DISCLAIMER

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

ATCO LTD.

FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

2021 INVESTOR FACT SHEET

CANADIAN UTILITIES | STRUCTURES & LOGISTICS | NELTUME PORTS

ATCO™

With approximately 6,200 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 operations); Energy Infrastructure (renewable energy generation, hydrogen, energy storage, and industrial water solutions); Retail Energy (electricity and natural gas retail sales); Transportation (ports and transportation logistics); and Commercial Real Estate.

ATCO QUICK FACTS

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

Total Assets	**$22 Billion**
Dividend	**$1.79 per share annualized**
Market Capitalization	**$5 billion**
Common Shares Outstanding	**114 million**

ATCO share registry has both Class I Non-Voting (ACO.X) and Class II Voting (ACO.Y) common shares. Above values as of September 30, 2021.

LEARN MORE ABOUT ATCO

- Quarterly & Annual Reports
- Investor Presentations & Events
- Sustainability Report
- Indigenous Peoples Partnerships
- Current Projects

INVESTMENT HIGHLIGHTS

Diversified Infrastructure Holdings – ATCO's portfolio focuses on integrated, sustainable solutions in the essential services of: shelter, logistics and transportation, agriculture, water, real estate, and energy.

Operational Excellence – As a leader in operational excellence, ATCO's portfolio of companies create inter-generational value for our share owners. We achieve operational excellence through service reliability and product quality for our customers and the communities we serve.

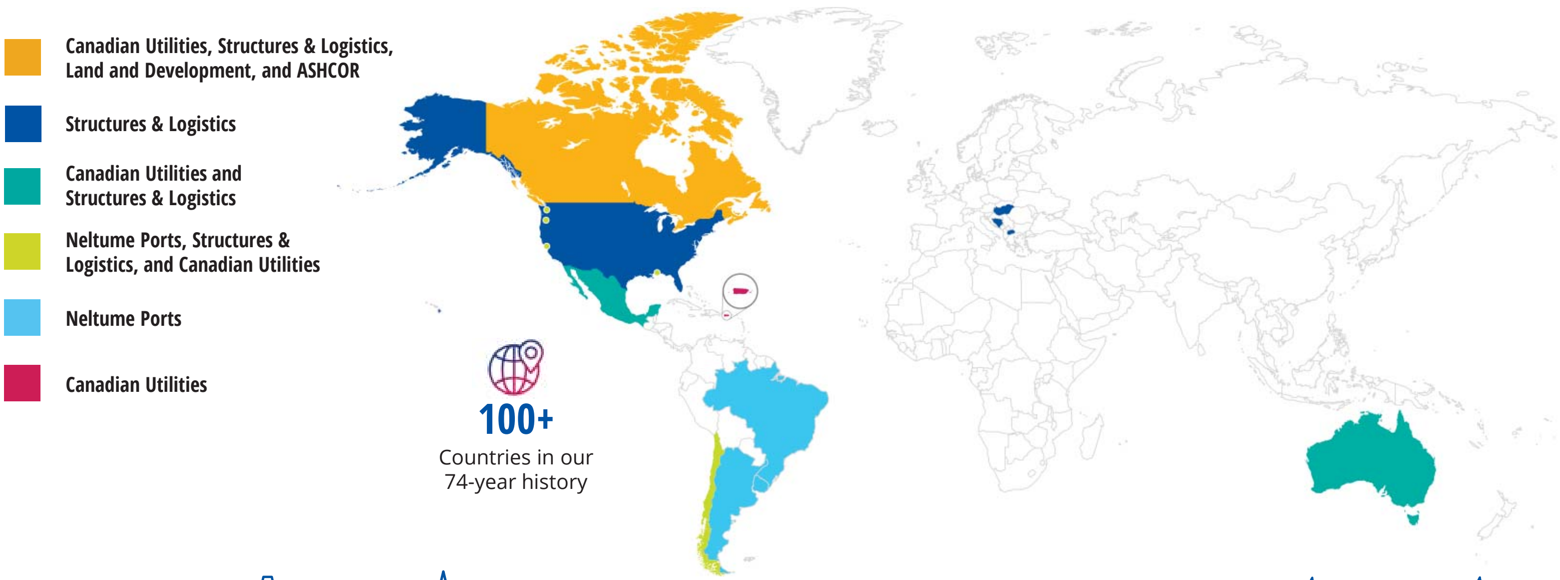
Global Outlook, Community Minded – ATCO continues to grow and expand our business with a focus on disciplined capital investment in select global markets. Community engagement, including an unparalleled history of Indigenous relationships, is at the core of how we do business.

Environmental, Social, and Corporate Governance – ATCO continues to bring innovative solutions to the markets in which we operate and is a leader in energy transition, diversity and inclusion, community involvement, and transparent governance.

Dividend Growth – ATCO has a 28-year track record of increasing common share dividends.

Strong, Investment Grade, Credit Rating – 'A-' rating by Standard & Poor's and 'A' (low) rating by DBRS Limited.

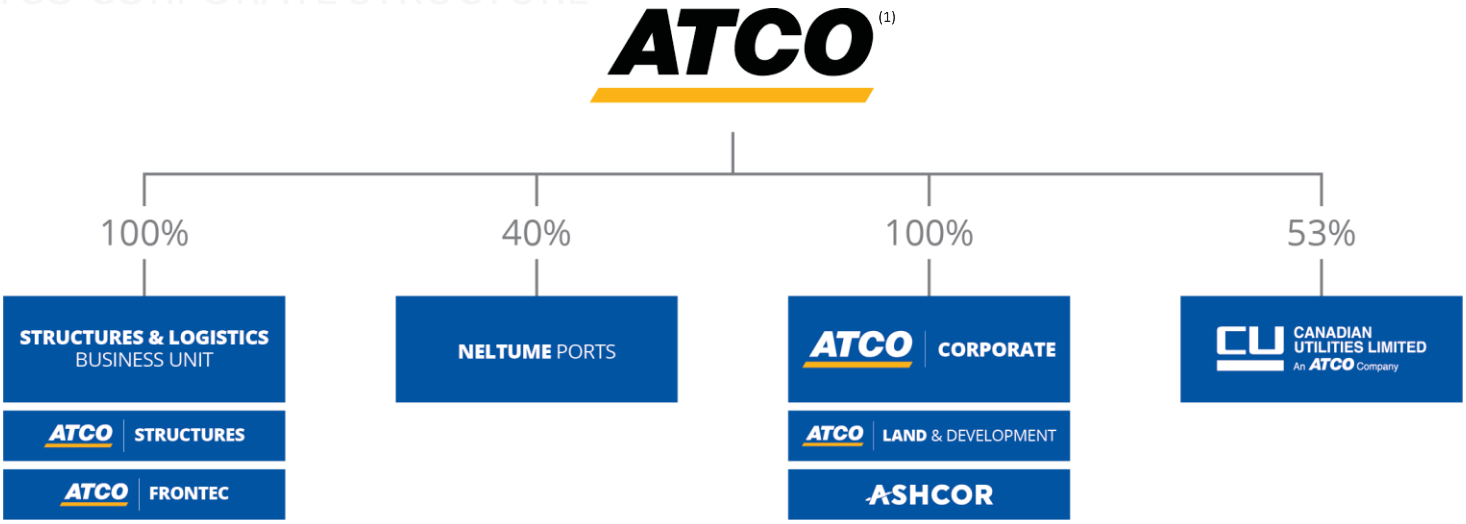
ATCO AT A GLANCE



6 Modular Building Manufacturing Locations	**17** Ports & **6** Port Operations Services	**75,000 kms** Electric Powerlines	**398 MW*** Power Generation Operated	**294 MW*** Power Generation Owned	**85,200 m3/d**** Water Infrastructure Capacity	**64,000 kms** Pipelines	**52 Pj***** Natural Gas Storage Capacity	**400,000 m3****** Natural Gas Liquids Capacity

**megawatts, includes ownership of subsidiaries **cubic metres per day ***petajoules ****cubic metres*

CORPORATE STRUCTURE



(1) *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.*

ANALYST COVERAGE

BMO Capital Markets
Ben Pham

CIBC Capital Markets
Mark Jarvi

Credit Suisse
Andrew Kuske

National Bank Financial
Patrick Kenny

RBC Capital Markets
Maurice Choy

TD Securities
Linda Ezergailis

UBS Securities
Ross Fowler

OUR LEADERSHIP TEAM

Nancy C. Southern, Chair & Chief Executive Officer

Katie J. Patrick, Executive Vice President, Chief Financial & Investment Officer

Adam M. Beattie, President, Structures

M. George Constantinescu, Senior Vice President & Chief Transformation Officer

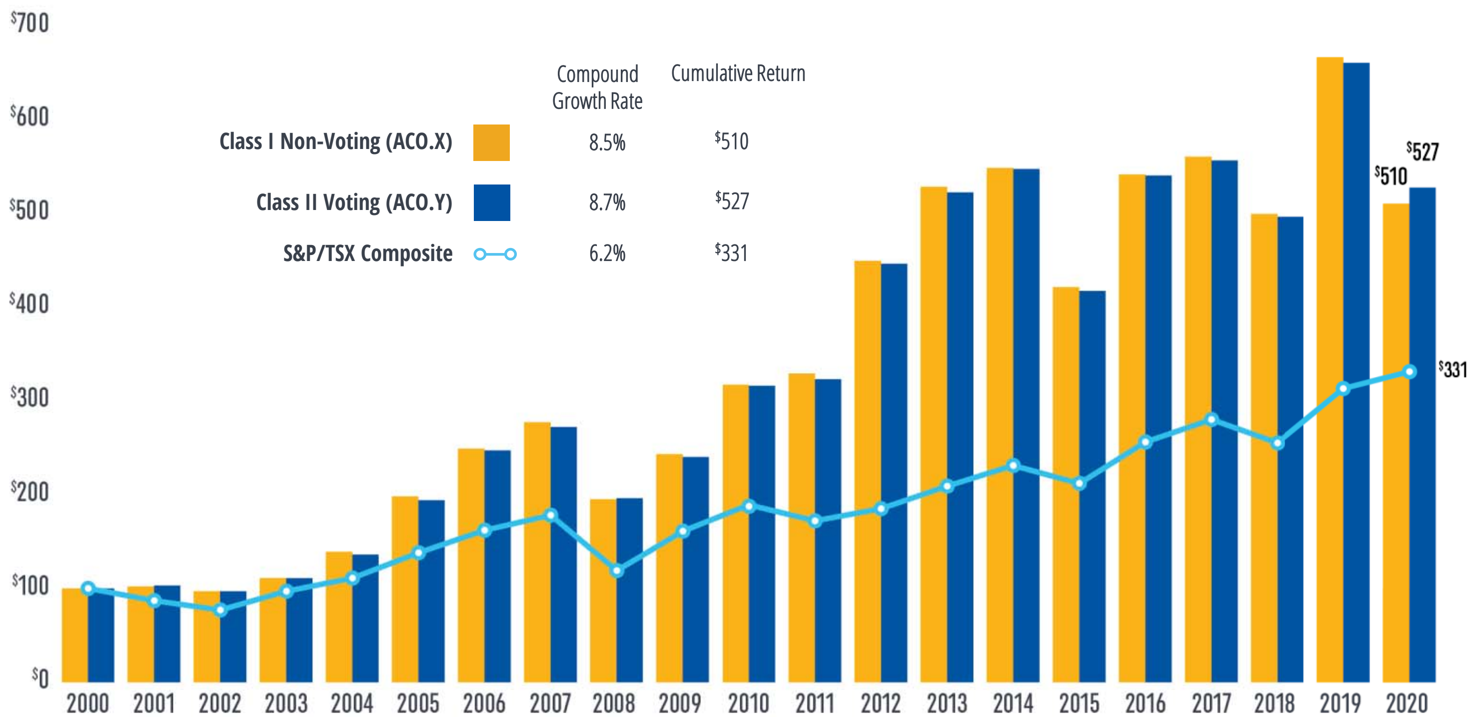
Dale Friesen, Senior Vice President, Corporate Affairs & Chief Government Affairs Officer

Jim Landon, President, Frontec

Becky A. Penrice, Executive Vice President, Corporate Services

Sarah J. Shortreed, Executive Vice President & Chief Technology Officer

20-YEAR CUMULATIVE SHARE OWNER RETURN ON A $100 INVESTMENT



Investor Relations, c/o ATCO Ltd.
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2021 THIRD QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the nine months ended September 30, 2021.

This MD&A was prepared as of October 27, 2021, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2021**.** Additional information, including the Company's previous MD&As, Annual Information Form (2020 AIF), and audited consolidated financial statements for the year ended December 31, 2020, is available on SEDAR at www.sedar.com. Information contained in the 2020 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (53.0 per cent ownership), ATCO Structures & Logistics Ltd. (ATCO Structures & ATCO Frontec) (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies Ltd. (100 per cent ownership). The Company also has a non-controlling equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions, except per share data and outstanding shares)	2021	2020	Change	2021	2020	Change
Key Financial Metrics						
Revenues	**977**	897	80	**3,019**	2,891	128
Adjusted earnings (1)	**69**	54	15	**268**	230	38
Structures & Logistics	**16**	12	4	**48**	40	8
Neltume Ports	**4**	3	1	**10**	8	2
ATCO Corporate & Other	**1**	—	1	**1**	—	1
Canadian Utilities Limited						
Utilities	**56**	47	9	**227**	203	24
Energy Infrastructure	**4**	3	1	**13**	8	5
Canadian Utilities Corporate & Other	**(12)**	(11)	(1)	**(31)**	(29)	(2)
Adjusted earnings ($ per share) (1)	**0.60**	0.47	0.13	**2.35**	2.01	0.34
Earnings attributable to Class I and Class II Shares	**52**	54	(2)	**147**	186	(39)
Earnings attributable to Class I and Class II Shares ($ per share)	**0.46**	0.48	(0.02)	**1.29**	1.63	(0.34)
Cash dividends declared per Class I and Class II Share (cents per share)	**44.83**	43.52	1.31	**134.49**	130.56	3.93
Funds generated by operations (1)	**401**	394	7	**1,306**	1,288	18
Capital investment (1)	**284**	242	42	**1,044**	771	273
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**114,092**	114,423	(331)	**114,192**	114,396	(204)
Diluted	**114,390**	114,690	(300)	**114,477**	114,696	(219)

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

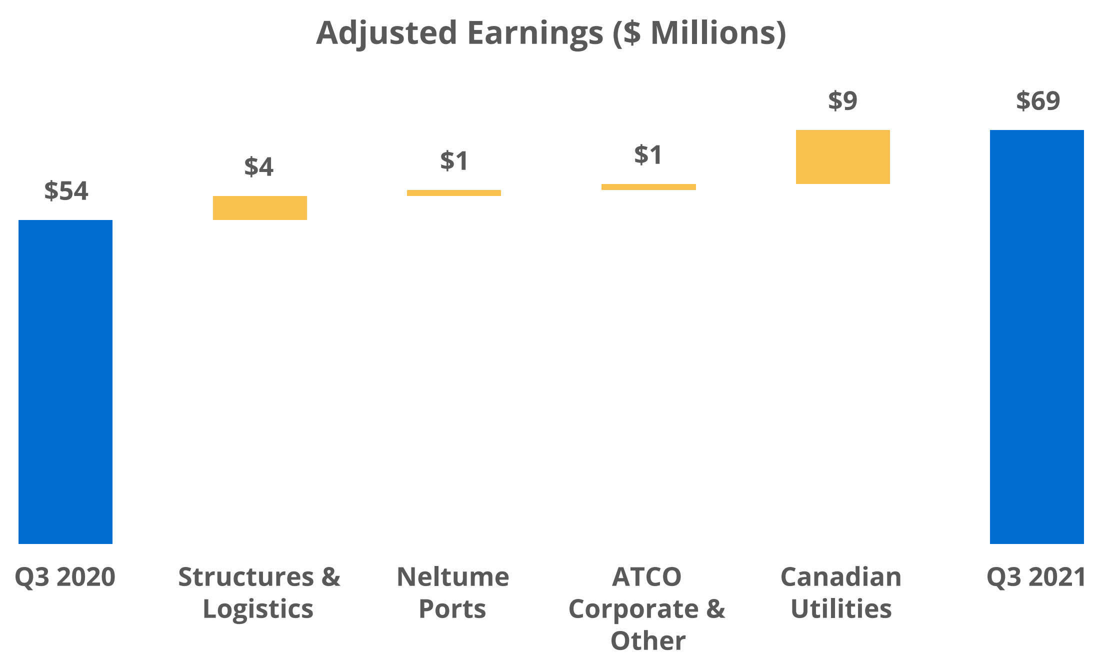
REVENUES

Revenues for the third quarter of 2021 were $977 million, $80 million higher than the same period in 2020. Higher revenues were mainly due to improved performance at ATCOenergy resulting from higher electricity and natural gas commodity prices associated with floating rate energy contracts.

ADJUSTED EARNINGS

Our adjusted earnings in the third quarter of 2021 were $69 million or $0.60 per share, compared to $54 million or $0.47 per share for the same period in 2020.

Higher adjusted earnings in the third quarter of 2021 were mainly due to higher earnings from Canadian Utilities' International Electricity Operations business related to the June 1, 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement. Higher earnings were also due to the stabilization of inflation in Australia, which positively impacted earnings in Canadian Utilities' International Natural Gas Distribution business, and higher space rental activity in ATCO Structures.



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

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were $52 million in the third quarter of 2021, $2 million lower compared to 2020. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

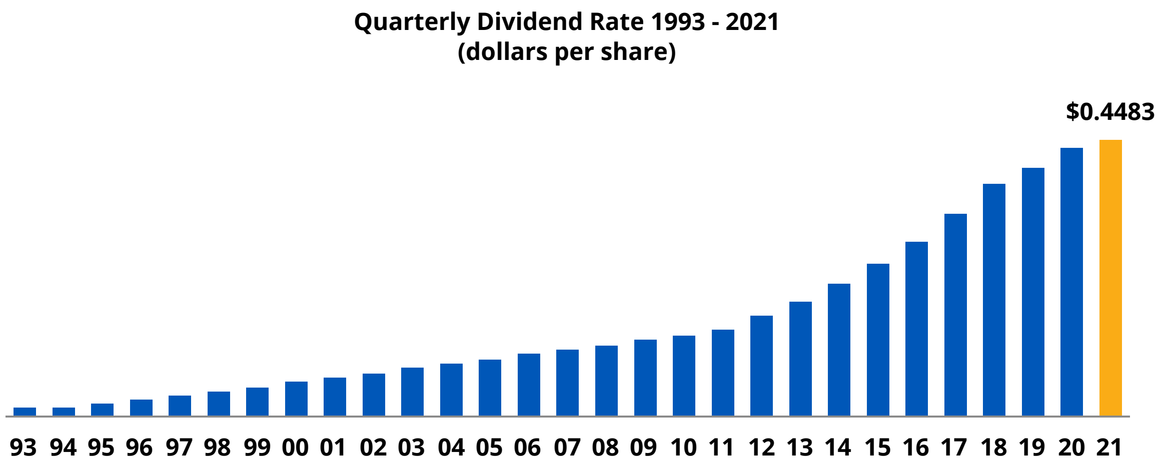
More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

FUNDS GENERATED BY OPERATIONS

Funds generated by operations of $401 million in the third quarter of 2021 were comparable to the same period in 2020.

COMMON SHARE DIVIDENDS

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

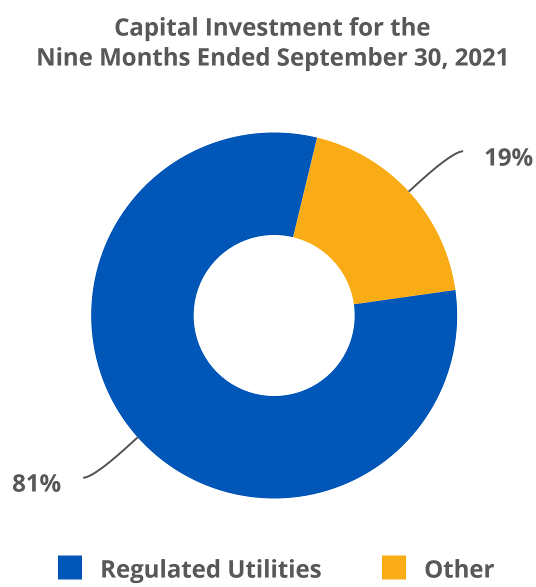


CAPITAL INVESTMENT

Total capital investment of $284 million in the third quarter of 2021 was $42 million higher compared to the same period in 2020, mainly due to the acquisition of three solar development projects and the construction of a hydrocarbon storage cavern in Canadian Utilities' Energy Infrastructure segment.

Total capital investment of $1,044 million in the first nine months of 2021 was $273 million higher compared to the same period in 2020 mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Utilities segment and a strategic purchase within ATCO Land and Development.

Capital spending in Canadian Utilities' Regulated Utilities accounted for 81 per cent of total capital invested in the first nine months of 2021. The remaining 19 per cent invested mainly included a strategic purchase within ATCO Land and Development, the acquisition of three solar development projects, and hydrocarbon storage cavern construction in Canadian Utilities' Energy Infrastructure segment.



BUSINESS UNIT PERFORMANCE

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

REVENUES

Structures & Logistics revenues of $186 million in the third quarter of 2021 were $15 million higher than the same period in 2020 mainly due to ATCO Structures' higher space rental activity, higher workforce housing trade sale activity in Canada, and higher occupancy and additional work requests at all workforce housing camps serviced by ATCO Frontec. Higher revenues were partially offset by the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in 2020.

Structures & Logistics revenues of $534 million in the first nine months of 2021 were $9 million lower than the same period in 2020 mainly due to the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in the second quarter of 2020. Lower revenues were partially offset by ATCO Structures' space rental performance, higher workforce housing trade sale activity in Chile, the US, Canada, and Mexico, and higher occupancy at workforce housing camps serviced by ATCO Frontec including the Trans Mountain and China Lake Military Base Rebuild projects awarded in late 2020 and the first quarter of 2021, respectively.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
ATCO Structures	**13**	11	2	**42**	39	3
ATCO Frontec	**3**	1	2	**6**	1	5
Total Structures & Logistics	**16**	12	4	**48**	40	8

Structures & Logistics recorded adjusted earnings of $16 million and $48 million in the third quarter and first nine months of 2021, $4 million and $8 million higher than the same periods in 2020. Higher earnings were mainly due to ATCO Structures' higher space rental activity, and higher occupancy and additional work requests at all workforce housing camps serviced by ATCO Frontec. Higher earnings were partially offset by the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in 2020.

ATCO STRUCTURES

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

ATCO Structures recorded adjusted earnings of $13 million and $42 million in the third quarter and first nine months of 2021, $2 million and $3 million higher than the same periods in 2020, mainly due to higher space rental activity in Canada, Australia, the US, and Chile. Higher earnings were partially offset by the completion of manufacturing work on the LNG Canada Cedar Valley Lodge project in the second quarter of 2020, and lower workforce housing trade sale activity in Australia and the US.

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
North America						
Manufacturing hours *(thousands)*	**129**	120	8%	**379**	627	(40%)
Global Space Rentals						
Number of units	**19,729**	16,968	16%	**19,729**	16,968	16%
Average utilization *(%)*	**82**	74	8%	**81**	72	9%
Average rental rate *($ per month)*	**682**	680	—%	**646**	607	6%
Global Workforce Housing						
Number of units	**2,529**	2,734	(7%)	**2,529**	2,734	(7%)
Average utilization *(%)*	**68**	55	13%	**64**	49	15%
Average rental rate *($ per month)*	**1,877**	1,413	33%	**1,925**	1,473	31%

Manufacturing Hours

The increase in manufacturing hours in the third quarter of 2021 was mainly due to the commencement of manufacturing work on the BruceJack contract, a 450-person camp for Pretium Exploration Inc. in Northwest, British Columbia (BC).

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

Rental Fleet

Global Space Rentals

ATCO Structures increased its global space rental fleet size by 2,761 units year-over-year. The increase in the number of space rental units was mainly due to the continued strategic expansion of the space rental fleet in targeted regions of Canada and the US, and the acquisition of the remaining 50 per cent interest in the ATCO Sabinco S.A. joint venture partnership on December 30, 2020.

In the third quarter and first nine months of 2021, space rental demand increased in Canada, Australia, the US, and Chile mainly due to an increase in activity in the construction and mining sectors, as well as a result of physical distancing protocols in response to the COVID-19 pandemic. This growth in demand produced an increase in utilization and average rental rates.

Global Workforce Housing

ATCO Structures continuously evaluates the size of its global workforce housing fleet in relation to economic conditions and seeks to balance unit counts, utilization rates and average rental rates. ATCO Structures decreased the size of its idle workforce housing fleet and increased the average utilization rate year-over-year by selling used and non-utilized fleet assets in Canada, Australia, and the US. The increase in the utilization rate was also due to the workforce housing fleet on rent for the Trans Mountain Expansion project in BC. Increases in workforce housing average rental rates correspond with the shift in customer demand towards higher priced lower density workforce housing options in Canada.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Cedar Valley Lodge - LNG Canada

ATCO Structures, through its joint venture with Bird Construction and the Haisla Nation, completed work on the LNG Canada Cedar Valley Lodge project in the third quarter of 2021. The facility was built to house workers involved in the construction of LNG Canada's natural gas liquefaction and export facility in Kitimat, BC and is one of the largest accommodation facilities ever built in Canada.

LNG Canada Cedar Valley Lodge, Kitimat, BC

United States

Plumas Basecamp Greenville - California Department of General Services Forest Fire Recovery

In the third quarter of 2021, ATCO Structures was awarded a supply contract for a 102-person modular accommodation facility with common areas and ongoing support services for the California Department of General Services Forest Fire Recovery in Quincy, California. The contract is expected to be completed and delivered in the fourth quarter of 2021.

China Lake Military Base Rebuild - Environmental Chemical Corporation

In the first quarter of 2021, ATCO Structures completed the installation of a 450-person camp to support the rebuild and expansion of the China Lake Military Base in Southern California. The base was damaged by two major earthquakes in July 2019. In the third quarter of 2021, ATCO Structures was awarded an additional contract to supply a 150-person camp as part of the continued efforts to support the rebuild. Installation work for this project has commenced and is expected to be complete by December 31, 2021.

Australia

Victoria Department of Education

In the third quarter of 2021, ATCO Structures was awarded a $10 million contract to supply 15 double classrooms and 7 two-story classrooms to the Victoria Department of Education. Manufacturing for this contract is expected to commence in the fourth quarter of 2021.

Angelo River Mine Site - Robe River Mining Company

In the third quarter of 2021, ATCO Structures was awarded an $18 million contract for the supply of a 120-unit camp at the Angelo River mine site in Western Australia. The camp is expected to be completed in the first quarter of 2022.

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's adjusted earnings of $3 million and $6 million in the third quarter and first nine months of 2021 were $2 million and $5 million higher than the same periods in 2020. Higher adjusted earnings were mainly due to higher occupancy and additional client work requests at the Site C and Resolute Bay camps, and workforce housing service contracts for the Trans Mountain Expansion and China Lake Military Base Rebuild projects awarded in late 2020 and the first quarter of 2021, respectively.

China Lake Military Base, Ridgecrest, CA

NELTUME PORTS

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Neltume Ports	**4**	3	1	**10**	8	2

Neltume Ports' adjusted earnings of $4 million and $10 million in the third quarter and first nine months of 2021 were $1 million and $2 million higher than the same periods in 2020 mainly due to a return to normal operations following unplanned equipment maintenance activity at the Puerto Mejillones port in 2020, and higher volumes in 2021 across the portfolio of ports.

RECENT DEVELOPMENTS

On September 3, 2021, Neltume Ports acquired a 70 per cent interest in Tidal Transport & Trading USA (Tidal). Tidal provides full-scale marine operation services focused primarily on stevedoring, hold cleaning, and port captaincy on the US West Coast, with operations in California, Oregon, and Washington.

Port of San Francisco, CA

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
ATCO Corporate & Other	**1**	—	1	**1**	—	1

ATCO Corporate & Other adjusted earnings in the third quarter and first nine months of 2021 were $1 million higher than the same periods in 2020 mainly due to the timing of certain expenses.

RECENT DEVELOPMENTS

Executive Appointments

Dennis A. DeChamplain held the position of Executive Vice President & Chief Financial Officer, ATCO and Canadian Utilities until his passing on August 15, 2021. Brian Shkrobot was appointed as the interim Chief Financial Officer for ATCO and Canadian Utilities effective August 18, 2021. Mr. Shkrobot's previous role was Senior Vice President, Finance & Regulatory, Utilities.

On October 6, 2021, the ATCO and CU Board of Directors announced the appointments of Katie Patrick to the position of Executive Vice President, Chief Financial & Investment Officer of ATCO Ltd. and Brian Shkrobot to the position of Executive Vice President & Chief Financial Officer of Canadian Utilities Limited.

Ms. Patrick offers a depth of experience in financial stewardship and will oversee ATCO's investment-focused financial growth strategy. Since joining ATCO Group in 2015, Ms. Patrick has held increasingly senior positions. She played a key role in the financing of Alberta PowerLine, the largest P3 project in Canadian history, and in the divestment of Canadian Utilities' fossil fuel-based electricity generation business in Canada.

New Board of Directors Appointee

Effective September 1, 2021, Norman M. Steinberg was appointed to the Board of Directors for ATCO Ltd.

Mr. Steinberg is a Director and Vice Chair of BFL Canada and Chair of the Nominating & Governance Committee. Previously, Mr. Steinberg was Chair of Norton Rose Fulbright Canada and the Global Chair of Norton Rose Fulbright. He also sits on several boards of directors including Dorel Industries Inc., Fiera Capital Corporation, Women in Governance, and the Australia-Canada Economic Leadership Forum, and chairs the McGill University Health Centre Foundation.

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

UTILITIES

REVENUES

Utilities revenues of $679 million and $2,157 million in the third quarter and first nine months of 2021 were $9 million higher compared to the same periods in 2020 mainly due to higher flow-through revenues in the Electricity Distribution and Natural Gas Distribution businesses.

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity						
Electricity Distribution	**19**	14	5	**60**	49	11
Electricity Transmission	**20**	23	(3)	**62**	69	(7)
International Electricity Operations	**8**	3	5	**15**	3	12
Total Electricity	**47**	40	7	**137**	121	16
Natural Gas						
Natural Gas Distribution	**(10)**	(9)	(1)	**37**	35	2
Natural Gas Transmission	**11**	11	—	**32**	35	(3)
International Natural Gas Distribution	**8**	5	3	**21**	12	9
Total Natural Gas	**9**	7	2	**90**	82	8
Total Utilities Adjusted Earnings	**56**	47	9	**227**	203	24

Utilities adjusted earnings of $56 million in the third quarter of 2021 were $9 million higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations as a result of the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement. Higher earnings were also due to a favourable inflation rate in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business.

Utilities adjusted earnings of $227 million in the first nine months of 2021 were $24 million higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations as a result of ongoing transition work in the first half of 2021 and the June 2021 commencement of a Supplemental Agreement to LUMA

Energy's 15-year Operations and Maintenance Agreement. Higher earnings were also due to a favourable inflation rate in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business.

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 $19 million and $60 million in the third quarter and first nine months of 2021 were $5 million and $11 million higher compared to the same periods in 2020. Higher earnings were mainly due to cost efficiencies.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $20 million in the third quarter of 2021 were $3 million lower than the same period in 2020. Lower earnings were mainly due to the 2020-2022 General Tariff Application (GTA) Compliance Filing decision received in the third quarter of 2021, which included a $2 million reduction of earnings related to prior periods.

Electricity Transmission adjusted earnings of $62 million in the first nine months of 2021 were $7 million lower than the same period in 2020. Lower earnings were mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021, and the 2020-2022 GTA Compliance Filing decision received in the third quarter of 2021. Combined, these decisions included a $6 million reduction of earnings related to prior periods.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution (T&D) system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority (P3A) and the Puerto Rico Electric Power Authority (PREPA).

LUMA has assumed operations under terms of a Supplemental Agreement as PREPA remains in bankruptcy. This Agreement can span up to 18 months and allows LUMA to collect an annualized fixed fee equivalent of $115 million USD. Should PREPA emerge from bankruptcy during this period, LUMA will transition to year one of the previously outlined Operations and Maintenance Agreement.

International Electricity Operations adjusted earnings of $8 million in the third quarter of 2021 were $5 million higher than the same period in 2020. Higher earnings were mainly due to the June 1, 2021 commencement of operations under a Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity T&D system.

International Electricity Operations adjusted earnings of $15 million in the first nine months of 2021 were $12 million higher than the same period in 2020. Higher earnings were mainly due to ongoing transition work in the first half of 2021 and the June 1, 2021 commencement of operations under a Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity T&D system.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings in the third quarter of 2021 were $1 million lower than the same period in 2020. Lower earnings were mainly due to the timing of operating costs.

Natural Gas Distribution adjusted earnings of $37 million in the first nine months of 2021 were $2 million higher than the same period in 2020. Higher earnings were mainly due to the timing of operating costs.

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 $11 million in the third quarter of 2021 were comparable to the same period in 2020.

Natural Gas Transmission adjusted earnings of $32 million in the first nine months of 2021 were $3 million lower than the same period in 2020. Lower adjusted earnings were mainly due to the impact of the 2021-2023 General Rate Application which included operating cost efficiencies implemented in prior periods that are being passed on to customers.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $8 million and $21 million in the third quarter and first nine months of 2021 were $3 million and $9 million higher compared to the same periods in 2020. Higher earnings were mainly due to the impact of a favourable inflation rate and increased customer volumes.

UTILITIES RECENT DEVELOPMENTS

Old Crow Solar Development Project

In August 2021, the Vuntut Gwitchin First Nation and ATCO subsidiary, Canadian Utilities announced the completion of Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing a clean energy source for decades to come.

This project showcases a first-of-its-kind Electricity Purchase Agreement. Vuntut Gwitchin will serve as the Independent Power Producer, owner and operator of the solar facility and ATCO Electric Yukon will purchase the solar electricity generated for the next 25 years and feed it into the grid for redistribution to the community.

This facility, similar to the Fort Chipewyan Solar Farm in Northern Alberta, fosters community ownership and self-sustaining economic development through job creation, investment in infrastructure, and revenue from the sale of renewable energy.

Energy projects like this are models of effective collaboration to enable and accelerate the clean energy transition, and the Company intends to replicate its success.

Old Crow Solar Project - Old Crow, Yukon

UTILITIES REGULATORY DEVELOPMENTS

ELECTRICITY TRANSMISSION

2020-2022 General Tariff Application

Electricity Transmission filed its 2020-2022 GTA Compliance filing on April 19, 2021 in relation to its March 2020-2022 GTA Application decision. On September 1, 2021, the AUC issued a decision which determined Electricity Transmission's final revenue requirement for 2020 and 2021. The impact to third quarter adjusted earnings as a result of this decision included a decrease of $2 million, all of which relates to prior periods.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $44 million and $135 million in the third quarter and first nine months of 2021 were comparable to the same periods in 2020.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity Generation	**3**	2	1	**7**	5	2
Storage & Industrial Water	**1**	1	—	**6**	3	3
Total Energy Infrastructure Adjusted Earnings	**4**	3	1	**13**	8	5

Energy Infrastructure adjusted earnings of $4 million and $13 million in the third quarter and first nine months of 2021 were $1 million and $5 million higher than the same periods in 2020 mainly due to demand for natural gas storage services and recovered business development costs.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $3 million and $7 million in the third quarter and first nine months of 2021 were $1 million and $2 million higher compared to the same periods in 2020. Higher earnings were mainly due to recovered business development costs.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $1 million in the third quarter of 2021 were comparable to the same period in 2020.

Storage & Industrial Water adjusted earnings of $6 million in the first nine months of 2021 were $3 million higher than the same period in 2020 mainly due to demand for natural gas storage services and recovered business development costs.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Two Hills Renewable Natural Gas (RNG) Facility

In early July, Canadian Utilities announced its partnership with Future Fuel Ltd. to build and operate the Two Hills RNG facility north of Vegreville, Alberta. The facility is Canadian Utilities' first commercial RNG production facility and is a strategic investment in our clean fuels strategy. The RNG facility will combine organic waste from nearby municipalities with agricultural byproducts to produce approximately 230,000 gigajoules per year of renewable natural gas (enough to fuel 2,500 homes) and is expected to lead to the avoidance of up to 20,000 tonnes per year of carbon dioxide equivalent emissions. The RNG produced will be delivered into the local gas distribution network and sold under a long-term sales contract. Detailed design is currently underway and the facility is targeting to commence commercial operations in the fourth quarter of 2022.

Two Hills Renewable Natural Gas (RNG) Facility - Vegreville, AB

Empress Solar Development Project

In September 2021, Canadian Utilities announced that it had acquired the rights to the Empress Solar project, a 39-MW solar facility under development near Empress, Alberta. Electricity from this solar project may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power grid. The project will provide enough renewable electricity to power more than 11,000 homes. Project execution is underway with all major permits received. Commercial operations are expected to commence in the fourth quarter of 2022.

Calgary Solar Development Projects

In September 2021, Canadian Utilities announced that it had acquired the development rights to build two solar projects, the Deerfoot and Barlow projects in Calgary Alberta, with a combined capacity of 64-MW. Electricity from these solar projects may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power market. The projects will be the largest urban solar developments in Western Canada and will provide enough renewable electricity to power more than 18,000 homes. The Barlow project has received all major permits and the Deerfoot project is nearing completion of the permitting phase. Detailed design and procurement for both projects has begun and commercial operations are expected to commence in the fourth quarter of 2022.

Rendering of Deerfoot Solar Development Project - Calgary, AB

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Canadian Utilities Corporate & Other	**(12)**	(11)	(1)	**(31)**	(29)	(2)

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the third quarter and first nine months of 2021 were $1 million and $2 million lower compared to the same periods in 2020 mainly due to the timing of certain expenses, partially offset by improved earnings at ATCOenergy.

CANADIAN UTILITIES CORPORATE & OTHER RECENT DEVELOPMENTS

Executive Appointments

Dennis A. DeChamplain held the position of Executive Vice President & Chief Financial Officer, ATCO and Canadian Utilities until his passing on August 15, 2021. Brian Shkrobot was appointed as the interim Chief Financial Officer for ATCO and Canadian Utilities effective August 18, 2021. Mr. Shkrobot's previous role was Senior Vice President, Finance & Regulatory, Utilities.

On October 6, 2021, the Canadian Utilities Board of Directors announced the appointment of Brian Shkrobot to the position of Executive Vice President & Chief Financial Officer of Canadian Utilities Limited. Mr. Shkrobot will provide his deep expertise and future-focused leadership to ensure Canadian Utilities' continued success in a rapidly transitioning energy sector.

Mr. Shkrobot joined the ATCO group of companies in 2000, and has held progressively senior financial, regulatory and business positions. He has been heavily involved in long-range strategic planning and has been fundamental to Canadian Utilities' success in taking advantage of significant growth opportunities.

New Board of Directors Appointee

Effective September 1, 2021, Robert Hanf, Q.C. was appointed to the Board of Directors for Canadian Utilities Limited. Mr. Hanf has held a broad range of leadership roles, including responsibility for stakeholder, regulatory, communications, and government relations. Previously, he worked in Western Canada's construction and energy sectors and remains an Honorary Director of the Energy Council of Canada.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

Sustainability Reporting

We completed a refresh of the material topics for our Sustainability Report, incorporating feedback from internal and external groups. Our 2020 Sustainability Report, published in May 2021, focused on the following material topics:

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

Corporate Governance was recognized as an area that requires a standalone section in the Sustainability Report focusing on governance considerations and the oversight of these material sustainability topics.

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 2020 Sustainability Report, Sustainability Framework Reference Document, additional governance details, our materiality assessment, and other disclosures are available on our website at www.atco.com.

Climate Change and Energy Transition

To contribute to a low carbon future, we continue to pursue initiatives to integrate cleaner fuels and renewable energy. We intend to expand our ownership and development of clean energy solutions, as well as enable our customers to transition to lower emitting sources of energy.

In July 2021, ATCO subsidiary, Canadian Utilities partnered with Future Fuel Ltd. to build and operate a RNG facility in Alberta with Emissions Reduction Alberta (ERA), committing $8 million to the project through its Natural Gas Challenge. Located north of Vegreville, Alberta, the Two Hills RNG Facility is Canadian Utilities' first commercial RNG production facility and a strategic investment in ATCO's clean fuels strategy. Construction for the project will begin this year, with full commercial operation expected to be achieved in late 2022.

In August 2021, the Vuntut Gwitchin First Nation and ATCO subsidiary, Canadian Utilities completed Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing the community with clean energy for decades to come.

ATCO continues to build its renewable energy portfolio in Canada and globally. In September 2021, ATCO subsidiary, Canadian Utilities acquired the rights to the Empress Solar Project, a 39-MW photovoltaic solar facility under development near the village of Empress, Alberta. Canadian Utilities also acquired the rights to build two solar installations in Calgary. Once complete, the Barlow and Deerfoot solar projects will be the largest solar installation in a major urban centre in Western Canada, at 27-MW and 37-MW, respectively.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 2021 and 2020 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Operating costs	**613**	509	104	**1,842**	1,623	219
Depreciation, amortization and impairment	**167**	162	5	**561**	495	66
Earnings from investment in associate company	**4**	3	1	**10**	8	2
Earnings from investment in joint ventures	**19**	11	8	**39**	21	18
Net finance costs	**102**	102	—	**305**	303	2
Income tax expense	**25**	30	(5)	**80**	128	(48)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $104 million in the third quarter of 2021 compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through electricity costs in ATCOenergy, the recognition of transition costs related to the early termination of the Master Services Agreements (MSA) with Wipro Ltd. (Wipro) for managed information technology (IT) services, and higher materials costs in ATCO Structures from increased activity on the Trans Mountain Expansion and China Lake Military Base projects. Higher operating costs were partially offset by lower materials costs from the completion of manufacturing activities for the LNG Canada Cedar Valley Lodge project in 2020.

Operating costs increased by $219 million in the first nine months of 2021 compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through electricity costs in ATCOenergy, higher flow-through natural gas transmission costs, higher unrealized and realized losses on derivative financial instruments in 2021, and the recognition of transition costs related to the early termination of the MSAs with Wipro for managed IT services.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $5 million in the third quarter of 2021 compared to the same period in 2020 mainly due to continued capital investment in ATCO Structures to expand its space rental fleet and in Canadian Utilities' regulated businesses.

Depreciation, amortization and impairment increased by $66 million in the first nine months of 2021 compared to the same period in 2020 mainly due to the second quarter 2021 impairment of assets in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our assets.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer in South America with operations in 17 port facilities and 6 port operation services businesses located in Chile, Uruguay, Argentina, Brazil, and the US.

Earnings from investment in associate company in the third quarter and first nine months of 2021 were $1 million and $2 million higher compared to the same periods in 2020. Higher earnings were mainly due to a return to normal operations following unplanned equipment maintenance activity at the Puerto Mejillones port in 2020, and higher volumes in 2021 across the portfolio of ports.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures increased by $8 million in the third quarter of 2021 compared to the same period in 2020 mainly due to earnings from LUMA Energy related to the commencement on June 1, 2021 of the Supplemental Agreement to LUMA's 15-year Operations and Maintenance Agreement.

Earnings from investment in joint ventures increased by $18 million in the first nine months of 2021 compared to the same period in 2020 mainly due to earnings from LUMA Energy related to ongoing transition work, and the commencement on June 1, 2021 of the Supplemental Agreement to LUMA's 15-year Operations and Maintenance Agreement. Higher earnings were partially offset by an impairment of an investment in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our assets.

NET FINANCE COSTS

Net finance costs in the third quarter of 2021 were comparable to the same period in 2020.

Net finance costs increased by $2 million in the first nine months of 2021 when compared to the same period in 2020 mainly due to lower interest income resulting from lower interest rates received on cash balances.

INCOME TAX EXPENSE

Income taxes were lower by $5 million and $48 million in the third quarter and first nine months of 2021 compared to the same periods in 2020 mainly due to lower IFRS earnings before income taxes and a reduction in deferred income tax assets in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utilities and our portfolio of energy infrastructure businesses, which are structured to be highly regulated and long-term contracted. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets.

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 August 31, 2021, S&P Global Ratings affirmed its 'A-' long-term issuer credit ratings and negative outlook on ATCO Ltd. and Canadian Utilities. On July 30, 2021, S&P Global Ratings affirmed ATCO subsidiary CU Inc.'s 'A-' long term issuer credit rating and stable outlook.

On September 1, 2021, DBRS Limited affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO. On August 13, 2021, DBRS Limited affirmed its 'A' long-term corporate credit rating and stable outlook on ATCO subsidiary Canadian Utilities. On July 22, 2021, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities subsidiary CU Inc.

LINES OF CREDIT

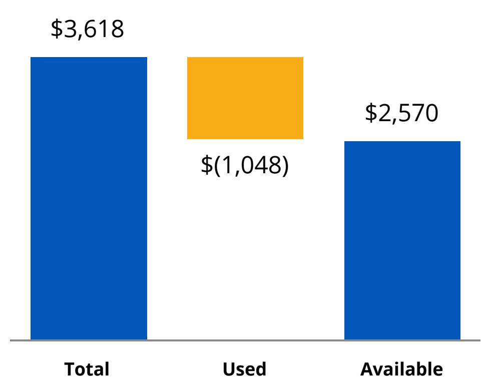
At September 30, 2021, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,047**	903	2,144
Uncommitted	**571**	145	426
Total	**3,618**	1,048	2,570

Of the $3,618 million in total lines of credit, $571 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,047 million in credit lines was committed, with maturities between 2022 and 2026, and may be extended at the option of the lenders.

Of the $1,048 million in lines of credit used, $628 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs. The majority of the remaining usage is for the issuance of Canadian Utilities' letters of credit and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.

Lines of Credit
($ millions)



CONSOLIDATED CASH FLOW

At September 30, 2021, the Company's cash position was $858 million, a decrease of $242 million compared to December 31, 2020. Funds generated by operations achieved during the quarter and funds from the issue of long-term debt by CU Inc. in September were partially offset by cash used to fund the capital investment program, share repurchases and redemptions, dividends paid, and financing costs.

Funds Generated by Operations

Funds generated by operations of $401 million and $1,306 million in the third quarter and first nine months of 2020 were comparable to the same periods in 2020.

Funds generated by operations in 2021 are adversely impacted as a result of ATCO's decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution which will be collected from customers starting in 2022.

Cash Used for Capital Investment

Cash used for capital investment was $284 million in the third quarter of 2021, $42 million higher compared to the same period in 2020 mainly due to the acquisition of the Empress and Calgary Solar Development projects in Canadian Utilities' Electricity Generation business, and the construction of a long-term contracted hydrocarbon storage cavern in Canadian Utilities' Storage and Industrial Water business located in Fort Saskatchewan, Alberta.

Cash used for capital investment was $1,044 million in the first nine months of 2021, $273 million higher compared to the same period in 2020 mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business, and the strategic purchase of development lands by ATCO Land and Development.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Structures & Logistics	**30**	30	—	**81**	101	(20)
Neltume Ports	**—**	—	—	**—**	—	—
ATCO Corporate & Other	**2**	2	—	**51**	11	40
	32	32	—	**132**	112	20
Canadian Utilities						
Utilities						
Electricity Distribution	**51**	49	2	**162**	165	(3)
Electricity Transmission	**33**	35	(2)	**95**	106	(11)
Natural Gas Distribution	**75**	64	11	**203**	166	37
Natural Gas Transmission	**32**	40	(8)	**323**	154	169
International Electricity Operations	**3**	—	3	**4**	—	4
International Natural Gas Distribution	**23**	16	7	**62**	42	20
	217	204	13	**849**	633	216
Energy Infrastructure						
Electricity Generation	**15**	1	14	**17**	4	13
Storage & Industrial Water	**18**	4	14	**39**	17	22
	33	5	28	**56**	21	35
CU Corporate & Other	**2**	1	1	**7**	5	2
Canadian Utilities Total Capital Investment	**252**	210	42	**912**	659	253
ATCO Total Capital Investment (1) (2) (3)	**284**	242	42	**1,044**	771	273

(1) Includes capital expenditures in joint ventures of $5 million and $19 million (2020 - $2 million and $7 million) for the third quarter and first nine months of 2021.

(2) Includes additions to property, plant and equipment, intangibles, and $3 million and $9 million (2020 - $3 million and $10 million) of capitalized interest during construction for the third quarter and first nine months of 2021.

(3) Includes $24 million and $131 million for the third quarter and first nine months of 2021 (2020 - ($2) million and $45 million) of capital investment, mainly in the Utilities, that were funded with the assistance of customer contributions.

Base Shelf Prospectus - CU Inc. Debentures and Preferred Shares

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of September 30, 2021, aggregate issuances of debentures were $610 million.

Effective June 1, 2021, the annual dividend rate on CU Inc.'s Cumulative Redeemable Preferred Shares Series 4 was reset from 2.24 per cent to 2.29 per cent for a five-year period.

Redemption of Canadian Utilities Equity Preferred Shares

On August 27, 2021, Canadian Utilities redeemed all of the issued 4.60% Series V preferred shares for $110 million plus accrued dividends.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 28-year track record. Dividends paid to Class I and Class II Share owners totaled $51 million in the third quarter of 2021, and $154 million in the first nine months of 2021.

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

Normal Course Issuer Bid

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

On March 9, 2021, we commenced a normal course issuer bid to purchase up to 1,013,478 outstanding Class I Shares. The bid will expire on March 8, 2022. From March 9, 2021 to October 26, 2021, 220,000 shares were purchased for $9 million.

SHARE CAPITAL

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

At October 26, 2021, we had outstanding 101,137,399 Class I Shares, 13,196,129 Class II Shares, and options to purchase 1,478,800 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 1,621,850 Class I Shares were available for issuance at September 30, 2021. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

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

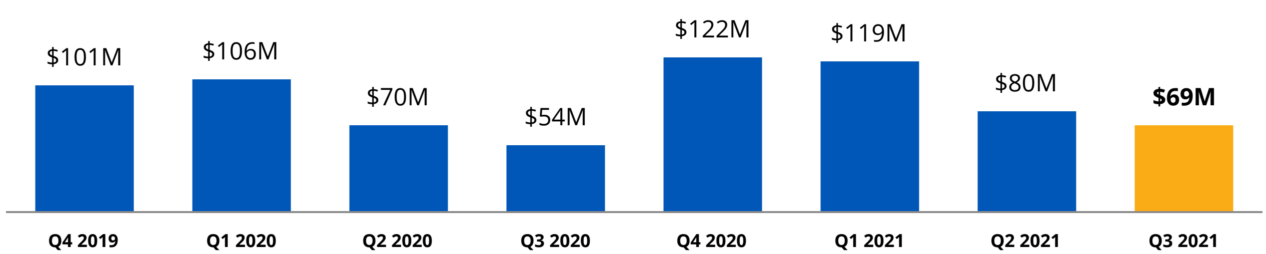
($ millions, except for per share data)	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Revenues	1,053	1,072	970	**977**
Earnings attributable to Class I and Class II Shares	66	83	12	**52**
Earnings per Class I and Class II Share *($)*	0.58	0.73	0.10	**0.46**
Diluted earnings per Class I and Class II Share *($)*	0.58	0.72	0.10	**0.46**
Adjusted earnings per Class I and Class II Share *($)* (1)	1.07	1.04	0.70	**0.60**
Adjusted earnings (loss) (1)				
Structures & Logistics	17	14	18	**16**
Neltume Ports	7	3	3	**4**
ATCO Corporate & Other	—	1	(1)	**1**
Canadian Utilities				
Utilities	102	106	65	**56**
Energy Infrastructure	7	5	4	**4**
Canadian Utilities Corporate & Other	(11)	(10)	(9)	**(12)**
Total adjusted earnings	122	119	80	**69**

($ millions, except for per share data)	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Revenues	1,182	1,056	938	897
Earnings attributable to Class I and Class II Shares	83	87	45	54
Earnings per Class I and Class II Share *($)*	0.73	0.76	0.39	0.48
Diluted earnings per Class I and Class II Share *($)*	0.72	0.76	0.39	0.47
Adjusted earnings per Class I and Class II Share *($)*	0.88	0.93	0.61	0.47
Adjusted earnings (loss) (1)				
Structures & Logistics	14	7	21	12
Neltume Ports	4	3	2	3
ATCO Corporate & Other	(9)	1	(1)	—
Canadian Utilities				
Utilities	92	99	57	47
Energy Infrastructure	8	3	2	3
Canadian Utilities Corporate & Other	(8)	(7)	(11)	(11)
Total adjusted earnings	101	106	70	54

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

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

ADJUSTED EARNINGS



Adjusted earnings in the second and third quarters of each year are impacted by lower seasonal demand in Canadian Utilities' Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 were positively impacted by ATCO Structures' workforce housing sale and rental activity, space rental activity, and additional client work requests for COVID-19 proactive and preventative safety measures at ATCO Frontec.

Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 in Canadian Utilities were higher compared to the same periods in 2019 and 2020 mainly due to continued cost efficiencies, rate base growth, and earnings from International Electricity Operations.

Adjusted earnings in the second quarter of 2021 were higher compared to the same period in 2020 mainly due to earnings from Canadian Utilities' International Electricity Operations and a return to more stable levels of inflation in Australia, which positively impacted earnings in Canadian Utilities' International Natural Gas Distribution business.

Adjusted earnings in the third quarter of 2021 were higher compared to the same period in 2020 mainly due to earnings from International Electricity Operations related to the June 1, 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity T&D systems. Higher earnings were also due to a return to more stable levels of inflation in Australia, which positively impacted earnings in Canadian Utilities' International Natural Gas Distribution business, and higher space rental activity in ATCO Structures.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the second, third, and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of our Canadian fossil fuel-based electricity generation businesses and Alberta PowerLine resulting in a gain on sale of operations of $65 million (after-tax and non-controlling interests). In the fourth quarter of 2019, Canadian Utilities incurred final closing adjustments related to these sale transactions of $7 million (after tax and non-controlling interests).
- 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 related to certain assets that no longer represent strategic value for the Company.
- Early Termination of the Master Service Agreements for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. ATCO recognized termination costs of $32 million and $2 million (after-tax and non-controlling interests) in the fourth quarter of 2020 and first quarter of 2021, respectively, which represents managements' best estimate of the costs to exit the Wipro MSA. The actual costs will be finalized in 2022.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is now substantially complete. In the first three quarters of 2021, ATCO recognized transition costs of $4 million, $11 million and $6 million (after-tax and non-controlling interests), respectively.
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

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

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

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

Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, 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 September 30**

2021 / 2020	ATCO Ltd.							
				Canadian Utilities Limited				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Revenues	**186**	**—**	**1**	**679**	**44**	**67**	**790**	**977**
2020	171	—	(1)	670	46	11	727	897
Adjusted earnings (loss)	**16**	**4**	**1**	**56**	**4**	**(12)**	**48**	**69**
2020	12	3	—	47	3	(11)	39	54
Unrealized losses on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**	**(6)**
2020	—	—	—	—	(1)	(4)	(5)	(5)
Rate-regulated activities	**—**	**—**	**—**	**(6)**	**—**	**—**	**(6)**	**(6)**
2020	—	—	—	3	—	2	5	5
IT Common Matters decision	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**	**(1)**
2020	—	—	—	(1)	—	—	(1)	(1)
Transition of managed IT services	**—**	**—**	**(1)**	**(4)**	**(1)**	**—**	**(5)**	**(6)**
2020	—	—	—	—	—	—	—	—
Other	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**2**
2020	—	—	—	—	1	—	1	1
Earnings (loss) attributable to Class I and Class II Shares	**16**	**4**	**2**	**45**	**3**	**(18)**	**30**	**52**
2020	12	3	—	49	3	(13)	39	54

($ millions) **Nine Months Ended September 30**

2021 / 2020	**ATCO Ltd.**							**ATCO Consolidated**
				Canadian Utilities				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Revenues	**534**	**—**	**(2)**	**2,157**	**135**	**195**	**2,487**	**3,019**
	543	—	(4)	2,148	136	68	2,352	2,891
Adjusted earnings (loss)	**48**	**10**	**1**	**227**	**13**	**(31)**	**209**	**268**
	40	8	—	203	8	(29)	182	230
Impairment and other costs	**—**	**—**	**1**	**—**	**(34)**	**—**	**(34)**	**(33)**
	(5)	—	—	(4)	(2)	(9)	(15)	(20)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**(12)**	**(12)**	**(12)**
	—	—	—	—	(2)	2	—	—
Rate-regulated activities	**—**	**—**	**—**	**(49)**	**—**	**—**	**(49)**	**(49)**
	—	—	—	(18)	—	1	(17)	(17)
IT Common Matters decision	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	(5)	—	—	(5)	(5)
Transition of managed IT services	**(1)**	**—**	**(3)**	**(17)**	**(1)**	**(1)**	**(19)**	**(23)**
	—	—	—	—	—	—	—	—
Other	**—**	**—**	**2**	**—**	**(1)**	**—**	**(1)**	**1**
	—	—	—	—	(2)	—	(2)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**47**	**10**	**1**	**156**	**(23)**	**(44)**	**89**	**147**
	35	8	—	176	2	(35)	143	186

IMPAIRMENT AND OTHER COSTS

In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

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 to the Company. Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a five 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 during the second quarter of 2020 reflecting the reduced likelihood of future recovery of these costs. 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 in the second quarter of 2020. The remaining costs 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. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment.

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

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

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**14**	9	5	**45**	30	15
Impact of colder temperatures (2)	**—**	—	—	**—**	4	(4)
Revenues to be billed in future periods						
Deferred income taxes (3)	**(10)**	(8)	(2)	**(39)**	(38)	(1)
Distribution rate relief (4)	**(11)**	—	(11)	**(50)**	—	(50)
Impact of warmer temperatures (2)	**(2)**	(1)	(1)	**(3)**	—	(3)
Impact of inflation on rate base (5)	**(2)**	—	(2)	**(7)**	(2)	(5)
Settlement of regulatory decisions and other items (6)	**5**	5	—	**5**	(11)	16
	(6)	5	(11)	**(49)**	(17)	(32)

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

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

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

(4) During the three and nine months ended September 30, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $11 million and $50 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. These amounts will be recovered from customers in 2022 and 2023.

(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 nine months of 2020, Electricity Distribution recorded a decrease in earnings of $10 million related to the payment of transmission costs. Substantially all of these costs were recovered from customers in the fourth quarter of 2020.

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 nine months ended September 30, 2021 was $1 million and $5 million (after-tax and non-controlling interests) (2020 - $1 million and $5 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is now substantially complete.

In the third quarter and first nine months of 2021, ATCO recognized termination and transition costs of $6 million and $23 million (after-tax and non-controlling interests).

OTHER

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. In the third quarter and first nine months of 2021, the Company recorded a foreign exchange loss of nil (after-tax and non-controlling interests) (2020 - a foreign exchange gain of $1 million and a foreign exchange loss of $2 million) due to a difference between the tax base currency, which is the Mexican peso, and the US dollar functional currency.

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

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

($ millions)

2021 2020	**Three Months Ended September 30**	**Nine Months Ended September 30**
Funds generated by operations	**401**	**1,306**
	394	1,288
Changes in non-cash working capital	**(53)**	**16**
	(60)	77
Cash flows from operating activities	**348**	**1,322**
	334	1,365

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions)

Three Months Ended September 30

2021 / 2020	**ATCO Ltd.**							
				Canadian Utilities Limited				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Capital Investment	**30**	**—**	**2**	**217**	**33**	**2**	**252**	**284**
	30	—	2	204	5	1	210	242
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(3)**	**(2)**	**—**	**(5)**	**(5)**
	—	—	—	—	(2)	—	(2)	(2)
Capital Expenditures	**30**	**—**	**2**	**214**	**31**	**2**	**247**	**279**
	30	—	2	204	3	1	208	240

($ millions)

Nine Months Ended September 30

2021 / 2020	**ATCO Ltd.**							
				Canadian Utilities Limited				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Capital Investment	**81**	**—**	**51**	**849**	**56**	**7**	**912**	**1,044**
	101	—	11	633	21	5	659	771
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(3)**	**(16)**	**—**	**(19)**	**(19)**
	—	—	—	—	(7)	—	(7)	(7)
Capital Expenditures	**81**	**—**	**51**	**846**	**40**	**7**	**893**	**1,025**
	101	—	11	633	14	5	652	764

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 July 1, 2021, and ended on September 30, 2021, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In April 2021, the IFRS Interpretations Committee published a final agenda decision with respect to recognition of certain configuration and customization expenditures related to cloud computing with retrospective application. Costs that do not meet the capitalization criteria should be expensed as incurred.

The Company is currently reviewing the application of the decision to determine the impact, if any, it will have on the consolidated financial statements. Any changes resulting from the decision are required to be implemented by December 31, 2021.

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 nine months ended September 30, 2021. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

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

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

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

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

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

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.

GHG means greenhouse gas.

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.

RNG means renewable natural gas. It is a renewable fuel produced by capturing methane emissions which would otherwise be released to the atmosphere.

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

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars except per share data)	**Note**	**2021**	**2020**	**2021**	**2020**
Revenues	4	**977**	897	**3,019**	2,891
Costs and expenses					
Salaries, wages and benefits		**(141)**	(131)	**(422)**	(409)
Energy transmission and transportation		**(68)**	(60)	**(198)**	(168)
Plant and equipment maintenance		**(58)**	(60)	**(142)**	(156)
Fuel costs		**(20)**	(17)	**(70)**	(64)
Purchased power		**(72)**	(45)	**(218)**	(156)
Materials and consumables		**(94)**	(83)	**(262)**	(295)
Depreciation, amortization and impairment	3, 6	**(167)**	(162)	**(561)**	(495)
Franchise fees		**(48)**	(43)	**(187)**	(179)
Property and other taxes		**(19)**	(17)	**(56)**	(55)
Other		**(93)**	(53)	**(287)**	(141)
		(780)	(671)	**(2,403)**	(2,118)
Earnings from investment in associate company		**4**	3	**10**	8
Earnings from investment in joint ventures		**19**	11	**39**	21
Operating profit		**220**	240	**665**	802
Interest income		**3**	4	**10**	13
Interest expense		**(105)**	(106)	**(315)**	(316)
Net finance costs		**(102)**	(102)	**(305)**	(303)
Earnings before income taxes		**118**	138	**360**	499
Income tax expense		**(25)**	(30)	**(80)**	(128)
Earnings for the period		**93**	108	**280**	371
Earnings attributable to:					
Class I and Class II Shares		**52**	54	**147**	186
Non-controlling interests		**41**	54	**133**	185
		93	108	**280**	371
Earnings per Class I and Class II Share	5	**$0.46**	$0.48	**$1.29**	$1.63
Diluted earnings per Class I and Class II Share	5	**$0.46**	$0.47	**$1.28**	$1.62

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2021**	**2020**	**2021**	**2020**
Earnings for the period		**93**	108	**280**	371
Other comprehensive income (loss), net of income taxes					
Items that will not be reclassified to earnings:					
Re-measurement of retirement benefits (1)	9	**23**	(14)	**193**	(30)
Items that are or may be reclassified subsequently to earnings:					
Cash flow hedges (2)		**31**	1	**59**	(23)
Foreign currency translation adjustment (3)		**11**	5	**(63)**	30
Share of other comprehensive income (loss) in associate company		**–**	1	**(5)**	(3)
		42	7	**(9)**	4
Other comprehensive income (loss)		**65**	(7)	**184**	(26)
Comprehensive income for the period		**158**	101	**464**	345
Comprehensive income attributable to:					
Class I and Class II Shares		**94**	45	**238**	177
Non-controlling interests		**64**	56	**226**	168
		158	101	**464**	345

(1) Net of income taxes of $(6) million and $(57) million for the three and nine months ended September 30, 2021 (2020 - $3 million and $9 million).

(2) Net of income taxes of $(10) million and $(19) million for the three and nine months ended September 30, 2021 (2020 - nil and $8 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	September 30 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents		**862**	1,103
Accounts receivable and contract assets		**597**	727
Finance lease receivables		**10**	9
Inventories		**72**	76
Prepaid expenses and other current assets	6	**246**	124
		1,787	2,039
Non-current assets			
Property, plant and equipment	6	**18,630**	18,327
Intangibles		**736**	685
Retirement benefit asset	9	**87**	–
Right-of-use assets		**88**	97
Goodwill		**71**	82
Investment in joint ventures		**228**	186
Investment in associate company		**448**	460
Finance lease receivables		**154**	166
Deferred income tax assets		**77**	85
Other assets		**102**	73
Total assets		**22,408**	22,200
LIABILITIES			
Current liabilities			
Bank indebtedness		**4**	3
Accounts payable and accrued liabilities		**643**	695
Lease liabilities		**14**	16
Provisions and other current liabilities		**150**	164
Long-term debt	7	**314**	196
		1,125	1,074
Non-current liabilities			
Deferred income tax liabilities		**1,576**	1,443
Retirement benefit obligations	9	**278**	439
Customer contributions		**1,846**	1,756
Lease liabilities		**77**	84
Other liabilities		**116**	132
Long-term debt	7	**9,687**	9,423
Total liabilities		**14,705**	14,351
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	8	**178**	178
Contributed surplus		**7**	6
Retained earnings		**3,918**	3,880
Accumulated other comprehensive loss		**(27)**	(12)
		4,076	4,052
Non-controlling interests		**3,627**	3,797
Total equity		**7,703**	7,849
Total liabilities and equity		**22,408**	22,200

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Non-Controlling Interests	Total Equity
December 31, 2019		173	12	3,832	(17)	4,000	3,858	7,858
Earnings for the period		–	–	186	–	186	185	371
Other comprehensive loss		–	–	–	(9)	(9)	(17)	(26)
Losses on retirement benefits transferred to retained earnings		–	–	(15)	15	–	–	–
Shares issued, purchased and cancelled		1	–	–	–	1	–	1
Dividends	8	–	–	(150)	–	(150)	(226)	(376)
Share-based compensation		3	(1)	6	–	8	–	8
Other		–	–	–	2	2	2	4
September 30, 2020		177	11	3,859	(9)	4,038	3,802	7,840
December 31, 2020		178	6	3,880	(12)	4,052	3,797	7,849
Earnings for the period		–	–	**147**	–	**147**	**133**	**280**
Other comprehensive income		–	–	–	**91**	**91**	**93**	**184**
Gains on retirement benefits transferred to retained earnings		–	–	**106**	**(106)**	–	–	–
Redemption of preferred shares issued by subsidiary company		–	–	–	–	–	**(110)**	**(110)**
Shares purchased and cancelled		–	–	**(9)**	–	**(9)**	**(119)**	**(128)**
Dividends	8	–	–	**(154)**	–	**(154)**	**(223)**	**(377)**
Share-based compensation		–	**1**	**1**	–	**2**	–	**2**
Changes in ownership interest in subsidiary company [1]		–	–	**(56)**	–	**(56)**	**56**	–
Other		–	–	**3**	–	**3**	–	**3**
September 30, 2021		**178**	**7**	**3,918**	**(27)**	**4,076**	**3,627**	**7,703**

(1) The changes in ownership interest in subsidiary company are due to Canadian Utilities Limited's purchases of Class A shares under the normal course issuer bid program.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2021**	**2020**	**2021**	**2020**
Operating activities					
Earnings for the period		**93**	108	**280**	371
Adjustments to reconcile earnings to cash flows from operating activities	10	**308**	286	**1,026**	917
Changes in non-cash working capital		**(53)**	(60)	**16**	77
Cash flows from operating activities		**348**	334	**1,322**	1,365
Investing activities					
Additions to property, plant and equipment		**(225)**	(209)	**(899)**	(702)
Proceeds on disposal of property, plant and equipment		**–**	5	**30**	7
Additions to intangibles		**(51)**	(29)	**(117)**	(52)
Investment in joint ventures		**(9)**	(1)	**(21)**	(9)
Changes in non-cash working capital		**17**	25	**7**	(1)
Other	6	**1**	(11)	**(63)**	(13)
Cash flows used in investing activities		**(267)**	(220)	**(1,063)**	(770)
Financing activities					
Issue of long-term debt	7	**472**	263	**477**	329
Repayment of long-term debt	7	**(16)**	(9)	**(58)**	(91)
Repayment of lease liabilities		**(5)**	(5)	**(14)**	(14)
Purchase of shares by subsidiary company		**–**	–	**(119)**	–
Purchase of Class I Shares		**–**	–	**(9)**	–
Redemption of equity preferred shares by subsidiary company	12	**(110)**	–	**(110)**	–
Dividends paid to Class I and Class II Share owners		**(51)**	(50)	**(154)**	(150)
Dividends paid to non-controlling interests		**(73)**	(76)	**(223)**	(226)
Interest paid		**(83)**	(81)	**(284)**	(287)
Other		**(4)**	–	**(4)**	(1)
Cash flows from (used in) financing activities		**130**	42	**(498)**	(440)
Increase (decrease) in cash position [(1)]		**211**	156	**(239)**	155
Foreign currency translation		**4**	4	**(3)**	3
Beginning of period		**643**	1,138	**1,100**	1,140
End of period	10	**858**	1,298	**858**	1,298

(1) Cash position includes $25 million which is not available for general use by the Company (2020 - $50 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2021

(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);
- Neltume Ports (ports and transportation logistics); and
- Canadian Utilities Limited, including:
  - 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) (included in the Corporate & Other segment).

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 (53.0 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, 2020, 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 October 27, 2021.

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.

SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of judgments and estimates around the COVID-19 pandemic

For the three and nine months ended September 30, 2021, the Company performed an assessment of the impacts of uncertainties around the COVID-19 pandemic on its consolidated financial position, financial performance and cash flows. The assessment required use of judgments and estimates and resulted in no material impacts.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In April 2021, the IFRS Interpretations Committee published a final agenda decision with respect to recognition of certain configuration and customization expenditures related to cloud computing with retrospective application. Costs that do not meet the capitalization criteria should be expensed as incurred.

The Company is currently reviewing the application of the decision to determine the impact, if any, it will have on the consolidated financial statements. Any changes resulting from the decision are required to be implemented by December 31, 2021.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2021 2020	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	**186**	**–**	**1**	**679**	**41**	**70**	**790**	**977**
	171	–	(1)	662	30	35	727	897
Revenues - intersegment	**–**	**–**	**–**	**–**	**3**	**(3)**	**–**	**–**
	–	–	–	8	16	(24)	–	–
Revenues	**186**	**–**	**1**	**679**	**44**	**67**	**790**	**977**
	171	–	(1)	670	46	11	727	897
Operating expenses [2]	**(148)**	**–**	**3**	**(346)**	**(33)**	**(89)**	**(468)**	**(613)**
	(140)	–	5	(316)	(35)	(23)	(374)	(509)
Depreciation and amortization	**(15)**	**–**	**(1)**	**(144)**	**(7)**	**–**	**(151)**	**(167)**
	(13)	–	(2)	(142)	(5)	–	(147)	(162)
Earnings from investment in associate company	**–**	**4**	**–**	**–**	**–**	**–**	**–**	**4**
	–	3	–	–	–	–	–	3
Earnings from investment in joint ventures	**1**	**–**	**–**	**14**	**4**	**–**	**18**	**19**
	1	–	–	7	3	–	10	11
Net finance costs	**(1)**	**–**	**(4)**	**(93)**	**(3)**	**(1)**	**(97)**	**(102)**
	(2)	–	(3)	(92)	(3)	(2)	(97)	(102)
Earnings (loss) before income taxes	**23**	**4**	**(1)**	**110**	**5**	**(23)**	**92**	**118**
	17	3	(1)	127	6	(14)	119	138
Income tax (expense) recovery	**(7)**	**–**	**1**	**(24)**	**–**	**5**	**(19)**	**(25)**
	(5)	–	1	(30)	1	3	(26)	(30)
Earnings (loss) for the period	**16**	**4**	**–**	**86**	**5**	**(18)**	**73**	**93**
	12	3	–	97	7	(11)	93	108
Adjusted earnings (loss)	**16**	**4**	**1**	**56**	**4**	**(12)**	**48**	**69**
	12	3	–	47	3	(11)	39	54
Capital expenditures [3]	**30**	**–**	**2**	**214**	**31**	**2**	**247**	**279**
	30	–	2	204	3	1	208	240

(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 and amortization expense.

(3) Includes additions to property, plant and equipment, intangibles and $3million of interest capitalized during construction for the three months ended September 30, 2021 (2020 - $3 million).

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

2021 2020	Utilities Electricity	 Natural Gas	 Intersegment eliminations	 Consolidated
Revenues - external	**347**	**332**	**–**	**679**
	350	312	–	662
Revenues - intersegment	**1**	**1**	**(2)**	**–**
	5	4	(1)	8
Revenues	**348**	**333**	**(2)**	**679**
	355	316	(1)	670
Operating expenses [1]	**(131)**	**(217)**	**2**	**(346)**
	(130)	(187)	1	(316)
Depreciation and amortization	**(75)**	**(69)**	**–**	**(144)**
	(77)	(65)	–	(142)
Earnings from investment in joint ventures	**14**	**–**	**–**	**14**
	7	–	–	7
Net finance costs	**(57)**	**(36)**	**–**	**(93)**
	(56)	(36)	–	(92)
Earnings before income taxes	**99**	**11**	**–**	**110**
	99	28	–	127
Income tax expense	**(20)**	**(4)**	**–**	**(24)**
	(22)	(8)	–	(30)
Earnings for the period	**79**	**7**	**–**	**86**
	77	20	–	97
Adjusted earnings	**47**	**9**	**–**	**56**
	40	7	–	47
Capital expenditures [2]	**84**	**130**	**–**	**214**
	84	120	–	204

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) Includes additions to property, plant and equipment, intangibles and $3 million of interest capitalized during construction for the three months ended September 30, 2021 (2020 - $3 million).

Results by operating segment for the nine months ended September 30 are shown below.

2021 2020	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	**534**	**–**	**(2)**	**2,151**	**111**	**225**	**2,487**	**3,019**
	543	–	(4)	2,130	94	128	2,352	2,891
Revenues - intersegment	**–**	**–**	**–**	**6**	**24**	**(30)**	**–**	**–**
	–	–	–	18	42	(60)	–	–
Revenues	**534**	**–**	**(2)**	**2,157**	**135**	**195**	**2,487**	**3,019**
	543	–	(4)	2,148	136	68	2,352	2,891
Operating expenses [2]	**(425)**	**–**	**12**	**(1,079)**	**(118)**	**(232)**	**(1,429)**	**(1,842)**
	(458)	–	18	(1,005)	(115)	(63)	(1,183)	(1,623)
Depreciation, amortization and impairment	**(44)**	**–**	**(4)**	**(438)**	**(69)**	**(6)**	**(513)**	**(561)**
	(38)	–	(5)	(420)	(11)	(21)	(452)	(495)
Earnings from investment in associate company	**–**	**10**	**–**	**–**	**–**	**–**	**–**	**10**
	–	8	–	–	–	–	–	8
Earnings from investment in joint ventures	**3**	**–**	**–**	**30**	**6**	**–**	**36**	**39**
	2	–	–	7	12	–	19	21
Net finance costs	**(4)**	**–**	**(11)**	**(279)**	**(8)**	**(3)**	**(290)**	**(305)**
	(5)	–	(10)	(277)	(9)	(2)	(288)	(303)
Earnings (loss) before income taxes	**64**	**10**	**(5)**	**391**	**(54)**	**(46)**	**291**	**360**
	44	8	(1)	453	13	(18)	448	499
Income tax (expense) recovery	**(17)**	**–**	**6**	**(87)**	**10**	**8**	**(69)**	**(80)**
	(9)	–	1	(110)	(8)	(2)	(120)	(128)
Earnings (loss) for the period	**47**	**10**	**1**	**304**	**(44)**	**(38)**	**222**	**280**
	35	8	–	343	5	(20)	328	371
Adjusted earnings (loss)	**48**	**10**	**1**	**227**	**13**	**(31)**	**209**	**268**
	40	8	–	203	8	(29)	182	230
Total assets [3]	**1,033**	**449**	**425**	**18,731**	**978**	**792**	**20,501**	**22,408**
	1,069	460	375	18,310	993	993	20,296	22,200
Capital expenditures [4]	**81**	**–**	**51**	**846**	**40**	**7**	**893**	**1,025**
	101	–	11	633	14	5	652	764

(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) 2020 comparatives are at December 31, 2020.

(4) Includes additions to property, plant and equipment, intangibles and $9million of interest capitalized during construction for the nine months ended September 30, 2021 (2020 - $10 million).

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

2021 2020	Utilities Electricity	 Natural Gas	 Intersegment eliminations	 Consolidated
Revenues - external	**1,019**	**1,132**	**–**	**2,151**
	1,011	1,119	–	2,130
Revenues - intersegment	**7**	**3**	**(4)**	**6**
	15	6	(3)	18
Revenues	**1,026**	**1,135**	**(4)**	**2,157**
	1,026	1,125	(3)	2,148
Operating expenses (1)	**(394)**	**(689)**	**4**	**(1,079)**
	(386)	(622)	3	(1,005)
Depreciation and amortization	**(232)**	**(206)**	**–**	**(438)**
	(229)	(191)	–	(420)
Earnings from investment in joint ventures	**30**	**–**	**–**	**30**
	7	–	–	7
Net finance costs	**(169)**	**(110)**	**–**	**(279)**
	(171)	(106)	–	(277)
Earnings before income taxes	**261**	**130**	**–**	**391**
	247	206	–	453
Income tax expense	**(55)**	**(32)**	**–**	**(87)**
	(57)	(53)	–	(110)
Earnings for the period	**206**	**98**	**–**	**304**
	190	153	–	343
Adjusted earnings	**137**	**90**	**–**	**227**
	121	82	–	203
Total assets (2)	**10,427**	**8,304**	**–**	**18,731**
	10,326	7,985	(1)	18,310
Capital expenditures (3)	**258**	**588**	**–**	**846**
	271	362	–	633

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

(2) 2020 comparatives are at December 31, 2020.

(3) Includes additions to property, plant and equipment, intangibles and $9 million of interest capitalized during construction for the nine months ended September 30, 2021 (2020 - $10 million).

ADJUSTED EARNINGS

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

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

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

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

2021 2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited Utilities	Energy Infrastructure	Corporate & Other	Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**16**	**4**	**1**	**56**	**4**	**(12)**	**48**	**69**
	12	3	–	47	3	(11)	39	54
Transition of managed IT services	**–**	**–**	**(1)**	**(4)**	**(1)**	**–**	**(5)**	**(6)**
	–	–	–	–	–	–	–	–
Unrealized losses on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**(6)**
	–	–	–	–	(1)	(4)	(5)	(5)
Rate-regulated activities	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**	**(6)**
	–	–	–	3	–	2	5	5
IT Common Matters decision	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**(1)**
	–	–	–	(1)	–	–	(1)	(1)
Other	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**2**
	–	–	–	–	1	–	1	1
Earnings (loss) attributable to Class I and Class II Shares	**16**	**4**	**2**	**45**	**3**	**(18)**	**30**	**52**
	12	3	–	49	3	(13)	39	54
Earnings attributable to non-controlling interests								**41**
								54
Earnings for the period								**93**
								108

The reconciliation of adjusted earnings and earnings for the nine months ended September 30 is shown below.

2021 2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited Utilities	Energy Infrastructure	Corporate & Other	Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**48**	**10**	**1**	**227**	**13**	**(31)**	**209**	**268**
	40	8	–	203	8	(29)	182	230
Transition of managed IT services	**(1)**	**–**	**(3)**	**(17)**	**(1)**	**(1)**	**(19)**	**(23)**
	–	–	–	–	–	–	–	–
Impairment and other costs	**–**	**–**	**1**	**–**	**(34)**	**–**	**(34)**	**(33)**
	(5)	–	–	(4)	(2)	(9)	(15)	(20)
Unrealized losses (gains) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**	**(12)**
	–	–	–	–	(2)	2	–	–
Rate-regulated activities	**–**	**–**	**–**	**(49)**	**–**	**–**	**(49)**	**(49)**
	–	–	–	(18)	–	1	(17)	(17)
IT Common Matters decision	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	(5)	–	–	(5)	(5)
Other	**–**	**–**	**2**	**–**	**(1)**	**–**	**(1)**	**1**
	–	–	–	–	(2)	–	(2)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**47**	**10**	**1**	**156**	**(23)**	**(44)**	**89**	**147**
	35	8	–	176	2	(35)	143	186
Earnings attributable to non-controlling interests								**133**
								185
Earnings for the period								**280**
								371

Transition of managed IT services

In 2020, and in the first quarter of 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services were previously provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was substantially complete at September 30, 2021.

In 2020, and during the first quarter of 2021, the Company recognized onerous contract provisions of $75 million ($32 million after-tax and non-controlling interests (NCI)) and $6 million ($2 million after-tax and NCI), respectively, which represents management's best estimate of the costs to exit the Wipro MSA. The provisions are included in provisions and other current liabilities in the consolidated balance sheets. The provision of $6 million was recorded in the first quarter of 2021 and is included in other expenses in the consolidated statements of earnings for the nine months ended September 30, 2021. The actual costs are expected to be finalized in 2022. The onerous contract provision is not in the normal course of business and has been excluded from Adjusted Earnings.

In addition, for the three and nine months ended September 30, 2021, the Company recognized transition costs of $12 million and $45 million ($6 million and $21 million after-tax and NCI). The transition costs relate to activities to transfer the managed IT services from Wipro to IBM. As these costs are not in the normal course of business, they have been excluded from Adjusted Earnings.

Impairment and other costs recorded in the second quarter of 2021

In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million after tax and NCI were recorded, mainly in Mexico, related to Energy Infrastructure's Veracruz hydro facility in the amount of $28 million after tax and NCI. Other costs recorded were individually immaterial.

The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets.

The recoverable amount of Energy Infrastructure's Veracruz hydro facility was determined based on fair value less costs of disposal. The expected future cash flows were estimated under an assumption of 43 years of operations, representing the useful life of the Veracruz hydro facility, and were discounted at an after-tax rate of approximately 10 per cent. The fair value measurement is categorized as level 3 on the fair value hierarchy. As at June 30, 2021, the recoverable amount of Energy Infrastructure's Veracruz hydro facility was estimated to be $22 million.

As the charges relate to impairments, they have been excluded from Adjusted Earnings.

Impairment and other costs recorded in the second quarter of 2020

In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million, after tax and NCI, were recorded. These costs mainly related 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 in the second quarter of 2020, reflecting the reduced likelihood of future recovery of these costs. The fair value measurement was categorized as level 3 on the fair value hierarchy. As at June 30, 2020, the recoverable amount of the oil and gas assets was estimated to be nil.

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 related 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. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment.

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

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

Rate-regulated activities

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 Regulated Utilities.

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the 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 September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**14**	9	**45**	30
Impact of colder temperatures [(2)]	**–**	–	**–**	4
Revenues to be billed in future periods				
Deferred income taxes [(3)]	**(10)**	(8)	**(39)**	(38)
Distribution rate relief [(4)]	**(11)**	–	**(50)**	–
Impact of warmer temperatures [(2)]	**(2)**	(1)	**(3)**	–
Impact of inflation on rate base [(5)]	**(2)**	–	**(7)**	(2)
Settlement of regulatory decisions and other items [(6)]	**5**	5	**5**	(11)
	(6)	5	**(49)**	(17)

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

(2) Natural Gas Distribution's customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below 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) During the three and nine months ended September 30, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $11 million and $50 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. These amounts will be recovered from customers in 2022 and 2023.

(5) The inflation-indexed portion of ATCO Gas Australia's (part of Natural Gas Distribution) rate base is billed to customers through the recovery of depreciation in subsequent 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 nine months of 2020, Electricity Distribution recorded a decrease in earnings of $10 million related to the payment of transmission costs. Substantially all of these costs were recovered from customers in the fourth quarter of 2020.

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 nine months ended September 30, 2021 was $1 million and $5 million (2020 - $1 million and $5 million).

Other

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three and nine months ended September 30, 2021, the Company recorded a foreign exchange impact of nil after tax and non-controlling interests (2020 - a foreign exchange gain of $1 million and a foreign exchange loss of $2 million) 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 nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended September 30 is shown below:

2021 2020	Structures & Logistics	Utilities Electricity (1)	Utilities Natural Gas (1)	Utilities Total	Energy Infrastructure	Corporate & Other (2)	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**149**	**201**	**350**	**–**	**–**	**350**
	–	132	189	321	–	–	321
Transmission services	**–**	**160**	**76**	**236**	**–**	**–**	**236**
	–	173	75	248	–	–	248
Modular structures - services	**35**	**–**	**–**	**–**	**–**	**–**	**35**
	61	–	–	–	–	–	61
Logistics and facility operations and maintenance services	**29**	**–**	**–**	**–**	**–**	**–**	**29**
	26	–	–	–	–	–	26
Lodging and support	**25**	**–**	**–**	**–**	**–**	**–**	**25**
	20	–	–	–	–	–	20
Customer contributions	**–**	**8**	**6**	**14**	**–**	**–**	**14**
	–	8	5	13	–	–	13
Franchise fees	**–**	**7**	**41**	**48**	**–**	**–**	**48**
	–	8	35	43	–	–	43
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**73**	**73**
	–	–	–	–	–	31	31
Storage and industrial water	**–**	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	–	6	–	6
Total rendering of services	**89**	**324**	**324**	**648**	**4**	**73**	**814**
	107	321	304	625	6	31	769
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**14**	**–**	**14**
	–	–	–	–	9	–	9
Commodity sales	**–**	**–**	**–**	**–**	**13**	**4**	**17**
	–	–	–	–	8	–	8
Modular structures - goods	**57**	**–**	**–**	**–**	**–**	**–**	**57**
	32	–	–	–	–	–	32
Total sale of goods	**57**	**–**	**–**	**–**	**27**	**4**	**88**
	32	–	–	–	17	–	49
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	–	7	–	7
Operating lease	**40**	**–**	**–**	**–**	**–**	**–**	**40**
	32	–	–	–	–	–	32
Total lease income	**40**	**–**	**–**	**–**	**4**	**–**	**44**
	32	–	–	–	7	–	39
Other	**–**	**23**	**8**	**31**	**6**	**(6)**	**31**
	–	29	8	37	–	3	40
Total	**186**	**347**	**332**	**679**	**41**	**71**	**977**
	171	350	312	662	30	34	897

(1) For the three months ended September 30, 2021, Electricity and Natural Gas segments include $101 million of unbilled revenue (2020 - $103 million).

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

The disaggregation of revenues by each operating segment for the nine months ended September 30 is shown below:

2021 2020	Structures & Logistics	Utilities			Energy Infrastructure	Corporate & Other [(2)]	Consolidated
		Electricity [(1)]	Natural Gas [(1)]	Total			
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**401**	**703**	**1,104**	**–**	**–**	**1,104**
	–	382	698	1,080	–	–	1,080
Transmission services	**–**	**506**	**228**	**734**	**–**	**–**	**734**
	–	519	220	739	–	–	739
Modular structures - services	**115**	**–**	**–**	**–**	**–**	**–**	**115**
	227	–	–	–	–	–	227
Logistics and facility operations and maintenance services	**80**	**–**	**–**	**–**	**–**	**–**	**80**
	71	–	–	–	–	–	71
Lodging and support	**68**	**–**	**–**	**–**	**–**	**–**	**68**
	66	–	–	–	–	–	66
Customer contributions	**–**	**25**	**16**	**41**	**–**	**–**	**41**
	–	23	16	39	–	–	39
Franchise fees	**–**	**24**	**163**	**187**	**–**	**–**	**187**
	–	23	156	179	–	–	179
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**213**	**213**
	–	–	–	–	–	116	116
Storage and industrial water	**–**	**–**	**–**	**–**	**13**	**–**	**13**
	–	–	–	–	13	–	13
Total rendering of services	**263**	**956**	**1,110**	**2,066**	**13**	**213**	**2,555**
	364	947	1,090	2,037	13	116	2,530
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**30**	**–**	**30**
	–	–	–	–	24	–	24
Commodity sales	**–**	**–**	**–**	**–**	**33**	**7**	**40**
	–	–	–	–	23	–	23
Modular structures - goods	**163**	**–**	**–**	**–**	**–**	**–**	**163**
	92	–	–	–	–	–	92
Total sale of goods	**163**	**–**	**–**	**–**	**63**	**7**	**233**
	92	–	–	–	47	–	139
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**12**	**–**	**12**
	–	–	–	–	12	–	12
Operating lease	**108**	**–**	**–**	**–**	**–**	**–**	**108**
	87	–	–	–	–	–	87
Total lease income	**108**	**–**	**–**	**–**	**12**	**–**	**120**
	87	–	–	–	12	–	99
Other		**63**	**22**	**85**	**23**	**3**	**111**
	–	64	29	93	22	8	123
Total	**534**	**1,019**	**1,132**	**2,151**	**111**	**223**	**3,019**
	543	1,011	1,119	2,130	94	124	2,891

(1) For the nine months ended September 30, 2021, Electricity and Natural Gas segments include $101 million of unbilled revenue (2020 - $103 million). At September 30, 2021, $101 million of the unbilled trade accounts receivables are included in trade accounts receivable and contract assets (December 31, 2020 - $132 million).

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

5. EARNINGS PER SHARE

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Average shares				
Weighted average shares outstanding	**114,092,018**	114,423,014	**114,191,936**	114,395,578
Effect of dilutive stock options	**56,840**	20,863	**43,227**	27,018
Effect of dilutive MTIP	**241,021**	246,014	**241,753**	273,105
Weighted average dilutive shares outstanding	**114,389,879**	114,689,891	**114,476,916**	114,695,701
Earnings for earnings per share calculation				
Earnings for the period	**93**	108	**280**	371
Non-controlling interests	**(41)**	(54)	**(133)**	(185)
Earnings attributable to Class I and Class II Shares	**52**	54	**147**	186
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.46**	$0.48	**$1.29**	$1.63
Diluted earnings per Class I and Class II Share	**$0.46**	$0.47	**$1.28**	$1.62

6. 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, 2020	21,004	140	998	647	1,804	24,593
Additions	**23**	**–**	**62**	**787**	**50**	**922**
Transfers	**627**	**–**	**7**	**(750)**	**116**	**–**
Retirements and disposals	**(44)**	**–**	**(7)**	**(28)**	**(73)**	**(152)**
Changes to asset retirement costs	**–**	**(1)**	**–**	**–**	**(4)**	**(5)**
Foreign exchange rate adjustment	**(77)**	**(2)**	**(5)**	**(6)**	**(17)**	**(107)**
September 30, 2021	**21,533**	**137**	**1,055**	**650**	**1,876**	**25,251**
Accumulated depreciation						
December 31, 2020	5,119	18	216	78	835	6,266
Depreciation and impairment	**362**	**26**	**25**	**–**	**75**	**488**
Retirements and disposals	**(44)**	**–**	**(7)**	**–**	**(57)**	**(108)**
Foreign exchange rate adjustment	**(16)**	**–**	**(1)**	**(1)**	**(7)**	**(25)**
September 30, 2021	**5,421**	**44**	**233**	**77**	**846**	**6,621**
Net book value						
December 31, 2020	15,885	122	782	569	969	18,327
September 30, 2021	**16,112**	**93**	**822**	**573**	**1,030**	**18,630**

The additions to property, plant and equipment included $9 million of interest capitalized during construction for the nine months ended September 30, 2021 (2020 - $10 million).

PIONEER NATURAL GAS PIPELINE ACQUISITION

Utilities Segment

In the third quarter of 2020, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation, subject to customary conditions including regulatory approvals by the Alberta Utilities Commission (AUC) and Alberta Energy Regulator.

The 131 km natural gas pipeline runs from the Drayton Valley area to the Wabamum area west of Edmonton. On June 15, 2021, the AUC issued a decision approving the acquisition of the Pioneer Pipeline and associated costs, totaling $265 million.

Consistent with the geographic areas defined in the Integration Agreement, ATCO Gas and Pipelines Ltd. will transfer to Nova Gas Transmission Ltd. (NGTL) the 30 km segment of pipeline that is located in the NGTL footprint for approximately $65 million. The transfer to NGTL is subject to approval from the Canada Energy Regulator and is expected to close in the first quarter of 2022.

The transaction to acquire the Pioneer Pipeline closed during the second quarter of 2021. As a result, $198 million was recorded in additions to property, plant and equipment in the consolidated balance sheets and the consolidated statements of cash flows. The costs incurred for the segment of the pipeline that will be sold to NGTL, amounting to $63 million, were recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets, and were included in other investing activities in the consolidated statements of cash flows. Pipeline integration costs of $4 million are expected to be incurred in the remainder of 2021.

ATCO Gas and Pipelines Ltd. applied the optional IFRS 3 *Business combinations* concentration test to the acquisition of the Pioneer Pipeline, which has resulted in the acquired asset being accounted for as an asset acquisition.

7. LONG-TERM DEBT

On September 5, 2021, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $460 million of 3.174 per cent debentures maturing on September 5, 2051.

On September 28, 2020, CU Inc. issued $150 million of 2.609 per cent debentures maturing on September 28, 2050.

In the first quarter of 2020, ATCO Power Australia, a wholly owned 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 2025 with an interest rate swap agreement which fixes the interest rate at 1.68 per cent.

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

At September 30, 2021, there were 101,137,399 (December 31, 2020 - 101,347,899) Class I Shares and 13,196,129 (December 31, 2020 - 13,196,129) Class II Shares outstanding. In addition, there were 1,478,800 options to purchase Class I Shares outstanding at September 30, 2021, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4483 and $1.3449 per Class I and Class II Share during the three and nine months ended September 30, 2021 (2020 - $0.4352 and $1.3056). 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 October 14, 2021, the Company declared a fourth quarter dividend of $0.4483 per Class I and Class II Share.

NORMAL COURSE ISSUER BID

On March 9, 2021, ATCO Ltd. began a normal course issuer bid to purchase up to 1,013,478 outstanding Class I Shares. The bid expires on March 8, 2022. The prior year normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares began on March 9, 2020 and expired on March 8, 2021.

During the nine months ended September 30, 2021, 220,000 Class I shares were purchased for $9 million, resulting in a decrease to retained earnings of $9 million.

9. RETIREMENT BENEFITS

At September 30, 2021, the discount rate assumption which is used to measure the accrued benefit obligations increased to 3.38 per cent from 2.58 per cent at December 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 $439 million at December 31, 2020 to a net deficit of $191 million at September 30, 2021. The deficit of $191 million is net of a retirement benefit asset of $87 million related to Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU Plan).

The retirement benefit asset of the CU Plan has been measured at the lower of the funded surplus ($133 million) and the asset ceiling ($87 million). Key assumptions used to determine the asset ceiling amount include a discount factor of 3.19 per cent and that the Company expects to realize the asset through future contribution holidays.

At September 30, 2021, the Company recognized a retirement benefit asset of $87 million and retirement benefit liability of $278 million.

10. 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 September 30		Nine Months Ended September 30	
	2021	**2020**	**2021**	**2020**
Depreciation, amortization and impairment	**167**	162	**561**	495
Earnings from investment in associate company	**(4)**	(3)	**(10)**	(8)
Dividends received from associate company	**–**	–	**15**	17
Earnings from investment in joint ventures	**(19)**	(11)	**(39)**	(21)
Dividends and distributions received from investment in joint ventures	**5**	4	**17**	16
Income tax expense	**25**	30	**80**	128
Unrealized losses (gains) on derivative financial instruments	**17**	11	**32**	(1)
Contributions by customers (refunds to customers) for extensions to plant	**24**	(2)	**131**	45
Amortization of customer contributions	**(14)**	(13)	**(41)**	(39)
Net finance costs	**102**	102	**305**	303
Income taxes paid	**(2)**	(10)	**(45)**	(29)
Other	**7**	16	**20**	11
	308	286	**1,026**	917

CASH POSITION

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

	2021	2020
Cash	**836**	1,243
Short-term investments	**1**	5
Restricted cash [1]	**25**	50
Cash and cash equivalents	**862**	1,298
Bank indebtedness	**(4)**	–
	858	1,298

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

11. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, 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:

Recurring Measurements	September 30, 2021 Carrying Value	September 30, 2021 Fair Value	December 31, 2020 Carrying Value	December 31, 2020 Fair Value
Financial Assets				
Finance lease receivables	**164**	**226**	175	254
Financial Liabilities				
Long-term debt	**10,001**	**11,169**	9,619	11,987

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At September 30, 2021, 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	Commodities	Foreign Currency Forward Contracts	Total Fair Value of Derivatives
September 30, 2021					
Financial Assets					
Prepaid expenses and other current assets [(1)]	–	**67**	**1**	–	**68**
Other assets [(1)]	–	**39**	**2**	–	**41**
Financial Liabilities					
Provisions and other current liabilities [(1)]	**3**	**17**	**23**	–	**43**
Other liabilities [(1)]	**11**	**8**	**4**	–	**23**
December 31, 2020					
Financial Assets					
Prepaid expenses and other current assets [(1)]	–	25	5	–	30
Other assets [(1)]	–	12	4	–	16
Financial Liabilities					
Provisions and other current liabilities	3	6	8	–	17
Other liabilities [(1)]	27	4	3	–	34

(1) At September 30, 2021, financial liabilities and financial assets include $27 million and $2 million, respectively, of Level 3 derivative financial instruments (December 31, 2020 - financial liabilities and financial assets included $9 million and $8 million, respectively, of Level 3 derivative financial instruments).

Notional and maturity summary

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

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**
September 30, 2021							
Purchases (3)	–	**23,678,000**	**3,025,583**	–	–	–	–
Sales (3)	–	**2,811,043**	**617,353**	–	**7,819,684**	**923,233**	–
Currency							
Canadian dollars	**91**	–	–	–	–	–	–
Australian dollars	**735**	–	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	–	**79**
U.S. dollars	–	–	–	**24**	–	–	–
Maturity	**2023-2028**	**2021-2026**	**2021-2026**	**2021**	**2021-2024**	**2021-2024**	**2021**
December 31, 2020							
Purchases (3)	–	10,593,800	2,203,836	–	–	–	–
Sales (3)	–	3,238,242	759,246	–	7,867,560	1,089,495	–
Currency							
Canadian dollars	93	–	–	–	–	–	–
Australian dollars	738	–	–	–	–	–	–
Mexican pesos	570	–	–	–	–	–	100
Maturity	2023-2028	2021-2025	2021-2025	–	2021-2024	2021-2024	2021

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

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

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

12. NON-CONTROLLING INTERESTS

On August 27, 2021, Canadian Utilities Limited redeemed all of the issued 4.60 per cent Series V Preferred Shares for $110 million plus accrued dividends.