ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 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 six months ended June 30, 2023.

This MD&A was prepared as of July 26, 2023, and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2023. Additional information, including the Company's previous MD&As, Annual Information Form, and audited consolidated financial statements for the year ended December 31, 2022, is available on SEDAR+ at www.sedarplus.ca. Information contained in the MD&A for the year ended December 31, 2022 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 ASHCOR 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.

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	Three Months Ended June 30 2023	2022	Change	Six Months Ended June 30 2023	2022	Change
Key Financial Metrics						
Revenues	**1,104**	1,161	(57)	**2,462**	2,472	(10)
Adjusted earnings (loss) [(1)]	**87**	92	(5)	**224**	226	(2)
Structures & Logistics	**26**	19	7	**48**	39	9
Neltume Ports	**5**	4	1	**10**	8	2
ATCO Corporate & Other	**3**	(3)	6	**(2)**	(9)	7
Canadian Utilities Limited						
Utilities [(1)]	**62**	82	(20)	**182**	206	(24)
Energy Infrastructure	**5**	6	(1)	**13**	10	3
Canadian Utilities Corporate & Other	**(14)**	(16)	2	**(27)**	(28)	1
Adjusted earnings ($ per share)	**0.77**	0.81	(0.04)	**1.98**	1.98	—
Earnings attributable to Class I and Class II Shares	**79**	90	(11)	**246**	218	28
Earnings attributable to Class I and Class II Shares ($ per share)	**0.70**	0.79	(0.09)	**2.17**	1.91	0.26
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**0.70**	0.79	(0.09)	**2.17**	1.91	0.26
Total assets	**24,789**	23,423	1,366	**24,789**	23,423	1,366
Long-term debt	**10,716**	9,962	754	**10,716**	9,962	754
Class I and Class II Share owners' equity	**4,439**	4,283	156	**4,439**	4,283	156
Cash dividends declared per Class I and Class II Share (cents per share)	**47.56**	46.17	1.39	**95.12**	92.34	2.78
Cash flows from operating activities	**391**	592	(201)	**945**	1,280	(335)
Capital investment [(2)]	**407**	361	46	**1,457**	665	792
Capital expenditures	**403**	358	45	**761**	660	101
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**113,227**	114,144	(917)	**113,425**	114,143	(718)
Diluted	**113,410**	114,470	(1,060)	**113,666**	114,449	(783)

(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 second quarter of 2023 were $1,104 million, $57 million lower than the same period in 2022. Lower revenues were mainly due to 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. Lower revenues were also due to ATCO Structures' Bechtel Pluto Train II project reaching substantial completion and lower workforce housing trade activity in the US, Mexico, and Chile. Lower revenues were partially offset by higher space rentals activity across all geographies in ATCO Structures, additional revenue from the acquisition of Triple M Housing Ltd. (Triple M Housing) in December 2022, and revenues from Energy Infrastructure's Forty Mile and Adelaide wind assets acquired in January 2023.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the second quarter of 2023 were $87 million or $0.77 per share, compared to $92 million or $0.81 per share for the same period in 2022.

Lower adjusted earnings in the second quarter of 2023 were 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, the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, and ATCO Structures' lower workforce housing trade sale activity in the US.

Lower adjusted earnings were partially offset by increased space rentals activity in most geographies for ATCO Structures, and earnings from Triple M Housing acquired in December 2022.

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 $79 million in the second quarter of 2023, $11 million lower 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.

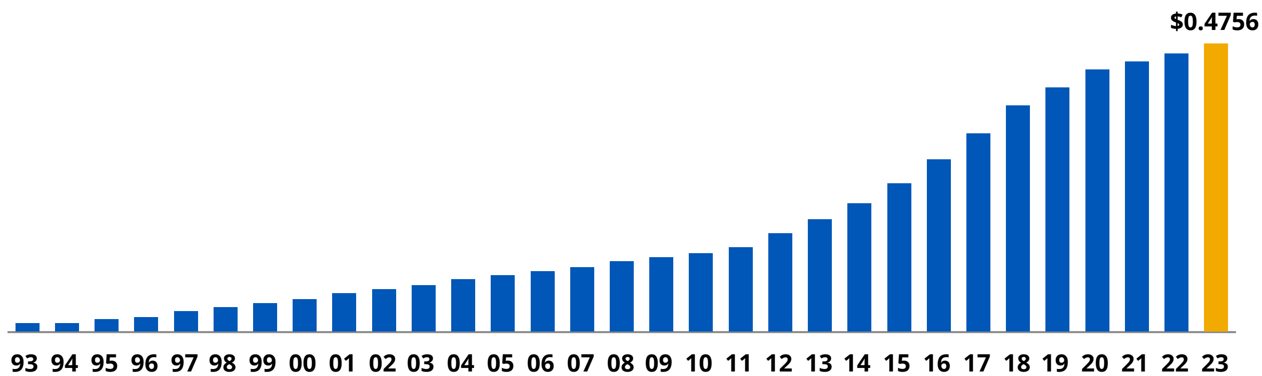
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $391 million in the second quarter of 2023, $201 million lower than the same period in 2022. These decreases were mainly due to lower cash flows from the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses, and the timing of payables.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II Share owners totaled $53 million in the second quarter of 2023. On July 13, 2023, the Board of Directors declared a third 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)

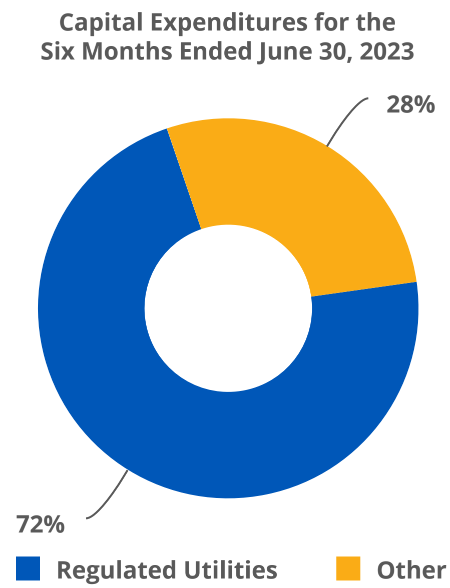


[1] *Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.*

CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Total capital investment of $407 million and $1,457 million in the second quarter and first six months of 2023 were $46 million and $792 million higher compared to the same periods in 2022 mainly due to the first quarter 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 $403 million and $761 million in the second quarter and first six months of 2023 were $45 million and $101 million higher compared to the same periods in 2022 mainly due to the factors outlined above with the exception of the first quarter 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 72 per cent of the total in the first six months of 2023. The remaining 28 per cent was primarily 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 $222 million in the second quarter of 2023 were $5 million lower than the same period in 2022 mainly due to ATCO Structures' Bechtel Pluto Train II project reaching substantial completion, lower workforce housing trade activity in the US, Mexico, and Chile, and the closure of ATCO Frontec-operated camps including the Trans Mountain Clearwater and Valemount camps. This was partially offset by increased space rentals activity, additional revenue from Triple M Housing acquired in December 2022, increased workforce housing trade sale activity in Australia and Canada, and higher occupancy for ATCO Frontec-operated camps.

Structures & Logistics revenues of $448 million in the first six months of 2023 were $19 million higher than the same period in 2022 mainly due to increased space rentals activity across all geographies, additional revenue from Triple M Housing acquired in December 2022, and higher occupancy for ATCO Frontec-operated camps. Higher revenues were partially offset by lower workforce housing trade sale activity and lower project revenues due to the substantial completion of ATCO Structures' Bechtel Pluto Train II project and closure of ATCO Frontec-operated camps.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
ATCO Structures (1) (2)	**26**	16	10	**45**	32	13
ATCO Frontec (1) (2)	**—**	3	(3)	**3**	7	(4)
Total Structures & Logistics (2)	**26**	19	7	**48**	39	9

(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 $26 million and $48 million in the second quarter and first six months of 2023 were $7 million and $9 million higher than the same periods in 2022. Higher adjusted earnings were mainly due to strong business performance driven by increased space rentals activity in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022, and earnings from ATCO Frontec's North Warning System contract. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, ATCO Frontec's prior year earnings from the UK Training Camp Exercise project conducted in the second quarter of 2022, and higher operating costs on ATCO Frontec's Pogo Mine project.

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 single- and multi-family homes.

ATCO Structures adjusted earnings of $26 million and $45 million in the second quarter and first six months of 2023 were $10 million and $13 million higher than the same periods in 2022 mainly due to strong business performance driven by increased space rentals activity in most geographies and additional earnings from Triple M Housing. Earnings were partially offset by lower workforce housing trade sale activity in the US.

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

	Three Months Ended June 30			Six Months Ended June 30		
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
Global Space Rentals						
Number of units	**23,602**	20,937	13%	**23,602**	20,937	13%
Average utilization *(%)*	**75**	79	(4%)	**75**	80	(5%)
Average rental rate *($ per month)*	**718**	628	14%	**705**	604	17%
Global Workforce Housing						
Number of units	**2,753**	2,792	(1%)	**2,753**	2,792	(1%)
Average utilization *(%)*	**73**	68	5%	**73**	72	1%
Average rental rate *($ per month)*	**1,880**	1,866	1%	**1,925**	1,950	(1%)

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 peak activity in the second and third quarters. Utilization has also been impacted by the strategic fleet expansion due to the timing of placing fleet additions on rent.

Workforce Housing

ATCO Structures decreased the size of the workforce housing fleet by selling used and under-utilized fleet assets in Canada, Australia, and the US. Improved utilization in 2023 is the result of lower prior year utilization, particularly in the second quarter of 2022 due to the demobilization of the Plumas County Basecamp for the California Department of General Services and the completion of a sale in Australia for a camp that was previously on rent. During the second quarter of 2023, the rental term concluded for Trans Mountain Expansion Project's (TMEP) 550-person camp in Valemount, BC. Valemount is the second of three TMEP camps to come off rent following the Clearwater camp in the first quarter. The final camp concludes its rental term during the third quarter. The utilization impact was mitigated by redeployment of assets previously on rent for TMEP to other projects.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Alberta Wildfire Relief

ATCO Structures was awarded a rental contract for the rapid response deployment of a 375-person camp to support the recovery of the Dene Tha' First Nation, who were impacted by the recent wildfires in Alberta. Units are expected to be fully deployed by the third quarter of 2023.

Quebec Hospital Complex

ATCO Structures executed a contract for the sale and installation of a 42-unit modular hospital complex in Quebec. The complex was previously on a long-term rental contract, which concluded earlier in the year. Dismantling of the complex has commenced, and installation in the new location is scheduled to be completed in the fourth quarter of 2023.

United States

Integrated Modular Solutions (IMS)

ATCO Structures was previously awarded a rental contract for 63 units to accommodate personnel for Florida state prisons. In the second quarter of 2023, the contract term was extended for an additional four-month period, and is now expected to conclude in the fourth quarter of 2023.

TIC (Kiewit)

ATCO Structures was previously awarded a rental contract for 116 units to support a new chemical plant construction project in Orange, Texas. During the quarter, ATCO Structures was awarded a rental contract for an additional 31 units for a 36-month rental term. The units are scheduled to be installed in the third quarter of 2023.

Australia

CSI Mining Services

ATCO Structures was awarded a contract from CSI Mining Services for the supply of buildings for Mineral Resources' Onslow Iron Ore project located in the Pilbara region in Western Australia. Manufacturing commenced during the second quarter with completion anticipated in six separate phases during the third and fourth quarters of 2023.

Pilbara Mining Project

ATCO Structures was awarded a supply contract for buildings to service a mining project in the Pilbara region in Western Australia. Manufacturing is scheduled to commence in the third quarter of 2023 with final delivery anticipated in the fourth quarter of 2023.

Bechtel Pluto Train II

ATCO Structures reached substantial completion on the 2,200-person accommodation village with handover of all remaining accommodations and facilities for the stage four milestone and associated siteworks. The final handover was completed approximately four months ahead of the original project schedule.

The supplemental parallel modular facility also reached substantial completion during the second quarter of 2023 in line with the original project schedule.

Both scopes of the project were fully demobilized during the quarter.

Bechtel Pluto Train II, near Karratha, Western Australia

Central America

Universidad de Santiago de Chile (USACH)

ATCO Sabinco was awarded its first significant education sector contract to manufacture, install and rent units to USACH. The contract includes 58 space rental units in a classroom and restroom configuration. The initial rental term is one-year with the possibility of extension.

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 in the second quarter and first six months of 2023 were $3 million and $4 million lower than the same periods in 2022 mainly due to prior year earnings from the UK Training Camp Exercise project conducted in the second quarter of 2022, the closed Trans Mountain Clearwater and Valemount camps, and higher operating costs on ATCO Frontec's Pogo Mine project. Lower earnings were partially offset by earnings from the North Warning System contract.

ATCO FRONTEC RECENT DEVELOPMENTS

Trans Mountain Valemount Camp

In May 2023, the TMEP camp located in Valemount, BC, was closed as the TMEP moves towards completion. The 600-person camp is an ATCO Frontec joint venture with Simpcw First Nation and commenced operations in July 2020 with an average occupancy of 315 rooms per day.

Fire Relief Camps

ATCO Frontec, in partnership with ATCO Structures, launched two fire relief camps in British Columbia and Alberta. In June 2023, ATCO Frontec re-mobilized the Valemount Lodge in BC and made it available for displaced people. This camp was previously operated by ATCO for the Trans Mountain Expansion Project. Also in June 2023, ATCO Frontec entered into a contract with Dene Tha' First Nation to provide camp services in High Level, Alberta, until December 2023. The Phase 1 construction camp of 100 rooms opened in June 2023, with the Phase 2 350-room camp opening in July 2023.

Neltume Ports is a port operator and developer with a diversified portfolio of 18 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 June 30			Six Months Ended June 30		
($ millions)	2023	2022	Change	2023	2022	Change
Neltume Ports (1)	**5**	4	1	**10**	8	2

(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 and $10 million in the second quarter and first six months of 2023 were $1 million and $2 million higher than the same periods in 2022 mainly due to favourable foreign exchange rates, and increased ownership at Puerto Angamos and Terminal Graneles del Norte.

RECENT DEVELOPMENTS

Port of Vancouver, Washington

On April 25, 2023, Neltume Ports and its partner Nautilus entered into a contract with the Port Authority of Vancouver in Washington to operate Terminal 2 within the port for a 30-year term. The contract allows for the opportunity to renew the contract for two additional terms of 10-years each. The Port of Vancouver is strategically located on the US Pacific coast for export of mineral and other bulk material.

Puerto Angamos and Terminal Graneles del Norte Ownership Increase

On May 30, 2023, Neltume Ports acquired an additional ten per cent ownership in Puerto Angamos and Terminal Graneles del Norte, raising Neltume's equity ownership in each port from 40 per cent to 50 per cent.

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. 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 June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
ATCO Corporate & Other (1)	**3**	(3)	6	**(2)**	(9)	7

(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 second quarter and first six months of 2023 were $6 million and $7 million higher compared to the same periods in 2022 mainly due to the timing of certain expenses and increased earnings from Ashcor.

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 $730 million and $1,663 million in the second quarter and first six months of 2023 were $67 million and $98 million lower compared to the same periods 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, Electricity Transmission revenues were lower due to the approved negotiated settlement agreement which reflects ceased collection and a refund of previously collected federal deferred income taxes. These actions do not significantly impact adjusted earnings, however, they 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 higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity						
Electricity Distribution [1]	**15**	21	(6)	**35**	46	(11)
Electricity Transmission [1]	**19**	23	(4)	**43**	46	(3)
International Electricity Operations [1]	**5**	5	—	**11**	11	—
Total Electricity	**39**	49	(10)	**89**	103	(14)
Natural Gas						
Natural Gas Distribution [1]	**—**	7	(7)	**47**	59	(12)
Natural Gas Transmission [1]	**12**	12	—	**25**	24	1
International Natural Gas Distribution [1]	**11**	14	(3)	**21**	20	1
Total Natural Gas	**23**	33	(10)	**93**	103	(10)
Total Utilities [2]	**62**	82	(20)	**182**	206	(24)

(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 $62 million and $182 million in the second quarter and first six months of 2023 were $20 million and $24 million lower than the same periods 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. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, partially offset by increased system volumes. In the first six months of 2023, lower earnings were also partially offset by growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution.

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

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in Northern and Central East Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan.

Electricity Distribution adjusted earnings of $15 million and $35 million in the second quarter and first six months of 2023 were $6 million and $11 million lower than the same periods 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 $19 million and $43 million in the second quarter and first six months of 2023 were $4 million and $3 million lower compared to the same periods in 2022 mainly due to the second quarter decision received from the AUC on the 2018-2021 Deferral Application which denied recovery of forgone return related to certain cancelled projects.

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 (PREPA).

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. 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 $5 million and $11 million in the second quarter and first six months of 2023 were comparable to the same periods 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 in the second quarter and first six months of 2023 were $7 million and $12 million lower than the same periods 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 the first six months of 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 $12 million in the second quarter of 2023 were comparable to the same period in 2022.

Natural Gas Transmission adjusted earnings of $25 million in the first six months of 2023 were $1 million higher compared to 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 $11 million in the second quarter of 2023 were $3 million lower than the same period in 2022 mainly due to the impact of inflation indexing on rate base in 2022, partially offset by increased system volumes.

International Natural Gas Distribution adjusted earnings of $21 million in the first six months of 2023 were $1 million higher than the same period in 2022 mainly due to increased system volumes.

In the second quarter of 2022, Australia inflation indexing reflected a full year inflation assumption of 6 per cent (3 per cent in the first quarter of 2022) 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

COMMON MATTERS

Performance Based Regulation Reopeners

On June 30, 2023, the AUC initiated a proceeding for Electricity Distribution and Natural Gas Distribution as the reopener clause was triggered by both utilities in 2022, the final year of the second generation PBR term. The PBR reopener thresholds are triggered if a utility's earnings are +/- 500 basis points from the approved Return on Equity (ROE) in one year or +/- 300 basis points from the approved ROE in two consecutive years. In this proceeding, the AUC will determine whether a reopener and any adjustment of Electricity Distribution and Natural Gas Distribution's 2018 to 2022 plans are required.

Similar to the first generation of PBR, the increase in earnings in the second generation of PBR was a direct result of management's response to the incentive to implement efficiency improvements and not due to a flaw in the PBR framework. Therefore, we do not anticipate any adjustment as a result of this proceeding.

ELECTRICITY TRANSMISSION

ATCO Electric Transmission 2018-2021 Deferral Application

On April 26, 2023, the AUC issued a decision regarding ATCO Electric's 2018–2021 Deferral Application for the disposal of its 2018–2021 transmission deferral accounts and annual filing adjustment balances. While the decision received from the AUC denied recovery of forgone return related to certain cancelled projects and some capital additions, it approved the majority of additions to rate base.

ATCO Electric Transmission 2023-2025 GTA

On May 19, 2022, ATCO Electric Transmission filed a GTA for its operations for 2023, 2024, and 2025. A comprehensive negotiated settlement was reached in December 2022 with all of the participating interveners and an application was filed with the AUC in January 2023. On May 5, 2023, the AUC approved the negotiated settlement agreement in its entirety. Certain items were excluded from the negotiated settlement, including a request to recover a one-time depreciation adjustment related to the Jasper Palisades plant. The AUC denied this recovery which resulted in an impairment of the asset.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $70 million in the second quarter of 2023 were comparable to the same period in 2022.

Energy Infrastructure revenues of $201 million in the first six months 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 June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity Generation (1) (2)	**2**	2	—	**6**	3	3
Storage & Industrial Water (1) (2)	**3**	4	(1)	**7**	7	—
Total Energy Infrastructure (2)	**5**	6	(1)	**13**	10	3

(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 $5 million in the second quarter of 2023 were $1 million lower than the same period in 2022 mainly due to the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, the timing of project development costs, and lower demand of natural gas storage services, partially offset by earnings from the Forty Mile and Adelaide wind assets acquired in January 2023.

Energy Infrastructure adjusted earnings of $13 million in the first six months of 2023 were $3 million higher than the same period in 2022 mainly due to earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, and the timing of project development costs.

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

Electricity Generation

Non-regulated electricity activities 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 $2 million in the second quarter of 2023 were comparable to the same period in 2022.

Electricity Generation adjusted earnings of $6 million in the first six months 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 the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, and the timing of project development costs.

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 $3 million in the second quarter of 2023 were $1 million lower compared to the same period in 2022 mainly due to lower demand of natural gas storage services.

Storage & Industrial Water adjusted earnings of $7 million in the first six months of 2023 were comparable to the same period in 2022.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Calgary Solar Development Projects

In June 2023, the Barlow solar project achieved full commercial operations. The Deerfoot solar project is expected to commence energization in the third quarter of 2023, with full commercial operations expected in the fourth quarter of 2023. Once fully operational, the Barlow and Deerfoot solar projects will be the largest solar installations in a major urban centre in Western Canada.

Barlow solar site, Calgary, Alberta, Canada

SUBSEQUENT EVENT

Heartland Hydrogen Hub Project

We remain committed to our Hydrogen project within Alberta's Industrial Heartland and continue to move development of the project forward. The project has significant potential to supply hydrogen to domestic and international markets, including the Alberta gas grid, industrial, municipal, and commercial transport users.

We continue to work with supportive Federal and Provincial governments to establish policy and frameworks that facilitate investment in the Canadian hydrogen economy.

Subsequent to quarter-end, Suncor Energy provided notice of its intention to withdraw from the hydrogen production facility project. This has not changed our commitment to the project. We continue to work with other parties to further the development and commercial success of this project. Our expectation of a 2024 final investment decision remains unchanged.

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 June 30			Six Months Ended June 30	
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Canadian Utilities Corporate & Other (1)	**(14)**	(16)	2	**(27)**	(28)	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 second quarter and first six months of 2023 were $2 million and $1 million higher than the same periods in 2022 mainly due to the timing of certain expenses.

RECENT DEVELOPMENTS

Branding Initiative

We are in the process of launching two new brands. ATCO Energy Systems will be the new global brand for our gas and electrical utility services business. ATCO EnPower will be the new global brand for our non-regulated energy business, including renewables, clean fuels, and energy storage. These brands are expected to be fully launched and integrated into our marketing and communications as the year progresses.

The branding does not impact our reporting segments within our external documents in this quarter.

Executive Appointments

As the organization continues to look to the future, we are pleased to announce the following executive appointments, effective July 1, 2023:

- Wayne Stensby as Chief Operating Officer of ATCO Energy Systems, the newly branded gas and electrical utility services business which also oversees our interests in LUMA Energy; and
- Bob Myles as Chief Operating Officer of ATCO EnPower, the newly branded non-regulated energy business, including renewables, clean fuel, and energy storage.

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, published in April 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 are available 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.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the second quarter and first six months 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 June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Operating costs	**645**	687	(42)	**1,327**	1,416	(89)
Depreciation, amortization and impairment	**198**	174	24	**387**	349	38
Earnings from investment in associate company	**5**	4	1	**10**	8	2
Earnings from investment in joint ventures	**16**	16	—	**37**	35	2
Net finance costs	**107**	97	10	**210**	199	11
Income tax expense	**34**	52	(18)	**126**	135	(9)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by $42 million in the second 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 and lower energy costs in ATCO Energy, decreased material costs at ATCO Structures due to the Bechtel Pluto Train II project reaching substantial completion, and lower franchise fees within the Natural Gas Distribution business. Lower operating costs were partially offset by increased plant and equipment maintenance, technology costs, and increased flow-through costs.

Operating costs decreased by $89 million in the first six months of 2023 compared to the same period in 2022 mainly due to the factors outlined above, in addition to 2022 costs incurred 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.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $24 million and $38 million in the second quarter and first six months of 2023 compared to the same periods in 2022 mainly due to the acquisition of the Forty Mile and Adelaide wind assets acquired in January 2023 in Canadian Utilities' Energy Infrastructure business, a $4 million impairment of certain electricity generation assets that had been removed from service and determined to have no remaining value in Electricity Transmission, 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 18 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 second quarter and first six months of 2023 were $1 million and $2 million higher than the same periods in 2022 mainly due to favourable foreign exchange rates, and increased ownership at Puerto Angamos and Terminal Graneles del Norte.

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 Ltd. (NUE) 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 second quarter of 2023 were comparable to the same period in 2022.

Earnings from investment in joint ventures increased by $2 million in the first six months of 2023 compared to 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 increased by $10 million and $11 million in the second quarter and first six months of 2023 compared to the same periods in 2022 mainly due to higher interest expense as a result of external financing related to the acquisition of the renewable energy portfolio, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $18 million in the second quarter of 2023 compared to the same period in 2022 mainly due to lower IFRS earnings before income taxes, which is primarily driven by lower revenues.

Income taxes were lower by $9 million in the first six months of 2023 compared to the same period in 2022 mainly due to prior year non-deductible items, partially offset by higher IFRS earnings before income taxes primarily driven by higher unrealized and realized gains on derivative financial instruments.

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 credit ratings assigned to ATCO Ltd., Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd at June 30, 2023.

	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.

At our request, on July 12, 2023, S&P Global Ratings withdrew its 'BBB+' long-term issuer credit ratings and all related debt issue ratings on ATCO Ltd. and Canadian Utilities Limited, and its 'A-' issuer credit rating and all related debt issue ratings on CU Inc. At the time of the withdrawal, S&P confirmed issuer credit ratings and the stable outlook on all ratings. S&P will continue to rate ATCO Gas Australia on a standalone basis as an insulated subsidiary. Going forward, Fitch and DBRS will continue to rate ATCO, Canadian Utilities and CU Inc.

LINES OF CREDIT

At June 30, 2023, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,361**	1,359	2,002
Uncommitted	**628**	217	411
Total	**3,989**	1,576	2,413

Of the $3,989 million in total lines of credit, $628 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,361 million in credit lines was committed with maturities between 2024 and 2026, and may be extended at the option of the lenders.

Of the $1,576 million in lines of credit used, $627 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, the issuance of Canadian Utilities' letters of credit, and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.

CONSOLIDATED CASH FLOW

At June 30, 2023, the Company's cash position was $395 million, a decrease of $638 million compared to December 31, 2022 mainly due to cash used to fund the capital investment program including the acquisition of renewable energy assets in January 2023, investments in marketable securities, dividends paid, payments of debt and interest, partially offset by Canadian Utilities' first and second quarter debt issuances, and cash flows from operating activities achieved during the first six months of 2023.

Cash Flows from Operating Activities

Cash flows from operating activities were $391 million and $945 million in the second quarter and first six months of 2023, $201 million and $335 million lower than the same periods in 2022. These decreases were mainly due to lower cash flows from the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses, and the timing of payables.

Cash Used for Capital Investment [1] and Capital Expenditures

Total capital investment of $407 million and $1,457 million in the second quarter and first six months of 2023 were $46 million and $792 million higher compared to the same periods in 2022 mainly due to the first quarter 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 $403 million and $761 million in the second quarter and first six months of 2023 were $45 million and $101 million higher compared to the same periods in 2022 mainly due to the factors outlined above with the exception of the first quarter 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 second quarter and first six months of 2023 and 2022 are shown in the following table.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	2023	2022	Change	2023	2022	Change
Structures & Logistics	**62**	62	—	**112**	101	11
ATCO Corporate & Other	**9**	2	7	**13**	2	11
	71	64	7	**125**	103	22
Canadian Utilities						
Utilities						
Electricity	**149**	110	39	**294**	231	63
Natural Gas	**137**	133	4	**253**	229	24
	286	243	43	**547**	460	87
Energy Infrastructure	**41**	49	(8)	**83**	92	(9)
CU Corporate & Other	**5**	2	3	**6**	5	1
Canadian Utilities Total Capital Expenditures (1) (2)	**332**	294	38	**636**	557	79
ATCO Total Capital Expenditures	**403**	358	45	**761**	660	101
Capital Expenditures in Joint Ventures						
Utilities						
Electricity	**1**	1	—	**2**	2	—
Energy Infrastructure	**3**	2	1	**3**	3	—
Business Combinations						
Energy Infrastructure	**—**	—	—	**691**	—	691
Canadian Utilities Total Capital Investment (3)	**336**	297	39	**1,332**	562	770
ATCO Total Capital Investment (3)	**407**	361	46	**1,457**	665	792

(1) Includes additions to property, plant and equipment, intangibles and $5 million and $11 million (2022 - $3 million and $5 million) of capitalized interest during construction for the second quarter and first six months of 2023.

(2) Includes $24 million and $80 million for the second quarter and first six months of 2023 (2022 - $63 million and $108 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 and six months ended June 30, 2023, realized gains of $2 million and $3 million, respectively, were recognized in interest income, and unrealized losses of $4 million and $3 million, respectively, were recognized 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 $53 million in the second quarter of 2023.

On July 13, 2023, the Board of Directors declared a third 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.

Debt Issuance

On June 30, 2023, Canadian Utilities issued $268 million additional long-term debt from an existing unsecured extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2024, and bears an interest rate at Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

Other Debt Issuance

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities, entered into a limited recourse term loan of $90 million with a bank lender. The loan is secured by the assets of the borrower. The loan amortizes quarterly until final maturity on December 31, 2034, and bears interest at CDOR plus an applicable margin. To mitigate the variable interest rate risk, Canadian Utilities entered into an interest rate swap agreement to fix the interest rate at 4.88 per cent, including the applicable margin.

Debt Repayments

On May 1, 2023, Canadian Utilities' subsidiary, CU Inc. repaid $100 million of 9.4 per cent debentures upon maturity.

On June 30, 2023, the first $355 million tranche of the unsecured non-revolving credit facility entered into by Canadian Utilities in January 2023 was repaid. The second $355 million tranche will mature on July 3, 2024 and bears interest at CDOR plus an applicable margin.

Future Financing Alternatives

Significant opportunities for growth continue to be expected in connection with the energy transition, including existing and new opportunities within both ATCO Energy Systems and ATCO EnPower. To support this potential growth, Canadian Utilities intends to explore various financing alternatives including the possibility of creating ATCO EnPower as a separate entity.

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 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 July 25, 2023, 558,600 Class I shares were purchased for $23 million.

Mid-Term Incentive Plan (MTIP)

In May 2023, the Company sold all of the 259,590 Class I shares that were held in trust for the MTIP for proceeds of $11 million.

SHARE CAPITAL

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

At July 25, 2023, we had outstanding 100,933,882 Class I Shares, 12,424,996 Class II Shares, and options to purchase 1,804,400 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, 8,378,600 Class I Shares were available for issuance at June 30, 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 September 30, 2021 through June 30, 2023.

($ millions, except for per share data)	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Revenues	1,158	1,348	1,358	**1,104**
Earnings attributable to Class I and Class II Shares	71	81	167	**79**
Earnings per Class I and Class II Share *($)*	0.62	0.72	1.47	**0.70**
Diluted earnings per Class I and Class II Share *($)*	0.62	0.71	1.47	**0.70**
Adjusted earnings per Class I and Class II Share *($)*	0.76	0.97	1.21	**0.77**
Adjusted earnings (loss)				
Structures & Logistics	18	4	22	**26**
Neltume Ports	4	2	5	**5**
ATCO Corporate & Other	1	8	(5)	**3**
Canadian Utilities				
Utilities (1)	73	100	120	**62**
Energy Infrastructure	6	3	8	**5**
Canadian Utilities Corporate & Other	(15)	(7)	(13)	**(14)**
Total adjusted earnings (1)	87	110	137	**87**

($ millions, except for per share data)	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Revenues	977	1,270	1,311	1,161
Earnings attributable to Class I and Class II Shares	52	99	128	90
Earnings per Class I and Class II Share *($)*	0.46	0.87	1.12	0.79
Diluted earnings per Class I and Class II Share *($)*	0.46	0.87	1.12	0.79
Adjusted earnings per Class I and Class II Share *($)*	0.60	1.01	1.17	0.81
Adjusted earnings (loss)				
Structures & Logistics	16	5	20	19
Neltume Ports	4	3	4	4
ATCO Corporate & Other	1	5	(6)	(3)
Canadian Utilities				
Utilities (1)	56	109	124	82
Energy Infrastructure	4	2	4	6
Canadian Utilities Corporate & Other	(12)	(10)	(12)	(16)
Total adjusted earnings (1)	69	114	134	92

(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 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 Housing 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.

Adjusted earnings in the second quarter of 2023 were 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, the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, and ATCO Structures' lower workforce housing trade sale activity in the US. Lower adjusted earnings were partially offset by increased space rentals activity in most geographies for ATCO Structures, and earnings from Triple M Housing acquired in December 2022.

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.
- 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.
- 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.
- 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 the first quarter of 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.
- On March 31, 2022, the Company and Denendeh Investments Incorporated (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.

- 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.
- In the second quarter of 2023, the Company recognized an impairment of $4 million (after-tax and non-controlling interests) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

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 June 30**

2023 / 2022	ATCO Ltd.							
				Canadian Utilities Limited				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Revenues	**222**	**—**	**3**	**730**	**70**	**79**	**879**	**1,104**
	227	—	1	797	70	66	933	1,161
Adjusted earnings (loss)	**26**	**5**	**3**	**62**	**5**	**(14)**	**53**	**87**
	19	4	(3)	82	6	(16)	72	92
Impairment	**—**	**—**	**—**	**(4)**	**—**	**—**	**(4)**	**(4)**
	—	—	—	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**3**	**3**	**3**
	—	—	—	—	—	(12)	(12)	(12)
Rate-regulated activities	**—**	**—**	**—**	**(6)**	**—**	**2**	**(4)**	**(4)**
	—	—	—	12	—	—	12	12
IT Common Matters decision	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(2)	—	—	(2)	(2)
Other	**—**	**—**	**—**	**—**	**—**	**(1)**	**(1)**	**(1)**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**26**	**5**	**3**	**50**	**5**	**(10)**	**45**	**79**
	19	4	(3)	92	6	(28)	70	90

($ millions) | Six Months Ended June 30

2023 / 2022	ATCO Ltd.							
				Canadian Utilities				ATCO Consolidated
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	**448**	**—**	**4**	**1,663**	**201**	**146**	**2,010**	**2,462**
	429	—	—	1,761	151	131	2,043	2,472
Adjusted earnings (loss)	**48**	**10**	**(2)**	**182**	**13**	**(27)**	**168**	**224**
	39	8	(9)	206	10	(28)	188	226
Impairment	**—**	**—**	**—**	**(4)**	**—**	**—**	**(4)**	**(4)**
	—	—	—	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**35**	**35**	**35**
	—	—	—	—	—	(18)	(18)	(18)
Rate-regulated activities	**—**	**—**	**—**	**(1)**	**—**	**2**	**1**	**1**
	—	—	—	31	—	—	31	31
IT Common Matters decision	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	(4)	—	—	(4)	(4)
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)
Earnings (loss) attributable to Class I and Class II Shares	**48**	**10**	**(2)**	**167**	**13**	**10**	**190**	**246**
	39	8	(10)	217	10	(46)	181	218

IMPAIRMENT

In the second quarter of 2023, the Company recognized an impairment of $4 million (after-tax and non-controlling interest) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

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 and six months ended June 30, 2023, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [(1)]	**19**	18	1	**35**	34	1
Impact of colder temperatures [(2)]	**—**	2	(2)	**—**	—	—
Revenues to be billed in future periods						
Deferred income taxes [(3)]	**(20)**	(13)	(7)	**(39)**	(25)	(14)
Impact of warmer temperatures [(2)]	**(5)**	—	(5)	**(4)**	(1)	(3)
Impact of inflation on rate base [(4)]	**(6)**	(8)	2	**(11)**	(11)	—
Settlement of regulatory decisions and other items						
Distribution rate relief [(5)]	**2**	17	(15)	**5**	35	(30)
Other [(6)]	**6**	(4)	10	**15**	(1)	16
	(4)	12	(16)	**1**	31	(30)

(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 periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related asset.

(5) In 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 three and six months ended June 30, 2023, $2 million and $5 million (after-tax and non-controlling interests) (2022 - $17 million and $35 million (after-tax and non-controlling interests)) was billed to customers.

(6) In the three and six months ended June 30, 2023, Electricity Distribution recorded an increase in earnings of $5 million and $13 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 and six months ended June 30, 2023 was $2 million and $5 million (after-tax and non-controlling interests) (2022 - $2 million and $4 million (after-tax and non-controlling interests)).

TRANSITION OF MANAGED IT SERVICES

In the six months ended June 30, 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 the first quarter of 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 tables reconcile 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 June 30

2023 / 2022	Canadian Utilities Limited								
	Electricity				Natural Gas				**Utilities**
	Electricity Distribution	**Electricity Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	
Adjusted earnings	**15**	**19**	**5**	**39**	**—**	**12**	**11**	**23**	**62**
	21	23	5	49	7	12	14	33	82
Impairment	**—**	**(4)**	**—**	**(4)**	**—**	**—**	**—**	**—**	**(4)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**1**	**5**	**—**	**6**	**(4)**	**(2)**	**(6)**	**(12)**	**(6)**
	—	5	—	5	17	(1)	(9)	7	12
IT Common Matters decision	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**—**	**(1)**	**(2)**
	(1)	—	—	(1)	(1)	—	—	(1)	(2)
Earnings (loss) attributable to Class I and Class II shares	**15**	**20**	**5**	**40**	**(5)**	**10**	**5**	**10**	**50**
	20	28	5	53	23	11	5	39	92

($ millions)	Canadian Utilities Limited								Six Months Ended June 30
2023 / 2022	Electricity				Natural Gas				Utilities
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**35**	**43**	**11**	**89**	**47**	**25**	**21**	**93**	**182**
	46	46	11	103	59	24	20	103	206
Impairment	**—**	**(4)**	**—**	**(4)**	**—**	**—**	**—**	**—**	**(4)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**6**	**3**	**—**	**9**	**5**	**(3)**	**(12)**	**(10)**	**(1)**
	1	11	—	12	31	—	(12)	19	31
IT Common Matters decision	**(2)**	**(1)**	**—**	**(3)**	**(2)**	**—**	**—**	**(2)**	**(5)**
	(1)	(1)	—	(2)	(1)	(1)	—	(2)	(4)
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	**38**	**41**	**11**	**90**	**49**	**22**	**6**	**77**	**167**
	48	41	11	100	87	22	8	117	217

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 June 30

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	**62**	**—**	**9**	**287**	**44**	**5**	**336**	**407**
	62	—	2	244	51	2	297	361
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(1)**	**(3)**	**—**	**(4)**	**(4)**
	—	—	—	(1)	(2)	—	(3)	(3)
Capital Expenditures	**62**	**—**	**9**	**286**	**41**	**5**	**332**	**403**
	62	—	2	243	49	2	294	358

($ millions)

Six Months Ended June 30

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	**112**	**—**	**13**	**549**	**777**	**6**	**1,332**	**1,457**
	101	—	2	462	95	5	562	665
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(2)**	**(3)**	**—**	**(5)**	**(5)**
	—	—	—	(2)	(3)	—	(5)	(5)
Business combination (1)	**—**	**—**	**—**	**—**	**(691)**	**—**	**(691)**	**(691)**
	—	—	—	—	—	—	—	—
Capital Expenditures	**112**	**—**	**13**	**547**	**83**	**6**	**636**	**761**
	101	—	2	460	92	5	557	660

(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

The certification of interim filings for the interim period ended June 30, 2023, requires that the Company disclose in the interim MD&A any changes in the Company's internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company confirms that no such changes were identified in the Company's ICFR during the three months beginning on April 1, 2023 and ending on June 30, 2023.

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; the expected timing of the commencement or completion of activities and contracts; the expected term of contracts; the impact or benefits of contracts, including contract value or fees to be received; expected inflation; the payment of dividends; expected growth opportunities; the expected timing of energization and full commercial operations for the Deerfoot solar project; our hydrogen production facility project within Alberta's Industrial Heartland, including the project's potential and our continued commitment to the project; re-branding plans; and potential financing alternatives, including the possibility of creating ATCO EnPower as a separate entity.

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 meet its initial set of 2030 ESG targets and 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 business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and 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, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and 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 six months ended June 30, 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

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.

PBR means Performance Based Regulation.

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

USD means United States dollars.