DISCLAIMER

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

ATCO

ATCO LTD.

FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

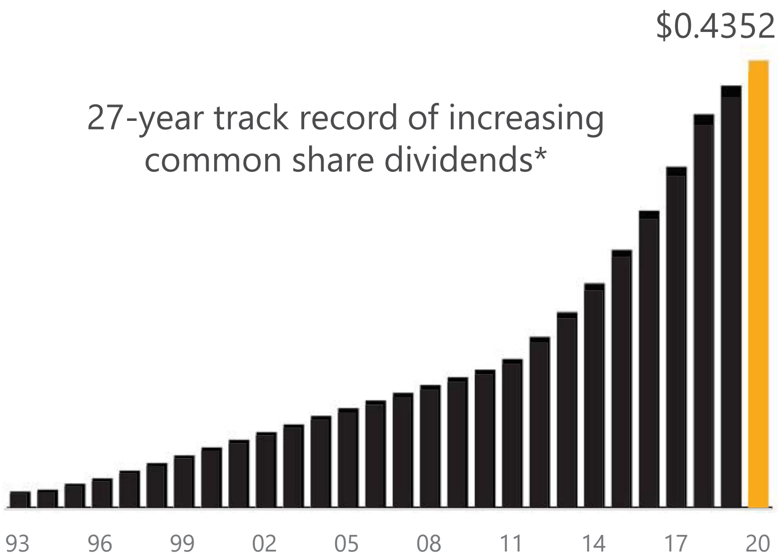
CORPORATE OFFICE: 5302 FORAND ST SW, CALGARY, ALBERTA, CANADA T3E 8B4
TEL: 403-292-7500 WWW.ATCO.COM

Q2 2020 INVESTOR FACT SHEET

atco.com
STRUCTURES & LOGISTICS | NELTUME PORTS | CANADIAN UTILITIES

With approximately 6,500 employees and assets of $22 billion, ATCO is a diversified global corporation with investments in the essential services of Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services); Utilities (electricity and natural gas transmission and distribution, and international electricity operations); Energy Infrastructure (electricity generation, energy storage and industrial water solutions); Retail Energy (electricity and natural gas retail sales); Transportation (ports and transportation logistics); and Commercial Real Estate.

TRACK RECORD OF DIVIDEND GROWTH



* On July 9, 2020, ATCO declared a third quarter dividend of $0.4352 per share, or $1.74 per share annualized.

GLOBAL ESSENTIAL SERVICES

ATCO is focused on investments that put us at the forefront of global trends. We strive to deliver growth within our portfolio with a focus on select opportunities in essential global services.

ATCO AT A GLANCE

73-year history in more than 100 countries	
"A-" rating by Standard & Poor's; "A" (low) rating by DBRS Limited	
Total Assets	$22 Billion
Modular Building Manufacturing Locations	6 Globally (1 Canada, 1 United States, 2 Australia, 1 Chile, 1 Mexico)
Electric Powerlines	75,000 kms
Pipelines	64,000 kms
Power Plants	6 Globally
Power Generating Capacity Share	247 MW *
Water Infrastructure Capacity	85,200 m3/d **
Natural Gas Storage Capacity	52 PJ ***
Hydrocarbon Storage Capacity	400,000 m3 ****
Ports and Port Operations	16 Ports, 3 Port Operation Services

*megawatts **cubic metres per day ***petajoules ****cubic metres

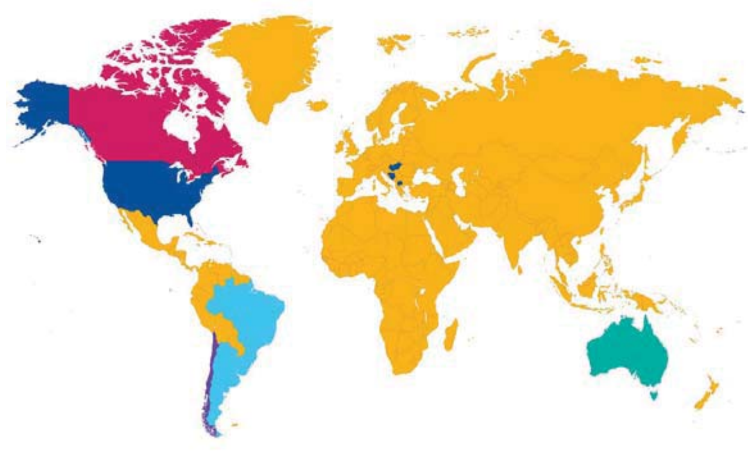
ATCO SHARE INFORMATION

Common Shares (TSX): ACO.X, ACO.Y

Market Capitalization	$5 billion
Weighted Average Common Shares Outstanding	114.4 million

It is important for prospective owners of ATCO shares to understand that ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company. It is also important for present and prospective share owners to understand that the ATCO share registry has both Class I Non-Voting (ACO.X) and Class II Voting (ACO.Y) common shares.

GLOBAL GROWTH



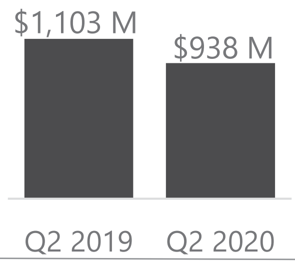
- Canadian Utilities, Structures & Logistics and Commercial Real Estate
- Neltume Ports, Structures & Logistics, and Canadian Utilities
- Canadian Utilities and Structures & Logistics
- Neltume Ports and Structures & Logistics
- Structures & Logistics
- Neltume Ports

We continue to grow and expand our international business

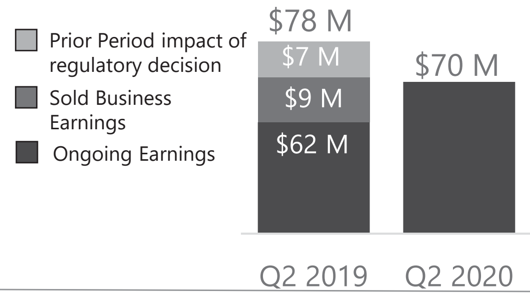
Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. Certain statements in this document contain forward-looking information. Please refer to our forward-looking information disclaimer in ATCO's management's discussion and analysis for more information.

Q2 2020 RESULTS

CONSOLIDATED REVENUES



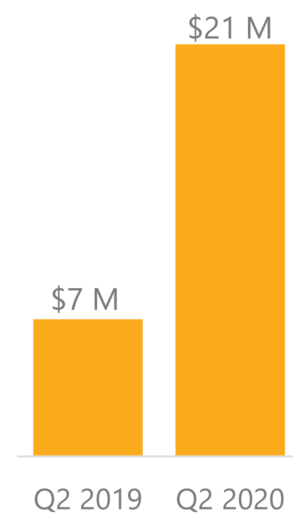
CONSOLIDATED ADJUSTED EARNINGS



STRUCTURES & LOGISTICS

- Higher adjusted earnings in the second quarter of 2020 were mainly due to higher workforce housing trade sale activity in Canada, the US and Australia, continued progress with the LNG Canada Cedar Valley Lodge contract, and higher space rental activity in Canada, the US and Australia.
- Awarded a design, supply and installation contract for two modular hospital facilities in Mexico City and Tijuana to support the fight against COVID-19.
- Closed the manufacturing facility located in Pocatello, Idaho and relocated materials and equipment to ATCO Structures manufacturing facilities in Calgary, Alberta and Diboll, Texas.
- Commenced manufacturing of a workforce lodging camp to house approximately 600 persons to support the construction of the Trans Mountain Expansion project in British Columbia (BC). The contract commenced in the third quarter of 2020 for a 30-month rental period.
- Awarded a 30-month workforce lodging services contract in BC for approximately 600 persons to support the construction of the Trans Mountain Expansion Project.
- Completed manufacturing activity for the LNG Canada Cedar Valley Lodge. Installation activity will continue throughout 2020 and into 2021.
- Began construction of a 44-unit apartment building in New Westminster, BC as part of the Government of British Columbia’s supportive housing program. An additional 61-unit complex was awarded to ATCO Structures in Surrey, BC. In Australia, we were also awarded a contract with the Victoria Department of Education to design, manufacture and install 43 permanent modular classrooms in Melbourne.

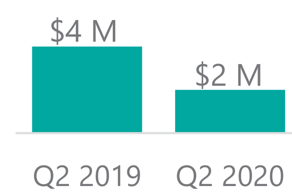
ADJUSTED EARNINGS



NELTUME PORTS

- Lower adjusted earnings in the second quarter of 2020 were mainly due to unplanned equipment maintenance activity at Puerto Mejillones in northern Chile and overall lower cargo volumes related to the COVID-19 pandemic.
- While all of Neltume Ports' terminals remain operational, there have been lower cargo volumes in 2020 compared to 2019 mainly due to the impact that the COVID-19 pandemic had on trading activity in the regional geographies where Neltume Ports operates.

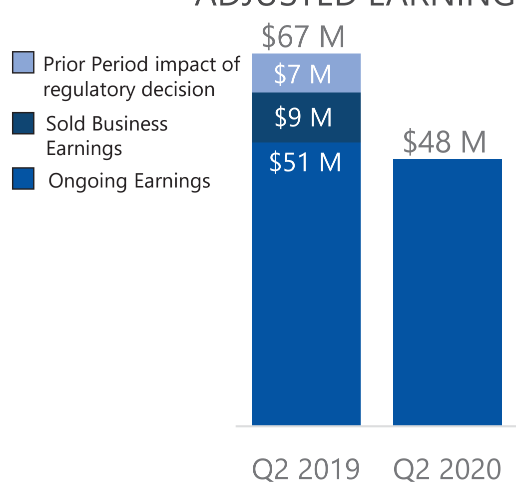
ADJUSTED EARNINGS



CANADIAN UTILITIES

- Lower adjusted earnings in the second quarter of 2020 were mainly due to the sale of Alberta PowerLine and the Canadian fossil fuel-based electricity generation business in 2019, which together contributed $9 million in adjusted earnings in the second quarter of 2019. Lower earnings were also due to the Electricity Transmission regulatory decision received in the second quarter of 2019, which included $7 million in adjusted earnings that were related to prior periods.
- On June 22, 2020, LUMA Energy, LLC, a newly-formed company owned 50 per cent by Canadian Utilities and 50 per cent by Quanta Services, announced that it has been selected by the Puerto Rico Public-Private Partnerships Authority to transform, modernize and operate Puerto Rico’s 30,000 km electricity transmission and distribution system over a term of 15 years after a one year transition period, which commenced in the second quarter of 2020.
- DBRS affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities subsidiary CU Inc. on July 20, 2020.

ADJUSTED EARNINGS



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2020 SECOND QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the six months ended June 30, 2020.

This MD&A was prepared as of July 29, 2020, and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2020. Additional information, including the Company's previous MD&As, Annual Information Form (2019 AIF), and audited consolidated financial statements for the year ended December 31, 2019, is available on SEDAR at www.sedar.com. Information contained in the 2019 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.2 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies Ltd. (100 per cent ownership). The Company also has a non-controlling equity investment in Neltume Ports S.A. (40 per cent). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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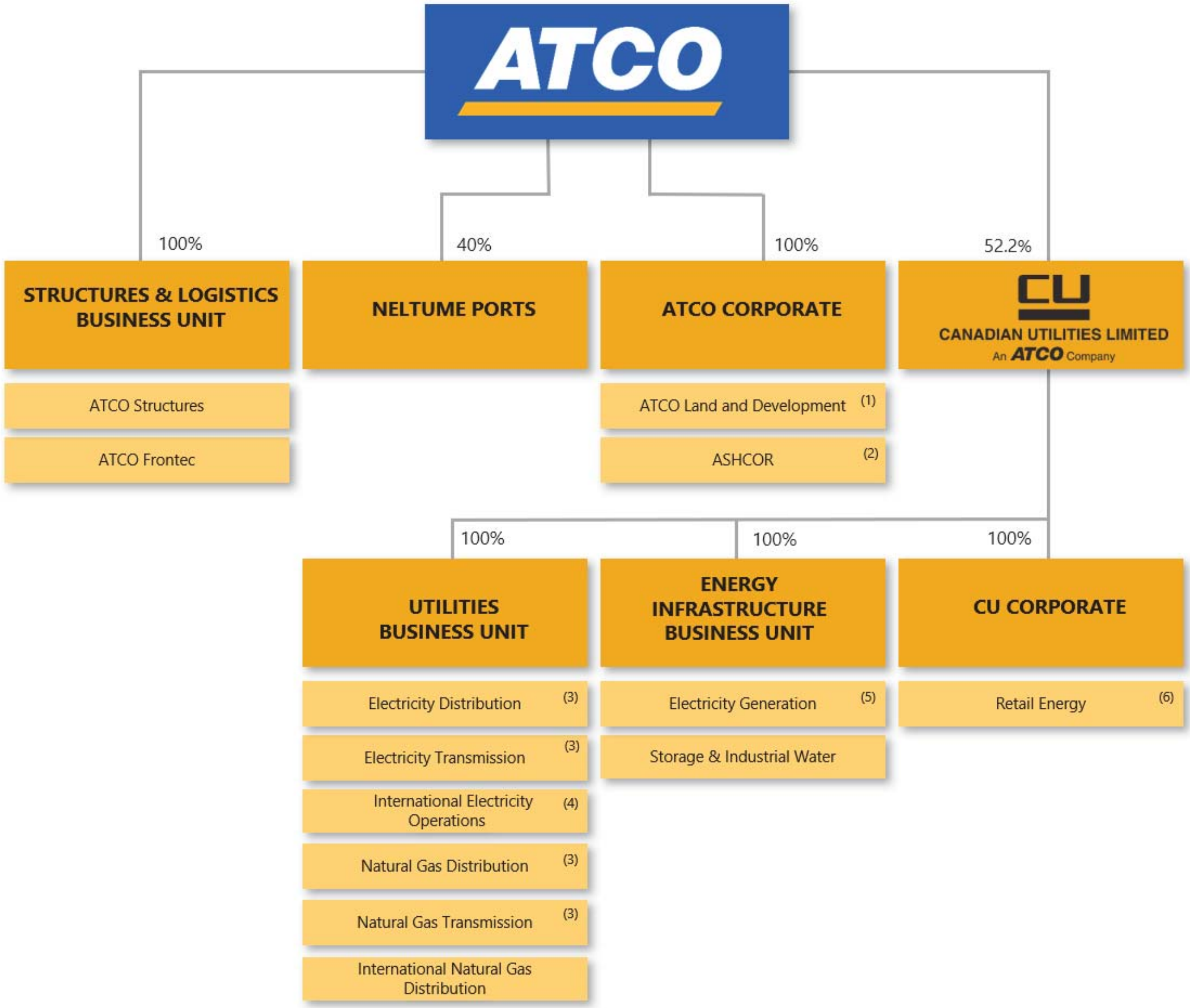
ORGANIZATIONAL STRUCTURE



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

(2) ASHCOR Technologies Ltd. (ASHCOR) is an Alberta-based company engaged in marketing fly ash.

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

(4) On June 22, 2020, LUMA Energy, LLC (LUMA), a newly-formed company owned 50 per cent by Canadian Utilities and 50 per cent by Quanta Services, Inc. (Quanta) announced that it has been selected by Puerto Rico's Public-Private Partnerships Authority (P3A) to transform, modernize and operate Puerto Rico's 30,000 km electricity transmission and distribution system over a term of 15 years after a one year transition period, which commenced in the second quarter of 2020.

(5) Canadian Utilities owns 247 MW of electricity generation assets in Canada, Mexico, Australia and Chile.

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

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

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments and its equity-accounted investment in associate company (Neltume Ports). Principal subsidiaries are Canadian Utilities, of which ATCO Ltd. owns 52.2 per cent (38.2 per cent of the Class A non-voting shares and 90.2 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 100 per cent of the common shares. ATCO Ltd. also owns 100 per cent of the common shares of ATCO Land and Development Ltd. and ASHCOR Technologies Ltd.

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

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions, except per share data and outstanding shares)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Key Financial Metrics						
Revenues	**938**	1,103	(165)	**1,994**	2,427	(433)
Adjusted earnings [1]	**70**	78	(8)	**176**	190	(14)
Structures & Logistics	**21**	7	14	**28**	10	18
Neltume Ports	**2**	4	(2)	**5**	8	(3)
ATCO Corporate & Other	**(1)**	—	(1)	**—**	—	—
Canadian Utilities Limited						
Utilities	**57**	68	(11)	**156**	161	(5)
Energy Infrastructure	**2**	10	(8)	**5**	29	(24)
Canadian Utilities Corporate & Other	**(11)**	(11)	—	**(18)**	(18)	—
Adjusted earnings ($ per share) [1]	**0.61**	0.68	(0.07)	**1.54**	1.66	(0.12)
Earnings attributable to Class I and Class II Shares	**45**	158	(113)	**132**	270	(138)
Earnings attributable to Class I and Class II Shares ($ per share)	**0.39**	1.38	(0.99)	**1.15**	2.36	(1.21)
Cash dividends declared per Class I and Class II Share (cents per share)	**43.52**	40.48	3.04	**87.04**	80.96	6.08
Funds generated by operations [1]	**378**	433	(55)	**894**	1,012	(118)
Capital investment [1]	**226**	284	(58)	**529**	627	(98)
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**114,411**	114,352	59	**114,382**	114,337	45
Diluted	**114,682**	114,836	(154)	**114,700**	114,740	(40)

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

REVENUES

Revenues for the second quarter of 2020 were $938 million, $165 million lower than the same period in 2019. Lower revenues were mainly due to forgone revenue following Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and subsequent sale of Alberta PowerLine (APL) in the fourth quarter of 2019. Lower revenues were also due to decreased manufacturing activity on ATCO Structures' LNG Canada Cedar Valley Lodge contract. Lower revenues were partially offset by growth in rate base for the Alberta Utilities.

ADJUSTED EARNINGS

Our adjusted earnings for the second quarter of 2020 were $70 million or $0.61 per share, compared to $78 million or $0.68 per share for the same period in 2019.

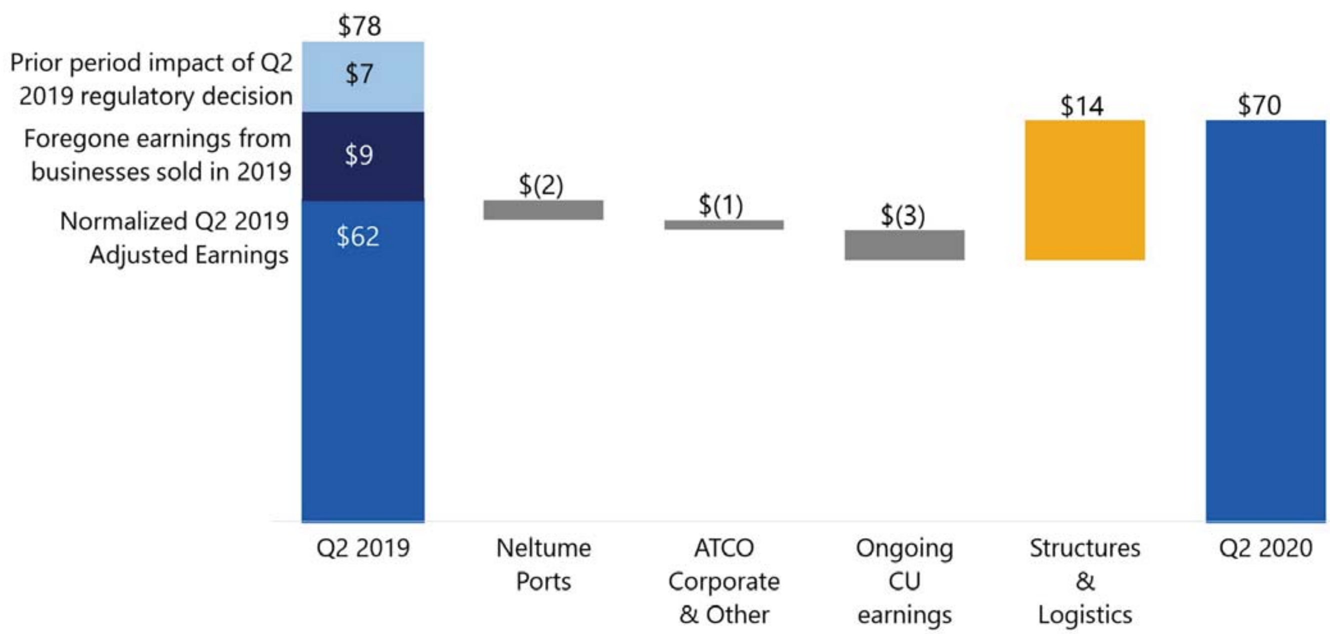
Lower adjusted earnings in the second quarter of 2020 were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business and 80 per cent ownership interest in Alberta PowerLine in 2019, which together contributed $9 million in adjusted earnings in the second quarter of 2019. Lower earnings were also due to the Electricity Transmission regulatory decision received in the second quarter of 2019, which included $7 million in adjusted earnings that were related to prior periods.

Excluding the forgone earnings impact from the sale of these businesses in 2019 and the prior period earnings impact from regulatory decisions received in the second quarter of 2019, adjusted earnings in the second quarter of 2020 were $8 million higher than the same period in 2019. Higher earnings were mainly due to strong results at ATCO Structures as a result of higher workforce housing trade sale activity, incremental earnings from the LNG Canada Cedar Valley Lodge contract, and higher space rental activity.

Additional detail on the financial performance of our Business Units is discussed in the Business Unit Performance section of this MD&A.

Adjusted Earnings

($ millions)



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were $45 million in the second quarter of 2020, $113 million lower compared to the second quarter of 2019. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million, after-tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value for the Company.

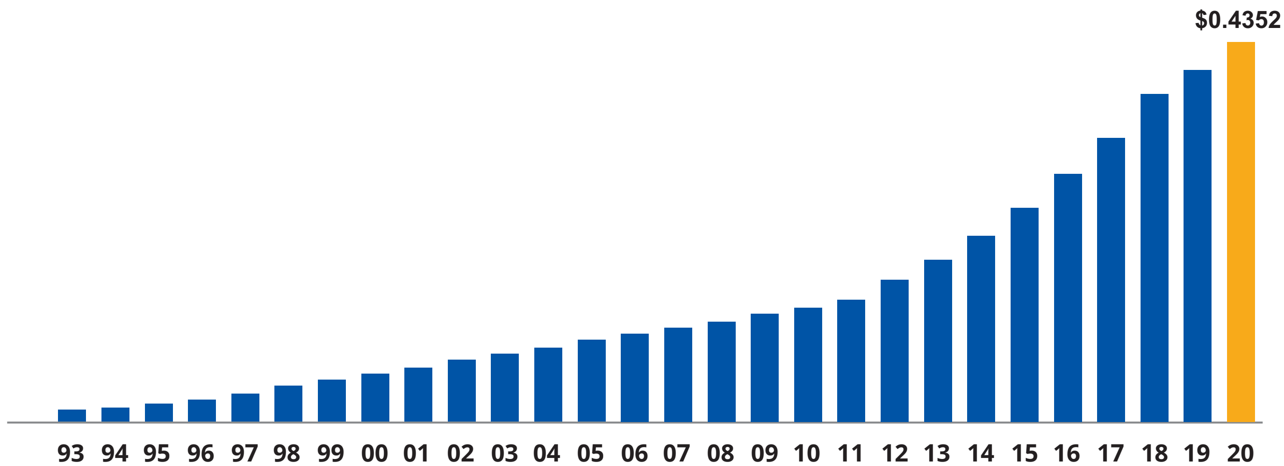
More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

COMMON SHARE DIVIDENDS

On July 9, 2020, the Board of Directors declared a third quarter dividend of 43.52 cents per share. Dividends paid to Class I and Class II Share owners totaled $100 million in the first six months of 2020.

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

Quarterly Dividend Rate 1993 - 2020
(dollars per share)



FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $378 million in the second quarter of 2020, $55 million lower than the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Natural Gas Distribution business as a result of the prepayment of certain expenses and in the Energy Infrastructure business as a result of the sale of APL and the Canadian fossil fuel-based electricity generation business in 2019.

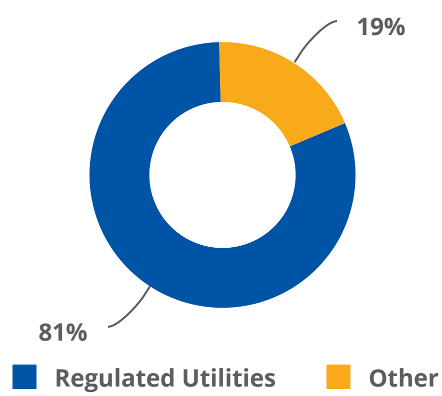
CAPITAL INVESTMENT

Total capital investment of $226 million in the second quarter of 2020 was $58 million lower than the second quarter of 2019. Lower capital spending was mainly due to postponed capital investment in the Utilities and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

Total capital investment of $529 million in the first six months of 2020 was $98 million lower than the same period in 2019. Lower capital spending was mainly due to the completion of construction on Alberta PowerLine in 2019 and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

Capital spending in Canadian Utilities' regulated utility businesses in the first six months of 2020 accounted for $429 million or 81 per cent of total capital invested. The remaining 19 per cent invested in the first six months of 2020 included capital for ATCO Structures' expansion of the global rental fleet.

Capital Investment
for the Six Months Ended
June 30, 2020



COVID-19 AND GLOBAL MACROECONOMIC CONDITIONS

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

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, labour shortages and shutdowns, including as a result of government regulation and prevention measures, which could have a negative impact on the Company's operations.

Any deterioration in general economic and market conditions arising as a result of a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk; which could have a negative impact on the Company's business.

ATCO's Pandemic Response Plan was activated in February 2020 by our Crisis Management Committee. Since then our teams across the globe have been responding to this rapidly changing situation to ensure a coordinated approach across ATCO. In late second quarter 2020, ATCO commenced a phased return to office plan. A Safe Work Playbook has been developed to guide each business in developing their own individual transition plans for staff working from home. Alberta businesses commenced a phased return to the office in late June while Australian businesses commenced a phased return to the office in early June.

Below we have summarized the impact of these economic conditions on each of our businesses in the second quarter and first six months of 2020.

ATCO Structures

The COVID-19 pandemic and slowing global economic activity did not have a material impact on ATCO Structures' adjusted earnings in the second quarter or first six months of 2020.

ATCO Structures is responding to a number of inquiries from customers who are looking for potential solutions to assist in the prevention of the spread of the COVID-19 virus. In the second quarter of 2020, ATCO Espaciomovil was awarded a design, supply and installation contract for two modular hospital facilities in Mexico City and Tijuana to support the fight against COVID-19.

ATCO Frontec

ATCO Frontec has taken active measures to ensure the safety of its employees, customers and the public to reduce the spread of the COVID-19 virus and these measures have resulted in lower adjusted earnings for first six months of 2020. Initial measures involved lowering occupancy levels at camps and limiting the type of work performed on site to essential activities only. ATCO Frontec's focus has shifted to planning for a return to pre-COVID occupancy levels at its camps and increased activities with its facility operations and maintenance service contracts.

Neltume Ports

Lower global economic activity as a result of the COVID-19 pandemic is impacting cargo volumes at various Neltume ports. In the second quarter of 2020, there has been an impact on container cargo due to the contraction of local economies from quarantine measures.

Canadian Utilities

Canadian Utilities continues to review its 2020 capital investment plan in order to incorporate any potential postponement of capital projects over the near term due to customer project delays or changes to direct assigned capital projects by the Alberta Electric System Operator (AESO).

Utilities

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

Government of Alberta 90 Day Utility Bill Deferral Program

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The Government provided retailers support through the Balancing Pool and other Government loan agreements for all deferred charges except for the transmission component of customer bills. The deferred Electricity Transmission charges have been backstopped by the Alberta Electric System Operator while Natural Gas Distributors have backstopped the deferred natural gas transmission charges for their customers. The 90 Day Utility Bill Deferral Program did not have a material financial impact on Natural Gas Distribution in the second quarter and first six months of 2020.

International Natural Gas Distribution

The COVID-19 pandemic, oil price decline and slowing global economic activity did not have a direct material impact on International Natural Gas Distribution adjusted earnings in the second quarter or first six months of 2020. However, second quarter 2020 financial results included the adverse impact of a lower inflation rate in Australia.

Energy Infrastructure

The COVID-19 pandemic, oil price decline and slowing global economic activity did not have a material impact on Energy Infrastructure's adjusted earnings in the second quarter or first six months of 2020.

Further Information

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

BUSINESS UNIT PERFORMANCE

REVENUES

Structures & Logistics revenues of $201 million in the second quarter of 2020 were $3 million lower than the same period in 2019, mainly due to the completion of manufacturing of ATCO Structures' LNG Canada Cedar Valley Lodge contract, forgone revenues from ATCO Frontec scaled back contract activity in the second quarter of 2020 due to the proactive and preventative measures in place to reduce the spread of the COVID-19 virus, and contracts completed in 2019. Lower revenues were partially offset by ATCO Structures' higher trade sale activity in workforce housing and space rentals in Australia and Canada.

Structures & Logistics revenues of $372 million in the first six months of 2020 were $30 million higher than the same period in 2019. Higher revenues were mainly due to ATCO Structures' strong workforce housing trade sale activity in Australia and Canada, continued progress on the LNG Canada Cedar Valley Lodge contract and higher space rental activity in Canada and the US. Higher revenues were partially offset by forgone revenue from ATCO Frontec contracts completed in 2019 and scaled back contract activity.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
ATCO Structures	**21**	6	15	**28**	8	20
ATCO Frontec	**—**	1	(1)	**—**	2	(2)
Total Structures & Logistics Adjusted Earnings	**21**	7	14	**28**	10	18

Structures & Logistics recorded adjusted earnings of $21 million and $28 million in the second quarter and first six months of 2020, $14 million and $18 million higher than the same periods in 2019. The increase was mainly due to higher workforce housing trade sale activity in Canada, the US and Australia, continued progress with the LNG Canada Cedar Valley Lodge contract and higher space rental activity in Canada, the US and Australia.

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

ATCO STRUCTURES

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

ATCO Structures recorded adjusted earnings of $21 million and $28 million in the second quarter and first six months of 2020, $15 million and $20 million higher than the same periods in 2019. Higher earnings were mainly due to higher workforce housing trade sale activity in Canada, the US and Australia, incremental earnings from the LNG Canada Cedar Valley Lodge contract, and higher space rental activity in Canada, the US and Australia.

Rental Fleet Statistics

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

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	Change	2020	2019	Change
North America						
Manufacturing hours *(thousands)*	**157**	251	(37%)	**507**	428	18%
Global Space Rentals						
Number of units	**16,767**	15,416	9%	**16,767**	15,416	9%
Average utilization *(%)*	**71**	78	(7%)	**71**	77	(6%)
Average rental rate *($ per month)*	**656**	498	32%	**583**	555	5%
Global Workforce Housing						
Number of units	**2,772**	3,008	(8%)	**2,772**	3,008	(8%)
Average utilization *(%)*	**46**	47	(1%)	**46**	41	5%
Average rental rate *($ per month)*	**1,359**	1,865	(27%)	**1,502**	1,795	(16%)

The decrease in manufacturing hours in the second quarter of 2020 was mainly due to lower manufacturing activity on the LNG Canada Cedar Valley Lodge contract. This was partially offset by manufacturing for the recently awarded Trans Mountain Expansion project and completion of Phase 2 of the BC Hydro Site C Two Rivers Lodge expansion in Canada.

The increase in the number of space rental units was mainly due to the continued strategic expansion of the space rental fleet in the US, central Canada, British Columbia (BC) and Chile. ATCO Structures has increased its fleet size by 1,351 units year-over-year. The increase in the average rental rate was mainly due to higher rates in Canada driven by increased activity in the construction sector.

The decrease in the number of workforce housing units was mainly due to used fleet sales of non-utilized units in Canada and Australia. The decrease in utilization and average rental rate was mainly due to the ramp down of a large rental project in Chico, California.

ATCO STRUCTURES RECENT DEVELOPMENTS

Mexico

COVID-19 Pandemic Response

ATCO Structures is responding to a number of inquiries from customers who are looking for potential solutions to assist in the prevention of the spread of the COVID-19 virus. In the second quarter of 2020, ATCO Espaciomovil was awarded a design, supply and installation contract for two modular hospital facilities in Mexico City and Tijuana to support the fight against COVID-19.

Canada

Trans Mountain Expansion Project

In the second quarter of 2020, ATCO Structures commenced manufacturing and construction of a workforce camp to house approximately 600 persons to support the construction of the Trans Mountain Expansion project. The contract is for a 30-month rental period.

LNG Canada Cedar Valley Lodge Contract

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

LNG Canada Cedar Valley Lodge - Kitimat, BC

BC Hydro Site C Two Rivers Lodge – Phase 2 Expansion

In 2016, Structures & Logistics commenced a supply, installation, operations and maintenance contract at the BC Hydro Site C Two Rivers Lodge for up to 1,750 workers. The original operations and maintenance services contract is in place until late 2022. In October 2019, Structures & Logistics executed a change order with BC Hydro for the phase 2 expansion of the lodge which is expected to contribute $25 million in installation and rental revenue during the 12-month contract term. In the second quarter of 2020, ATCO Structures achieved substantial completion and project handover of the phase 2 expansion increasing the total lodge capacity to 2,250 workers.

BC Hydro Site C Two Rivers Lodge - Fort St. John, BC

Permanent Modular Construction - BC Housing

During 2019 and 2020, ATCO Structures secured several projects with the Government of British Columbia's supportive housing program. The housing projects will provide affordable housing to low income individuals and families across the province. In the first quarter of 2020, ATCO Structures completed a 44-unit complex in Powell River, BC. In addition, ATCO Structures began construction of a $9 million, 44-unit apartment building in New Westminster, BC that is expected to reach substantial completion and conditional occupancy status in the third quarter of 2020. An additional 61-unit complex was awarded during the second quarter of 2020 in Surrey, BC. The $15 million contract is expected to be complete in 2021.

44-unit supportive housing complex – New Westminster, BC

Australia

Victoria Department of Education

In the second quarter of 2020, ATCO Structures was awarded a contract with the Victoria Department of Education to design, manufacture and install permanent modular classrooms in Melbourne, Australia. The project consists of 43 classrooms that will be manufactured in 2020. Installation of the classrooms is estimated to be complete in early 2021.

United States

Pocatello Idaho Manufacturing Facility

In the second quarter of 2020, ATCO Structures closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs.

ATCO FRONTEC

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

ATCO Frontec adjusted earnings of nil in the second quarter and first six months of 2020 were $1 million and $2 million lower than the same periods in 2019. Since the COVID-19 outbreak, ATCO Frontec has taken active measures to ensure the safety of its employees, customers and the public to reduce the spread of the COVID-19 virus by lowering occupancy levels at camps and limiting the type of work on site to essential activities only. Lower earnings were mainly due to scaled back activity at a number of North American workforce housing and operations and maintenance service contracts.

ATCO FRONTEC RECENT DEVELOPMENTS

Trans Mountain Expansion Project

In the second quarter of 2020, ATCO Frontec was awarded a 30-month workforce lodging services contract for approximately 600 persons to support the construction of the Trans Mountain Expansion project.

NELTUME PORTS

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

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Neltume Ports	**2**	4	(2)	**5**	8	(3)

Neltume Ports recorded adjusted earnings of $2 million and $5 million in the second quarter and first six months of 2020, $2 million and $3 million lower than the same periods in 2019. Lower earnings were mainly due to unplanned equipment maintenance activity at Puerto Mejillones in northern Chile and overall lower cargo volumes related to the COVID-19 pandemic.

While all of Neltume Ports' terminals remain operational, there have been lower cargo volumes in 2020 compared to 2019 mainly due to the impact that the COVID-19 pandemic has had on trading activity in the regional geographies where Neltume Ports operates.

ATCO CORPORATE & OTHER

ATCO Corporate & Other contains ATCO Land and Development Ltd. which is a commercial real estate business that holds investments for sale, lease or development, as well as ASHCOR, an Alberta-based company engaged in marketing fly ash. ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses associated with the Neltume Ports investment.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
ATCO Corporate & Other	**(1)**	—	(1)	**—**	—	—

ATCO Corporate & Other adjusted earnings in the second quarter of 2020 were $1 million lower compared to the same period in 2019, mainly due to the timing of certain expenses.

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

UTILITIES

REVENUES

Utilities revenues of $678 million in the second quarter of 2020 were $1 million higher than the same period in 2019. Higher revenues were mainly due to growth in the regulated rate base. Higher revenues were partially offset by the timing of settlements related to regulatory decisions and the completion of the PBR efficiency carry-over mechanism (ECM) funding in 2019. The ECM was the incentive granted to distribution utilities in the first two years of the second generation of PBR for demonstrating superior cost savings in the prior PBR period.

Utilities revenues of $1,467 million in the first six months of 2020 were $4 million lower than the same period in 2019. Lower revenues were mainly due to the timing of settlements related to regulatory decisions, the completion of the PBR ECM funding in 2019, and the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities at the end of the first quarter of 2019. Lower revenues were partially offset by growth in the regulated rate base.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Electricity						
Electricity Distribution	**17**	16	1	**35**	36	(1)
Electricity Transmission	**23**	31	(8)	**46**	54	(8)
Total Electricity	**40**	47	(7)	**81**	90	(9)
Natural Gas						
Natural Gas Distribution	**1**	1	—	**44**	39	5
Natural Gas Transmission	**13**	12	1	**24**	20	4
International Natural Gas Distribution	**3**	8	(5)	**7**	12	(5)
Total Natural Gas	**17**	21	(4)	**75**	71	4
Total Utilities Adjusted Earnings	**57**	68	(11)	**156**	161	(5)

Utilities adjusted earnings of $57 million and $156 million in the second quarter and first six months of 2020 were $11 million and $5 million lower than the same periods in 2019. Lower earnings were mainly due to the prior period impact of the Electricity Transmission 2018-2019 general tariff application (GTA) decision received in the second quarter of 2019, the adverse earnings impact from the new five-year Access Arrangement regulatory decision in International Natural Gas Distribution which resulted in new rates commencing on January 1, 2020, the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities at the end of the first quarter of 2019, and the completion of the incremental ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution. Lower earnings were partially offset by cost efficiencies and rate base growth.

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 $17 million in the second quarter of 2020 were $1 million higher compared to the same period in 2019. Higher adjusted earnings were mainly due to cost efficiencies and growth in the regulated rate base, partially offset by the completion of ECM funding in 2019 and lower commercial and industrial demand.

Electricity Distribution adjusted earnings of $35 million in the first six months of 2020 were $1 million lower than the same period in 2019 mainly due to the completion of the ECM funding in 2019 and lower commercial and industrial demand, partially offset by cost efficiencies and continued growth in the regulated rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $23 million and $46 million in the second quarter and first six months of 2020 were $8 million lower than the same periods in 2019. Lower earnings were mainly due to the impact of the Electricity Transmission 2018-2019 GTA decision in 2019, which increased earnings in the second quarter of 2019 by $9 million, of which $2 million related to the first quarter of 2019 and $5 million related to 2018.

Excluding the prior period earnings impact from the Electricity Transmission 2018-2019 GTA decision, adjusted earnings in the second quarter and first six months of 2020 were $1 million lower compared to the same periods in 2019 mainly due to the completion of project management construction activities on APL in 2019 and transition to operating activities.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $1 million in the second quarter of 2020 were comparable to the same period in 2019.

Natural Gas Distribution adjusted earnings of $44 million in the first six months of 2020 were $5 million higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies and growth in rate base, partially offset by the completion of the ECM funding in 2019.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $13 million and $24 million in the second quarter and first six months of 2020 were $1 million and $4 million higher than the same periods in 2019. Higher adjusted earnings were mainly due to growth in rate base and lower income taxes.

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 $3 million and $7 million in the second quarter and first six months of 2020 were $5 million lower compared to the same periods in 2019. Lower earnings were mainly due to the new five-year Access Arrangement which resulted in new rates commencing on January 1, 2020, with a lower rate of return and rebasing of the demand forecast, financing and operating allowances. Lower earnings in the second quarter of 2020 compared to the same period in 2019 were also due to an adjustment for the impact of the forecasted inflation rates, partially offset by higher earnings from cost efficiencies achieved in the underlying business and interest savings.

UTILITIES RECENT DEVELOPMENTS

International Utility Operations

LUMA Energy, LLC

On June 22, 2020, LUMA Energy, LLC, a newly-formed company owned 50 per cent by Canadian Utilities and 50 per cent by Quanta Services Inc. announced that it has been selected by the Puerto Rico P3A to transform, modernize and operate Puerto Rico's 30,000 km electricity transmission and distribution system over a term of 15 years after a one year transition period, which commenced in the second quarter of 2020.

This innovative arrangement allows the Puerto Rico Electric Power Authority to retain ownership of all utility assets while benefiting from the expertise of a qualified operator. LUMA combines Canadian Utilities' world-class utility operations and customer service expertise with Quanta's superior utility services and project execution capabilities to create a reliable, resilient, affordable and sustainable electricity system that is focused on providing outstanding customer service to nearly 1.5 million customers in Puerto Rico.

Transmission towers near the Central Costa Sur power plant, Guayanilla, Puerto Rico

Key financial terms associated with the LUMA contract are highlighted in the table below.

USD (millions)

	Front-End Service Fee [1]	Fixed Fee [1] [2] (paid monthly)	Potential Incentive Fee [1] [2]
Transition Period	60		
Contract Year 1		70	13
Contract Year 2		90	17
Contract Year 3		100	19
Contract Year 4+		105	20

(1) All compensation figures above are at the LUMA level. Canadian Utilities Limited holds a 50 per cent interest in LUMA.
(2) Fixed Fee and Incentive Fee are escalated annually at US CPI.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $51 million and $101 million in the second quarter and first six months of 2020 were $143 million and $466 million lower than the same periods in 2019 mainly due to forgone revenue associated with the sale of Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and sale of APL in the fourth quarter of 2019.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Electricity Generation	**1**	(1)	2	**3**	1	2
Storage & Industrial Water	**1**	2	(1)	**2**	3	(1)
	2	1	1	**5**	4	1
Adjusted Earnings from Businesses Sold in 2019						
Canadian Fossil Fuel-Based Electricity Generation	—	3	(3)	—	15	(15)
Alberta PowerLine (APL)	—	6	(6)	—	10	(10)
	—	9	(9)	—	25	(25)
Total Energy Infrastructure Adjusted Earnings	**2**	10	(8)	**5**	29	(24)

Energy Infrastructure recorded adjusted earnings of $2 million and $5 million in the second quarter and first six months of 2020, $8 million and $24 million lower than the same periods in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019. Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings were $1 million higher for the second quarter and first six months of 2020 mainly due to cost efficiencies and recovered business development costs.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $1 million and $3 million in the second quarter and first six months of 2020 were $2 million higher compared to the same periods in 2019 mainly due to cost efficiencies and recovered business development costs in the second quarter of 2020, partially offset by lower earnings in Australia as a result of unplanned maintenance at the Karratha Power station.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $1 million and $2 million in the second quarter and first six months of 2020 were $1 million lower than the same periods in 2019 mainly due to timing and demand for natural gas storage services.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Chile Distribution-Connected Solar Generation Facility

In the fourth quarter of 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the Cabrero Solar project. This project, located in southern Chile, will provide solar energy to the Chilean electricity grid. The first 3 MW of solar generation capacity were completed at the end of the second quarter of 2020 with the next 6 MW expected to be complete in 2021. The total investment for the 9 MW is expected to be approximately $12 million.

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Canadian Utilities Corporate & Other	**(11)**	(11)	—	**(18)**	(18)	—

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the second quarter and first six months of 2020 were comparable to the same periods last year.

REGULATORY DEVELOPMENTS

ALBERTA REGULATORY UPDATES

GOVERNMENT OF ALBERTA 90 DAY UTILITY BILL DEFERRAL PROGRAM

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The Government provided retailers support through the Balancing Pool and other Government loan agreements for all deferred charges except for the transmission component of customer bills. The deferred Electricity Transmission charges have been backstopped by the Alberta Electric System Operator while Natural Gas Distributors have backstopped the deferred natural gas transmission charges for their customers. The 90 Day Utility Bill Deferral Program did not have a material financial impact on Natural Gas Distribution in the second quarter and first six months of 2020.

PERFORMANCE BASED REGULATION (PBR)

On January 30, 2020, the AUC issued a decision, which provided updated clarification on what would qualify for anomaly adjustments, allowing parties to re-apply for applicable anomalies. Applications were submitted in early 2020 with a decision from the AUC expected before the end of the year. If approved, these would re-establish 2018, 2019 and 2020 rates.

2021 GENERIC COST OF CAPITAL PROCEEDING (GCOC)

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

In March 2020, the AUC suspended the proceeding due to COVID-19 and provided a number of options for setting the utility return on equity (ROE) for 2021. In order to ensure some level of certainty, the Alberta Utilities elected to have the final ROE set on a quarterly basis at 8.5 per cent and 37 per cent equity thickness until a decision is issued on the 2021 GCOC proceeding. Once a decision is issued, the ROE and equity thickness will be implemented on a go-forward basis and will be effective at the start of the quarter following the date of the AUC decision.

NATURAL GAS TRANSMISSION 2021-2023 GENERAL RATE APPLICATION (GRA)

In June 2020, Natural Gas Transmission filed a GRA for 2021-2023. The application requests, among other things, additional revenues due to rate base growth driven by capital expenditures, such as the Pembina-Keephills Pipeline project and operations and maintenance costs. A decision from the AUC is expected in the second quarter of 2021.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

SUSTAINABILITY REPORTING

Our 2019 Sustainability Report, published in June 2020, focuses on the material topics listed below.

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

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

The 2019 Sustainability Report, Sustainability Framework Reference Document, and other disclosures are available on our website, at www.atco.com.

HEALTH AND SAFETY PANDEMIC UPDATE

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

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

We are committed to doing our part to limit the spread of COVID-19 by following the guidance of local health authorities and governments. In late second quarter 2020, ATCO commenced a phased return to office plan. A Safe Work Playbook has been developed to guide each business in developing their own individual transition plans for staff working from home. Alberta businesses commenced a phased return to the office in late June and Australian businesses commenced a phased return to the office in early June.

CLIMATE CHANGE AND ENERGY TRANSITION

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

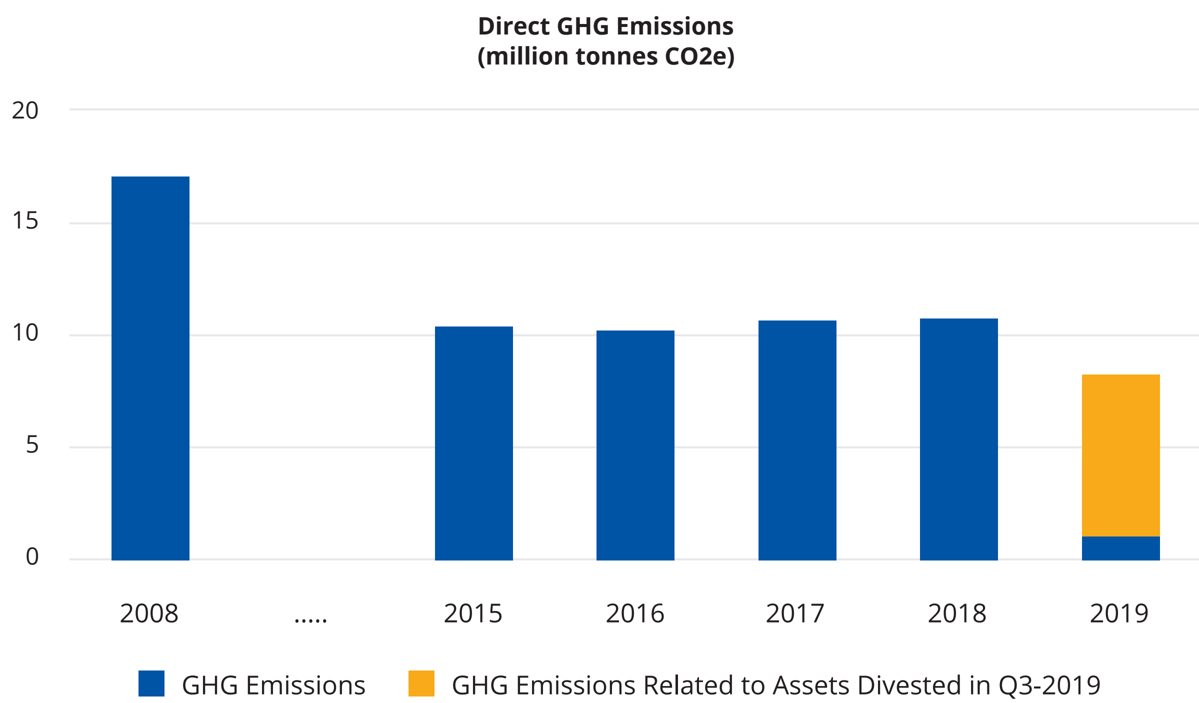
In July 2020, ATCO was awarded $2.8 million in funding from Emission Reductions Alberta's Natural Gas Challenge to advance a first-of-its-kind hydrogen blending project in Fort Saskatchewan, Alberta. Once complete, the project will be Canada's largest hydrogen blending project, injecting up to five per cent hydrogen by volume into a section of Fort Saskatchewan's residential natural gas distribution network, lowering the carbon intensity of the natural gas stream for its customers. In 2019, ATCO officially opened its world-class Clean Energy Innovation Hub in Western Australia. The industry-leading Australian facility is a test bed for hybrid energy solutions and integrates natural gas, solar PV, battery storage and clean hydrogen production.

At the end of the second quarter of 2020, Canadian Utilities had 23 electric vehicle (EV) charging stations in Alberta providing end-users an opportunity to replace liquid fuel with a low-carbon emitting energy.

In the fourth quarter of 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the Cabrero Solar project. This project, located in southern Chile, will provide solar energy to the Chilean electricity grid. The first 3 MW of solar generation capacity were completed at the end of the second quarter of 2020 with the next 6 MW expected to be complete in 2021. The total investment for the 9 MW is expected to be approximately $12 million.

In the third quarter of 2019, Canadian Utilities completed the sale of the Canadian fossil fuel-based electricity generation business, thereby eliminating coal from the entire global portfolio. Currently, we own 247 MW of natural gas-fired, hydroelectric and solar power generation in Australia, Mexico, Chile and Canada.

As ATCO's portfolio of electricity generation assets evolves, so too does its direct environmental footprint. ATCO's direct greenhouse gas (GHG) emissions have been reduced by 23 per cent between 2018 and 2019 and 92 per cent, or 7.3 million tonnes of CO2e GHG emissions, of this reduction is the result of Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019. The full year impact of this asset divestiture on ATCO's GHG emissions will be experienced in 2020. Since 2008, ATCO's direct GHG emissions have reduced by 51 per cent with reductions primarily related to decreased energy output from Canadian Utilities' electricity generating assets, fuel-switching and other efficiencies.



OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the second quarter and first six months of 2020 and 2019 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Operating costs	**540**	677	(137)	**1,114**	1,318	(204)
Service concession arrangement costs	**—**	8	(8)	**—**	103	(103)
Depreciation, amortization and impairment	**177**	167	10	**333**	334	(1)
Earnings from investment in associate company	**2**	4	(2)	**5**	8	(3)
Earnings from investment in joint ventures	**3**	5	(2)	**10**	13	(3)
Net finance costs	**102**	124	(22)	**201**	247	(46)
Income tax expense (recovery)	**35**	(175)	210	**98**	(91)	189

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation, amortization and impairment, decreased by $137 million and $204 million in the second quarter and first six months of 2020 when compared to the same periods in 2019. Lower operating costs were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs were recorded for third party construction and operation activities for Canadian Utilities' Fort McMurray West-500kV Project. Service concession arrangement costs in the second quarter and first six months of 2020 were $8 million and $103 million lower compared to the same periods in 2019 due to the sale of APL in the fourth quarter of 2019.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $10 million in the second quarter of 2020 compared to the same period in 2019 mainly due to an impairment of assets that no longer represent strategic value for the Company, partially offset by lower depreciation due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

Depreciation, amortization and impairment decreased by $1 million in the first six months of 2020 compared to the same period in 2019 mainly due to lower depreciation as a result of Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019, partially offset by an impairment of assets that no longer represent strategic value for the Company and higher depreciation as a result of ATCO Structures' expansion of their space rental fleet in Canada and the US in 2020.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company are comprised of our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer in South America with operations in 16 port facilities and three port operation services businesses located in Chile, Uruguay, Argentina, and Brazil.

Earnings from investment in associate company were $2 million and $5 million in the second quarter and first six months of 2020, $2 million and $3 million lower than the same periods in 2019. Lower earnings were mainly due to lower cargo volumes related to the COVID-19 pandemic and unplanned equipment maintenance activity.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures decreased by $2 million and $3 million in the second quarter and first six months of 2020 compared to the same periods in 2019 mainly due to the sale of joint venture ownership positions included within the sale of the Canadian fossil fuel-base electricity generation business in the third quarter of 2019.

NET FINANCE COSTS

Net finance costs decreased by $22 million and $46 million in the second quarter and first six months of 2020 when compared to the same periods in 2019, mainly due to lower interest expense under service concession arrangement accounting for APL and lower interest expense on non-recourse long-term debt related to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business. Decreased net finance costs were also due to the positive impact of a new interest rate hedging arrangement for International Natural Gas Distribution in Canadian Utilities which became effective at the beginning of January 2020.

INCOME TAX

Income taxes were higher by $210 million and $189 million in the second quarter and first six months of 2020 compared to the same periods in 2019 mainly due to the realization of the deferred tax benefit from the Alberta tax rate reduction in the second quarter of 2019.

In June 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent over four years, commencing with a one per cent decrease on July 1, 2019 followed by a one per cent reduction on January 1 of each of the next three years.

LIQUIDITY AND CAPITAL RESOURCES

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

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

CREDIT RATINGS

Credit ratings are important to the Company's financing costs and ability to raise funds. The Company intends to maintain strong investment grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

On July 20, 2020, Dominion Bond Rating Service affirmed its 'A (high)' long-term corporate credit rating and stable outlook on ATCO subsidiary CU Inc.

LINES OF CREDIT

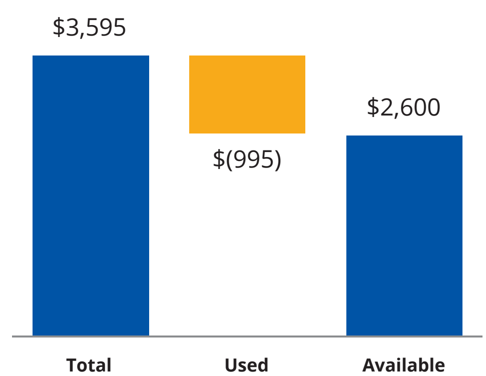
At June 30, 2020, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,006**	839	2,167
Short-term committed	**18**	11	7
Uncommitted	**571**	145	426
Total	**3,595**	995	2,600

Of the $3,595 million in total lines of credit, $571 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,024 million in credit lines was committed, with maturities between 2021 and 2023, and may be extended at the option of the lenders.

Of the $995 million in lines of credit used, $639 million was related to ATCO Gas Australia Pty Ltd. with the majority of the remaining usage pertaining to the issuance of letters of credit. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs.

Lines of Credit ($ millions)



CONSOLIDATED CASH FLOW

At June 30, 2020, the Company's cash position was $1,138 million, a decrease of $2 million from December 31, 2019. Funds generated by operations were offset by cash used to fund the capital investment program and dividends paid.

Funds Generated by Operations

Funds generated by operations were $378 million in the second quarter of 2020, $55 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Natural Gas Distribution business as a result of the prepayment of certain expenses and in the Energy Infrastructure business as a result of the sale of APL and the Canadian fossil fuel-based electricity generation business in 2019.

Funds generated by operations were $894 million in the first six months of 2020, $118 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Energy Infrastructure business as a result of the sale of APL and the Canadian fossil fuel-based electricity generation business, and in the Canadian Utilities' Electricity Distribution business as a result of timing of transmission costs. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to continued activity on the LNG Canada Cedar Valley Lodge project.

Cash Used for Capital Investment

Cash used for capital investment was $226 million in the second quarter of 2020, $58 million lower than the same period in 2019. Lower capital spending was mainly due to postponed capital investment in the Utilities and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

Cash used for capital investment was $529 million in the first six months of 2020, $98 million lower than the same period in 2019. Lower capital spending was mainly due to the completion of construction on Alberta PowerLine in 2019 and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	2020	2019	Change	2020	2019	Change
Structures & Logistics	**33**	42	(9)	**71**	60	11
Neltume Ports	**—**	—	—	**—**	9	(9)
ATCO Corporate & Other	**3**	1	2	**9**	2	7
	36	43	(7)	**80**	71	9
Canadian Utilities						
Utilities						
Electricity Distribution	**50**	43	7	**116**	88	28
Electricity Transmission	**29**	44	(15)	**71**	107	(36)
Natural Gas Distribution	**45**	60	(15)	**102**	104	(2)
Natural Gas Transmission	**41**	49	(8)	**114**	94	20
International Natural Gas Distribution	**15**	19	(4)	**26**	35	(9)
	180	215	(35)	**429**	428	1
Energy Infrastructure						
Electricity Generation	**1**	—	1	**3**	1	2
Storage & Industrial Water	**7**	4	3	**13**	6	7
	8	4	4	**16**	7	9
Capital Investment from Businesses Sold in 2019 (1)						
Canadian Fossil Fuel-Based Electricity Generation	**—**	21	(21)	**—**	24	(24)
Alberta PowerLine	**—**	—	—	**—**	95	(95)
	—	21	(21)	**—**	119	(119)
CU Corporate & Other	**2**	1	1	**4**	2	2
Canadian Utilities Total Capital Investment	**190**	241	(51)	**449**	556	(107)
ATCO Total Capital Investment (2) (3)	**226**	284	(58)	**529**	627	(98)

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

(2) Includes capital expenditures in joint ventures of $3 million and $5 million (2019 - $1 million and $1 million) for the second quarter and first six months of 2020.

(3) Includes additions to property, plant and equipment, intangibles and $2 million and $7 million (2019 - $4 million and $9 million) of interest capitalized during construction for the second quarter and first six months of 2020.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 27-year track record. Dividends paid to Class I and Class II Share owners totaled $50 million in the second quarter and $100 million in the first six months of 2020.

On July 9, 2020, the Board of Directors declared a third quarter dividend of 43.52 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

27 year

track record of increasing common share dividends

Normal Course Issuer Bid

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

On March 9, 2020, we commenced a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. This bid will expire on March 8, 2021. From March 9, 2020 to July 29, 2020, no shares were purchased.

SHARE CAPITAL

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

At July 28, 2020, we had outstanding 101,472,899 Class I Shares, 13,196,129 Class II Shares, and options to purchase 690,400 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, 2,444,750 Class I Shares were available for issuance at June 30, 2020. Options may be granted to our officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

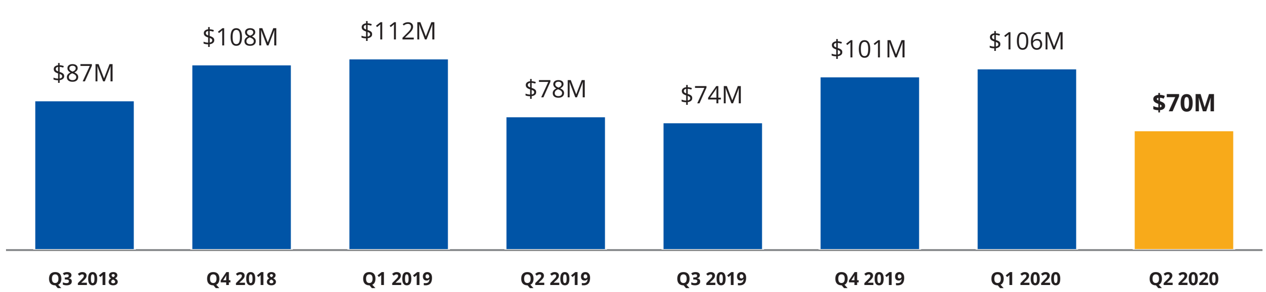
The following table shows financial information for the eight quarters ended September 30, 2018 through June 30, 2020.

($ millions, except for per share data)	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenues	1,097	1,182	1,056	**938**
Earnings attributable to Class I and Class II Shares	160	83	87	**45**
Earnings per Class I and Class II Share *($)*	1.40	0.73	0.76	**0.39**
Diluted earnings per Class I and Class II Share *($)*	1.40	0.72	0.76	**0.39**
Adjusted earnings per Class I and Class II Share *($)*	0.65	0.88	0.93	**0.61**
Adjusted earnings				
Structures & Logistics	13	14	7	**21**
Neltume Ports	3	4	3	**2**
ATCO Corporate & Other	3	(9)	1	**(1)**
Canadian Utilities				
Utilities	48	92	99	**57**
Energy Infrastructure	20	8	3	**2**
Canadian Utilities Corporate & Other	(13)	(8)	(7)	**(11)**
Total adjusted earnings	74	101	106	**70**

($ millions, except for per share data)	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Revenues	1,111	1,174	1,324	1,103
Earnings attributable to Class I and Class II Shares	115	135	112	158
Earnings per Class I and Class II Share *($)*	1.01	1.18	0.98	1.38
Diluted earnings per Class I and Class II Share *($)*	1.00	1.18	0.98	1.37
Adjusted earnings per Class I and Class II Share *($)*	0.76	0.94	0.98	0.68
Adjusted earnings				
Structures & Logistics	3	5	3	7
Neltume Ports	1	3	4	4
ATCO Corporate & Other	15	2	–	–
Canadian Utilities				
Utilities	43	86	93	68
Energy Infrastructure	36	22	19	10
Canadian Utilities Corporate & Other	(11)	(10)	(7)	(11)
Total adjusted earnings	87	108	112	78

ADJUSTED EARNINGS

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



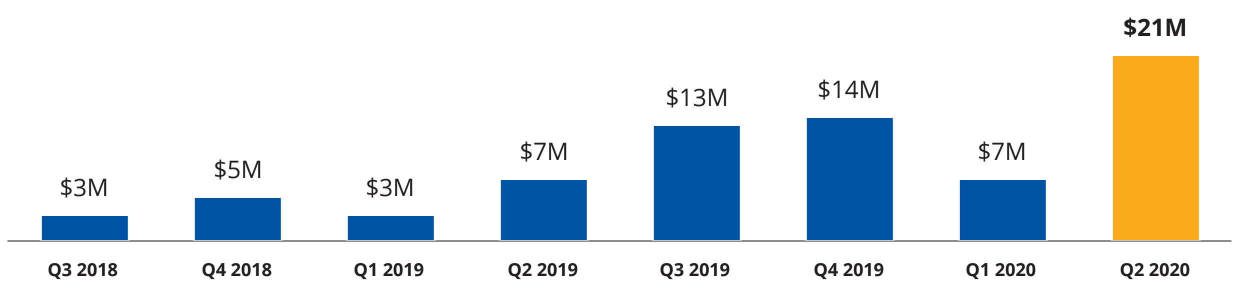
STRUCTURES & LOGISTICS

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

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

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

In the second quarter of 2020, earnings increased compared to the same period in 2019, mainly due to higher workforce housing trade sale activity in Canada, the US and Australia, continued progress with the LNG Canada Cedar Valley Lodge contract and higher space rental activity in Canada, the US and Australia.



NELTUME PORTS

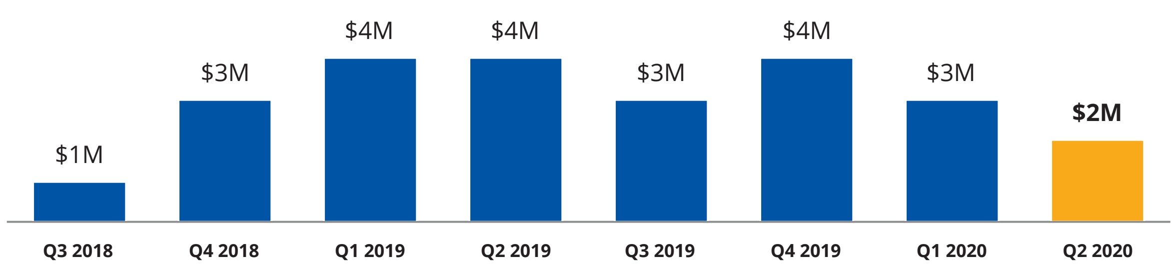
On September 12, 2018, ATCO invested in a 40 per cent interest in Neltume Ports. In the third quarter and fourth quarters of 2018, Neltume Ports earned $1 million and $3 million.

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

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

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

In the second quarter of 2020, Neltume Ports recorded adjusted earnings that were $2 million lower than the same period in 2019. Lower earnings were mainly due to unplanned equipment maintenance activity at Puerto Mejillones in northern Chile and overall lower cargo volumes related to the COVID-19 pandemic.



CANADIAN UTILITIES

Utilities

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

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

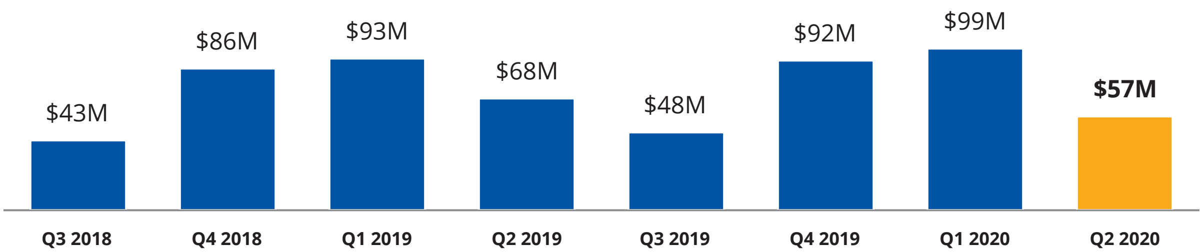
In the first quarter of 2019, earnings were positively impacted mainly by growth in the regulated rate base and cost efficiencies in Natural Gas and Electricity Distribution, partially offset by inflation adjustments applied to the rate of return calculations in International Natural Gas Distribution.

In the second quarter of 2019, earnings were positively impacted mainly by the Electricity Transmission 2018-2019 GTA decision, the Natural Gas Transmission 2019-2020 GRA decision, continued growth in the regulated rate base, cost efficiencies, and lower income taxes.

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

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

In the second quarter of 2020, adjusted earnings in the Utilities were lower compared to the same period in 2019 mainly due to the prior period impact of the Electricity Transmission 2018-2019 GTA decision received in the second quarter of 2019, the adverse earnings impact of the new five-year Access Arrangement regulatory decision in International Natural Gas Distribution which resulted in new rates commencing on January 1, 2020, the transition to APL operating activities by Electricity Transmission with completion of project management construction activities at the end of the first quarter of 2019, and the completion of the incremental ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.



Energy Infrastructure

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

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

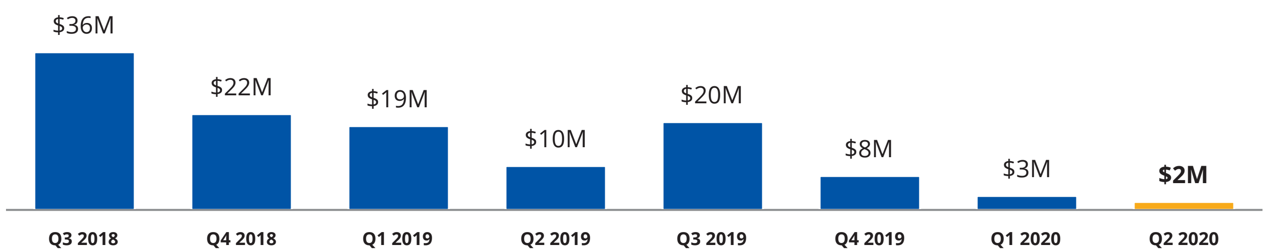
In the fourth quarter of 2018, earnings were positively impacted from the sale of the Barking Power assets and higher Alberta PowerLine earnings recorded as a result of an early energization incentive.

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

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

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

In the first and second quarters of 2020, Energy Infrastructure earnings were lower compared to the same periods in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019.



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the third quarter of 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities. Canadian Utilities received a payment from the Balancing Pool and also recorded additional coal-related costs and Asset Retirement Obligations associated with the Battle River generating facility. This one-time receipt and costs in the net amount of $19 million were excluded from adjusted earnings.

- In the fourth quarter of 2018, Canadian Utilities sold its 100 per cent ownership interest in Barking Power assets. A gain in the amount of $46 million was excluded from adjusted earnings.

- In the third and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business and Alberta PowerLine resulting in a gain on sale of operations of $65 million. As these transactions are one-time in nature, they are excluded from adjusted earnings.

- In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million, after-tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value for the Company. As these costs are one-time in nature, they are excluded from adjusted earnings.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Management’s view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the unaudited interim consolidated financial statements.

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

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

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

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

Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings.

($ millions) **Three Months Ended June 30**

2020 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Revenues	**201**	**—**	**(3)**	**678**	**51**	**11**	**740**	**938**
	204	—	(3)	677	194	31	902	1,103
Adjusted earnings (loss)	**21**	**2**	**(1)**	**57**	**2**	**(11)**	**48**	**70**
	7	4	—	68	10	(11)	67	78
Transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(5)	—	(5)	(5)
Impairment and other costs	**(5)**	**—**	**—**	**(4)**	**(2)**	**(9)**	**(15)**	**(20)**
	—	—	—	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity	**—**	**—**	**—**	**—**	**(1)**	**3**	**2**	**2**
	—	—	—	—	(3)	—	(3)	(3)
Rate-regulated activities	**—**	**—**	**—**	**(4)**	**—**	**(1)**	**(5)**	**(5)**
	—	—	—	99	—	(3)	96	96
IT Common Matters decision	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(8)	—	—	(8)	(8)
Other	**—**	**—**	**(1)**	**—**	**1**	**—**	**1**	**—**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**16**	**2**	**(2)**	**47**	**—**	**(18)**	**29**	**45**
	7	4	—	159	2	(14)	147	158

($ millions)								Six Months Ended June 30
2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Revenues	**372**	**—**	**(3)**	**1,467**	**101**	**57**	**1,625**	**1,994**
	342	—	(6)	1,471	567	53	2,091	2,427
Adjusted earnings (loss)	**28**	**5**	**—**	**156**	**5**	**(18)**	**143**	**176**
	10	8	—	161	29	(18)	172	190
Transaction Costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(5)	—	(5)	(5)
Impairment and other costs	**(5)**	**—**	**—**	**(4)**	**(2)**	**(9)**	**(15)**	**(20)**
	—	—	—	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity	**—**	**—**	**—**	**—**	**(1)**	**6**	**5**	**5**
	—	—	—	—	—	—	—	—
Rate-regulated activities	**—**	**—**	**—**	**(21)**	**—**	**(1)**	**(22)**	**(22)**
	—	—	—	95	—	(2)	93	93
IT Common Matters decision	**—**	**—**	**—**	**(4)**	**—**	**—**	**(4)**	**(4)**
	—	—	—	(8)	—	—	(8)	(8)
Other	**—**	**—**	**—**	**—**	**(3)**	**—**	**(3)**	**(3)**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**23**	**5**	**—**	**127**	**(1)**	**(22)**	**104**	**132**
	10	8	—	248	24	(20)	252	270

TRANSACTION COSTS

In the second quarter of 2019, Canadian Utilities incurred transactions costs for the announced sales of the Canadian fossil fuel-based electricity generation portfolio and Alberta Powerline Limited Partnership. As these costs were related to a one-time transaction, they were excluded from adjusted earnings.

IMPAIRMENT AND OTHER COSTS

In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million, after-tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value for the Company.

Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a 5 per cent working interest in oil and gas assets in Northern Canada. With continued low oil prices and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $9 million was recorded reflecting the reduced likelihood of future recovery of these costs.

In the second quarter of 2020, ATCO Structures closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs.

The remaining costs mainly relate to the continued transformation and realignment of certain functions in the Company as well as an adjustment to certain real estate assets in small markets within the Company's real estate portfolio due to continued low prices and economic uncertainty.

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

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

Additionally, prior to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019, the Company entered into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power and Thermal Plants not governed by a Power Purchase Arrangement. The forward contracts were measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts were recognized in the earnings of the Energy Infrastructure operating segment where hedge accounting was not applied.

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

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

RATE-REGULATED ACTIVITIES

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

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

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

Rate-regulated accounting differs from IFRS in the following ways:

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

The significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**9**	8	1	**21**	19	2
Impact of colder temperatures [2]	**2**	—	2	**5**	6	(1)
Revenues to be billed in future periods						
Deferred income taxes [3]	**(12)**	(14)	2	**(30)**	(29)	(1)
Deferred income taxes due to decrease in provincial corporate income tax [4]	**—**	106	(106)	**—**	106	(106)
Impact of inflation on rate base [5]	**—**	(2)	2	**(2)**	(2)	—
Regulatory decisions received (see below)	**—**	(1)	1	**—**	(1)	1
Settlement of regulatory decisions and other items [6]	**(4)**	(1)	(3)	**(16)**	(6)	(10)
	(5)	96	(101)	**(22)**	93	(115)

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

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

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

(4) In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments starting July 1, 2019. As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings for the three and six months ended June 30, 2019 by $106 million.

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

(6) In the first six months of 2020, Electricity Distribution recorded a decrease in earnings of $11 million related to payment of transmission costs. This will be recovered from customers in future periods.

REGULATORY DECISIONS RECEIVED

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2019 is provided below.

	Decision	Amount	Description
1.	Information Technology (IT) Common Matters	8	In August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. In 2015, the AUC commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13% and to apply a glide path that reduces pricing by 4.61% in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to June 30, 2019 of $8 million was recorded in the second quarter of 2019.
2.	Electricity Transmission General Tariff Application	(9)	In June 2017, Electricity Transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of $9 million was recorded in the second quarter of 2019.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and six months ended June 30, 2020 was $2 million and $4 million (2019 - $8 million and $8 million).

OTHER

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three months ended June 30, 2020, the Company recorded a foreign exchange gain of $1 million, and during the six months ended June 30, 2020, the Company recorded a foreign exchange loss of $3 million (2019 - $nil and $nil) due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

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

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

($ millions)

2020 2019	**Three Months Ended June 30**	**Six Months Ended June 30**
Funds generated by operations	**378**	**894**
	433	1,012
Changes in non-cash working capital	**75**	**137**
	(95)	(190)
Change in receivable under service concession arrangement	**—**	**—**
	(13)	(139)
Cash flows from operating activities	**453**	**1,031**
	325	683

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions) — **Three Months Ended June 30**

2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited: Utilities**	**Canadian Utilities Limited: Energy Infrastructure**	**Canadian Utilities Limited: CUL Corporate & Other**	**Canadian Utilities Limited: Consolidated**	**ATCO Consolidated**
Capital Investment	**33**	**—**	**3**	**180**	**8**	**2**	**190**	**226**
	42	—	1	215	25	1	241	284
Capital expenditure in joint ventures	**—**	**—**	**—**	**—**	**(3)**	**—**	**(3)**	**(3)**
	—	—	—	—	(1)	—	(1)	(1)
Capital Expenditures	**33**	**—**	**3**	**180**	**5**	**2**	**187**	**223**
	42	—	1	215	24	1	240	283

($ millions) — **Six Months Ended June 30**

2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited: Utilities**	**Canadian Utilities Limited: Energy Infrastructure**	**Canadian Utilities Limited: CUL Corporate & Other**	**Canadian Utilities Limited: Consolidated**	**ATCO Consolidated**
Capital Investment	**71**	**—**	**9**	**429**	**16**	**4**	**449**	**529**
	60	9	2	428	126	2	556	627
Equity investment in associate company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(9)	—	—	—	—	—	(9)
Capital expenditure in joint ventures	**—**	**—**	**—**	**—**	**(5)**	**—**	**(5)**	**(5)**
	—	—	—	—	(1)	—	(1)	(1)
Service concession arrangement	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(95)	—	(95)	(95)
Capital Expenditures	**71**	**—**	**9**	**429**	**11**	**4**	**444**	**524**
	60	—	2	428	30	2	460	522

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2020, and ended on June 30, 2020, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

The Company's actual results could differ materially from those anticipated in any forward-looking information contained in this MD&A as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions (including as may be affected by the COVID-19 pandemic) and other factors, many of which are beyond the control of the Company.

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

ADDITIONAL INFORMATION

ATCO has published its unaudited interim consolidated financial statements and MD&A for the six months ended June 30, 2020. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

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

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

AUC means the Alberta Utilities Commission.

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

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

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

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

NCI means non controlling interest.

PBR means Performance Based Regulation.

PPA means Power Purchase Arrangements.

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

Thermal Plant is a coal-fired power station in which heat energy is converted to electric power.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars except per share data)	**Note**	**2020**	**2019**	**2020**	**2019**
Revenues	4	**938**	1,103	**1,994**	2,427
Costs and expenses					
Salaries, wages and benefits		**(147)**	(139)	**(278)**	(267)
Energy transmission and transportation		**(55)**	(51)	**(108)**	(103)
Plant and equipment maintenance		**(48)**	(73)	**(96)**	(133)
Fuel costs		**(21)**	(45)	**(47)**	(123)
Purchased power		**(46)**	(49)	**(111)**	(113)
Service concession arrangement costs		**–**	(8)	**–**	(103)
Materials and consumables		**(116)**	(125)	**(212)**	(202)
Depreciation, amortization and impairment	7	**(177)**	(167)	**(333)**	(334)
Franchise fees		**(55)**	(55)	**(136)**	(129)
Property and other taxes		**(20)**	(40)	**(38)**	(89)
Other		**(32)**	(100)	**(88)**	(159)
		(717)	(852)	**(1,447)**	(1,755)
Earnings from investment in associate company		**2**	4	**5**	8
Earnings from investment in joint ventures		**3**	5	**10**	13
Operating profit		**226**	260	**562**	693
Interest income		**3**	6	**9**	12
Interest expense		**(105)**	(130)	**(210)**	(259)
Net finance costs		**(102)**	(124)	**(201)**	(247)
Earnings before income taxes		**124**	136	**361**	446
Income tax (expense) recovery	5	**(35)**	175	**(98)**	91
Earnings for the period		**89**	311	**263**	537
Earnings attributable to:					
Class I and Class II Shares		**45**	158	**132**	270
Non-controlling interests		**44**	153	**131**	267
		89	311	**263**	537
Earnings per Class I and Class II Share	6	**$0.39**	$1.38	**$1.15**	$2.36
Diluted earnings per Class I and Class II Share	6	**$0.39**	$1.37	**$1.15**	$2.35

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**Note**	**2020**	**2019**	**2020**	**2019**
Earnings for the period		**89**	311	**263**	537
Other comprehensive loss, net of income taxes					
Items that will not be reclassified to earnings:					
Re-measurement of retirement benefits (1)	10	**(218)**	(41)	**(16)**	(120)
Items that are or may be reclassified subsequently to earnings:					
Cash flow hedges (2)		**(7)**	(5)	**(24)**	(10)
Cash flow hedges reclassified to earnings (3)		**–**	2	**–**	4
Foreign currency translation adjustment (3)		**27**	(28)	**25**	(46)
Share of other comprehensive loss in associate company		**–**	–	**(4)**	–
		20	(31)	**(3)**	(52)
Other comprehensive loss		**(198)**	(72)	**(19)**	(172)
Comprehensive (loss) income for the period		**(109)**	239	**244**	365
Comprehensive (loss) income attributable to:					
Class I and Class II Shares		**(40)**	113	**132**	165
Non-controlling interests		**(69)**	126	**112**	200
		(109)	239	**244**	365

(1) Net of income taxes of $64 million and $4 million for the three and six months ended June 30, 2020 (2019 - $8 million and $37 million).

(2) Net of income taxes of $3 million and $9 million for the three and six months ended June 30, 2020 (2019 - $2 million and $4 million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	June 30 2020	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	11	**1,140**	1,140
Accounts receivable and contract assets		**551**	731
Finance lease receivables		**9**	9
Inventories		**69**	64
Prepaid expenses and other current assets		**114**	93
		1,883	2,037
Non-current assets			
Property, plant and equipment	7	**18,103**	17,857
Intangibles		**648**	662
Right-of-use assets		**93**	96
Goodwill		**82**	82
Investment in joint ventures		**194**	187
Investment in associate company		**472**	468
Finance lease receivables		**168**	170
Deferred income tax assets		**75**	83
Other assets		**64**	61
Total assets		**21,782**	21,703
LIABILITIES			
Current liabilities			
Bank indebtedness		**2**	–
Accounts payable and accrued liabilities		**597**	675
Lease liabilities		**15**	15
Other current liabilities		**87**	47
Long-term debt	8	**121**	173
		822	910
Non-current liabilities			
Deferred income tax liabilities		**1,364**	1,319
Retirement benefit obligations	10	**453**	429
Customer contributions		**1,741**	1,720
Lease liabilities		**80**	84
Other liabilities		**148**	120
Long-term debt	8	**9,314**	9,263
Total liabilities		**13,922**	13,845
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	9	**177**	173
Contributed surplus		**10**	12
Retained earnings		**3,860**	3,832
Accumulated other comprehensive loss		**(8)**	(17)
		4,039	4,000
Non-controlling interests		**3,821**	3,858
Total equity		**7,860**	7,858
Total liabilities and equity		**21,782**	21,703

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
December 31, 2018		169	11	3,535	40	3,755	3,687	7,442
Earnings for the period		–	–	270	–	270	267	537
Other comprehensive loss		–	–	–	(105)	(105)	(67)	(172)
Losses on retirement benefits transferred to retained earnings		–	–	(65)	65	–	–	–
Dividends	9	–	–	(93)	–	(93)	(147)	(240)
Share-based compensation		2	–	–	–	2	1	3
Other		–	–	(4)	–	(4)	–	(4)
June 30, 2019		171	11	3,643	–	3,825	3,741	7,566
December 31, 2019		173	12	3,832	(17)	4,000	3,858	7,858
Earnings for the period		**–**	**–**	**132**	**–**	**132**	**131**	**263**
Other comprehensive income (loss)		**–**	**–**	**–**	**–**	**–**	**(19)**	**(19)**
Losses on retirement benefits transferred to retained earnings		**–**	**–**	**(7)**	**7**	**–**	**–**	**–**
Shares issued, purchased and cancelled		**1**	**–**	**–**	**–**	**1**	**–**	**1**
Dividends	9	**–**	**–**	**(100)**	**–**	**(100)**	**(150)**	**(250)**
Share-based compensation		**3**	**(2)**	**3**	**–**	**4**	**–**	**4**
Other		**–**	**–**	**–**	**2**	**2**	**1**	**3**
June 30, 2020		**177**	**10**	**3,860**	**(8)**	**4,039**	**3,821**	**7,860**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
Operating activities					
Earnings for the period		**89**	311	**263**	537
Adjustments to reconcile earnings to cash flows from operating activities	11	**289**	122	**631**	475
Changes in non-cash working capital		**75**	(95)	**137**	(190)
Change in receivable under service concession arrangement		**–**	(13)	**–**	(139)
Cash flows from operating activities		**453**	325	**1,031**	683
Investing activities					
Additions to property, plant and equipment		**(215)**	(262)	**(493)**	(480)
Proceeds on disposal of property, plant and equipment		**2**	–	**2**	1
Additions to intangibles		**(5)**	(17)	**(23)**	(33)
Investment in equity interest in associate company		**–**	–	**–**	(9)
Investment in joint ventures		**(3)**	–	**(8)**	–
Changes in non-cash working capital		**(45)**	(20)	**(26)**	(34)
Other		**(2)**	4	**(2)**	4
Cash flows used in investing activities		**(268)**	(295)	**(550)**	(551)
Financing activities					
Net issue of short-term debt		**–**	150	**–**	375
Issue of long-term debt	8	**7**	26	**66**	26
Repayment of long-term debt	8	**(11)**	(31)	**(82)**	(232)
Release of restricted project funds		**–**	72	**–**	177
Repayment of non-recourse long-term debt		**–**	(4)	**–**	(7)
Repayment of lease liabilities		**(5)**	(5)	**(9)**	(9)
Issue of Class I Shares		**–**	–	**–**	1
Dividends paid to Class I and Class II Share owners		**(50)**	(47)	**(100)**	(93)
Dividends paid to non-controlling interests		**(74)**	(73)	**(150)**	(147)
Interest paid		**(125)**	(146)	**(206)**	(252)
Other		**(2)**	3	**(1)**	17
Cash flows used in financing activities		**(260)**	(55)	**(482)**	(144)
Decrease in cash position [1]		**(75)**	(25)	**(1)**	(12)
Foreign currency translation		**6**	5	**(1)**	2
Beginning of period		**1,207**	701	**1,140**	691
End of period	11	**1,138**	681	**1,138**	681

(1) Cash position includes $53 million which is not available for general use by the Company (2019 - $75 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2020

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

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

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

Principal operating subsidiaries are:

- Canadian Utilities Limited (52.2 per cent owned) and its subsidiaries; and
- ATCO Structures & Logistics and its subsidiaries.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on July 29, 2020.

BASIS OF MEASUREMENT

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

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

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

3. SEGMENTED INFORMATION

The Company's operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM is comprised of the Chair and Chief Executive Officer, and the other members of the Executive Committee.

In the first quarter of 2020, the Company reorganized its operating subsidiaries into the following segments:

- Structures & Logistics;
- Utilities (Electricity and Natural Gas);
- Energy Infrastructure;
- Neltume Ports; and
- Corporate & Other.

Comparative amounts for prior periods have been restated to reflect the realigned segments. Management has determined that the operating subsidiaries in the reportable segments below share similar economic characteristics, as such, they have been aggregated.

The descriptions and principal operating activities of the realigned reportable segments are as follows:

<table>
<tr><td colspan="3">Structures & Logistics</td><td>The Structures & Logistics segment includes ATCO Structures & Logistics. This company offers 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.</td></tr>
<tr><td rowspan="4">Canadian Utilities Limited</td><td rowspan="2">Utilities</td><td>Electricity</td><td>The Utilities (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories, and international electricity operations (see Note 13).</td></tr>
<tr><td>Natural Gas</td><td>The Utilities (Natural Gas) segment includes ATCO Gas, ATCO Pipelines and ATCO Gas Australia. These businesses provide integrated natural gas transmission and distribution services throughout Alberta, in the Lloydminster area of Saskatchewan and in Western Australia.</td></tr>
<tr><td colspan="2">Energy Infrastructure</td><td>The Energy Infrastructure segment includes ATCO Power (2010) (in 2019, the Company sold its Canadian fossil fuel-based electricity generation portfolio), Alberta PowerLine (before sale in 2019), ATCO Energy Solutions and ATCO Power Australia. Together these businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Yukon, the Northwest Territories, Australia and Mexico.</td></tr>
<tr><td colspan="2">Corporate & Other</td><td>Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business in Alberta.</td></tr>
<tr><td colspan="3">Neltume Ports</td><td>The Neltume Ports segment includes the equity interest in Neltume Ports S.A., a leading port operator and developer in South America. Neltume Ports operates sixteen port facilities and three port operation services businesses located in Chile, Uruguay, Argentina and Brazil.</td></tr>
<tr><td colspan="3">Corporate & Other</td><td>ATCO Corporate & Other includes commercial real estate owned by the Company and intersegment eliminations.</td></tr>
</table>

Results by operating segment for the three months ended June 30 are shown below.

2020 2019	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: Utilities (1)	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Revenues - external	**201**	**–**	**(3)**	**671**	**41**	**28**	**740**	**938**
	204	–	(3)	677	186	39	902	1,103
Revenues - intersegment	**–**	**–**	**–**	**7**	**10**	**(17)**	**–**	**–**
	–	–	–	–	8	(8)	–	–
Revenues	**201**	**–**	**(3)**	**678**	**51**	**11**	**740**	**938**
	204	–	(3)	677	194	31	902	1,103
Operating expenses (2)	**(165)**	**–**	**5**	**(328)**	**(49)**	**(3)**	**(380)**	**(540)**
	(181)	–	8	(314)	(163)	(35)	(512)	(685)
Depreciation, amortization and impairment	**(13)**	**–**	**(2)**	**(139)**	**(2)**	**(21)**	**(162)**	**(177)**
	(11)	–	(2)	(139)	(13)	(2)	(154)	(167)
Earnings from investment in associate company	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**2**
	–	4	–	–	–	–	–	4
Earnings from investment in joint ventures	**–**	**–**	**–**	**–**	**3**	**–**	**3**	**3**
	1	–	–	–	4	–	4	5
Net finance costs	**(2)**	**–**	**(3)**	**(93)**	**(3)**	**(1)**	**(97)**	**(102)**
	(3)	–	(4)	(98)	(20)	1	(117)	(124)
Earnings (loss) before income taxes	**21**	**2**	**(3)**	**118**	**–**	**(14)**	**104**	**124**
	10	4	(1)	126	2	(5)	123	136
Income tax (expense) recovery	**(5)**	**–**	**1**	**(29)**	**–**	**(2)**	**(31)**	**(35)**
	(3)	–	1	176	9	(8)	177	175
Earnings (loss) for the period	**16**	**2**	**(2)**	**89**	**–**	**(16)**	**73**	**89**
	7	4	–	302	11	(13)	300	311
Adjusted earnings (loss) for the period	**21**	**2**	**(1)**	**57**	**2**	**(11)**	**48**	**70**
	7	4	–	68	10	(11)	67	78
Capital expenditures (3)	**33**	**–**	**3**	**180**	**5**	**2**	**187**	**223**
	42	–	1	215	24	1	240	283

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

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

(3) Includes additions to property, plant and equipment and intangibles and $2 million of interest capitalized during construction for the three months ended June 30, 2020 (2019 - $4 million).

Results of the operating segments included in the Utilities for the three months ended June 30 are shown below.

2020	**Utilities**			
2019	**Electricity**	**Natural Gas**	**Intersegment eliminations**	**Consolidated**
Revenues - external	**333**	**338**	**–**	**671**
	339	338	–	677
Revenues - intersegment	**7**	**1**	**(1)**	**7**
	1	–	(1)	–
Revenues	**340**	**339**	**(1)**	**678**
	340	338	(1)	677
Operating expenses [(1)]	**(123)**	**(206)**	**1**	**(328)**
	(116)	(198)	–	(314)
Depreciation and amortization	**(75)**	**(64)**	**–**	**(139)**
	(78)	(61)	–	(139)
Net finance costs	**(57)**	**(36)**	**–**	**(93)**
	(57)	(41)	–	(98)
Earnings before income taxes	**85**	**33**	**–**	**118**
	89	38	(1)	126
Income tax (expense) recovery	**(20)**	**(9)**	**–**	**(29)**
	116	60	–	176
Earnings for the period	**65**	**24**	**–**	**89**
	205	98	(1)	302
Adjusted earnings for the period	**40**	**17**	**–**	**57**
	47	21	–	68
Capital expenditures [(2)]	**79**	**101**	**–**	**180**
	87	128	–	215

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) Includes additions to property, plant and equipment and intangibles and $2 million of interest capitalized during construction for the three months ended June 30, 2020 (2019 - $4 million).

Results by operating segment for the six months ended June 30 are shown below.

2020 2019	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: Utilities [1]	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Revenues - external	**372**	**–**	**(3)**	**1,457**	**75**	**93**	**1,625**	**1,994**
	342	–	(6)	1,471	521	99	2,091	2,427
Revenues - intersegment	**–**	**–**	**–**	**10**	**26**	**(36)**	**–**	**–**
	–	–	–	–	46	(46)	–	–
Revenues	**372**	**–**	**(3)**	**1,467**	**101**	**57**	**1,625**	**1,994**
	342	–	(6)	1,471	567	53	2,091	2,427
Operating expenses [2]	**(318)**	**–**	**13**	**(678)**	**(91)**	**(40)**	**(809)**	**(1,114)**
	(303)	–	18	(636)	(446)	(54)	(1,136)	(1,421)
Depreciation, amortization and impairment	**(25)**	**–**	**(3)**	**(278)**	**(6)**	**(21)**	**(305)**	**(333)**
	(20)	–	(3)	(278)	(29)	(4)	(311)	(334)
Earnings from investment in associate company	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**5**
	–	8	–	–	–	–	–	8
Earnings from investment in joint ventures	**1**	**–**	**–**	**–**	**9**	**–**	**9**	**10**
	1	–	–	–	12	–	12	13
Net finance costs	**(3)**	**–**	**(7)**	**(185)**	**(6)**	**–**	**(191)**	**(201)**
	(4)	–	(9)	(189)	(48)	3	(234)	(247)
Earnings (loss) before income taxes	**27**	**5**	**–**	**326**	**7**	**(4)**	**329**	**361**
	16	8	–	368	56	(2)	422	446
Income tax (expense) recovery	**(4)**	**–**	**–**	**(80)**	**(9)**	**(5)**	**(94)**	**(98)**
	(6)	–	–	112	(6)	(9)	97	91
Earnings (loss) for the period	**23**	**5**	**–**	**246**	**(2)**	**(9)**	**235**	**263**
	10	8	–	480	50	(11)	519	537
Adjusted earnings (loss) for the period	**28**	**5**	**–**	**156**	**5**	**(18)**	**143**	**176**
	10	8	–	161	29	(18)	172	190
Total assets [3]	**1,021**	**472**	**243**	**18,200**	**1,051**	**795**	**20,046**	**21,782**
	987	466	206	17,852	1,754	438	20,044	21,703
Capital expenditures [4]	**71**	**–**	**9**	**429**	**11**	**4**	**444**	**524**
	60	–	2	428	30	2	460	522

(1) Includes the collective results of the Electricity and the Natural Gas operating segments, and related intersegment eliminations. Details of the results by operating segments included in the Utilities are disclosed further.

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

(3) 2019 comparatives are at December 31, 2019.

(4) Includes additions to property, plant and equipment and intangibles and $7 million of interest capitalized during construction for the six months ended June 30, 2020 (2019 - $9 million).

Results of the operating segments included in the Utilities for the six months ended June 30 are shown below.

2020	**Utilities**			
2019	**Electricity**	**Natural Gas**	**Intersegment eliminations**	**Consolidated**
Revenues - external	**650**	**807**	**–**	**1,457**
	698	773	–	1,471
Revenues - intersegment	**10**	**2**	**(2)**	**10**
	1	–	(1)	–
Revenues	**660**	**809**	**(2)**	**1,467**
	699	773	(1)	1,471
Operating expenses [(1)]	**(245)**	**(435)**	**2**	**(678)**
	(230)	(406)	–	(636)
Depreciation and amortization	**(152)**	**(126)**	**–**	**(278)**
	(155)	(123)	–	(278)
Net finance costs	**(115)**	**(70)**	**–**	**(185)**
	(114)	(75)	–	(189)
Earnings before income taxes	**148**	**178**	**–**	**326**
	200	169	(1)	368
Income tax (expense) recovery	**(35)**	**(45)**	**–**	**(80)**
	86	26	–	112
Earnings for the period	**113**	**133**	**–**	**246**
	286	195	(1)	480
Adjusted earnings for the period	**81**	**75**	**–**	**156**
	90	71	–	161
Total assets [(2)]	**10,394**	**7,807**	**(1)**	**18,200**
	10,211	7,641	–	17,852
Capital expenditures [(3)]	**187**	**242**	**–**	**429**
	195	233	–	428

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) 2019 comparatives are at December 31, 2019.
(3) Includes additions to property, plant and equipment and intangibles and $7 million of interest capitalized during construction for the six months ended June 30, 2020 (2019 - $9 million).

ADJUSTED EARNINGS

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

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

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

The reconciliation of adjusted earnings and earnings for the three months ended June 30 is shown below.

2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited** Utilities	Energy Infrastructure	Corporate & Other	Consolidated	**ATCO Consolidated**
Adjusted earnings (loss)	**21**	**2**	**(1)**	**57**	**2**	**(11)**	**48**	**70**
	7	4	–	68	10	(11)	67	78
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	(5)	–	(5)	(5)
Impairment and other costs	**(5)**	**–**	**–**	**(4)**	**(2)**	**(9)**	**(15)**	**(20)**
	–	–	–	–	–	–	–	–
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**(1)**	**3**	**2**	**2**
	–	–	–	–	(3)	–	(3)	(3)
Rate-regulated activities	**–**	**–**	**–**	**(4)**	**–**	**(1)**	**(5)**	**(5)**
	–	–	–	99	–	(3)	96	96
IT Common Matters decision	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**	**(2)**
	–	–	–	(8)	–	–	(8)	(8)
Other	**–**	**–**	**(1)**	**–**	**1**	**–**	**1**	**–**
	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	**16**	**2**	**(2)**	**47**	**–**	**(18)**	**29**	**45**
	7	4	–	159	2	(14)	147	158
Earnings attributable to non-controlling interests								**44**
								153
Earnings for the period								**89**
								311

The reconciliation of adjusted earnings and earnings for the six months ended June 30 is shown below.

2020 / 2019		Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: Utilities	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Adjusted earnings (loss)	2020	**28**	**5**	–	**156**	**5**	**(18)**	**143**	**176**
	2019	10	8	–	161	29	(18)	172	190
Transaction costs	2020	–	–	–	–	–	–	–	–
	2019	–	–	–	–	(5)	–	(5)	(5)
Impairment and other costs	2020	**(5)**	–	–	**(4)**	**(2)**	**(9)**	**(15)**	**(20)**
	2019	–	–	–	–	–	–	–	–
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	2020	–	–	–	–	**(1)**	**6**	**5**	**5**
	2019	–	–	–	–	–	–	–	–
Rate-regulated activities	2020	–	–	–	**(21)**	–	**(1)**	**(22)**	**(22)**
	2019	–	–	–	95	–	(2)	93	93
IT Common Matters decision	2020	–	–	–	**(4)**	–	–	**(4)**	**(4)**
	2019	–	–	–	(8)	–	–	(8)	(8)
Other	2020	–	–	–	–	**(3)**	–	**(3)**	**(3)**
	2019	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	2020	**23**	**5**	–	**127**	**(1)**	**(22)**	**104**	**132**
	2019	10	8	–	248	24	(20)	252	270
Earnings attributable to non-controlling interests	2020								**131**
	2019								267
Earnings for the period	2020								**263**
	2019								537

Transaction costs

In the second quarter of 2019, Canadian Utilities incurred transactions costs for the announced sales of the Canadian fossil fuel-based electricity generation portfolio and Alberta Powerline Limited Partnership. As these costs were related to a one-time transaction, they were excluded from adjusted earnings.

Impairment and other costs

In the second quarter of 2020, impairment (see Note 7) and other costs not in the normal course of business of $20 million, after tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value to the Company.

Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a 5 per cent working interest in oil and gas assets in Northern Canada. With continued low oil prices and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $9 million was recorded reflecting the reduced likelihood of future recovery of these costs.

ATCO Structures & Logistics Ltd. closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs.

The remaining costs mainly relate to the continued transformation and realignment of certain functions in the Company, as well as an adjustment to certain real estate assets in small markets within the Company's real estate portfolio due to continued low prices and economic uncertainty.

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

Additionally, prior to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, the Company entered into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power and Thermal Plants not governed by a Power Purchase Arrangement. The forward contracts were measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts were recognized in the earnings of the Energy Infrastructure operating segment where hedge accounting was not applied.

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

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

Rate-regulated activities

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

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

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

Rate-regulated accounting differs from IFRS in the following ways:

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1. Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
2. Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3. Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
4. Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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	
	2020	**2019**	**2020**	**2019**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**9**	8	**21**	19
Impact of colder temperatures [(2)]	**2**	–	**5**	6
Revenues to be billed in future periods				
Deferred income taxes [(3)]	**(12)**	(14)	**(30)**	(29)
Deferred income taxes due to decrease in provincial corporate income tax [(4)]	**–**	106	**–**	106
Impact of inflation on rate base [(5)]	**–**	(2)	**(2)**	(2)
Regulatory decisions received (see below)	**–**	(1)	**–**	(1)
Settlement of regulatory decisions and other items [(6)]	**(4)**	(1)	**(16)**	(6)
	(5)	96	**(22)**	93

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

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

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

(4) In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments starting July 1, 2019 (see Note 5). As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings for the three and six months ended June 30, 2019 by $106 million.

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

(6) In the first six months of 2020, ATCO Electric Distribution recorded a decrease in earnings of $11 million related to payment of transmission costs. This will be recovered from customers in future periods.

Regulatory decisions received

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2019 is provided below.

	Decision	Amount	Description
1.	Information Technology (IT) Common Matters	8	In August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. In 2015, the AUC commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13% and to apply a glide path that reduces pricing by 4.61% in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to June 30, 2019 of $8 million was recorded in the second quarter of 2019.
2.	ATCO Electric Transmission General Tariff Application (GTA)	(9)	In June 2017, ATCO Electric Transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of $9 million was recorded in the second quarter of 2019.

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and six months ended June 30, 2020 was $2 million and $4 million (2019 - $8 million and $8 million).

Other

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three months ended June 30, 2020, the Company recorded a foreign exchange gain of $1 million, and during the six months ended June 30, 2020, the Company recorded a foreign exchange loss of $3 million (2019 - $nil and $nil) due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

4. REVENUES

The Company disaggregates revenues based on the revenue streams and by regulated and non-regulated business operations. The disaggregation of revenues by revenue streams by each operating segment for the three months ended June 30 are shown below:

2020 2019	Structures & Logistics	Utilities Electricity	Utilities Natural Gas	Utilities Total	Energy Infrastructure	Corporate & Other (1)	Consolidated
Revenue Streams							
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	–	104	–	104
Commodity sales	**–**	**–**	**–**	**–**	**8**	**–**	**8**
	–	–	–	–	6	–	6
Modular structures - goods	**38**	**–**	**–**	**–**	**–**	**–**	**38**
	33	–	–	–	–	–	33
Total sale of goods	**38**	**–**	**–**	**–**	**15**	**–**	**53**
	33	–	–	–	110	–	143
Rendering of Services							
Distribution services	**–**	**131**	**202**	**333**	**–**	**–**	**333**
	–	129	211	340	–	–	340
Transmission services	**–**	**173**	**73**	**246**	**–**	**–**	**246**
	–	168	73	241	–	–	241
Modular structures - services	**89**	**–**	**–**	**–**	**–**	**–**	**89**
	88	–	–	–	–	–	88
Logistics and facility operations and maintenance services	**19**	**–**	**–**	**–**	**–**	**–**	**19**
	29	–	–	–	–	–	29
Lodging and support	**25**	**–**	**–**	**–**	**–**	**–**	**25**
	26	–	–	–	–	–	26
Customer contributions	**–**	**7**	**5**	**12**	**–**	**–**	**12**
	–	11	3	14	–	–	14
Franchise fees	**–**	**7**	**48**	**55**	**–**	**–**	**55**
	–	8	47	55	–	–	55
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**25**	**25**
	–	–	–	–	–	30	30
Storage and industrial water	**–**	**–**	**–**	**–**	**5**	**–**	**5**
	–	–	–	–	5	–	5
Total rendering of services	**133**	**318**	**328**	**646**	**5**	**25**	**809**
	143	316	334	650	5	30	828
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**2**	**–**	**2**
	–	–	–	–	7	–	7
Operating lease	**30**	**–**	**–**	**–**	**–**	**–**	**30**
	28	–	–	–	22	–	50
Total lease income	**30**	**–**	**–**	**–**	**2**	**–**	**32**
	28	–	–	–	29	–	57
Service concession arrangement	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	42	–	42
Other	**–**	**15**	**10**	**25**	**19**	**–**	**44**
	–	23	4	27	–	6	33
Total	**201**	**333**	**338**	**671**	**41**	**25**	**938**
	204	339	338	677	186	36	1,103

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

The disaggregation of revenues by revenue streams by each operating segment for the six months ended June 30 are shown below:

2020 2019	Structures & Logistics	Utilities			Energy Infrastructure	Corporate & Other [1]	Consolidated
		Electricity	Natural Gas	Total			
Revenue Streams							
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**14**	**–**	**14**
	–	–	–	–	268	–	268
Commodity sales	**–**	**–**	**–**	**–**	**15**	**–**	**15**
	–	–	–	–	14	–	14
Modular structures - goods	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	61	–	–	–	–	–	61
Total sale of goods	**60**	**–**	**–**	**–**	**29**	**–**	**89**
	61	–	–	–	282	–	343
Rendering of Services							
Distribution services	**–**	**250**	**509**	**759**	**–**	**–**	**759**
	–	284	505	789	–	–	789
Transmission services	**–**	**346**	**145**	**491**	**–**	**–**	**491**
	–	337	139	476	–	–	476
Modular structures - services	**166**	**–**	**–**	**–**	**–**	**–**	**166**
	134	–	–	–	–	–	134
Logistics and facility operations and maintenance services	**45**	**–**	**–**	**–**	**–**	**–**	**45**
	56	–	–	–	–	–	56
Lodging and support	**46**	**–**	**–**	**–**	**–**	**–**	**46**
	40	–	–	–	–	–	40
Customer contributions	**–**	**15**	**11**	**26**	**–**	**–**	**26**
	–	21	8	29	–	–	29
Franchise fees	**–**	**15**	**121**	**136**	**–**	**–**	**136**
	–	16	113	129	–	–	129
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**85**	**85**
	–	–	–	–	–	86	86
Storage and industrial water	**–**	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	–	12	–	12
Total rendering of services	**257**	**626**	**786**	**1,412**	**7**	**85**	**1,761**
	230	658	765	1,423	12	86	1,751
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**5**	**–**	**5**
	–	–	–	–	16	–	16
Operating lease	**55**	**–**	**–**	**–**	**–**	**–**	**55**
	51	–	–	–	43	–	94
Total lease income	**55**	**–**	**–**	**–**	**5**	**–**	**60**
	51	–	–	–	59	–	110
Service concession arrangement	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	168	–	168
Other	**–**	**24**	**21**	**45**	**34**	**5**	**84**
	–	40	8	48	–	7	55
Total	**372**	**650**	**807**	**1,457**	**75**	**90**	**1,994**
	342	698	773	1,471	521	93	2,427

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

5. INCOME TAXES

On May 28, 2019, the Alberta government passed Bill 3, the Job Creation Tax Cut (Bill 3), which reduces the Alberta provincial corporate tax rate from 12.0 per cent to 8.0 per cent in a phased approach between July 1, 2019 and January 1, 2022. As a result of this change, in the second quarter of 2019, the Company recorded an adjustment to current and deferred income taxes of $1 million and $210 million, respectively.

6. EARNINGS PER SHARE

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

The earnings and average number of shares used to calculate earnings per share are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Average shares				
Weighted average shares outstanding	**114,411,064**	114,351,995	**114,381,714**	114,337,423
Effect of dilutive stock options	**12,917**	161,906	**31,806**	72,395
Effect of dilutive MTIP	**257,964**	321,924	**286,796**	330,129
Weighted average dilutive shares outstanding	**114,681,945**	114,835,825	**114,700,316**	114,739,947
Earnings for earnings per share calculation				
Earnings for the period	**89**	311	**263**	537
Non-controlling interests	**(44)**	(153)	**(131)**	(267)
Earnings attributable to Class I and Class II Shares	**45**	158	**132**	270
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.39**	$1.38	**$1.15**	$2.36
Diluted earnings per Class I and Class II Share	**$0.39**	$1.37	**$1.15**	$2.35

7. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Electricity Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2019	20,083	142	996	748	1,697	23,666
Additions	**9**	**–**	**1**	**452**	**42**	**504**
Transfers	**459**	**–**	**2**	**(488)**	**27**	**–**
Retirements and disposals	**(28)**	**–**	**(13)**	**(3)**	**(36)**	**(80)**
Changes to asset retirement costs	**–**	**–**	**–**	**–**	**16**	**16**
Foreign exchange rate adjustment	**42**	**(11)**	**1**	**4**	**10**	**46**
June 30, 2020	**20,565**	**131**	**987**	**713**	**1,756**	**24,152**
Accumulated depreciation						
December 31, 2019	4,720	17	212	79	781	5,809
Depreciation and impairment	**218**	**1**	**9**	**–**	**69**	**297**
Retirements and disposals	**(28)**	**–**	**(13)**	**–**	**(30)**	**(71)**
Foreign exchange rate adjustment	**8**	**(1)**	**–**	**3**	**4**	**14**
June 30, 2020	**4,918**	**17**	**208**	**82**	**824**	**6,049**
Net book value						
December 31, 2019	15,363	125	784	669	916	17,857
June 30, 2020	**15,647**	**114**	**779**	**631**	**932**	**18,103**

The additions to property, plant and equipment included $7 million of interest capitalized during construction for the six months ended June 30, 2020 (2019 - $9 million).

IMPAIRMENT

Canadian Utilities Limited - Corporate & Other Segment

ATCO Oil & Gas Ltd., a subsidiary of Canadian Utilities Limited, holds a 5 per cent working interest in oil and gas assets in Northern Canada. With the continued lower oil prices and the COVID-19 pandemic continuing to cause economic uncertainty (see Note 14), the Company determined that the total net book value of these assets was not recoverable due to reduced likelihood of future development of the assets, and, therefore, impaired these assets in full, recognizing an impairment of $9 million, after tax and NCI. The impairment was included in depreciation, amortization and impairment expense. After recognizing the impairment, the recoverable amount of these assets was nil at June 30, 2020.

8. LONG-TERM DEBT

In the first quarter of 2020, ATCO Power Australia, a subsidiary of Canadian Utilities Limited, refinanced its $63 million Australian dollars (equivalent of $55 million Canadian dollars) credit facility with a new lender at Bank Bill Swap Benchmark Rate (BBSY) plus margin fee, extending the credit facility's maturity from February 2020 to June 2025. The floating BBSY interest rate is hedged to June 23, 2025 with an interest rate swap agreement which fixes the interest rate at 1.68 per cent.

On January 23, 2019, CU Inc., a wholly owned subsidiary of the Canadian Utilities Limited, repaid $180 million of 5.432 per cent debentures.

9. CLASS I NON-VOTING AND CLASS II VOTING SHARES

At June 30, 2020, there were 101,472,899 (December 31, 2019 - 101,463,781) Class I Shares and 13,196,129 (December 31, 2019 - 13,202,947) Class II Shares outstanding. In addition, there were 690,400 options to purchase Class I Shares outstanding at June 30, 2020, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4352 and $0.8704 per Class I and Class II Share during the three and six months ended June 30, 2020 (2019 - $0.4048 and $0.8096). The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On July 9, 2020, the Company declared a third quarter dividend of $0.4352 per Class I and Class II Share.

NORMAL COURSE ISSUER BID

On March 9, 2020, ATCO Ltd. began a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. The bid expires on March 8, 2021. The prior year normal course issuer bid to purchase up to 1,014,294 outstanding Class I Shares began on March 8, 2019 and expired on March 7, 2020.

No shares were purchased during the three and six months ended June 30, 2020.

10. RETIREMENT BENEFITS

In June 2020, an actuarial valuation for funding purposes as at December 31, 2019 for the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies was completed. The estimated contribution for 2020 is $13 million and is accounted for retroactively from January 1, 2020. Prior to this actuarial valuation, the employer contribution for 2020 was based on the actuarial valuation for funding purposes as at December 31, 2017, and amounted to $18 million. The next actuarial valuation for funding purposes must be completed as at December 31, 2022.

At June 30, 2020, the discount rate assumption which is used to measure the accrued benefit obligations decreased to 2.8 per cent from 3.1 per cent at December 31, 2019 and 4.1 per cent at March 31, 2020. The discount rate assumption was based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments. Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) increased from a net deficit of $429 million at December 31, 2019 to a net deficit of $173 million at March 31, 2020, and then decreased to a net deficit of $453 million at June 30, 2020.

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities are summarized below.

	Three Months Ended June 30		Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Depreciation, amortization and impairment	**177**	167	**333**	334
Earnings from investment in associate company	**(2)**	(4)	**(5)**	(8)
Dividends received from associate company	**–**	–	**17**	12
Earnings from investment in joint ventures, net of dividends and distributions received	**5**	1	**2**	1
Income tax expense (recovery)	**35**	(175)	**98**	(91)
Unearned availability incentives	**–**	6	**–**	6
Unrealized (gains) losses on derivative financial instruments	**(5)**	7	**(12)**	(1)
Contributions by customers for extensions to plant	**21**	11	**47**	36
Amortization of customer contributions	**(12)**	(14)	**(26)**	(29)
Net finance costs	**102**	124	**201**	247
Income taxes paid	**(11)**	(31)	**(19)**	(65)
Other	**(21)**	30	**(5)**	33
	289	122	**631**	475

CASH POSITION

Cash position in the unaudited interim consolidated statements of cash flows at June 30 is comprised of:

	2020	**2019**
Cash	**1,067**	606
Short-term investments	**20**	4
Restricted cash [1]	**53**	75
Cash and cash equivalents	**1,140**	685
Bank indebtedness	**(2)**	(4)
	1,138	681

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	June 30, 2020		December 31, 2019	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**177**	**259**	179	227
Financial Liabilities				
Long-term debt	**9,435**	**11,727**	9,436	11,098

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At June 30, 2020, the following derivative instruments were outstanding:

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

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

	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Foreign Currency Forward Contracts**	**Commodities**	**Foreign Currency Forward Contracts**	**Total Fair Value of Derivatives**
June 30, 2020						
Financial Assets						
Prepaid expenses and other current assets (1)	–	**14**	**1**	**8**	–	**23**
Other assets (1)	–	**11**	–	**9**	–	**20**
Financial Liabilities						
Other current liabilities	**3**	**4**	–	**3**	**3**	**13**
Other liabilities (1)	**28**	**4**	–	**1**	–	**33**
December 31, 2019						
Financial Assets						
Prepaid expenses and other current assets	–	20	–	–	–	20
Other assets	5	21	–	–	–	26
Financial Liabilities						
Other current liabilities (1)	1	11	–	–	2	14
Other liabilities (1)	5	10	–	–	–	15

(1) *At June 30, 2020, financial assets include $12 million of Level 3 derivative financial instruments (December 31, 2019 - financial liabilities included $7 million).*

Notional and maturity summary

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

Notional value and maturity	Subject to Hedge Accounting: Interest Rate Swaps	Subject to Hedge Accounting: Natural Gas [1]	Subject to Hedge Accounting: Power [2]	Subject to Hedge Accounting: Foreign Currency Forward Contracts	Not Subject to Hedge Accounting: Natural Gas [1]	Not Subject to Hedge Accounting: Power [2]	Not Subject to Hedge Accounting: Foreign Currency Forward Contracts
June 30, 2020							
Purchases [3]	**–**	**10,505,120**	**2,503,205**	**–**	**–**	**–**	**–**
Sales [3]	**–**	**3,983,931**	**911,644**	**–**	**12,824,698**	**1,447,622**	**–**
Currency							
Canadian dollars	**94**	**–**	**–**	**–**	**–**	**–**	**–**
Australian dollars	**741**	**–**	**–**	**–**	**–**	**–**	**–**
Mexican pesos	**570**	**–**	**–**	**–**	**–**	**–**	**100**
U.S. dollars	**–**	**–**	**–**	**14**	**–**	**–**	**46**
Maturity	**2023-2028**	**2020-2024**	**2020-2024**	**2020**	**2020-2025**	**2020-2025**	**2020**
December 31, 2019							
Purchases [3]	–	19,680,771	2,627,765	–	–	–	–
Sales [3]	–	20,456,673	2,215,145	–	7,000,000	–	–
Currency							
Canadian dollars	96	–	–	–	–	–	–
Australian dollars	743	–	–	–	–	–	–
Mexican pesos	570	–	–	–	–	–	100
U.S. dollars	–	–	–		–	–	46
Maturity	2020-2028	2020-2024	2020-2024	–	2020-2021	–	2020

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

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

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

13. JOINT ARRANGEMENTS

JOINT VENTURE

On June 22, 2020, LUMA Energy LLC (LUMA), a Commonwealth of Puerto Rico based joint venture between Canadian Utilities Limited and Quanta Services, where each party holds a 50 per cent ownership interest, was selected by the Puerto Rico Public-Private Partnerships Authority to modernize and operate Puerto Rico's electric transmission and distribution system over a term of 15 years after a one year transition period which commenced in June 2020.

LUMA contractual arrangements do not assume ownership of any electric transmission and distribution assets. The functional currency of LUMA is US dollars.

Canadian Utilities Limited has accounted for its 50 per cent ownership interest as a joint venture, whereby the initial investment shall be adjusted for the Canadian Utilities Limited share of LUMA's earnings, other comprehensive income, dividends received from LUMA, and foreign exchange. When making the assessment on whether LUMA represents a joint venture, Canadian Utilities Limited considered the structure, legal form and contractual terms of the arrangement with Quanta Services, as well as other facts and circumstances.

LUMA is reported in the Utilities segment.

At June 30, 2020, the investment in LUMA was less than a million. Earnings from investment in LUMA during the three and six months ended June 30, 2020, were less than a million. No dividends or distributions were received from LUMA during the three months ended June 30, 2020.

14. COVID-19 PANDEMIC

At the end of 2019, a novel strain of coronavirus (COVID-19) emerged and spread globally. The World Health Organization has since declared the state of a global pandemic. The COVID-19 outbreak and related measures taken by the authorities in the jurisdictions of the Company's operations are disrupting financial and commodity markets, supply chains, and affecting production and sales across different industries in private and public sectors.

The Company has introduced measures, procedures and protocols to foster the health and safety of its employees, vendors and customers. These measures are based on the Company's health and safety policies as well as the recommendations from public health authorities, other designated government institutions and medical experts. These enhanced protocols include travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment for essential workers, limiting access to facilities, and alternative work options for employees where possible (i.e. working from home).

The Company's operations are exposed to a variety of business and financial risks as a result of a public health threat, such as COVID-19. These risks include, but are not limited to, decline in customer demand, increase in operating costs, interruption of project work, credit risk associated with customer non-payment, access to financing and change in the timing of cash flows.

In the three and six months ended June 30, 2020, the Company’s operations, financial position and performance have not been significantly impacted. This is primarily due to the nature of the Company’s operations which are considered to be essential services. However, the extent to which COVID-19 may further impact the Company’s operations, its consolidated financial position and performance remains uncertain, and will depend on further developments, including the duration and spread of the outbreak, its impact on the Company’s customers, suppliers and employees and actions taken by governments. Management continues to closely monitor the situation in the jurisdictions in which the Company operates.