxes. This collection was undertaken beginning in 2011 to improve cash flows during the construction of major transmission projects at that time. These actions do not significantly impact adjusted earnings, however, will reduce revenues and cash flows from 2023 to 2025, providing rate relief to customers. Lower revenues were partially offset by higher flow-through revenues in Electricity Distribution, and increased third party works and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
Electricity			
Electricity Distribution [1]	**20**	25	(5)
Electricity Transmission [1]	**24**	23	1
International Electricity Operations [1]	**6**	6	—
Total Electricity	**50**	54	(4)
Natural Gas			
Natural Gas Distribution [1]	**47**	52	(5)
Natural Gas Transmission [1]	**13**	12	1
International Natural Gas Distribution [1]	**10**	6	4
Total Natural Gas	**70**	70	—
Total Utilities [2]	**120**	124	(4)

(1) Additional information regarding these non-GAAP measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

(2) Additional information regarding this total of segments measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Utilities adjusted earnings of $120 million in the first quarter of 2023 were $4 million lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and the timing of the impact of inflation indexing on rate base in 2022 and higher rates and increased system volumes 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 $20 million in the first quarter of 2023 were $5 million lower than the same period in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, partially offset by new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $24 million in the first quarter of 2023 were $1 million higher compared to the same period in 2022 mainly due to cost efficiencies.

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 (P3A) and the Puerto Rico Electric Power Authority.

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022 and will continue until such time that PREPA's bankruptcy is resolved. The agreement allows LUMA Energy to collect an annualized fixed fee equivalent of $115 million USD. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance agreement.

International Electricity Operations adjusted earnings of $6 million in the first quarter of 2023 were comparable to the same period in 2022.

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 $47 million in the first quarter of 2023 were $5 million lower than the same period in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by growth in rate base and new cost efficiencies realized in 2023.

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 $13 million in the first quarter of 2023 were $1 million higher than the same period in 2022 mainly due to growth in 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 $10 million in the first quarter of 2023 were $4 million higher than the same period in 2022 mainly due to the timing of the impact of inflation indexing on rate base in 2022 and higher rates and increased system volumes.

In the first quarter of 2022, Australia inflation indexing reflected a full year inflation assumption of 3 per cent which increased to 8 per cent by the end of 2022. It is expected that inflation for 2023 will be in the range of 4 to 5 per cent.

UTILITIES REGULATORY DEVELOPMENTS

SUBSEQUENT DEVELOPMENT

Electricity Distribution

Alberta Court of Appeal ATCO Electric Distribution Fort McMurray Wildfire Decision

On April 14, 2023, the Alberta Court of Appeal issued their decision with respect to Electricity Distribution's Fort McMurray Wildfire Decision issued by the Alberta Utilities Commission (AUC) which denied the ability for Electricity Distribution to recover the balance of the prudent cost of assets which were destroyed by the Fort McMurray wildfires of 2016. The decision was positive and granted the Appeal which now refers the matter back to the AUC for reconsideration in light of the Court's guidance.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $131 million in the first quarter of 2023 were $50 million higher than the same period in 2022 mainly due to revenues from the Forty Mile and Adelaide wind assets acquired in January 2023 and higher revenues at the Alberta Hub and Carbon natural gas storage facilities.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
Electricity Generation (1) (2)	**4**	1	3
Storage & Industrial Water (1) (2)	**4**	3	1
Total Energy Infrastructure (2)	**8**	4	4

(1) Considered to be non-GAAP financial measures.

(2) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Energy Infrastructure adjusted earnings of $8 million in the first quarter of 2023 were $4 million higher than the same period in 2022 mainly due to earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, and higher earnings from the Alberta Hub and Carbon natural gas storage facilities, partially offset by higher project development costs in Australia.

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 include the supply of electricity from solar, wind, hydroelectric, and natural gas generating plants in Canada, Australia, Mexico, and Chile.

Electricity Generation adjusted earnings of $4 million in the first quarter of 2023 were $3 million higher compared to the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, partially offset by project development costs in Australia.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $4 million in the first quarter of 2023 were $1 million higher compared to the same period in 2022 mainly due to higher earnings from the Alberta Hub and Carbon natural gas storage facilities.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Renewable Energy Portfolio Acquisition

On January 3, 2023, Canadian Utilities closed the previously announced acquisition of renewable assets from Suncor Energy Inc. The acquisition includes a majority interest in the 30-MW Adelaide wind facility in Ontario, the new 202-MW Forty Mile wind project in Alberta, and a development pipeline with more than 1,500-MW of wind and solar projects at various stages of development, including several late-stage projects.

Concurrent with the close of this acquisition, Canadian Utilities entered into a new 15-year renewable energy purchase agreement with Microsoft Corporation beginning July 1, 2023. Under the terms of the agreement, Microsoft will purchase 150-MW of renewable energy generated by Canadian Utilities' Forty Mile Wind Phase 1 Project in Alberta. The offtake from the Adelaide wind facility is also contracted under a long-term power purchase agreement until January 2035.

Osborne Power Purchase Agreement (PPA) Extension

On February 3, 2023, Canadian Utilities executed an extension to the current PPA with Origin Energy Electricity Limited for the Osborne electricity cogeneration facility in South Australia. The extension is for a period of three years, commencing on January 1, 2024, with a further one year option. The terms of the extension are similar to the current tolling arrangement with increased flexibility and dispatch capability for the customer.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Rümi, Blue Flame Kitchen and Retail Energy through ATCO Energy which provides home products, home maintenance services, professional advice, and retail electricity and natural gas services in Alberta. Corporate & Other also includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities' Corporate & Other includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
Canadian Utilities Corporate & Other [(1)]	**(13)**	(12)	(1)

(1) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the first quarter of 2023 were $1 million lower than the same period in 2022 mainly due to the timing of certain expenses.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within our group of companies, we balance the short- and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owners, and Indigenous and community partners. As a provider of essential services in diverse communities around the world, we operate in an inclusive manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

SUSTAINABILITY REPORTING AND ESG TARGETS

Our 2022 Sustainability Report, which will be published in May 2023, focuses on the following material topics:

- Energy Transition - energy transition and innovation, and energy access and affordability;
- Climate Change and Environmental Stewardship - climate change and GHG emissions, and environmental stewardship;
- Operational Reliability and Resilience - system reliability and availability, emergency preparedness and response, and supply chain resilience and responsibility;
- People - diversity, equity and inclusion, occupational health and safety, public health and safety; and
- Community and Indigenous Relations - Indigenous engagement, economic opportunity and reconciliation, and community engagement and investment.

In January 2022, we released our net zero by 2050 commitment as well as an initial set of 2030 ESG Targets. Our Board of Directors recognizes and fully supports our net-zero commitment and 2030 targets, and agrees that these commitments and targets align with our strategic direction. Achieving net zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

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

The 2022 Sustainability Report, ESG Datasheet, Corporate Governance, materiality assessment, and additional details and other disclosures will be available in May 2023 on our website at www.atco.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To contribute to a net-zero future, we continue to pursue initiatives to integrate cleaner fuels, renewable energy and energy storage. This includes looking at ways to modernize our energy infrastructure to accommodate new and innovative sources of energy as well as ways to further use energy more efficiently. We are decarbonizing our operations and enabling our customers to transition to lower emitting sources of energy, while maintaining safety, reliability and affordability.

POLICY/REGULATORY UPDATE

We actively and constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. We participate in a wide number of discussions, and the following are examples of where we focus our efforts on policies or regulations most relevant to our existing or planned projects.

Government of Canada Federal Budget 2023

Building on 2022 clean energy and investment tax credit (ITC) announcements, the 2023 Canadian Federal Budget (Budget 2023) released on March 28, 2023, provided further details including:

- ***Clean Technology ITC*** – originally announced in 2022 as a 30 per cent refundable tax credit in clean technologies, Budget 2023 expanded this credit to include certain geothermal equipment used to produce geothermal energy or heat energy.
- ***Clean Hydrogen ITC*** – a 15 to 40 per cent refundable tax credit available on eligible equipment for projects that produce hydrogen from electrolysis or natural gas with emissions that are abated using Carbon Capture Utilization and Storage (CCUS).
- ***Clean Electricity ITC*** – a 15 per cent refundable tax credit for investments in non-emitting electricity generation systems (i.e., solar, wind, hydro, nuclear), abated natural gas-fired electricity generation, electricity storage systems, and equipment used for transmission of electricity between provinces and territories.
- ***Clean Technology Manufacturing ITC*** – a 30 per cent refundable tax credit for the capital costs of machinery and equipment used in manufacturing of renewable energy equipment (i.e., solar, wind, geothermal, nuclear), nuclear energy equipment, grid-scale electrical storage equipment, zero-emission vehicles, batteries, fuel cells, recharging systems for vehicles, and hydrogen production equipment.
- ***Carbon Capture, Utilization and Storage ITC*** – previously released in 2022, eligible equipment for this credit will now include dual-use equipment that produces heat and/or power, or uses water, and is used for CCUS with further details to be released in the coming months.

For expenditures that qualify under more than one ITC program, only one credit may be claimed in respect of the relevant piece of property or equipment. There are many details still pending for the different programs announced.

Carbon Pricing/Output-Based Pricing Systems

Announced in January 2023, the carbon price in Canada increased from $50 to $65 per tonne, beginning April 2023. The Government of Canada's plan on climate change proposes to increase the carbon price by $15 per tonne each year starting in 2023, rising to $170 per tonne by 2030.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2023 and 2022 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)	**2023**	**2022**	**Change**
Operating costs	**682**	729	(47)
Depreciation and amortization	**189**	175	14
Earnings from investment in associate company	**5**	4	1
Earnings from investment in joint ventures	**21**	19	2
Net finance costs	**103**	102	1
Income tax expense	**92**	83	9

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased by $47 million in the first quarter of 2023 compared to the same period in 2022. Lower operating costs were mainly due to higher unrealized and realized gains on derivative financial instruments in ATCO Energy, lower purchased power expense after the sale of a controlling interest in Northland Utilities Enterprises (NUE) in 2022, and costs incurred in 2022 related to the AUC enforcement proceeding. Lower operating costs were partially offset by legal and other costs related to the Wipro Ltd. (Wipro) Master Services Agreements (MSAs) matter that was concluded on February 26, 2023, increased fuel costs at Energy Infrastructure's Carbon and Alberta Hub natural gas storage facilities, and increased materials costs at ATCO Structures resulting from the acquisition of Triple M in December 2022.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $14 million in the first quarter of 2023 compared to the same period in 2022 mainly due to the acquisition of the Forty Mile and Adelaide wind assets acquired in January 2023 in Energy Infrastructure, ATCO Structures' increase in global rental fleet assets, and ongoing investment in Canadian Utilities' Regulated Utilities.

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 based in South America with operations in 17 port facilities and 6 port operation services businesses located in Chile, Uruguay, Argentina, Brazil, and the US.

Earnings from investment in associate company in the first quarter of 2023 were $1 million higher than the same period in 2022 due to favourable foreign exchange rates during the quarter.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Northland Utilities Enterprises electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures in the first quarter of 2023 were $2 million higher than the same period in 2022 mainly due to the inclusion of NUE earnings as an investment in joint venture after the sale of a controlling interest on March 31, 2022.

NET FINANCE COSTS

Net finance costs in the first quarter of 2023 were comparable to the same period in 2022.

INCOME TAX EXPENSE

Income taxes were higher by $9 million in the first quarter of 2023 compared to the same period in 2022 mainly due to higher IFRS earnings before income taxes, partially offset by prior year non-deductible items.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our diversified portfolio with a structured foundation of regulated and long-term contracted businesses. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

The following table shows the current credit ratings assigned to ATCO Ltd., Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd.

	DBRS	S&P	Fitch
ATCO Ltd.			
Issuer	A (low)	BBB+	BBB+
Canadian Utilities Limited			
Issuer	A	BBB+	A-
Senior unsecured debt	A	BBB	A-
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PFD-2	P-2 (low)	BBB
CU Inc.			
Issuer	A (high)	A-	A-
Senior unsecured debt	A (high)	A-	A
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PFD-2 (high)	P-2	BBB+
ATCO Gas Australia Pty Ltd (1)			
Issuer and senior unsecured debt	N/A	BBB+	N/A

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

On March 17, 2023, Fitch Ratings affirmed its 'BBB+' issuer rating and stable outlook on ATCO Ltd. and its 'A-' issuer rating with a stable outlook to both Canadian Utilities Limited and CU Inc.

On March 27, 2023, S&P Global Ratings affirmed Canadian Utilities' subsidiary ATCO Gas Australia Pty Ltd's 'BBB+' issuer credit rating and stable outlook.

LINES OF CREDIT

At March 31, 2023, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,745**	1,471	2,274
Short-term committed	**355**	355	—
Uncommitted	**641**	253	388
Total	**4,741**	2,079	2,662

Of the $4,741 million in total lines of credit, $641 million was in the form of uncommitted credit facilities with no set maturity date. The other $4,100 million in credit lines was committed with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $2,079 million in lines of credit used, $650 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 related to the funding of the renewable energy portfolio acquisition in Energy Infrastructure and Canadian Utilities' issuance of 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, 2023, the Company's cash position was $724 million, a decrease of $309 million compared to December 31, 2022 mainly due to cash used to fund the capital investment program including the acquisition of renewable wind assets in January 2023, investments in marketable securities, dividends paid, payments of debt and interest, partially offset by Canadian Utilities' first quarter debt issuance, and cash flows from operating activities achieved during the first quarter of 2023.

Cash Flows from Operating Activities

Cash flows from operating activities were $554 million in the first quarter of 2023, $134 million lower than the same period in 2022 mainly due to timing of payables.

Cash Used for Capital Investment [1] and Capital Expenditures

Total capital investment of $1,050 million in the first quarter of 2023 was $746 million higher compared to the same period in 2022 mainly due to the acquisition of the renewable energy portfolio in Canadian Utilities' Energy Infrastructure segment, ongoing capital investment in the Regulated Utilities, and continued expansion of ATCO Structures' space rentals fleet globally.

Total capital expenditures of $358 million in the first quarter of 2023 was $56 million higher compared to the same period in 2022 mainly due to the factors outlined above with the exception of the renewable energy portfolio acquisition within Canadian Utilities' Energy Infrastructure segment as this business combination is excluded from capital expenditures.

(1) *Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

Capital investment and capital expenditures for the first quarter of 2023 and 2022 are shown in the following table.

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
Structures & Logistics	**50**	39	11
ATCO Corporate & Other	**4**	—	4
	54	39	15
Canadian Utilities			
Utilities			
Electricity	**145**	121	24
Natural Gas	**116**	96	20
	261	217	44
Energy Infrastructure	**42**	43	(1)
CU Corporate & Other	**1**	3	(2)
Canadian Utilities Total Capital Expenditures (1) (2)	**304**	263	41
ATCO Total Capital Expenditures	**358**	302	56
Capital Expenditures in Joint Ventures			
Utilities			
Electricity	**1**	1	—
Energy Infrastructure	**—**	1	(1)
Business Combinations			
Energy Infrastructure	**691**	—	691
Canadian Utilities Total Capital Investment (3)	**996**	265	731
ATCO Total Capital Investment (3)	**1,050**	304	746

(1) Includes additions to property, plant and equipment, intangibles and $6 million (2022 - $2 million) of capitalized interest during construction for the first quarter of 2023.

(2) Includes $56 million for the first quarter of 2023 (2022 - $45 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.

(3) Additional information regarding these non-GAAP measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Marketable Securities

In February 2023, the Company invested excess cash of $290 million in marketable securities primarily consisting of publicly traded investment grade corporate and government bonds, private fixed income investments, bank loans and commercial mortgage funds. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within 7 business days.

The marketable securities investments are initially measured at cost and are subsequently measured at fair value through profit or loss. For the three months ended March 31, 2023, unrealized gains of $1 million and realized gains of $1 million were recognized and included in other costs and expenses in the unaudited interim consolidated financial statements.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 30-year track record. Dividends paid to Class I and Class II Share owners totaled $55 million in the first quarter of 2023.

On April 13, 2023, the Board of Directors declared a second quarter dividend of 47.56 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.

Other Debt Issuance

On January 3, 2023, Canadian Utilities entered into an unsecured non-revolving credit facility, consisting of two $355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects. The first and second $355 million tranches will mature on June 30, 2023 and June 30, 2024, respectively. Both tranches bear an interest rate of Canadian Dollar Overnight Rate plus an applicable margin.

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, 2022, we commenced a normal course issuer bid to purchase up to 1,011,907 outstanding Class I Shares. This bid expired on March 8, 2023. During this period, 486,400 shares were purchased for $23 million.

On March 13, 2023, we commenced a normal course issuer bid to purchase up to 1,014,881 outstanding Class I Shares. The bid will expire on March 12, 2024. Between March 13, 2023 and April 26, 2023, 558,600 Class I shares were purchased for $23 million.

SHARE CAPITAL

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

At April 25, 2023, we had outstanding 100,929,582 Class I Shares, 12,424,996 Class II Shares, and options to purchase 1,809,300 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, 8,378,000 Class I Shares were available for issuance at March 31, 2023. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2021 through March 31, 2023.

($ millions, except for per share data)	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Revenues	1,161	1,158	1,348	**1,358**
Earnings attributable to Class I and Class II Shares	90	71	81	**167**
Earnings per Class I and Class II Share *($)*	0.79	0.62	0.72	**1.47**
Diluted earnings per Class I and Class II Share *($)*	0.79	0.62	0.71	**1.47**
Adjusted earnings per Class I and Class II Share *($)*	0.81	0.76	0.97	**1.21**
Adjusted earnings (loss)				
Structures & Logistics	19	18	4	**22**
Neltume Ports	4	4	2	**5**
ATCO Corporate & Other	(3)	1	8	**(5)**
Canadian Utilities				
Utilities [1]	82	73	100	**120**
Energy Infrastructure	6	6	3	**8**
Canadian Utilities Corporate & Other	(16)	(15)	(7)	**(13)**
Total adjusted earnings [1]	92	87	110	**137**

($ millions, except for per share data)	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Revenues	970	977	1,270	1,311
Earnings attributable to Class I and Class II Shares	12	52	99	128
Earnings per Class I and Class II Share *($)*	0.10	0.46	0.87	1.12
Diluted earnings per Class I and Class II Share *($)*	0.10	0.46	0.87	1.12
Adjusted earnings per Class I and Class II Share *($)*	0.70	0.60	1.01	1.17
Adjusted earnings (loss)				
Structures & Logistics	18	16	5	20
Neltume Ports	3	4	3	4
ATCO Corporate & Other	(1)	1	5	(6)
Canadian Utilities				
Utilities [1]	65	56	109	124
Energy Infrastructure	4	4	2	4
Canadian Utilities Corporate & Other	(9)	(12)	(10)	(12)
Total adjusted earnings [1]	80	69	114	134

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

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

ADJUSTED EARNINGS

Adjusted earnings in the second quarter of 2022 were higher compared to the same period in 2021 mainly due to the impact of inflation indexing on rate base in Canadian Utilities' International Natural Gas Distribution business, the impact of the 2018-2019 General Tariff Application (GTA) Compliance Filing decision received in the second quarter of 2021 in the Electric Transmission business, timing of operating costs in the Natural Gas Distribution business, and the site preparation and installation work commencement on ATCO Structures' Bechtel Pluto Train II project in Australia.

Adjusted earnings in the third quarter of 2022 were higher compared to the same period in 2021 mainly due to the impact of inflation indexing on rate base in Canadian Utilities' International Natural Gas Distribution business, ATCO

Structures' strong business performance driven by space rentals activity globally and earnings from the Bechtel Pluto Train II project, and Energy Infrastructure's earnings from the Alberta Hub natural gas facility acquired in December 2021.

Adjusted earnings in the fourth quarter of 2022 were lower compared to the same period in 2021 mainly due to timing of cost recoveries in Canadian Utilities' International Electricity Operations, the timing of operating costs in Electricity Distribution, Natural Gas Distribution and International Electricity Operations, increased financing costs from a new preferred dividend issuance in December 2021 at Canadian Utilities Corporate and a one-time tax benefit in 2021 at ATCO Corporate. Earnings were partially offset by timing of certain expenses and higher interest income earned at ATCO and Canadian Utilities Corporate segments.

Adjusted earnings in the first quarter of 2023 were higher compared to the same period in 2022 mainly due to earnings from Energy Infrastructure's acquisition of the Forty Mile and Adelaide wind assets in January 2023 and ATCO Structures' acquisition of Triple M in December 2022, new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, increased space rentals activity in most geographies for ATCO Structures, and the timing of the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution. Higher earnings were partially offset by cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- Early Termination of the MSAs for Managed IT Services
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, ATCO recognized transition costs of $22 million (after-tax and non-controlling interests).
    - In the first quarter of 2023, the Company recognized legal and other costs of $5 million (after-tax and non-controlling interests) related to the Wipro MSAs matter which was concluded on February 26, 2023.
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- During the fourth quarter of 2021, the Company recorded earnings of $9 million (after-tax and non-controlling interests) following the conclusion of the Company's involvement in an international project.
- AUC Enforcement Proceeding
    - On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the proceeding.
- Workplace COVID-19 Vaccination Standard
    - To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In 2022, the

Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the Workplace COVID-19 vaccination standard.

- Gain on sale of ownership interest in a subsidiary company
  - On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $3 million (after-tax and non-controlling interests). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.
- In the fourth quarter of 2022, a reversal of impairment of $2 million (after-tax and non-controlling interests) was recorded mainly related to Energy Infrastructure's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.

OTHER FINANCIAL AND NON-GAAP MEASURES

Other financial measures presented in this MD&A consist of:

1. Adjusted earnings which are a key measure of segment earnings that are used to assess segment performance and allocate resources; and
2. Total of segments measures, which are defined as financial measures disclosed by an issuer that are a subtotal or total of two or more reportable segments.

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, 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. Adjusted earnings are 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.

Adjusted earnings are most directly comparable to earnings attributable to Class I and Class II shares but is not a standardized financial measure under the reporting framework used to prepare our financial statements. Adjusted earnings may not be comparable to similar financial measures disclosed by other issuers. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. For investors, adjusted earnings may provide value as they exclude items that are not in the normal course of business and, as such, provide insight as to earnings resulting from the issuer's usual course of business. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A.

Total of segments measures are most directly comparable to total earnings attributable to Class I and Class II shares. Comparable total of segments measures for the same period in 2022 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings attributable to Class I and Class II shares is presented in this MD&A.

Non-GAAP financial measures presented in this MD&A are defined as financial measures disclosed by an issuer that are not disclosed in the financial statements.

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Capital investment is most directly comparable to capital expenditures. Capital investment is not a standardized financial measure under the reporting framework used to prepare our financial statements. Capital investment may not be comparable to similar financial measures disclosed by other issuers. Management views capital investment as the Company's total cash investment in assets. For investors, capital investment is useful because it identifies how much cash is being used to acquire and invest in assets. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

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, 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. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

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

2023 / 2022	**ATCO Ltd.**							
				Canadian Utilities Limited				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Revenues	**226**	**—**	**1**	**933**	**131**	**67**	**1,131**	**1,358**
	202	—	(1)	964	81	65	1,110	1,311
Adjusted earnings (loss)	**22**	**5**	**(5)**	**120**	**8**	**(13)**	**115**	**137**
	20	4	(6)	124	4	(12)	116	134
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**32**	**32**	**32**
	—	—	—	—	—	(6)	(6)	(6)
Rate-regulated activities	**—**	**—**	**—**	**5**	**—**	**—**	**5**	**5**
	—	—	—	19	—	—	19	19
IT Common Matters decision	**—**	**—**	**—**	**(3)**	**—**	**—**	**(3)**	**(3)**
	—	—	—	(2)	—	—	(2)	(2)
Transition of managed IT services	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(14)	—	—	(14)	(14)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(5)	—	—	(5)	(5)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	3	—	—	3	3
Other	**—**	**—**	**—**	**—**	**—**	**1**	**1**	**1**
	—	—	(1)	—	—	—	—	(1)
Earnings (loss) attributable to Class I and Class II Shares	**22**	**5**	**(5)**	**117**	**8**	**20**	**145**	**167**
	20	4	(7)	125	4	(18)	111	128

UNREALIZED GAINS AND LOSSES 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 fixed-price swap commodity contracts are recognized in the Corporate & Other segment.

The CODM believes that removal of the unrealized gains and losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

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

RATE-REGULATED ACTIVITIES

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

There is currently no specific guidance under IFRS 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.

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

	Three Months Ended March 31		
($ millions)	**2023**	**2022**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs [1]	**16**	16	—
Impact of colder temperatures [2]	**1**	—	1
Revenues to be billed in future periods			
Deferred income taxes [3]	**(19)**	(12)	(7)
Impact of warmer temperatures [2]	**—**	(3)	3
Impact of inflation on rate base [4]	**(5)**	(3)	(2)
Settlement of regulatory decisions and other items			
Distribution rate relief [5]	**3**	18	(15)
Other [6]	**9**	3	6
	5	19	(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) Natural Gas Distribution's customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below normal temperatures in the current period are refunded to or recovered from customers in future periods.

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

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

(5) In 2021, in response to the COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution had interim rate relief for customers approved by the AUC to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the first quarter ended March 31, 2023, $3 million (after-tax and non-controlling interests) (2022 - $18 million (after-tax and non-controlling interests)) was billed to customers.

(6) In the first quarter of 2023, Electricity Distribution recorded an increase in earnings of $8 million (after- tax and non-controlling interests) related to payments of electricity transmission costs.

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, 2023 was $3 million (after-tax and non-controlling interests) (2022 - $2 million (after-tax and non-controlling interests)).

TRANSITION OF MANAGED IT SERVICES

In the three months ended March 31, 2023, the Company recognized additional legal and other costs of $5 million (after-tax and non-controlling interests) related to the Wipro Ltd. MSA matter that was concluded on February 26, 2023.

AUC ENFORCEMENT PROCEEDING

On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the first quarter of 2022, the Company recognized costs of $14 million (after-tax and non-controlling interests) related to the proceeding.

WORKPLACE COVID-19 VACCINATION STANDARD

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In 2022, the Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the Workplace COVID-19 vaccination standard.

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

On March 31, 2022, the Company and DII entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $3 million (after-tax and non-controlling interests). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

UTILITIES

The following table reconciles adjusted earnings for the Utilities business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)									Three Months Ended March 31
2023	Canadian Utilities Limited								
2022	Electricity				Natural Gas				
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	Utilities
Adjusted earnings	**20**	**24**	**6**	**50**	**47**	**13**	**10**	**70**	**120**
	25	23	6	54	52	12	6	70	124
Rate-regulated activities	**5**	**(2)**	**—**	**3**	**9**	**(1)**	**(6)**	**2**	**5**
	1	6	—	7	14	1	(3)	12	19
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(1)**	**—**	**—**	**(1)**	**(3)**
	—	(1)	—	(1)	—	(1)	—	(1)	(2)
Transition of managed IT services	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**(3)**	**(4)**	**(5)**
	—	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(14)	—	(14)	—	—	—	—	(14)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	(2)	(2)	(1)	—	(3)	(5)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	3	—	—	3	—	—	—	—	3
Earnings attributable to Class I and Class II shares	**23**	**21**	**6**	**50**	**54**	**12**	**1**	**67**	**117**
	28	13	6	47	64	11	3	78	125

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

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

2023 / 2022	ATCO Ltd.							
				Canadian Utilities Limited				ATCO Consolidated
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Capital Investment	**50**	**—**	**4**	**262**	**733**	**1**	**996**	**1,050**
	39	—	—	218	44	3	265	304
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**	**(1)**
	—	—	—	(1)	(1)	—	(2)	(2)
Business combination [1]	**—**	**—**	**—**	**—**	**(691)**	**—**	**(691)**	**(691)**
	—	—	—	—	—	—	—	—
Capital Expenditures	**50**	**—**	**4**	**261**	**42**	**1**	**304**	**358**
	39	—	—	217	43	3	263	302

(1) Business combination refers to the acquisition of the renewable energy portfolio in Canadian Utilities' Energy Infrastructure segment in 2023.

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, 2023, and ended on March 31, 2023, 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", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the commitment to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; expected electricity generation capacity and/or productive capacity of assets and projects, including assets and projects that have been acquired or that are expected to be developed in the future; the expected timing of the commencement or completion of activities and contracts; the impact or benefits of contracts, including contract value or fees to be received; the expected purchase and sale of electricity; and expected carbon pricing in Canada.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, and infrastructure; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; potential termination or breach of contract by contract counterparties; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see "Business Risks and Risk Management" in the Company's Management's Discussion and Analysis for the year ended December 31, 2022.

This MD&A may contain information that constitutes future-oriented financial information or financial outlook information, all of which are subject to the same assumptions, risk factors, limitations and qualifications set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on such future-oriented financial information or financial outlook information. The Company's actual results, performance and achievements could differ materially from those expressed in, or implied by, such future-oriented financial information or financial outlook information. The Company has included such information in order to provide readers with a more complete perspective on its future operations and its current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that such information should not be used for purposes other than those for which it has been disclosed herein. Future-oriented financial information or financial outlook information contained herein was made as of the date of this MD&A.

Any forward-looking information contained in this MD&A represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

ADDITIONAL INFORMATION

ATCO has published its unaudited interim consolidated financial statements and MD&A for the three months ended March 31, 2023. 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, or email investorrelations@atco.com.

GLOSSARY

Alberta Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

AUC means the Alberta Utilities Commission.

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

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

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.

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.

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

GTA means general tariff application.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

PBR means Performance Based Regulation.

PPA means Power Purchase Agreement

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

USD means United States dollars.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2023

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended March 31 2023	2022
Revenues	4	**1,358**	1,311
Costs and expenses			
Salaries, wages and benefits		**(157)**	(156)
Energy transmission and transportation		**(75)**	(66)
Plant and equipment maintenance		**(62)**	(44)
Fuel costs		**(63)**	(59)
Purchased power		**(70)**	(77)
Materials and consumables		**(117)**	(103)
Depreciation and amortization		**(189)**	(175)
Franchise fees		**(108)**	(111)
Property and other taxes		**(20)**	(19)
Other		**(10)**	(94)
		(871)	(904)
Earnings from investment in associate company		**5**	4
Earnings from investment in joint ventures		**21**	19
Operating profit		**513**	430
Interest income		**19**	4
Interest expense		**(122)**	(106)
Net finance costs		**(103)**	(102)
Earnings before income taxes		**410**	328
Income tax expense		**(92)**	(83)
Earnings for the period		**318**	245
Earnings attributable to:			
Class I and Class II Shares		**167**	128
Non-controlling interests		**151**	117
		318	245
Earnings per Class I and Class II Share	5	**\$1.47**	\$1.12
Diluted earnings per Class I and Class II Share	5	**\$1.47**	\$1.12

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
(millions of Canadian Dollars)	**2023**	**2022**
Earnings for the period	**318**	245
Other comprehensive (loss) income, net of income taxes		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits (1)	**(2)**	15
Items that are or may be reclassified subsequently to earnings:		
Cash flow hedges (2)	**(80)**	31
Foreign currency translation adjustment (3)	**12**	15
Share of other comprehensive (loss) income in associate company (3)	**(4)**	12
Share of other comprehensive income of joint ventures (3)	**5**	–
	(67)	58
Other comprehensive (loss) income	**(69)**	73
Comprehensive income for the period	**249**	318
Comprehensive income attributable to:		
Class I and Class II Shares	**137**	177
Non-controlling interests	**112**	141
	249	318

(1) Net of income taxes of nil for the three months ended March 31, 2023 (2022 - $(5) million).

(2) Net of income taxes of $22 million for the three months ended March 31, 2023 (2022 - $(11) million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	March 31 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents	12	**724**	1,033
Marketable securities	6	**292**	–
Accounts receivable and contract assets	12	**835**	956
Finance lease receivables		**11**	11
Inventories		**84**	80
Prepaid expenses and other current assets		**237**	281
		2,183	2,361
Non-current assets			
Property, plant and equipment	7,12	**20,361**	19,504
Intangibles	12	**944**	870
Retirement benefit asset		**25**	24
Right-of-use assets	12	**110**	109
Goodwill	12	**234**	89
Investment in joint ventures		**280**	264
Investment in associate company		**485**	473
Finance lease receivables		**135**	138
Deferred income tax assets		**70**	64
Other assets		**233**	243
Total assets		**25,060**	24,139
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	**1,055**	1,161
Lease liabilities		**16**	16
Provisions and other current liabilities	3	**163**	240
Long-term debt	8	**586**	109
		1,820	1,526
Non-current liabilities			
Deferred income tax liabilities	12	**2,034**	1,843
Retirement benefit obligations		**226**	223
Customer contributions		**2,024**	1,989
Lease liabilities	12	**100**	99
Other liabilities		**144**	137
Long-term debt	8, 12	**10,239**	9,978
Total liabilities		**16,587**	15,795
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	9	**178**	179
Contributed surplus		**10**	10
Retained earnings		**4,172**	4,090
Accumulated other comprehensive income		**69**	97
		4,429	4,376
Non-controlling interests	12	**4,044**	3,968
Total equity		**8,473**	8,344
Total liabilities and equity		**25,060**	24,139

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 2021		180	8	3,962	(39)	4,111	3,838	7,949
Earnings for the period		–	–	128	–	128	117	245
Other comprehensive income		–	–	–	49	49	24	73
Gains on retirement benefits transferred to retained earnings		–	–	9	(9)	–	–	–
Shares issued		–	–	–	–	–	4	4
Dividends [(1)]	9	–	–	(53)	–	(53)	(76)	(129)
Other		–	–	1	–	1	(1)	–
March 31, 2022		180	8	4,047	1	4,236	3,906	8,142
December 31, 2022		179	10	4,090	97	4,376	3,968	8,344
Earnings for the period		–	–	**167**	–	**167**	**151**	**318**
Other comprehensive loss		–	–	–	**(30)**	**(30)**	**(39)**	**(69)**
Losses on retirement benefits transferred to retained earnings		–	–	**(2)**	**2**	–	–	–
Shares issued		–	–	–	–	–	**6**	**6**
Shares purchased and cancelled	9	**(1)**	–	**(22)**	–	**(23)**	–	**(23)**
Acquisition	12	–	–	–	–	–	**27**	**27**
Dividends [(1)]	9	–	–	**(55)**	–	**(55)**	**(78)**	**(133)**
Other		–	–	**(6)**	–	**(6)**	**9**	**3**
March 31, 2023		**178**	**10**	**4,172**	**69**	**4,429**	**4,044**	**8,473**

(1) Dividends paid to non-controlling interests of $78 million (2022 - $76 million) include $6 million (2023 - $3 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31	
(millions of Canadian Dollars)	Note	2023	2022
Operating activities			
Earnings for the period		**318**	245
Adjustments to reconcile earnings to cash flows from operating activities	10	**314**	396
Changes in non-cash working capital	3	**(78)**	47
Cash flows from operating activities		**554**	688
Investing activities			
Additions to property, plant and equipment		**(325)**	(268)
Proceeds on disposal of property, plant and equipment		**2**	–
Additions to intangibles		**(27)**	(32)
Acquisition, net of cash acquired	12	**(675)**	–
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed		**–**	8
Investment in joint ventures		**(2)**	(4)
Investment in marketable securities	6	**(290)**	–
Changes in non-cash working capital		**(15)**	19
Other	7	**–**	66
Cash flows used in investing activities		**(1,332)**	(211)
Financing activities			
Net repayment of short-term debt		**–**	(154)
Issue of long-term debt	8	**786**	8
Repayment of long-term debt		**(47)**	(11)
Repayment of lease liabilities		**(4)**	(4)
Net purchase of Class I Shares	9	**(23)**	–
Dividends paid to Class I and Class II Share owners	9	**(55)**	(53)
Dividends paid to non-controlling interests		**(72)**	(73)
Interest paid		**(113)**	(89)
Cash flows from (used in) financing activities		**472**	(376)
(Decrease) increase in cash position [1]		**(306)**	101
Foreign currency translation		**(3)**	1
Beginning of period		**1,033**	1,088
End of period	10	**724**	1,190

(1) Cash position includes $13 million which is not available for general use by the Company (2022 - $15 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

- Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services);
- Canadian Utilities Limited, including:
  - Utilities (electricity and natural gas transmission and distribution, and international electricity operations);
  - Energy Infrastructure (energy storage, electricity generation, industrial water solutions, and clean fuels);
  - Retail Energy (electricity and natural gas retail sales, and whole-home solutions) (included in the Corporate & Other segment); and
- Neltume Ports (ports and transportation logistics).

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries. The statements also include the accounts of a proportionate share of the Company's investments in joint ventures and its investment in associate company. In these financial statements, "the Company" means ATCO Ltd., its subsidiaries, joint ventures and the associate company.

Principal operating subsidiaries are:

- Canadian Utilities Limited (52.8 per cent owned) and its subsidiaries; and
- ATCO Structures & Logistics and its subsidiaries.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company’s most recent annual consolidated financial statements, except for income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 26, 2023.

BASIS OF MEASUREMENT

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

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations, the timing of utility rate decisions, the timing and demand of natural gas storage capacity sold and changes in natural gas storage fees, the amount of sunlight or wind available to produce renewable energy and changes in market conditions for workforce housing and space rentals operations.

Certain comparative figures have been reclassified to conform to the current presentation.

3. SEGMENTED INFORMATION

Results by operating segment for the three months ended March 31 are shown below.

2023	**Structures**	**Neltume**	**Corporate**	**Canadian Utilities Limited**				**ATCO**
2022	**& Logistics**	**Ports**	**& Other**	**Utilities** (1)	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**	**Consolidated**
Revenues - external	**226**	**–**	**1**	**933**	**95**	**103**	**1,131**	**1,358**
	202	–	(1)	962	54	94	1,110	1,311
Revenues - intersegment	**–**	**–**	**–**	**–**	**36**	**(36)**	**–**	**–**
	–	–	–	2	27	(29)	–	–
Revenues	**226**	**–**	**1**	**933**	**131**	**67**	**1,131**	**1,358**
	202	–	(1)	964	81	65	1,110	1,311
Operating expenses (2)	**(179)**	**–**	**(1)**	**(414)**	**(99)**	**11**	**(502)**	**(682)**
	(160)	–	(1)	(416)	(71)	(81)	(568)	(729)
Depreciation and amortization	**(18)**	**–**	**(3)**	**(153)**	**(12)**	**(3)**	**(168)**	**(189)**
	(15)	–	(3)	(150)	(4)	(3)	(157)	(175)
Earnings from investment in associate company	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**5**
	–	4	–	–	–	–	–	4
Earnings from investment in joint ventures	**2**	**–**	**–**	**13**	**6**	**–**	**19**	**21**
	1	–	–	12	6	–	18	19
Net finance costs	**(3)**	**–**	**(3)**	**(90)**	**(6)**	**(1)**	**(97)**	**(103)**
	(1)	–	(4)	(94)	(2)	(1)	(97)	(102)
Earnings (loss) before income taxes	**28**	**5**	**(6)**	**289**	**20**	**74**	**383**	**410**
	27	4	(9)	316	10	(20)	306	328
Income tax (expense) recovery	**(6)**	**–**	**1**	**(65)**	**(3)**	**(19)**	**(87)**	**(92)**
	(7)	–	1	(78)	(2)	3	(77)	(83)
Earnings (loss) for the period	**22**	**5**	**(5)**	**224**	**17**	**55**	**296**	**318**
	20	4	(8)	238	8	(17)	229	245
Adjusted earnings (loss)	**22**	**5**	**(5)**	**120**	**8**	**(13)**	**115**	**137**
	20	4	(6)	124	4	(12)	116	134
Total assets (3)	**1,273**	**474**	**422**	**19,689**	**2,257**	**945**	**22,891**	**25,060**
	1,147	473	545	19,507	1,342	1,125	21,974	24,139
Capital expenditures (4)	**50**	**–**	**4**	**261**	**42**	**1**	**304**	**358**
	39	–	–	217	43	3	263	302

(1) *Includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in the Utilities are disclosed below.*

(2) *Includes total costs and expenses, excluding depreciation and amortization expense.*

(3) *2022 comparatives are at December 31, 2022.*

(4) *Includes additions to property, plant and equipment, intangibles and $6 million of interest capitalized during construction for the three months ended March 31, 2023 (2022 - $2 million).*

Results of the operating segments included in the Utilities for the three months ended March 31 are shown below.

2023	**Utilities**			
2022	**Electricity**	**Natural Gas**	**Intersegment Eliminations**	**Consolidated**
Revenues - external	**377**	**556**	**–**	**933**
	399	563	–	962
Revenues - intersegment	**1**	**1**	**(2)**	**–**
	2	1	(1)	2
Revenues	**378**	**557**	**(2)**	**933**
	401	564	(1)	964
Operating expenses (1)	**(136)**	**(280)**	**2**	**(414)**
	(155)	(262)	1	(416)
Depreciation and amortization	**(79)**	**(74)**	**–**	**(153)**
	(79)	(71)	–	(150)
Earnings from investment in joint ventures	**13**	**–**	**–**	**13**
	12	–	–	12
Net finance costs	**(55)**	**(35)**	**–**	**(90)**
	(57)	(37)	–	(94)
Earnings before income taxes	**121**	**168**	**–**	**289**
	122	194	–	316
Income tax expense	**(26)**	**(39)**	**–**	**(65)**
	(33)	(45)	–	(78)
Earnings for the period	**95**	**129**	**–**	**224**
	89	149	–	238
Adjusted earnings	**50**	**70**	**–**	**120**
	54	70	–	124
Total assets (2)	**10,744**	**8,945**	**–**	**19,689**
	10,644	8,865	(2)	19,507
Capital expenditures (3)	**145**	**116**	**–**	**261**
	121	96	–	217

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

(2) *2022 comparatives are at December 31, 2022*

(3) *Includes additions to property, plant and equipment, intangibles and $6 million of interest capitalized during construction for the three months ended March 31, 2023 (2022 - $2 million).*

ADJUSTED EARNINGS

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

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

Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited Utilities	Energy Infrastructure	Corporate & Other	Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**22**	**5**	**(5)**	**120**	**8**	**(13)**	**115**	**137**
	20	4	(6)	124	4	(12)	116	134
Transition of managed IT services	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	–	–	–	–	–
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**32**	**32**	**32**
	–	–	–	–	–	(6)	(6)	(6)
Rate-regulated activities	**–**	**–**	**–**	**5**	**–**	**–**	**5**	**5**
	–	–	–	19	–	–	19	19
IT Common Matters decision	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**	**(3)**
	–	–	–	(2)	–	–	(2)	(2)
AUC enforcement proceeding	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(14)	–	–	(14)	(14)
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(5)	–	–	(5)	(5)
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	3	–	–	3	3
Other	**–**	**–**	**–**	**–**	**–**	**1**	**1**	**1**
	–	–	(1)	–	–	–	–	(1)
Earnings (loss) attributable to Class I and Class II Shares	**22**	**5**	**(5)**	**117**	**8**	**20**	**145**	**167**
	20	4	(7)	125	4	(18)	111	128
Earnings attributable to non-controlling interests								**151**
								117
Earnings for the period								**318**
								245

The reconciliation of adjusted earnings and earnings for the operating segments included in the Utilities for the three months ended March 31 are shown below.

2023	**Utilities**		
2022	**Electricity**	**Natural Gas**	**Total**
Adjusted earnings	**50**	**70**	**120**
	54	70	124
Transition of managed IT services	**(1)**	**(4)**	**(5)**
	–	–	–
Rate-regulated activities	**3**	**2**	**5**
	7	12	19
IT Common Matters decision	**(2)**	**(1)**	**(3)**
	(1)	(1)	(2)
AUC enforcement proceeding	–	–	–
	(14)	–	(14)
Workplace COVID-19 vaccination standard	–	–	–
	(2)	(3)	(5)
Gain on sale of ownership interest in a subsidiary company	–	–	–
	3	–	3
Earnings attributable to Class I and Class II Shares	**50**	**67**	**117**
	47	78	125

Transition of managed IT services

In the three months ended March 31, 2023, the Company recognized additional legal and other costs of $5 million (after-tax and non-controlling interests (NCI)) related to the Wipro Ltd. master services agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the consolidated statements of earnings, provisions and other current liabilities in the consolidated balance sheets, and in changes in non-cash working capital in the consolidated statements of cash flows. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Unrealized gains and losses 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 fixed-price swap commodity contracts are recognized in the Corporate & Other segment.

The CODM believes that removal of the unrealized gains and losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

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

Rate-regulated activities

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

There is currently no specific guidance under IFRS 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
1. 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.
2. 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.
3. 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.
4. Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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

	2023	2022
Additional revenues billed in current period		
Future removal and site restoration costs (1)	**16**	16
Impact of colder temperatures (2)	**1**	–
Revenues to be billed in future periods		
Deferred income taxes (3)	**(19)**	(12)
Impact of warmer temperatures (2)	**–**	(3)
Impact of inflation on rate base (4)	**(5)**	(3)
Settlement of regulatory decisions and other items		
Distribution rate relief (5)	**3**	18
Other (6)	**9**	3
	5	19

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

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

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

(5) *In 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. This was approved by the AUC in 2021. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three months ended March 31, 2023, $3 million (after-tax and NCI) (2022 - $18 million (after-tax and NCI)) was billed to customers.*

(6) *For the three months ended March 31, 2023, ATCO Electric Distribution recorded an increase in earnings $8 million (after - tax and NCI) related to payments of electricity transmission costs.*

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 three months ended March 31, 2023 was $3 million (after-tax and NCI) (2022 - $2 million (after-tax and NCI)).

Alberta Utilities Commission (AUC) enforcement proceeding

For the three months ended March 31, 2022, the Company recognized costs of $14 million (after-tax and NCI) related to the AUC enforcement proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the three months ended March 31, 2022, the Company incurred $5 million (after-tax and NCI) related to amounts paid and accrued. As these costs were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Gain on sale of ownership interest in a subsidiary company

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and was a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction resulted in the Company and DII each having a 50 per cent ownership interest in NUE. The sale of ownership interest resulted in a gain on sale of $3 million (after-tax and NCI). As the gain on sale was not in the normal course of business, it was excluded from adjusted earnings.

4. REVENUES

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

2023 / 2022	Structures & Logistics	Utilities			Energy Infrastructure	Corporate & Other [2],[3]	Consolidated
		Electricity [1]	Natural Gas [1]	Total			
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**167**	**354**	**521**	**–**	**–**	**521**
	–	176	364	540	–	–	540
Transmission services	**–**	**167**	**87**	**254**	**–**	**–**	**254**
	–	184	87	271	–	–	271
Modular structures - services	**65**	**–**	**–**	**–**	**–**	**–**	**65**
	70	–	–	–	–	–	70
Logistics and facility operations and maintenance services	**22**	**–**	**–**	**–**	**–**	**–**	**22**
	26	–	–	–	–	–	26
Lodging and support	**36**	**–**	**–**	**–**	**–**	**–**	**36**
	25	–	–	–	–	–	25
Customer contributions	**–**	**9**	**5**	**14**	**–**	**–**	**14**
	–	8	6	14	–	–	14
Franchise fees	**–**	**10**	**98**	**108**	**–**	**–**	**108**
	–	10	101	111	–	–	111
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**99**	**99**
	–	–	–	–	–	89	89
Storage and industrial water	**–**	**–**	**–**	**–**	**19**	**–**	**19**
	–	–	–	–	11	–	11
Total rendering of services	**123**	**353**	**544**	**897**	**19**	**99**	**1,138**
	121	378	558	936	11	89	1,157
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**28**	**–**	**28**
	–	–	–	–	7	–	7
Commodity sales	**–**	**–**	**–**	**–**	**30**	**5**	**35**
	–	–	–	–	26	3	29
Modular structures - goods	**56**	**–**	**–**	**–**	**–**	**–**	**56**
	39	–	–	–	–	–	39
Total sale of goods	**56**	**–**	**–**	**–**	**58**	**5**	**119**
	39	–	–	–	33	3	75
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**3**	**–**	**3**
	–	–	–	–	4	–	4
Operating lease	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	41	–	–	–	–	–	41
Total lease income	**47**	**–**	**–**	**–**	**3**	**–**	**50**
	41	–	–	–	4	–	45
Other	**–**	**24**	**12**	**36**	**15**	**–**	**51**
	1	21	5	26	6	1	34
Total	**226**	**377**	**556**	**933**	**95**	**104**	**1,358**
	202	399	563	962	54	93	1,311

(1) For the three months ended March 31, 2023, Electricity and Natural Gas segments include $137 million of unbilled revenue (2022 - $134 million). At March 31, 2023, $137 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $134 million).

(2) For the three months ended March 31, 2023, Corporate & Other segment includes $45 million of unbilled revenue (2022 - $58 million) from retail electricity and natural gas energy services. At March 31, 2023, $45 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $58 million).

(3) Includes revenues from the Corporate & Other segment in Canadian Utilities and ATCO Ltd.

5. EARNINGS PER SHARE

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

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

	2023	2022
Average shares		
Weighted average shares outstanding	**113,624,269**	114,142,446
Effect of dilutive stock options	**43,780**	37,930
Effect of dilutive MTIP	**256,616**	246,044
Weighted average dilutive shares outstanding	**113,924,665**	114,426,420
Earnings for earnings per share calculation		
Earnings for the period	**318**	245
Non-controlling interests	**(151)**	(117)
Earnings attributable to Class I and Class II Shares	**167**	128
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$1.47**	$1.12
Diluted earnings per Class I and Class II Share	**$1.47**	$1.12

6. MARKETABLE SECURITIES

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

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three months ended March 31, 2023, unrealized gains of $1 million and realized gains of $1 million were recognized and included in other costs and expenses in the unaudited interim consolidated statements of earnings.

7. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Energy Infrastructure	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2022	22,292	613	1,075	770	854	929	26,533
Additions	**10**	–	**2**	**277**	**44**	**3**	**336**
Transfers	**146**	**1**	**2**	**(152)**	–	**3**	–
Retirements and disposals	**(23)**	–	–	**(1)**	**(9)**	**(6)**	**(39)**
Acquisition (*Note 12)*	–	**641**	–	**46**	–	–	**687**
Foreign exchange rate adjustment	**(13)**	**2**	**6**	–	**7**	–	**2**
Changes to asset retirement costs	–	**9**	–	–	–	–	**9**
March 31, 2023	**22,412**	**1,266**	**1,085**	**940**	**896**	**929**	**27,528**
Accumulated depreciation							
December 31, 2022	5,816	197	257	–	273	486	7,029
Depreciation	**126**	**10**	**6**	–	**13**	**14**	**169**
Retirements and disposals	**(21)**	–	–	–	**(4)**	**(6)**	**(31)**
Foreign exchange rate adjustment	**(3)**	**2**	–	–	**1**	–	–
March 31, 2023	**5,918**	**209**	**263**	–	**283**	**494**	**7,167**
Net book value							
December 31, 2022	16,476	416	818	770	581	443	19,504
March 31, 2023	**16,494**	**1,057**	**822**	**940**	**613**	**435**	**20,361**

The additions to property, plant and equipment included $4 million of interest capitalized during construction for the three months ended March 31, 2023 (2022 - $2 million).

PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., closed a transaction to transfer a 30 kilometre segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. This asset was previously recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets. The proceeds from sale are included in other investing activities in the unaudited interim consolidated statements of cash flows.

8. LONG-TERM DEBT

On January 3, 2023, Canadian Utilities Limited entered into an unsecured non-revolving credit facility consisting of two $355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects (see Note 12). The first and second $355 million tranches will mature on June 30, 2023 and July 3, 2024, respectively. Both tranches bear an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

9. CLASS I AND CLASS II SHARES

At March 31, 2023, there were 101,022,482 (December 31, 2022 - 101,369,144) Class I shares and 12,424,996 (December 31, 2022 - 12,543,434) Class II shares outstanding. In addition, there were 1,809,300 options to purchase Class I shares outstanding at March 31, 2023, under the Company's stock option plan (December 31, 2022 - 1,882,600).

DIVIDENDS

The Company declared and paid cash dividends of $0.4756 per Class I and Class II share during the three months ended March 31, 2023 (2022 - $0.4617). The Company's policy is to pay dividends quarterly on its Class I and Class II shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On April 13, 2023, the Company declared a second quarter dividend of $0.4756 per Class I and Class II share, payable on June 30, 2023 to share owners of record as of June 1, 2023.

NORMAL COURSE ISSUER BID

On March 13, 2023, ATCO Ltd. began a normal course issuer bid (NCIB) to purchase up to 1,014,881 outstanding Class I shares. The bid expires on March 12, 2024. The prior year NCIB to purchase up to 1,011,907 outstanding Class I shares began on March 9, 2022 and expired on March 8, 2023.

During the three months ended March 31, 2023, 558,600 Class I shares were purchased for $23 million, resulting in in a decrease to share capital of $1 million and a decrease to retained earnings of $22 million (2022 - nil Class l shares were purchased).

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the three months ended March 31 are summarized below.

	2023	2022
Depreciation and amortization	**189**	175
Earnings from investment in associate company	**(5)**	(4)
Dividends received from associate company	**–**	15
Earnings from investment in joint ventures	**(21)**	(19)
Dividends and distributions received from investment in joint ventures	**17**	3
Income tax expense	**92**	83
Unrealized (gains) losses on derivative financial instruments	**(79)**	15
Contributions by customers for extensions to plant	**56**	45
Amortization of customer contributions	**(14)**	(14)
Net finance costs	**103**	102
Income taxes paid	**(13)**	(18)
Other	**(11)**	13
	314	396

CASH POSITION

Cash position at March 31 is comprised of:

	2023	2022
Cash	**706**	1,173
Short-term investments	**5**	2
Restricted cash [(1)]	**13**	15
Cash and cash equivalents	**724**	1,190

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

11. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	March 31, 2023		December 31, 2022	
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Finance lease receivables	**146**	**173**	149	185
Long-term advances due from joint venture (1)	**33**	**31**	33	30
Financial Liabilities				
Long-term debt	**10,825**	**10,200**	10,087	9,099

(1) Long-term advances due from joint venture are recorded in other assets on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable Securities

At March 31, 2023, the Company's marketable securities measured at fair value include publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds (see Note 6).

Derivatives Financial Instruments

The Company's derivative instruments are measured at fair value. At March 31, 2023 and December 31, 2022, the following derivative instruments were outstanding:

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

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

	Level 2		Level 3		
	Subject to Hedge Accounting		Subject to Hedge Accounting (1)	Not Subject to Hedge Accounting (2)	
Recurring Measurements	**Interest Rate Swaps**	**Commodities (2)**	**Commodities**		**Total Fair Value of Derivatives**
March 31, 2023					
Financial Assets					
Prepaid expenses and other current assets	**5**	**125**	**–**	**14**	**144**
Other assets	**34**	**50**	**–**	**34**	**118**
Financial Liabilities					
Provisions and other current liabilities	**–**	**28**	**–**	**65**	**93**
Other liabilities	**10**	**16**	**9**	**3**	**38**
December 31, 2022					
Financial Assets					
Prepaid expenses and other current assets	7	184	–	4	195
Other assets	46	91	–	14	151
Financial Liabilities					
Provisions and other current liabilities	1	36	–	98	135
Other liabilities	2	15	18	21	56

(1) Derivative financial instruments related to renewable power purchase agreements in the Company's electricity generation business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value include electricity generation forecast volumes and extrapolated forward power prices.

(2) Derivative financial instruments related to customer contracts in the Company's retail electricity and natural gas business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value of derivatives include electricity and natural gas forecast consumption volumes.

A reconciliation of the Company's derivative financial instruments classified as Level 3 for three months ended March 31, 2023 is summarized as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2022 (1)	(18)	(101)	(119)
Settlement of derivative contracts	**–**	**12**	**12**
Gains recognized in earnings	**–**	**69**	**69**
Gains recognized in other comprehensive income	**9**	**–**	**9**
March 31, 2023 (1)	**(9)**	**(20)**	**(29)**

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

For the three months ended March 31, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(5)**	**–**	**(5)**	(3)	–	(3)
Fuel costs	**(4)**	**–**	**(4)**	8	–	8
Purchased power	**24**	**–**	**24**	5	–	5
Other costs and expenses	**4**	**(11)**	**(7)**	6	(7)	(1)
	19	**(11)**	**8**	16	(7)	9
Unrealized gains (losses)						
Other costs and expenses	**(1)**	**80**	**79**	(3)	(12)	(15)
Total	**18**	**69**	**87**	13	(19)	(6)

Notional and maturity summary

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

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	Interest Rate Swaps	Natural Gas (1)	Power (2)	Foreign Currency Forward Contracts	Natural Gas (1)	Power (2)	Foreign Currency Forward Contracts
March 31, 2023							
Purchases (3)	**–**	**33,477,000**	**4,350,025**	**–**	**–**	**–**	**–**
Sales (3)	**–**	**836,389**	**9,158,783**	**–**	**24,021,005**	**2,579,597**	**–**
Currency							
Canadian dollars	**442**	**–**	**–**	**–**	**–**	**–**	**–**
Australian dollars	**725**	**–**	**–**	**–**	**–**	**–**	**–**
Mexican pesos	**–**	**–**	**–**	**–**	**–**	**–**	**23**
U.S. dollars	**–**	**–**	**–**	**2**	**–**	**–**	**1**
Maturity	**2023-2045**	**2023-2026**	**2023-2038**	**2023**	**2023-2027**	**2023-2027**	**2023**
December 31, 2022							
Purchases (3)	–	35,272,100	4,234,062	–	–	–	–
Sales (3)	–	1,227,947	10,451,215	–	24,050,972	2,181,310	–
Currency							
Canadian dollars	443	–	–	–	–	–	–
Australian dollars	725	–	–	–	–	–	–
Mexican pesos	–	–	–	–	–	–	23
U.S. dollars	–	–	–	3	–	–	7
Maturity	2023-2045	2023-2026	2023-2038	2023	2023-2027	2023-2027	2023

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

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

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

12. BUSINESS COMBINATION

On January 3, 2023, ATCO Power (2010) Ltd., a wholly owned subsidiary of Canadian Utilities Limited, acquired from Suncor Energy Inc. a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was $713 million, which included cash acquired of $38 million. In addition, the Company has estimated a post closing working capital adjustment of $16 million that is expected to be paid during the second quarter of 2023. Identifiable assets acquired and liabilities assumed are $691 million.

The transaction was financed primarily by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 8). The acquisition was accounted for as a business acquisition and its results are included in the Energy Infrastructure operating segment.

The fair value calculation of the major classes of assets acquired and liabilities assumed is shown below.

Assets	
Accounts receivable and contract assets	**10**
Property, plant and equipment	**641**
Construction work-in-progress	**46**
Intangible assets	**61**
Other assets	**9**
Right-of-use assets	**3**
Goodwill	**145**
Total assets	**915**
Liabilities and non-controlling interest	
Accounts payable and accrued liabilities	**(37)**
Deferred income tax liabilities	**(150)**
Lease liabilities	**(3)**
Other liabilities	**(7)**
Non-controlling interest	**(27)**
Total liabilities and non-controlling interest	**(224)**
Total identifiable net assets acquired	**691**

From the date of acquisition, revenues of $27 million and earnings attributable to Class I and Class II shares of $5 million were included in the unaudited interim consolidated statements of earnings for the three months ended March 31, 2023. Transaction costs of $2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.