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, 2022

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

2022 INVESTOR FACT SHEET

CANADIAN UTILITIES I STRUCTURES & LOGISTICS I NELTUME PORTS

ATCO™

With approximately 6,400 employees and assets of $24 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 (energy storage, energy generation, industrial water solutions, and clean fuels); Retail Energy (electricity and natural gas retail sales, and whole-home solutions); Transportation (ports and transportation logistics); and Commercial Real Estate.

ATCO QUICK FACTS

Common Shares (TSX): ACO.X, ACO.Y	
Total Assets	**$24 Billion**
Dividends	**$1.85 per share annualized**
Market Capitalization	**$5 billion**
Common Shares Outstanding *(weighted average)*	**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, 2022.

LEARN MORE ABOUT ATCO

- Quarterly & Annual Reports
- Investor Presentations & Events
- Sustainability Report
- ESG Targets News Release
- Indigenous Peoples Partnerships
- Current Projects
- Sign up for Email News Alerts

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 and energy infrastructure.

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 – In 2022, ATCO announced a comprehensive set of 2030 environmental, social and governance targets and a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050; highlighting our leadership in energy transition, diversity and inclusion, community involvement, and transparent governance.

Dividend Growth – ATCO has a 29-year track record of increasing common share dividends.

Strong, Investment Grade, Credit Rating – 'BBB+' rating by Standard & Poor's, an 'A' (low) rating by DBRS Limited, and a 'BBB+' by Fitch.

ATCO AT A GLANCE

Canadian Utilities, Structures & Logistics, Land and Development, and Ashcor

Structures & Logistics

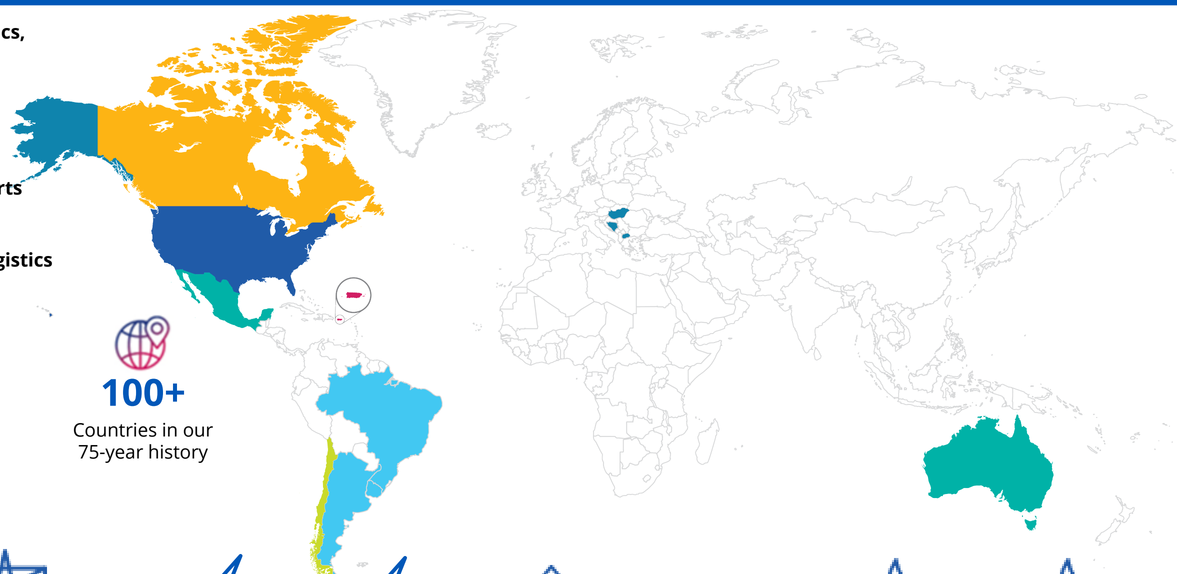
Structures & Logistics and Neltume Ports

Canadian Utilities and Structures & Logistics

Neltume Ports

Neltume Ports, Structures & Logistics, and Canadian Utilities

Canadian Utilities



6	17	105,000 kms	398 MW*	289 MW*	85,200 m3/d**	64,000 kms	101 Pj***	550,000 m3****
Modular Building Manufacturing Locations	Ports & 6 Port Operations Services	Electric Powerlines Owns & Operates	Power Generation Operates	Power Generation Owns	Water Infrastructure Capacity	Pipelines Owns & Operates	Natural Gas Storage Capacity	Natural Gas Liquids Storage Capacity Owns & Operates

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

CORPORATE STRUCTURE

ATCO(1)

- 100% — STRUCTURES & LOGISTICS BUSINESS UNIT
  - ATCO STRUCTURES
  - ATCO FRONTEC
- 40% — NELTUME PORTS
- 100% — ATCO CORPORATE
  - ATCO LAND & DEVELOPMENT
  - ASHCOR
- 52.9% — CU CANADIAN UTILITIES LIMITED An ATCO Company

(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

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

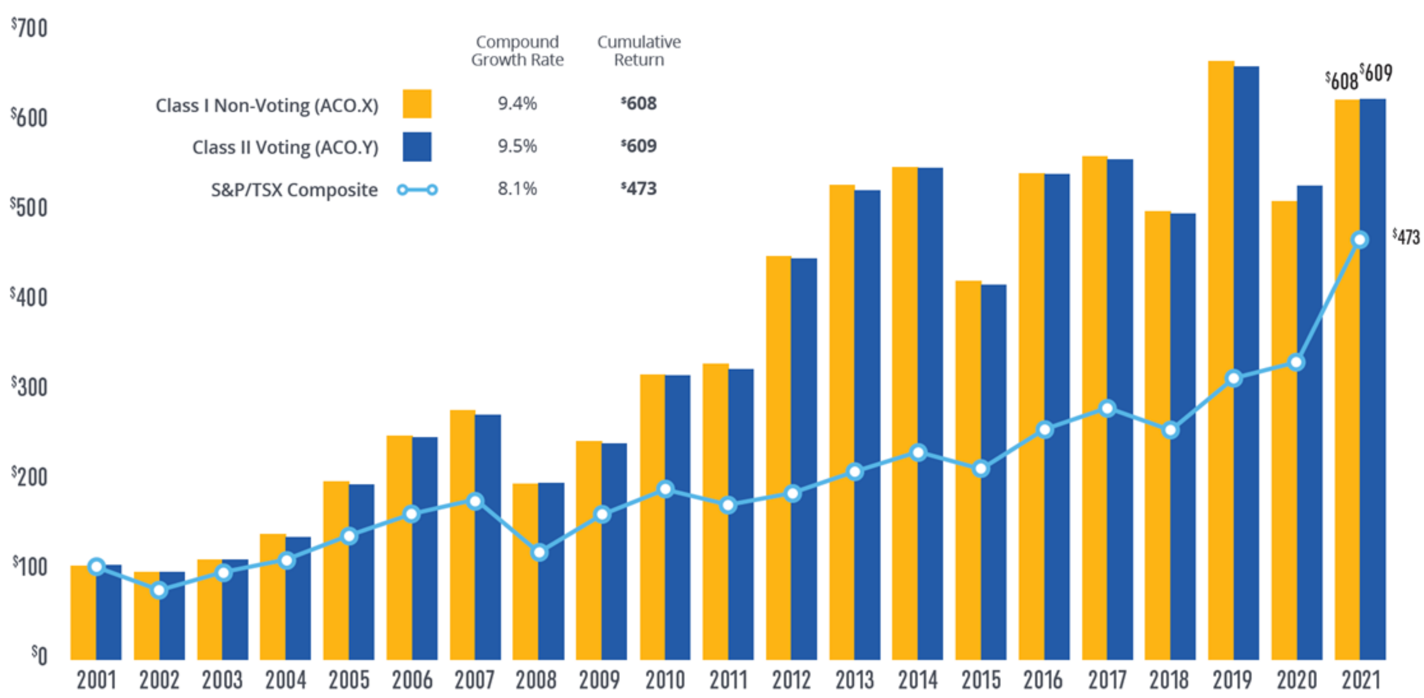
Dale Friesen, Senior Vice President, Corporate Affairs & Chief Government Affairs Officer

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 $100 INVESTMENT



Investor Relations, c/o ATCO Ltd.
3rd Floor, West Building
5302 Forand Street SW, Calgary, Alberta, Canada T3E 8B4

InvestorRelations@atco.com
T: (403) 292-7500
ATCO.com

ATCO™

2022 THIRD QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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, 2022.

This MD&A was prepared as of October 26, 2022, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2022. Additional information, including the Company's previous MD&As, Annual Information Form (2021 AIF), and audited consolidated financial statements for the year ended December 31, 2021, is available on SEDAR at www.sedar.com. Information contained in the 2021 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.9 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies Ltd. (Ashcor) (100 per cent ownership). The Company also has an equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions, except per share data and outstanding shares)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Key Financial Metrics						
Revenues	**1,158**	977	181	**3,630**	3,019	611
Adjusted earnings (loss) [(1)]	**87**	69	18	**313**	268	45
Structures & Logistics	**18**	16	2	**57**	48	9
Neltume Ports	**4**	4	—	**12**	10	2
ATCO Corporate & Other	**1**	1	—	**(8)**	1	(9)
Canadian Utilities Limited						
Utilities [(1)]	**73**	56	17	**279**	227	52
Energy Infrastructure	**6**	4	2	**16**	13	3
Canadian Utilities Corporate & Other	**(15)**	(12)	(3)	**(43)**	(31)	(12)
Adjusted earnings ($ per share)	**0.76**	0.60	0.16	**2.74**	2.35	0.39
Earnings attributable to Class I and Class II Shares	**71**	52	19	**289**	147	142
Earnings attributable to Class I and Class II Shares ($ per share)	**0.62**	0.46	0.16	**2.53**	1.29	1.24
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**0.62**	0.46	0.16	**2.53**	1.28	1.25
Total assets	**23,632**	22,408	1,224	**23,632**	22,408	1,224
Long-term debt	**10,164**	10,001	163	**10,164**	10,001	163
Class I and Class II Share owners' equity	**4,321**	4,076	245	**4,321**	4,076	245
Cash dividends declared per Class I and Class II Share (cents per share)	**46.17**	44.83	1.34	**138.51**	134.49	4.02
Cash flows from operating activities	**420**	348	72	**1,700**	1,322	378
Capital investment [(2)]	**425**	284	141	**1,090**	1,044	46
Capital expenditures	**420**	279	141	**1,080**	1,025	55
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**113,893**	114,092	(199)	**114,059**	114,192	(133)
Diluted	**114,241**	114,390	(149)	**114,376**	114,477	(101)

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

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

REVENUES

Revenues for the third quarter of 2022 were $1,158 million, $181 million higher than the same period in 2021. Higher revenues, largely in Electricity Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues were also due to work on ATCO Structures' Bechtel Pluto Train II project, higher electricity and natural gas commodity prices and customer growth at ATCOenergy, and additional revenue from the Alberta Hub natural gas facility acquired in December 2021 in the Energy Infrastructure segment.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the third quarter of 2022 were $87 million or $0.76 per share, compared to $69 million or $0.60 per share for the same period in 2021.

Higher adjusted earnings in the third quarter of 2022 were mainly due to inflation indexing on rate base in Australia which positively impacted earnings in Canadian Utilities' International Natural Gas Distribution business, ATCO Structures' strong business performance driven by space rentals activity globally and earnings from the Bechtel Pluto Train II project, and Energy Infrastructure's earnings from the Alberta Hub natural gas facility acquired in December 2021.

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 $71 million in the third quarter of 2022, $19 million higher compared to 2021. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

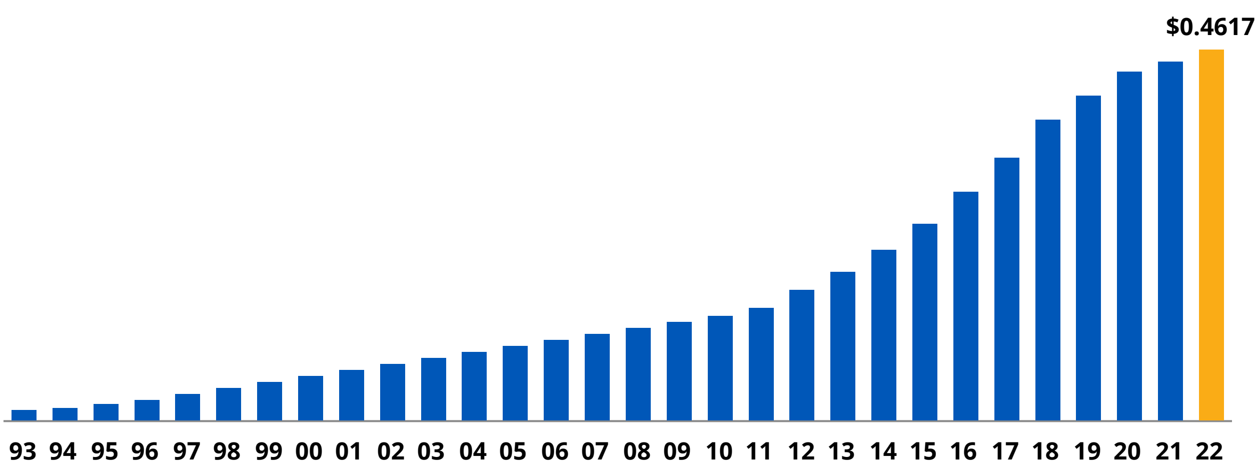
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $420 million in the third quarter of 2022, $72 million higher than the same period in 2021. The increase was mainly due to higher cash flows from Canadian Utilities' Electricity Distribution and Gas Distribution businesses resulting from revenue attributable to the recovery of the 2021 deferral of rate increases, and the timing of certain revenue and expenses in the Utilities.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II Share owners totaled $52 million in the third quarter of 2022. On October 13, 2022, the Board of Directors declared a fourth quarter dividend of 46.17 cents per share or $1.85 on an annualized basis. ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

Quarterly Dividend Rate 1993 - 2022
(dollars per share)



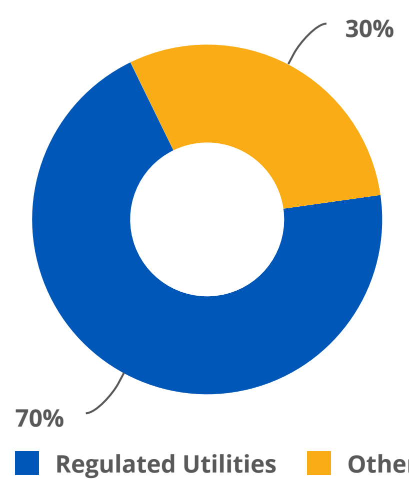
(1) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

CAPITAL INVESTMENT [(1)] AND CAPITAL EXPENDITURES

Total capital investment and capital expenditures of $425 million and $420 million in the third quarter of 2022 were $141 million higher in each case compared to the same period in 2021 mainly due to increased construction activities within Canadian Utilities' Energy Infrastructure segment, ongoing capital investment in the Regulated Utilities, and ATCO Structures' continued expansion of its space rental fleet globally.

Total capital investment and capital expenditures of $1,090 million and $1,080 million in the first nine months of 2022 were $46 million and $55 million higher compared to the same period in 2021 mainly due to increased construction activities within Canadian Utilities' Energy Infrastructure segment, ongoing capital investments in the Regulated Utilities, and ATCO Structures' continued expansion of its space rental fleet globally. This was partially offset by Canadian Utilities' 2021 acquisition of the Pioneer Pipeline and the completion of construction of the Calgary Northwest Connector in 2021 in Natural Gas Transmission, and a 2021 strategic land purchase by ATCO Land & Development.

Capital spending in Canadian Utilities' Regulated Utilities accounted for 70 per cent of total capital expenditures in the first nine months of 2022. The remaining 30 per cent was mainly related to ATCO Structures' continued expansion of its space rental fleet globally, and increased construction activities within Canadian Utilities' Energy Infrastructure segment, including the Barlow, Deerfoot and Empress Solar Projects and the expansion of the Carbon natural gas storage facility.



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

BUSINESS UNIT PERFORMANCE

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

REVENUES

Structures & Logistics revenues of $259 million and $688 million in the third quarter and first nine months of 2022 were $73 million and $154 million higher than the same periods in 2021. Higher revenues were mainly due to work on ATCO Structures' Bechtel Pluto Train II project, combined with higher trade sale activity for workforce housing, performance improvement for space rentals fleet and trade sales across most geographies, and new projects and increased occupancy for ATCO Frontec-operated camps. Higher revenues were partially offset by lower workforce housing trade sales activity in Canada, and lower revenues from ATCO Structures' LNG Canada Cedar Valley Lodge project, which was substantially completed in 2021.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
ATCO Structures (1) (2)	**15**	13	2	**47**	42	5
ATCO Frontec (1) (2)	**3**	3	—	**10**	6	4
Total Structures & Logistics (2)	**18**	16	2	**57**	48	9

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

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

Structures & Logistics adjusted earnings of $18 million and $57 million in the third quarter and first nine months of 2022 were $2 million and $9 million higher than the same periods in 2021. Higher adjusted earnings are mainly due to ATCO Structures' strong business performance driven by higher space rentals activity globally and earnings from the Bechtel Pluto Train II project, and ATCO Frontec's UK Training Camp Exercise project and higher occupancy at Site C and Trans Mountain camps. Higher earnings were partially offset by ATCO Structures' project performance on workforce housing trade sales in Mexico and lower workforce housing trade sales activity in Canada.

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

ATCO STRUCTURES

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

ATCO Structures adjusted earnings of $15 million and $47 million in the third quarter and first nine months of 2022 were $2 million and $5 million higher than the same periods in 2021 mainly due to strong business performance driven by space rentals activity globally, and earnings from the Bechtel Pluto Train II project. Higher earnings were partially offset by project performance on workforce housing trade sales in Mexico and lower workforce housing trade sales activity in Canada.

The following table compares ATCO Structures' rental fleet for the third quarter and first nine months of 2022 and 2021.

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021 (1)	Change	2022	2021 (1)	Change
Global Space Rentals						
Number of units	**21,835**	19,192	14%	**21,835**	19,192	14%
Average utilization *(%)*	**79**	82	(3%)	**80**	81	(1)%
Average rental rate *($ per month)*	**637**	575	11%	**616**	569	8%
Global Workforce Housing						
Number of units	**2,659**	3,066	(13%)	**2,659**	3,066	(13%)
Average utilization *(%)*	**76**	72	4%	**74**	69	5%
Average rental rate *($ per month)*	**1,803**	1,721	5%	**1,901**	1,714	11%

(1) In 2022, management has reclassified space rental fleet units to workforce housing fleet units. 2021 number of units, average utilization, and average rental rate have been restated for comparability.

Rental Fleet

Space Rentals

The year-over-year growth of the space rentals fleet is the result of continued strategic expansion in targeted regions of Canada, Australia, the US and Chile. ATCO Structures has increased the number of units on rent and realized higher average rental rates due to sustained higher demand for space rentals fleet in these regions. This is driven by activity across multiple sectors including mining, construction, education, and healthcare, although utilization has decreased due to the timing of placing fleet additions on rent.

Workforce Housing

ATCO Structures decreased the size of the workforce housing fleet and increased the average utilization rate by selling used and under-utilized fleet assets in Canada, Australia, and the US. In the third quarter and first nine months of 2022 the utilization increase was also due to the workforce housing fleet on rent for the third phase of the Trans Mountain Expansion project in BC.

ATCO STRUCTURES RECENT DEVELOPMENTS

United States

Hensel Phelps Contract

In the third quarter of 2022, ATCO Structures was awarded a rental contract with Hensel Phelps for 40 space rentals units for a data center in the Northwestern United States. The contract commenced in August 2022 for an initial term of 14 months.

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

ATCO Structures was awarded a rental contract for 50 space rentals units to support the LNG export facility construction project in Plaquemines Parish, Louisiana. The contract term is 36 months and commenced in September 2022.

Australia

Bechtel Pluto Train II

In the third quarter of 2022, the previously awarded project for construction of a 2,500-person accommodation village completed the stage one milestone, which included the handover of manufactured units. Demobilization and relocation of the client's existing assets is underway with expected handovers in the fourth quarter of 2022 through the second quarter of 2023.

The supplemental parallel modular facility awarded in the first quarter of 2022 has manufacturing underway and is expected to continue through the remainder of the year. Delivery and handover is expected to begin in the fourth quarter of 2022 through the second quarter of 2023.

Central America

ATCO Espaciomovil

In August 2022, ATCO Espaciomovil completed construction of a hospital that includes 168 beds in Escuintla, Guatemala, about 60-km southwest of Guatemala City.

This facility is part of a contract with the United Nations Office for Project Services for the Modernization of Hospital Infrastructure and Equipment of the Guatemalan Institute of Social Security.

Hospital constructed by ATCO Espaciomovil - Escuintla, Guatemala

ATCO FRONTEC

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

ATCO Frontec adjusted earnings of $3 million in the third quarter of 2022 were comparable to the same period in 2021.

ATCO Frontec adjusted earnings of $10 million in the first nine months of 2022 were $4 million higher than the same period in 2021 mainly due to increased occupancy at the Trans Mountain camps, and the UK Training Camp Exercise project conducted in the second quarter, partially offset by lower earnings for disaster and emergency management response projects.

ATCO FRONTEC RECENT DEVELOPMENTS

North Warning System (NWS) Contract

In February 2022, Nasittuq Corporation (Nasittuq), an Inuit majority-owned corporation and a partnership between ATCO Frontec and Nunasi Corporation and Pan Arctic Inuit Logistics Corporation, was awarded the contract for the Operation and Maintenance of the NWS by Public Services and Procurement Canada, on behalf of the Department of National Defence. The NWS contract commenced April 1, 2022 and the transition was completed September 30, 2022, with the contract year one beginning on October 1, 2022.

Pogo Mine Contract

In September 2022, Frontec was awarded a three year contract for the provision of camp services to Pogo Gold Operations at Pogo Mine near Fairbanks, Alaska. The project is set to commence on November 1, 2022.

Canadian Forces Station (CFS) Alert Contract

On October 3, 2022, Nasittuq was awarded a $122 million contract to provide support services at the Canadian Forces Station (CFS) Alert on Ellesmere Island, by Public Services and Procurement Canada, on behalf of the Department of National Defence. Nasittuq has been the incumbent provider since 2012 for this contract, and the new contract is set to commence June 1, 2023.

CFS Alert - Ellesmere Island

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)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Neltume Ports [(1)]	**4**	4	—	**12**	10	2

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

Neltume Ports adjusted earnings of $4 million in the third quarter of 2022 were comparable to the same period in 2021.

Neltume Ports adjusted earnings of $12 million in the first nine months of 2022 were $2 million higher than the same period in 2021. Higher adjusted earnings were mainly due to increased activity and revenues across the portfolio of ports in 2022 and favourable exchange rates.

ATCO CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
ATCO Corporate & Other (1)	**1**	1	—	**(8)**	1	(9)

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

ATCO Corporate & Other adjusted earnings in the third quarter of 2022 were comparable to the same period in 2021.

Adjusted earnings in the first nine months of 2022 were $9 million lower compared to the same period in 2021 mainly due to increased costs at Ashcor, timing of certain expenses, and one-time tax benefits that were recognized in 2021.

CANADIAN UTILITIES

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

UTILITIES

REVENUES

Utilities revenues of $721 million and $2,482 million in the third quarter and first nine months of 2022 were $42 million and $325 million higher than the same periods in 2021. Higher revenues, largely in Electric Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues in the first nine months are also due to higher flow-through revenues in Natural Gas Distribution and growth in rate base.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Electricity						
Electricity Distribution [1]	**22**	19	3	**68**	60	8
Electricity Transmission [1]	**22**	20	2	**68**	62	6
International Electricity Operations [1]	**10**	8	2	**21**	15	6
Total Electricity	**54**	47	7	**157**	137	20
Natural Gas						
Natural Gas Distribution [1]	**(9)**	(10)	1	**50**	37	13
Natural Gas Transmission [1]	**12**	11	1	**36**	32	4
International Natural Gas Distribution [1]	**16**	8	8	**36**	21	15
Total Natural Gas	**19**	9	10	**122**	90	32
Total Utilities [2]	**73**	56	17	**279**	227	52

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

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

Utilities adjusted earnings of $73 million and $279 million in the third quarter and first nine months of 2022 were $17 million and $52 million higher than the same periods in 2021. Higher earnings were mainly due to the impact of inflation indexing on rate base in the International Natural Gas Distribution business, timing of operating costs, cost efficiencies, and growth in rate base. Higher earnings in the third quarter and first nine months of 2022 were also due to the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $22 million and $68 million in the third quarter and first nine months of 2022 were $3 million and $8 million higher than the same periods in 2021 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 $22 million and $68 million in the third quarter and first nine months of 2022 were $2 million and $6 million higher than the same periods in 2021. Earnings in 2021 were lower as a result of the Electricity Transmission 2018-2019 GTA Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021. Combined, these decisions included a $6 million reduction of earnings in 2021 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 system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority (P3A) and the Puerto Rico Electric Power Authority (PREPA).

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

International Electricity Operations adjusted earnings of $10 million in the third quarter of 2022 were $2 million higher than the same period in 2021. Higher adjusted earnings were mainly due to lower non-recoverable costs than in prior periods.

International Electricity Operations adjusted earnings of $21 million in the first nine months of 2022 were $6 million higher than the same period in 2021. Higher adjusted earnings were mainly due to ongoing operations, as compared to the ongoing transition work in the first half of 2021 and lower non-recoverable costs than in prior periods.

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 and first nine months of 2022 were $1 million and $13 million higher than the same periods in 2021 mainly due to timing of operating costs and cost efficiencies.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $12 million and $36 million in the third quarter and first nine months of 2022 were $1 million and $4 million higher than the same periods in 2021. Higher adjusted earnings were mainly due to growth in rate base, including the acquisition of the Pioneer Pipeline which occurred in June 2021.

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 $16 million and $36 million in the third quarter and first nine months of 2022 were $8 million and $15 million higher than the same periods in 2021 mainly due to the impact of inflation indexing on rate base. The impact of inflation on rate base is added to the rate base annually and is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation.

UTILITIES RECENT DEVELOPMENTS

The Government of the Northwest Territories (GNWT) Electric Vehicle (EV) Investment

In August 2022, GNWT announced it is providing Northland Utilities, a 50/50 joint-venture partnership between ATCO Ltd. and Denendeh Investments, with up to $300,000 to support installing two public EV fast-charger stations in Yellowknife.

The charger stations are part of the planned EV charging corridor between Yellowknife and the Alberta border committed to by the GNWT as part of their 2030 Energy Strategy. It will also support the purchasing of EVs for Northern Canadian residents by increasing public access to the charging infrastructure. This partnership highlights our Company's continued focus on collaboration to enable and accelerate the clean energy transition.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

2023 Cost of Service (COS) for Distribution Utilities

On July 28, 2022 and September 1, 2022, the AUC issued decisions on Electricity Distribution and Natural Gas Distribution’s 2023 COS applications which resulted in the majority of the requested revenue requirement being approved. The AUC accepted the forecasting methodology and confirmed that it reflects achieved efficiencies, which are being passed onto customers. Electricity Distribution and Natural Gas Distribution filed their respective compliance filings on September 26, 2022 and October 3, 2022.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $67 million and $218 million in the third quarter and first nine months of 2022 were $23 million and $83 million higher than the same periods in 2021. Higher revenues were mainly due to revenue from the Alberta Hub natural gas facility acquired in December 2021, higher power pricing at the Old Man River hydro facility, and higher natural gas prices at the Carbon and Alberta Hub natural gas storage facilities.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Electricity Generation [1][2]	**1**	3	(2)	**4**	7	(3)
Storage & Industrial Water [1][2]	**5**	1	4	**12**	6	6
Total Energy Infrastructure [2]	**6**	4	2	**16**	13	3

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

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

Energy Infrastructure adjusted earnings of $6 million and $16 million in the third quarter and first nine months of 2022 were $2 million and $3 million higher than the same periods in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021, and higher power pricing at the Old Man River hydro facility, partially offset by higher project development costs incurred in 2022, largely in Australia.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $1 million and $4 million in the third quarter and first nine months of 2022 were $2 million and $3 million lower compared to the same periods in 2021 mainly due to higher project development costs incurred in 2022, largely in Australia, partially offset by higher earnings driven by increased power pricing at the Old Man River hydro facility.

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 $5 million and $12 million in the third quarter and first nine months of 2022 were $4 million and $6 million higher compared to the same periods in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Central West Pumped Storage Hydro Project

In February 2021, Canadian Utilities announced an agreement to acquire the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales (NSW). In September 2022, a $9 million AUD recoverable grant was awarded by the NSW Government to help fund pre-investment activities. A final investment decision on project construction is expected in 2023.

Renewable Energy Portfolio Acquisition

On October 5, 2022, Canadian Utilities announced it has entered into a definitive agreement with Suncor Energy Inc. to acquire a portfolio of wind and solar assets and development projects located in Alberta and Ontario for a purchase price of approximately $730 million, subject to closing adjustments. The transaction is expected to close in the first quarter of 2023 and is subject to regulatory approvals and closing conditions.

The acquisition includes a diversified operating portfolio of wind assets, including a majority interest in the Adelaide wind facility in Ontario, and the new 202-MW Forty Mile wind project in Alberta (expected to be operational by the end of this year). The offtake from Adelaide is contracted under a long-term power purchase agreement and the Company is in contract discussions with creditworthy counterparties on the Forty Mile project. With the acquisition the Company will also secure a development pipeline with more than 1,500-MW of wind and solar projects at various stages of development, including several late-stage projects.

This investment drives meaningful progress towards meeting our previously announced goal of owning, developing or managing more than 1,000-MW of renewable energy by 2030 and is expected to be earnings and cash flow accretive in the first year of operations.

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)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Canadian Utilities Corporate & Other [1]	**(15)**	(12)	(3)	**(43)**	(31)	(12)

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

Canadian Utilities' Corporate & Other adjusted earnings in the third quarter and first nine months of 2022 were $3 million and $12 million lower than the same periods in 2021 mainly due to increased financing costs from a new preferred share issuance in December 2021 and the timing of certain expenses.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

Sustainability Reporting and ESG Targets

Our 2021 Sustainability Report focuses on the following material topics:

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

In January 2022, we released our net zero by 2050 commitment as well as an initial set of 2030 ESG Targets. Our Board of Directors recognizes and fully supports our net-zero commitment and 2030 targets, and agrees that these commitments and targets align with our strategic direction. More detailed information and progress towards these targets are found in the 2021 Sustainability Report. Achieving net zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative (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 2021 Sustainability Report, ESG Datasheet, Corporate Governance, materiality assessment, and additional details and other disclosures are available on our website at www.atco.com.

Climate Change and Energy Transition

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

POLICY/REGULATORY UPDATE

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

Government of Alberta Technology Innovation and Emissions Reduction (TIER) Regulation

In Alberta, the TIER regulation came into effect on January 1, 2020 after meeting the Government of Canada's stringency requirements for carbon emitting pricing systems. This review and engagement is to ensure TIER continues to meet the federal government's stringency requirements for the emission sources they cover. In the third quarter of 2022, the Government of Alberta reviewed feedback on the TIER regulation.

Alberta Utilities Commission (AUC) Hydrogen Inquiry Report

Following the release of the Hydrogen Roadmap, the Government of Alberta directed the AUC to inquire into and report to the Minister of Energy on matters relating to hydrogen blending into natural gas distribution systems. On September 6, 2022, the AUC publicly released the Hydrogen Inquiry Report. The report provides further information on hydrogen blending into natural gas distribution systems. It discusses the role of regulated natural gas distribution systems and unregulated competitive markets for up to 20 per cent blending by volume, impacts of blended hydrogen into low-pressure natural gas distribution systems, safe and reliable delivery of blended hydrogen, and regulatory ambiguity. While the AUC report represents a positive step forward, it is a consultative inquiry and changes to legislation must be passed through government.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 2022 and 2021 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)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Operating costs	**744**	613	131	**2,160**	1,842	318
Depreciation, amortization and impairment	**173**	167	6	**522**	561	(39)
Earnings from investment in associate company	**4**	4	—	**12**	10	2
Earnings from investment in joint ventures	**22**	19	3	**57**	39	18
Net finance costs	**95**	102	(7)	**294**	305	(11)
Income tax expense	**41**	25	16	**176**	80	96

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $131 million and $318 million in the third quarter and first nine months of 2022 compared to the same periods in 2021. Higher operating costs were mainly due to increased material costs associated with the continued work of the ATCO Structures' Bechtel Pluto Train II project in Australia and other trade sales, higher energy costs and higher unrealized and realized losses on derivative financial instruments in ATCOenergy, higher flow-through costs in the Alberta Utilities, and increased fuel costs at Energy Infrastructure's natural gas storage facilities, Carbon and Alberta Hub.

Higher operating costs were partially offset by the Information Technology (IT) transition costs incurred in 2021 for the early termination of the master services agreements with Wipro Ltd. (Wipro), and lower material costs due to completion of manufacturing activities at the LNG Canada Cedar Valley Lodge and China Lake Military Rebuild projects.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $6 million in the third quarter of 2022 compared to the same period in 2021 mainly due to ongoing capital investment in Canadian Utilities' regulated businesses, the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business in June 2021, ATCO Structures' increase in rental fleet assets, and Ashcor's RAM project going into service in the first quarter of 2022.

Depreciation, amortization and impairment decreased by $39 million in the first nine months of 2022 compared to the same period in 2021 mainly due to the impairment of assets in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our investment portfolio in the second quarter of 2021, partially offset by the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business in June 2021, ongoing capital investment in Canadian Utilities' regulated businesses, and Ashcor's RAM project going into service in the first quarter of 2022.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

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

Earnings from investment in associate company in the third quarter of 2022 were comparable to the same period in 2021.

Earnings from investment in associate company in the first nine months of 2022 were $2 million higher compared to the same period in 2021. Higher earnings were mainly due to increased activity and revenues across the portfolio of ports in 2022 and favourable exchange rates.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures increased by $3 million in the third quarter of 2022 compared to the same period in 2021. Higher earnings were mainly due to lower non-recoverable costs in the LUMA Energy business, and the inclusion of NUE earnings as an investment in joint venture after entering into the share purchase agreement on March 31, 2022.

Earnings from investment in joint ventures increased by $18 million in the first nine months of 2022 compared to the same period in 2021. Higher earnings were generated as a result of LUMA Energy's ongoing operations as compared to continued transition work in the first half of 2021 and lower non-recoverable costs than in prior periods, and the inclusion of NUE earnings as an investment in joint venture after entering into the share purchase agreement on March 31, 2022. Earnings in 2021 were also lower due to an impairment of an investment in the Energy Infrastructure segment as part of the continued assessment of our assets.

NET FINANCE COSTS

Net finance costs decreased by $7 million and $11 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by $16 million and $96 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to increased IFRS earnings and non-deductible items.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

On September 12, 2022, DBRS Limited affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO and its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities. On August 2, 2022, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities subsidiary CU Inc.

On September 21, 2022, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit ratings and stable outlook on ATCO Ltd. On August 11, 2022, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit ratings and stable outlook on Canadian Utilities. On August 4, 2022 S&P Global Ratings affirmed Canadian Utilities subsidiary CU Inc.'s 'A-' long-term issuer credit ratings and stable outlook.

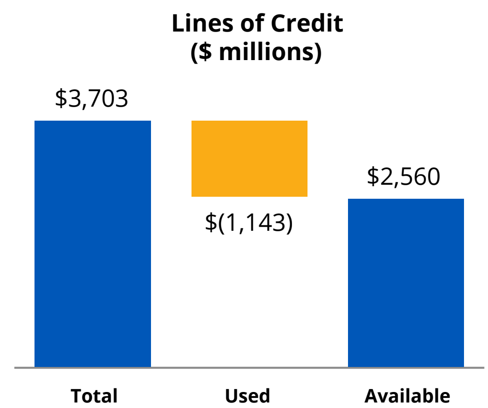
LINES OF CREDIT

At September 30, 2022, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,897**	797	2,100
Short-term committed	**223**	135	88
Uncommitted	**583**	211	372
Total	**3,703**	1,143	2,560

Of the $3,703 million in total lines of credit, $583 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,897 million in credit lines was committed, with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $1,143 million in lines of credit used, $605 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd's term debt financing needs. The majority of the remaining usage is for the issuance of Canadian Utilities' letters of credit and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.



CONSOLIDATED CASH FLOW

At September 30, 2022, the Company's cash position was $1,269 million, an increase of $181 million compared to December 31, 2021 mainly due to Canadian Utilities Limited's and CU Inc.'s second and third quarter debt issuances, cash flows from operating activities achieved during the first nine months of 2022, and the closing of a transaction to transfer a 30-km segment of the Pioneer Natural Gas Pipeline to NGTL, partially offset by cash used to fund the capital investment program, dividends paid, and payments of debt and interest.

Cash Flows from Operating Activities

Cash flows from operating activities were $420 million in the third quarter of 2022, $72 million higher than the same period in 2021. The increase was mainly due to higher cash flows from the recovery of the 2021 deferral of rate increases and the timing of certain revenue and expenses in the Utilities.

Cash flows from operating activities were $1,700 million in the first nine months of 2022, $378 million higher than the same period in 2021. The increase was mainly due to higher cash flows from the recovery of the 2021 deferral of rate increases and timing of certain revenue and expenses in the Utilities, and higher cash flows generated in ATCO Structures from the sale of used workforce housing fleet in Australia and the US.

Cash Used for Capital Investment [1] and Capital Expenditures

Total capital investment and capital expenditures of $425 million and $420 million in the third quarter of 2022 were $141 million higher compared to the same period in 2021 mainly due to increased construction activities within Canadian Utilities' Energy Infrastructure segment, ongoing capital investment in the Regulated Utilities, and ATCO Structures' continued expansion of its space rental fleet globally.

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

Total capital investment and capital expenditures of $1,090 million and $1,080 million in the first nine months of 2022 were $46 million and $55 million higher compared to the same period in 2021 mainly due to increased construction activities within Canadian Utilities' Energy Infrastructure segment, ongoing capital investment in the Regulated Utilities, and ATCO Structures' continued expansion of its space rental fleet globally. This is partially offset by Canadian Utilities' 2021 acquisition of the Pioneer Pipeline and the completion of construction of the Calgary Northwest Connector in 2021 in the Natural Gas Transmission business, and a 2021 strategic land purchase by ATCO Land & Development.

Capital investment and capital expenditures for the third quarter and first nine months of 2022 and 2021 are shown in the following table.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Structures & Logistics	**43**	30	13	**144**	81	63
ATCO Corporate & Other	**3**	2	1	**5**	51	(46)
	46	32	14	**149**	132	17
Canadian Utilities						
Utilities						
Electricity	**136**	84	52	**367**	258	109
Natural Gas	**157**	130	27	**386**	588	(202)
	293	214	79	**753**	846	(93)
Energy Infrastructure	**78**	31	47	**170**	40	130
CU Corporate & Other	**3**	2	1	**8**	7	1
Canadian Utilities Total Capital Expenditures (1) (2)	**374**	247	127	**931**	893	38
ATCO Total Capital Expenditures	**420**	279	141	**1,080**	1,025	55
Capital Expenditures in Joint Ventures						
Utilities						
Electricity	**2**	3	(1)	**4**	3	1
Energy Infrastructure	**3**	2	1	**6**	16	(10)
Canadian Utilities Total Capital Investment (3)	**379**	252	127	**941**	912	29
ATCO Total Capital Investment (3)	**425**	284	141	**1,090**	1,044	46

(1) *Includes additions to property, plant and equipment, intangibles and $5 million and $10 million (2021 - $3 million and $9 million) of capitalized interest during construction for the third quarter and first nine months of 2022.*

(2) *Includes $44 million and $152 million for the third quarter and first nine months of 2022 (2021 - $24 million and $131 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.*

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

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permitted it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life. The prospectus expired on October 17, 2022 and the aggregate issuances of the debentures were $820 million.

CU Inc. Debenture Issuance

On September 7, 2022 CU Inc. issued $210 million of 4.773 per cent 30-year debentures. Proceeds from the issue will be used to finance capital expenditures, and for other general corporate purposes.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 29-year track record. Dividends paid to Class I and Class II Share owners totaled $52 million in the third quarter of 2022.

On October 13, 2022, the Board of Directors declared a fourth quarter dividend of 46.17 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, 2022, we commenced a normal course issuer bid to purchase up to 1,011,907 outstanding Class I Shares. The bid will expire on March 8, 2023. Between March 9, 2022 and October 25, 2022, 486,400 shares have been purchased for $23 million.

SHARE CAPITAL

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

At October 25, 2022, we had outstanding 100,716,098 Class I Shares, 13,194,930 Class II Shares, and options to purchase 1,766,616 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 8,303,000 Class I Shares were available for issuance at September 30, 2022. 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, 2020 through September 30, 2022.

($ millions, except for per share data)	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Revenues	1,270	1,311	1,161	**1,158**
Earnings attributable to Class I and Class II Shares	99	128	90	**71**
Earnings per Class I and Class II Share *($)*	0.87	1.12	0.79	**0.62**
Diluted earnings per Class I and Class II Share *($)*	0.87	1.12	0.79	**0.62**
Adjusted earnings per Class I and Class II Share *($)*	1.01	1.17	0.81	**0.76**
Adjusted earnings (loss)				
Structures & Logistics	5	20	19	**18**
Neltume Ports	3	4	4	**4**
ATCO Corporate & Other	5	(6)	(3)	**1**
Canadian Utilities				
Utilities [(1)]	109	124	82	**73**
Energy Infrastructure	2	4	6	**6**
Canadian Utilities Corporate & Other	(10)	(12)	(16)	**(15)**
Total adjusted earnings [(1)]	114	134	92	**87**

($ 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 *($)*	1.07	1.04	0.70	0.60
Adjusted earnings (loss)				
Structures & Logistics	17	14	18	16
Neltume Ports	7	3	3	4
ATCO Corporate & Other	—	1	(1)	1
Canadian Utilities				
Utilities [(1)]	102	106	65	56
Energy Infrastructure	7	5	4	4
Canadian Utilities Corporate & Other	(11)	(10)	(9)	(12)
Total adjusted earnings [(1)]	122	119	80	69

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

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

ADJUSTED EARNINGS

Adjusted earnings in the second and third quarters of each year were impacted by lower seasonal demand in Canadian Utilities' Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2020 and the 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 2021 were lower compared to the same period in 2020 mainly due to lower contributions from ATCO Structures' LNG Canada Cedar Valley Lodge project which reached substantial completion in the third quarter of 2021, lower adjusted earnings from workforce housing trade sales in Mexico, and costs associated with the purchase of the Alberta Hub natural gas storage facility and project development costs in Canadian Utilities' Energy Infrastructure segment. Lower earnings were partially offset by higher earnings from Canadian Utilities' International Electricity Operations business.

Adjusted earnings in the first quarter of 2022 were higher compared to the same period in 2021 mainly due to the timing of operating costs in the Natural Gas Distribution business, ATCO Structures' higher space rental activity across all geographies, and higher workforce housing rental activity in the US and Canada.

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

Adjusted earnings in the third quarter of 2022 were higher compared to the same period in 2021 mainly due to inflation indexing on rate base in Australia which positively impacted earnings in Canadian Utilities' International Natural Gas Distribution business, ATCO Structures' strong business performance driven by space rentals activity globally and earnings from the Bechtel Pluto Train II project, and Energy Infrastructure's earnings from the Alberta Hub natural gas facility acquired in December 2021.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- Early Termination of the Master Services Agreements (MSA) for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro Ltd. (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 management's best estimate of the costs to exit the Wipro MSAs.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, ATCO recognized transition costs of $24 million (after-tax and non-controlling interests).
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- During the fourth quarter of 2021, the Company recorded earnings of $9 million (after-tax and non-controlling interests) following the conclusion of the Company's involvement in an international project.
- AUC Enforcement Proceeding
    - On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the proceeding.

- Workplace COVID-19 Vaccination Standard
    - To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In 2022, the Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the Workplace COVID-19 vaccination standard.
- Gain on sale of ownership interest in a subsidiary company
    - On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $3 million (after-tax and non-controlling interests). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

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

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Adjusted earnings are presented in Note 3 of the unaudited interim consolidated financial statements. Adjusted earnings per Class I and Class II Share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

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

Total of segments measures are most directly comparable to total earnings attributable to Class I and Class II shares. Comparable total of segments measures for the same period in 2021 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings attributable to Class I and Class II shares is presented in this MD&A.

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

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

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

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

Adjusted earnings are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

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

2022 2021	ATCO Ltd.							
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	ATCO Consolidated
Revenues	**259**	**—**	**1**	**721**	**67**	**110**	**898**	**1,158**
	186	—	1	679	44	67	790	977
Adjusted earnings (loss)	**18**	**4**	**1**	**73**	**6**	**(15)**	**64**	**87**
	16	4	1	56	4	(12)	48	69
Unrealized losses on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**(7)**	**(7)**	**(7)**
	—	—	—	—	—	(6)	(6)	(6)
Rate-regulated activities	**—**	**—**	**—**	**(7)**	**—**	**—**	**(7)**	**(7)**
	—	—	—	(6)	—	—	(6)	(6)
IT Common Matters decision	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(1)	—	—	(1)	(1)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	(1)	(4)	(1)	—	(5)	(6)
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	2	—	—	—	—	2
Earnings (loss) attributable to Class I and Class II Shares	**18**	**4**	**1**	**64**	**6**	**(22)**	**48**	**71**
	16	4	2	45	3	(18)	30	52

($ millions)								Nine Months Ended September 30
2022	**ATCO Ltd.**							
2021				**Canadian Utilities**				**ATCO Consolidated**
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Revenues	**688**	**—**	**1**	**2,482**	**218**	**241**	**2,941**	**3,630**
	534	—	(2)	2,157	135	195	2,487	3,019
Adjusted earnings (loss)	**57**	**12**	**(8)**	**279**	**16**	**(43)**	**252**	**313**
	48	10	1	227	13	(31)	209	268
Impairments and other costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	1	—	(34)	—	(34)	(33)
Unrealized losses on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**(25)**	**(25)**	**(25)**
	—	—	—	—	—	(12)	(12)	(12)
Rate-regulated activities	**—**	**—**	**—**	**24**	**—**	**—**	**24**	**24**
	—	—	—	(49)	—	—	(49)	(49)
IT Common Matters decision	**—**	**—**	**—**	**(6)**	**—**	**—**	**(6)**	**(6)**
	—	—	—	(5)	—	—	(5)	(5)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	(3)	(17)	(1)	(1)	(19)	(23)
AUC enforcement proceeding	**—**	**—**	**—**	**(14)**	**—**	**—**	**(14)**	**(14)**
	—	—	—	—	—	—	—	—
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**3**	**—**	**—**	**3**	**3**
	—	—	—	—	—	—	—	—
Other	**—**	**—**	**(1)**	**—**	**—**	**—**	**—**	**(1)**
	—	—	2	—	(1)	—	(1)	1
Earnings (loss) attributable to Class I and Class II Shares	**57**	**12**	**(9)**	**281**	**16**	**(68)**	**229**	**289**
	47	10	1	156	(23)	(44)	89	147

IMPAIRMENTS 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 reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

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 subsidiary, ATCO Electric Yukon, and their investment in joint venture, Northland Utilities, 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.

For the three months and nine months ended September 30, 2022, 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)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [(1)]	**14**	14	—	**48**	45	3
Revenues to be billed in future periods						
Deferred income taxes [(2)]	**(9)**	(10)	1	**(34)**	(39)	5
Distribution rate relief [(3)]	**—**	(11)	11	**—**	(50)	50
Impact of warmer temperatures [(4)]	**(3)**	(2)	(1)	**(4)**	(3)	(1)
Impact of inflation on rate base [(5)]	**(11)**	(2)	(9)	**(22)**	(7)	(15)
Settlement of regulatory decisions and other items						
Distribution rate relief [(3)]	**10**	—	10	**45**	—	45
Other	**(8)**	5	(13)	**(9)**	5	(14)
	(7)	(6)	(1)	**24**	(49)	73

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

(3) During the three and nine months ended September 30, 2021, in response to the ongoing COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings for the three and nine months ended September 30, 2021 of $11 million and $50 million (after-tax and non-controlling interest). Based on direction from the AUC, collection of 2021 deferred rates will be maximized in 2022. For the three and nine months ended September 30, 2022, $10 million and $45 million (after-tax and non-controlling interest) was billed to customers.

(4) 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.

(5) The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current year 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.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three and nine months ended September 30, 2022 was $2 million and $6 million (after-tax and non-controlling interests) (2021 - $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. (subsequently novated to Kyndryl 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 was completed by December 31, 2021. The amount excluded from adjusted earnings for the three month and nine months ended September 30, 2022 was $nil (2021 - $6 million and $23 million after-tax and non-controlling interests).

AUC ENFORCEMENT PROCEEDING

On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the proceeding.

WORKPLACE COVID-19 VACCINATION STANDARD

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

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

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

STRUCTURES & LOGISTICS

The following tables reconcile adjusted earnings for the Structures & Logistics business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)			Three Months Ended September 30
2022 2021	ATCO Ltd.		
	Structures	Frontec	Structures & Logistics
Adjusted earnings	**15**	**3**	**18**
	13	3	16
Earnings attributable to Class I and Class II shares	**15**	**3**	**18**
	13	3	16

($ millions)			Nine Months Ended September 30
2022 2021	ATCO Ltd.		
	Structures	Frontec	Structures & Logistics
Adjusted earnings	**47**	**10**	**57**
	42	6	48
Transition of managed IT services	**—**	**—**	**—**
	(1)	—	(1)
Earnings attributable to Class I and Class II shares	**47**	**10**	**57**
	41	6	47

UTILITIES

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

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

2022 / 2021	Canadian Utilities Limited								
	Electricity				Natural Gas				
	Electric Distribution	**Electric Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	**Utilities**
Adjusted earnings (loss)	**22**	**22**	**10**	**54**	**(9)**	**12**	**16**	**19**	**73**
	19	20	8	47	(10)	11	8	9	56
Rate-regulated activities	**(5)**	**2**	**—**	**(3)**	**7**	**(2)**	**(9)**	**(4)**	**(7)**
	(2)	(1)	—	(3)	2	(4)	(1)	(3)	(6)
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**—**	**—**	**—**	**—**	**(2)**
	(1)	—	—	(1)	—	—	—	—	(1)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	—	(1)	(2)	—	(1)	(3)	(4)
Earnings (loss) attributable to Class I and Class II shares	**16**	**23**	**10**	**49**	**(2)**	**10**	**7**	**15**	**64**
	15	19	8	42	(10)	7	6	3	45

($ millions)

Nine Months Ended September 30

2022 / 2021	Canadian Utilities Limited								
	Electricity				**Natural Gas**				**Utilities**
	Electric Distribution	**Electric Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	
Adjusted earnings	**68**	**68**	**21**	**157**	**50**	**36**	**36**	**122**	**279**
	60	62	15	137	37	32	21	90	227
Rate-regulated activities	**(4)**	**13**	**—**	**9**	**38**	**(2)**	**(21)**	**15**	**24**
	(27)	5	—	(22)	(12)	(8)	(7)	(27)	(49)
IT Common Matters decision	**(2)**	**(2)**	**—**	**(4)**	**(1)**	**(1)**	**—**	**(2)**	**(6)**
	(2)	(1)	—	(3)	(1)	(1)	—	(2)	(5)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(4)	(2)	—	(6)	(7)	(1)	(3)	(11)	(17)
AUC enforcement proceeding	**—**	**(14)**	**—**	**(14)**	**—**	**—**	**—**	**—**	**(14)**
	—	—	—	—	—	—	—	—	—
Workplace COVID-19 vaccination standard	**(1)**	**(1)**	**—**	**(2)**	**(2)**	**(1)**	**—**	**(3)**	**(5)**
	—	—	—	—	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**3**	**—**	**—**	**3**	**—**	**—**	**—**	**—**	**3**
	—	—	—	—	—	—	—	—	—
Earnings attributable to Class I and Class II shares	**64**	**64**	**21**	**149**	**85**	**32**	**15**	**132**	**281**
	27	64	15	106	17	22	11	50	156

ENERGY INFRASTRUCTURE

The following tables reconcile adjusted earnings for the Energy Infrastructure business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)			Three Months Ended September 30
2022	Canadian Utilities Limited		
2021			
	Electricity Generation	**Storage & Industrial Water**	**Energy Infrastructure**
Adjusted earnings	**1**	**5**	**6**
	3	1	4
Transition of managed IT services	**—**	**—**	**—**
	(1)	—	(1)
Earnings attributable to Class I and Class II shares	**1**	**5**	**6**
	2	1	3

($ millions)			Nine Months Ended September 30
2022	Canadian Utilities Limited		
2021			
	Electricity Generation	**Storage & Industrial Water**	**Energy Infrastructure**
Adjusted earnings	**4**	**12**	**16**
	7	6	13
Impairments and other costs	**—**	**—**	**—**
	(33)	(1)	(34)
Transition of managed IT services	**—**	**—**	**—**
	(1)	—	(1)
Other	**—**	**—**	**—**
	—	(1)	(1)
Earnings (loss) attributable to Class I and Class II shares	**4**	**12**	**16**
	(27)	4	(23)

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

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

2022 / 2021	ATCO Ltd.							ATCO Consolidated
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Capital Investment	**43**	**—**	**3**	**295**	**81**	**3**	**379**	**425**
	30	—	2	217	33	2	252	284
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(2)**	**(3)**	**—**	**(5)**	**(5)**
	—	—	—	(3)	(2)	—	(5)	(5)
Capital Expenditures	**43**	**—**	**3**	**293**	**78**	**3**	**374**	**420**
	30	—	2	214	31	2	247	279

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

2022 / 2021	ATCO Ltd.							ATCO Consolidated
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Capital Investment	**144**	**—**	**5**	**757**	**176**	**8**	**941**	**1,090**
	81	—	51	849	56	7	912	1,044
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(4)**	**(6)**	**—**	**(10)**	**(10)**
	—	—	—	(3)	(16)	—	(19)	(19)
Capital Expenditures	**144**	**—**	**5**	**753**	**170**	**8**	**931**	**1,080**
	81	—	51	846	40	7	893	1,025

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, 2022, and ended on September 30, 2022, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets; the timing for the commencement of work, completion, or delivery of various ATCO Structures projects; the expected timing and/or impact of contracts that have been secured or awarded; the development of a 325-MW pumped hydro project in New South Wales, Australia, and the expected timing for the final investment decision in respect of the construction of that project; the acquisition of a portfolio of wind and solar assets from Suncor Energy Inc. and the timing for the closing of that transaction; the expected future electricity generation capacity of the wind and solar projects that will be acquired or developed; the expected timing for the commencement of operations of the new 202-MW Forty Mile wind project; the expectation that the renewables projects acquired from Suncor will be earnings and cash flow accretive in the first year of operations; ESG targets, including the Company's commitment to achieve net zero GHG emissions by 2050, the Company's 2030 ESG targets, and the goal of owning more than 1,000-MW of renewable energy by 2030.

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

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing economic conditions (including as may be affected by the COVID-19 pandemic); credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, and infrastructure; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see “Business Risks and Risk Management” in the Company's Management's Discussion and Analysis for the year ended December 31, 2021.

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, 2022. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

AUD means Australian dollars.

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

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

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

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

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

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

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.

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

USD means United States dollars.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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**	**2022**	**2021**	**2022**	**2021**
Revenues	4	**1,158**	977	**3,630**	3,019
Costs and expenses					
Salaries, wages and benefits		**(142)**	(141)	**(441)**	(422)
Energy transmission and transportation		**(68)**	(68)	**(202)**	(198)
Plant and equipment maintenance		**(65)**	(58)	**(159)**	(142)
Fuel costs		**(25)**	(20)	**(121)**	(70)
Purchased power		**(87)**	(72)	**(221)**	(218)
Materials and consumables		**(159)**	(94)	**(390)**	(262)
Depreciation, amortization and impairment		**(173)**	(167)	**(522)**	(561)
Franchise fees		**(55)**	(48)	**(244)**	(187)
Property and other taxes		**(18)**	(19)	**(56)**	(56)
Other		**(125)**	(93)	**(326)**	(287)
		(917)	(780)	**(2,682)**	(2,403)
Earnings from investment in associate company		**4**	4	**12**	10
Earnings from investment in joint ventures		**22**	19	**57**	39
Operating profit		**267**	220	**1,017**	665
Interest income		**15**	3	**27**	10
Interest expense		**(110)**	(105)	**(321)**	(315)
Net finance costs		**(95)**	(102)	**(294)**	(305)
Earnings before income taxes		**172**	118	**723**	360
Income tax expense		**(41)**	(25)	**(176)**	(80)
Earnings for the period		**131**	93	**547**	280
Earnings attributable to:					
Class I and Class II Shares		**71**	52	**289**	147
Non-controlling interests		**60**	41	**258**	133
		131	93	**547**	280
Earnings per Class I and Class II Share	5	**$0.62**	$0.46	**$2.53**	$1.29
Diluted earnings per Class I and Class II Share	5	**$0.62**	$0.46	**$2.53**	$1.28

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Note	Three Months Ended September 30 2022	Three Months Ended September 30 2021	Nine Months Ended September 30 2022	Nine Months Ended September 30 2021
Earnings for the period		**131**	93	**547**	280
Other comprehensive income, net of income taxes					
Items that will not be reclassified to earnings:					
Re-measurement of retirement benefits (1)	10	**(9)**	23	**1**	193
Items that are or may be reclassified subsequently to earnings:					
Cash flow hedges (2)		**39**	31	**105**	59
Foreign currency translation adjustment (3)		**25**	11	**20**	(63)
Share of other comprehensive income (loss) in associate company (3)		**1**	–	**15**	(5)
Share of other comprehensive income of joint ventures (3)		**1**	–	**1**	–
		66	42	**141**	(9)
Other comprehensive income		**57**	65	**142**	184
Comprehensive income for the period		**188**	158	**689**	464
Comprehensive income attributable to:					
Class I and Class II Shares		**114**	94	**394**	238
Non-controlling interests		**74**	64	**295**	226
		188	158	**689**	464

(1) Net of income taxes of $3 million and nil for the three and nine months ended September 30, 2022 (2021 - $(6) million and $(57) million).

(2) Net of income taxes of $(12) million and $(35) million for the three and nine months ended September 30, 2022 (2021 - $(10) million and $(19) 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 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents		**1,269**	1,091
Accounts receivable and contract assets		**742**	844
Finance lease receivables		**10**	12
Inventories		**74**	61
Prepaid expenses and other current assets		**232**	213
		2,327	2,221
Non-current assets			
Property, plant and equipment	6	**19,159**	18,791
Intangibles		**814**	752
Retirement benefit asset	10	**26**	93
Right-of-use assets		**86**	87
Goodwill		**73**	73
Investment in joint ventures	3	**269**	228
Investment in associate company		**482**	445
Finance lease receivables		**138**	149
Deferred income tax assets		**46**	54
Other assets		**212**	111
Total assets		**23,632**	23,004
LIABILITIES			
Current liabilities			
Bank indebtedness		**–**	3
Accounts payable and accrued liabilities		**829**	852
Lease liabilities		**14**	14
Provisions and other current liabilities		**195**	161
Short-term debt	7	**19**	206
Long-term debt	8	**312**	350
		1,369	1,586
Non-current liabilities			
Deferred income tax liabilities		**1,792**	1,624
Retirement benefit obligations	10	**221**	292
Customer contributions		**1,965**	1,870
Lease liabilities		**75**	76
Other liabilities		**113**	105
Long-term debt	8	**9,852**	9,502
Total liabilities		**15,387**	15,055
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	9	**180**	180
Contributed surplus		**9**	8
Retained earnings		**4,068**	3,962
Accumulated other comprehensive income (loss)		**64**	(39)
		4,321	4,111
Non-controlling interests		**3,924**	3,838
Total equity		**8,245**	7,949
Total liabilities and equity		**23,632**	23,004

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 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	9	–	–	(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
December 31, 2021		180	8	3,962	(39)	4,111	3,838	7,949
Earnings for the period		**–**	**–**	**289**	**–**	**289**	**258**	**547**
Other comprehensive income		**–**	**–**	**–**	**105**	**105**	**37**	**142**
Gains on retirement benefits transferred to retained earnings		**–**	**–**	**2**	**(2)**	**–**	**–**	**–**
Shares issued		**1**	**–**	**–**	**–**	**1**	**13**	**14**
Shares purchased and cancelled		**(1)**	**–**	**(22)**	**–**	**(23)**	**–**	**(23)**
Dividends	9	**–**	**–**	**(158)**	**–**	**(158)**	**(229)**	**(387)**
Share-based compensation		**–**	**1**	**–**	**–**	**1**	**–**	**1**
Changes in ownership interest in subsidiary company [(1)]		**–**	**–**	**(6)**	**–**	**(6)**	**6**	**–**
Other		**–**	**–**	**1**	**–**	**1**	**1**	**2**
September 30, 2022		**180**	**9**	**4,068**	**64**	**4,321**	**3,924**	**8,245**

(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

(millions of Canadian Dollars)	Note	Three Months Ended September 30 2022	Three Months Ended September 30 2021	Nine Months Ended September 30 2022	Nine Months Ended September 30 2021
Operating activities					
Earnings for the period		**131**	93	**547**	280
Adjustments to reconcile earnings to cash flows from operating activities	11	**361**	308	**1,181**	1,026
Changes in non-cash working capital		**(72)**	(53)	**(28)**	16
Cash flows from operating activities		**420**	348	**1,700**	1,322
Investing activities					
Additions to property, plant and equipment		**(379)**	(225)	**(966)**	(899)
Proceeds on disposal of property, plant and equipment		**2**	–	**2**	30
Additions to intangibles		**(36)**	(51)	**(104)**	(117)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	–	**8**	–
Investment in joint ventures		**(4)**	(9)	**(8)**	(21)
Changes in non-cash working capital		**42**	17	**47**	7
Other	6	**4**	1	**75**	(63)
Cash flows used in investing activities		**(371)**	(267)	**(946)**	(1,063)
Financing activities					
Net repayment of short-term debt	7	**(216)**	–	**(187)**	–
Issue of long-term debt	8	**269**	472	**573**	477
Repayment of long-term debt	8	**(66)**	(16)	**(244)**	(58)
Repayment of lease liabilities		**(4)**	(5)	**(13)**	(14)
Issue (purchase) of shares by subsidiary company		**–**	–	**1**	(119)
Purchase of Class I Shares		**(23)**	–	**(22)**	(9)
Redemption of equity preferred shares by subsidiary company		**–**	(110)	**–**	(110)
Dividends paid to Class I and Class II Share owners		**(52)**	(51)	**(158)**	(154)
Dividends paid to non-controlling interests		**(73)**	(73)	**(217)**	(223)
Interest paid		**(95)**	(83)	**(303)**	(284)
Other		**(3)**	(4)	**(5)**	(4)
Cash flows (used in) from financing activities		**(263)**	130	**(575)**	(498)
(Decrease) increase in cash position [(1)]		**(214)**	211	**179**	(239)
Foreign currency translation		**2**	4	**2**	(3)
Beginning of period		**1,481**	643	**1,088**	1,100
End of period	11	**1,269**	858	**1,269**	858

(1) Cash position includes $21 million which is not available for general use by the Company (2021 - $25 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2022

(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); and
  - Retail Energy (electricity and natural gas retail sales and whole-home solutions) (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 (52.9 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, 2021, 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 26, 2022.

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.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2022	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
2021				**Utilities** (1)	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**	
Revenues - external	**259**	–	**1**	**717**	**63**	**118**	**898**	**1,158**
	186	–	1	679	41	70	790	977
Revenues - intersegment	–	–	–	**4**	**4**	**(8)**	–	–
	–	–	–	–	3	(3)	–	–
Revenues	**259**	–	**1**	**721**	**67**	**110**	**898**	**1,158**
	186	–	1	679	44	67	790	977
Operating expenses (2)	**(216)**	–	**4**	**(345)**	**(48)**	**(139)**	**(532)**	**(744)**
	(148)	–	3	(346)	(33)	(89)	(468)	(613)
Depreciation and amortization	**(17)**	–	**(1)**	**(147)**	**(4)**	**(4)**	**(155)**	**(173)**
	(15)	–	(1)	(144)	(7)	–	(151)	(167)
Earnings from investment in associate company	–	**4**	–	–	–	–	–	**4**
	–	4	–	–	–	–	–	4
Earnings from investment in joint ventures	**1**	–	–	**18**	**3**	–	**21**	**22**
	1	–	–	14	4	–	18	19
Net finance costs	**(2)**	–	**(3)**	**(90)**	**(3)**	**3**	**(90)**	**(95)**
	(1)	–	(4)	(93)	(3)	(1)	(97)	(102)
Earnings (loss) before income taxes	**25**	**4**	**1**	**157**	**15**	**(30)**	**142**	**172**
	23	4	(1)	110	5	(23)	92	118
Income tax (expense) recovery	**(9)**	–	–	**(34)**	**(3)**	**5**	**(32)**	**(41)**
	(7)	–	1	(24)	–	5	(19)	(25)
Earnings (loss) for the period	**16**	**4**	**1**	**123**	**12**	**(25)**	**110**	**131**
	16	4	–	86	5	(18)	73	93
Adjusted earnings (loss)	**18**	**4**	**1**	**73**	**6**	**(15)**	**64**	**87**
	16	4	1	56	4	(12)	48	69
Capital expenditures (3)	**43**	–	**3**	**293**	**78**	**3**	**374**	**420**
	30	–	2	214	31	2	247	279

(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 $5 million of interest capitalized during construction for the three months ended September 30, 2022 (2021 - $3 million).*

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

2022	Utilities			
2021	Electricity	Natural Gas	Intersegment eliminations	Consolidated
Revenues - external	**362**	**355**	**–**	**717**
	347	332	–	679
Revenues - intersegment	**4**	**2**	**(2)**	**4**
	1	1	(2)	–
Revenues	**366**	**357**	**(2)**	**721**
	348	333	(2)	679
Operating expenses [(1)]	**(134)**	**(213)**	**2**	**(345)**
	(131)	(217)	2	(346)
Depreciation and amortization	**(76)**	**(71)**	**–**	**(147)**
	(75)	(69)	–	(144)
Earnings from investment in joint ventures	**18**	**–**	**–**	**18**
	14	–	–	14
Net finance costs	**(54)**	**(36)**	**–**	**(90)**
	(57)	(36)	–	(93)
Earnings before income taxes	**120**	**37**	**–**	**157**
	99	11	–	110
Income tax expense	**(26)**	**(8)**	**–**	**(34)**
	(20)	(4)	–	(24)
Earnings for the period	**94**	**29**	**–**	**123**
	79	7	–	86
Adjusted earnings	**54**	**19**	**–**	**73**
	47	9	–	56
Capital expenditures [(2)]	**136**	**157**	**–**	**293**
	84	130	–	214

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) Includes additions to property, plant and equipment, intangibles and $5 million of interest capitalized during construction for the three months ended September 30, 2022 (2021 - $3 million).

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

2022 / 2021	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	**688**	**–**	**1**	**2,472**	**172**	**297**	**2,941**	**3,630**
	534	–	(2)	2,151	111	225	2,487	3,019
Revenues - intersegment	**–**	**–**	**–**	**10**	**46**	**(56)**	**–**	**–**
	–	–	–	6	24	(30)	–	–
Revenues	**688**	**–**	**1**	**2,482**	**218**	**241**	**2,941**	**3,630**
	534	–	(2)	2,157	135	195	2,487	3,019
Operating expenses (2)	**(562)**	**–**	**2**	**(1,106)**	**(172)**	**(322)**	**(1,600)**	**(2,160)**
	(425)	–	12	(1,079)	(118)	(232)	(1,429)	(1,842)
Depreciation, amortization and impairment	**(48)**	**–**	**(6)**	**(446)**	**(12)**	**(10)**	**(468)**	**(522)**
	(44)	–	(4)	(438)	(69)	(6)	(513)	(561)
Earnings from investment in associate company	**–**	**12**	**–**	**–**	**–**	**–**	**–**	**12**
	–	10	–	–	–	–	–	10
Earnings from investment in joint ventures	**3**	**–**	**–**	**42**	**12**	**–**	**54**	**57**
	3	–	–	30	6	–	36	39
Net finance costs	**(5)**	**–**	**(10)**	**(274)**	**(7)**	**2**	**(279)**	**(294)**
	(4)	–	(11)	(279)	(8)	(3)	(290)	(305)
Earnings (loss) before income taxes	**76**	**12**	**(13)**	**698**	**39**	**(89)**	**648**	**723**
	64	10	(5)	391	(54)	(46)	291	360
Income tax (expense) recovery	**(24)**	**–**	**4**	**(163)**	**(9)**	**16**	**(156)**	**(176)**
	(17)	–	6	(87)	10	8	(69)	(80)
Earnings (loss) for the period	**52**	**12**	**(9)**	**535**	**30**	**(73)**	**492**	**547**
	47	10	1	304	(44)	(38)	222	280
Adjusted earnings (loss)	**57**	**12**	**(8)**	**279**	**16**	**(43)**	**252**	**313**
	48	10	1	227	13	(31)	209	268
Total assets (3)	**1,056**	**482**	**564**	**19,064**	**1,251**	**1,215**	**21,530**	**23,632**
	1,032	448	449	18,984	1,194	897	21,075	23,004
Capital expenditures (4)	**144**	**–**	**5**	**753**	**170**	**8**	**931**	**1,080**
	81	–	51	846	40	7	893	1,025

(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) 2021 comparatives are at December 31, 2021.

(4) Includes additions to property, plant and equipment, intangibles and $10 million of interest capitalized during construction for the nine months ended September 30, 2022 (2021 - $9 million).

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

2022	Utilities			
2021	Electricity	Natural Gas	Intersegment eliminations	Consolidated
Revenues - external	**1,121**	**1,351**	**–**	**2,472**
	1,019	1,132	–	2,151
Revenues - intersegment	**9**	**5**	**(4)**	**10**
	7	3	(4)	6
Revenues	**1,130**	**1,356**	**(4)**	**2,482**
	1,026	1,135	(4)	2,157
Operating expenses [(1)]	**(403)**	**(707)**	**4**	**(1,106)**
	(394)	(689)	4	(1,079)
Depreciation and amortization	**(233)**	**(213)**	**–**	**(446)**
	(232)	(206)	–	(438)
Earnings from investment in joint ventures	**42**	**–**	**–**	**42**
	30	–	–	30
Net finance costs	**(166)**	**(108)**	**–**	**(274)**
	(169)	(110)	–	(279)
Earnings before income taxes	**370**	**328**	**–**	**698**
	261	130	–	391
Income tax expense	**(85)**	**(78)**	**–**	**(163)**
	(55)	(32)	–	(87)
Earnings for the period	**285**	**250**	**–**	**535**
	206	98	–	304
Adjusted earnings	**157**	**122**	**–**	**279**
	137	90	–	227
Total assets [(2)]	**10,554**	**8,511**	**(1)**	**19,064**
	10,405	8,581	(2)	18,984
Capital expenditures [(3)]	**367**	**386**	**–**	**753**
	258	588	–	846

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

(2) 2021 comparatives are at December 31, 2021.

(3) Includes additions to property, plant and equipment, intangibles and $5 million of interest capitalized during construction for the nine months ended September 30, 2022 (2021 - $9 million).

ADJUSTED EARNINGS

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

- the timing of revenues and expenses for rate-regulated activities;
- one-time gains and losses;
- unrealized gains and losses on mark-to-market forward and swap commodity contracts;
- 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.

2022 2021	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: Utilities	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**18**	**4**	**1**	**73**	**6**	**(15)**	**64**	**87**
	16	4	1	56	4	(12)	48	69
Transition of managed IT services	–	–	–	–	–	–	–	–
	–	–	(1)	(4)	(1)	–	(5)	(6)
Unrealized losses on mark-to-market forward and swap commodity contracts	–	–	–	–	–	**(7)**	**(7)**	**(7)**
	–	–	–	–	–	(6)	(6)	(6)
Rate-regulated activities	–	–	–	**(7)**	–	–	**(7)**	**(7)**
	–	–	–	(6)	–	–	(6)	(6)
IT Common Matters decision	–	–	–	**(2)**	–	–	**(2)**	**(2)**
	–	–	–	(1)	–	–	(1)	(1)
Other	–	–	–	–	–	–	–	–
	–	–	2	–	–	–	–	2
Earnings (loss) attributable to Class I and Class II Shares	**18**	**4**	**1**	**64**	**6**	**(22)**	**48**	**71**
	16	4	2	45	3	(18)	30	52
Earnings attributable to non-controlling interests								**60**
								41
Earnings for the period								**131**
								93

The reconciliation of adjusted earnings and earnings for the operating segments included in the Utilities for the three months ended September 30 are shown below.

2022 2021	Utilities: Electricity	Utilities: Natural Gas	Utilities: Total
Adjusted earnings	**54**	**19**	**73**
	47	9	56
Transition of managed IT services	–	–	–
	(1)	(3)	(4)
Rate-regulated activities	**(3)**	**(4)**	**(7)**
	(3)	(3)	(6)
IT Common Matters decision	**(2)**	–	**(2)**
	(1)	–	(1)
Earnings attributable to Class I and Class II Shares	**49**	**15**	**64**
	42	3	45

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

2022 2021	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited Utilities	Energy Infrastructure	Corporate & Other	Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**57**	**12**	**(8)**	**279**	**16**	**(43)**	**252**	**313**
	48	10	1	227	13	(31)	209	268
AUC enforcement proceeding	**–**	**–**	**–**	**(14)**	**–**	**–**	**(14)**	**(14)**
	–	–	–	–	–	–	–	–
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	–	–	–	–	–
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**3**	**–**	**–**	**3**	**3**
	–	–	–	–	–	–	–	–
Transition of managed IT services	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	(1)	–	(3)	(17)	(1)	(1)	(19)	(23)
Impairment and other costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	1	–	(34)	–	(34)	(33)
Unrealized losses on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**(25)**	**(25)**	**(25)**
	–	–	–	–	–	(12)	(12)	(12)
Rate-regulated activities	**–**	**–**	**–**	**24**	**–**	**–**	**24**	**24**
	–	–	–	(49)	–	–	(49)	(49)
IT Common Matters decision	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**	**(6)**
	–	–	–	(5)	–	–	(5)	(5)
Other	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
	–	–	2	–	(1)	–	(1)	1
Earnings (loss) attributable to Class I and Class II Shares	**57**	**12**	**(9)**	**281**	**16**	**(68)**	**229**	**289**
	47	10	1	156	(23)	(44)	89	147
Earnings attributable to non-controlling interests								**258**
								133
Earnings for the period								**547**
								280

The reconciliation of adjusted earnings and earnings for the operating segments included in the Utilities for the nine months ended September 30 are shown below.

2022 / **2021**	**Utilities** Electricity	Natural Gas	Total
Adjusted earnings	**157**	**122**	**279**
	137	90	227
AUC enforcement proceeding	**(14)**	**–**	**(14)**
	–	–	–
Workplace COVID-19 vaccination standard	**(2)**	**(3)**	**(5)**
	–	–	–
Gain on sale of ownership interest in a subsidiary company	**3**	**–**	**3**
	–	–	–
Transition of managed IT services	**–**	**–**	**–**
	(6)	(11)	(17)
Rate-regulated activities	**9**	**15**	**24**
	(22)	(27)	(49)
IT Common Matters decision	**(4)**	**(2)**	**(6)**
	(3)	(2)	(5)
Earnings attributable to Class I and Class II Shares	**149**	**132**	**281**
	106	50	156

Alberta Utilities Commission (AUC) enforcement proceeding

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. A proceeding was commenced to determine whether ATCO Electric Transmission failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to a sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application.

The AUC enforcement branch and ATCO Electric Transmission commenced settlement discussions in January 2022. On March 18, 2022, the AUC enforcement branch and ATCO Electric Transmission concluded discussions and notified the AUC that the parties had reached a settlement on all matters. On April 14, 2022, the AUC enforcement branch and ATCO Electric Transmission filed the settlement with the AUC, which reflected an agreed administrative penalty of $31 million, a commitment to amend the ongoing Deferral Account application to ensure the estimated $11 million of additional rate base remains excluded from customer rates, and the implementation of revised practices and policies. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety.

In the fourth quarter of 2021 and during the nine months ended September 30, 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests (NCI)), respectively, related to the proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the nine months ended September 30, 2022, the Company incurred $5 million after-tax and NCI related to amounts paid and accrued. As these costs are not in the normal course of business and are a one-time item, they have been excluded from Adjusted Earnings.

Gain on sale of ownership interest in a subsidiary company

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE was an electric utility company operating in the Northwest Territories, Canada and a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction results in the Company and DII each having a 50 per cent ownership interest in NUE.

The share purchase agreement includes a put option whereby the Company may be required to purchase the 36 per cent ownership interest that was sold to DII for fair market value, if certain conditions occur.

Commencing March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for NUE as an investment in joint venture using the equity method of accounting. The transaction resulted in a gain on sale of $3 million after-tax and NCI. As the gain on sale is not in the normal course of business, it has been excluded from adjusted earnings.

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. (subsequently novated to Kyndryl 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 complete by December 31, 2021.

In 2020, and during the first quarter of 2021, the Company recognized onerous contract provisions of $75 million ($32 million after-tax and NCI), and $6 million ($2 million after-tax and NCI), respectively, which represents management's best estimate of the costs to exit the Wipro MSAs. The provisions are included in provisions and other current liabilities in the consolidated balance sheets. 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), respectively. The transition costs related 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

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 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.

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

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

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

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

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

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	
	2022	**2021**	**2022**	**2021**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**14**	14	**48**	45
Revenues to be billed in future periods				
Deferred income taxes [(2)]	**(9)**	(10)	**(34)**	(39)
Distribution rate relief [(3)]	**–**	(11)	**–**	(50)
Impact of warmer temperatures [(4)]	**(3)**	(2)	**(4)**	(3)
Impact of inflation on rate base [(5)]	**(11)**	(2)	**(22)**	(7)
Settlement of regulatory decisions and other items				
Distribution rate relief [(3)]	**10**	–	**45**	–
Other	**(8)**	5	**(9)**	5
	(7)	(6)	**24**	(49)

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

(3) *During the three and nine months ended September 30, 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, ATCO Electric Distribution and ATCO Gas Distribution recorded a decrease in earnings for the three and nine months ended September 30, 2021 of $11 million (after-tax and NCI) and $50 million (after-tax and NCI). Based on direction from the AUC, collection of 2021 deferred rates will be maximized in 2022. For the three and nine months ended September 30, 2022, $10 million (after-tax and NCI) and $45 million (after-tax and NCI) was billed to customers.*

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

(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 years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current year 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.*

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, 2022 was $2 million and $6 million (2021 - $1 million and $5 million).

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:

2022 **2021**	**Structures & Logistics**	**Utilities**			**Energy Infrastructure**	**Corporate & Other** [(2)]	**Consolidated**
		Electricity [(1)]	**Natural Gas** [(1)]	**Total**			
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**140**	**214**	**354**	**–**	**–**	**354**
	–	149	201	350	–	–	350
Transmission services	**–**	**176**	**82**	**258**	**–**	**–**	**258**
	–	160	76	236	–	–	236
Modular structures - services	**97**	**–**	**–**	**–**	**–**	**–**	**97**
	35	–	–	–	–	–	35
Logistics and facility operations and maintenance services	**30**	**–**	**–**	**–**	**–**	**–**	**30**
	29	–	–	–	–	–	29
Lodging and support	**30**	**–**	**–**	**–**	**–**	**–**	**30**
	25	–	–	–	–	–	25
Customer contributions	**–**	**8**	**6**	**14**	**–**	**–**	**14**
	–	8	6	14	–	–	14
Franchise fees	**–**	**9**	**46**	**55**	**–**	**–**	**55**
	–	7	41	48	–	–	48
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**113**	**113**
	–	–	–	–	–	73	73
Storage and industrial water	**–**	**–**	**–**	**–**	**19**	**–**	**19**
	–	–	–	–	4	–	4
Total rendering of services	**157**	**333**	**348**	**681**	**19**	**113**	**970**
	89	324	324	648	4	73	814
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**18**	**–**	**18**
	–	–	–	–	14	–	14
Commodity sales	**–**	**–**	**–**	**–**	**16**	**5**	**21**
	–	–	–	–	13	4	17
Modular structures - goods	**64**	**–**	**–**	**–**	**–**	**–**	**64**
	57	–	–	–	–	–	57
Total sale of goods	**64**	**–**	**–**	**–**	**34**	**5**	**103**
	57	–	–	–	27	4	88
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	–	4	–	4
Operating lease	**38**	**–**	**–**	**–**	**–**	**–**	**38**
	40	–	–	–	–	–	40
Total lease income	**38**	**–**	**–**	**–**	**4**	**–**	**42**
	40	–	–	–	4	–	44
Other	**–**	**29**	**7**	**36**	**6**	**1**	**43**
	–	23	8	31	6	(6)	31
Total	**259**	**362**	**355**	**717**	**63**	**119**	**1,158**
	186	347	332	679	41	71	977

(1) For the three months ended September 30, 2022, Electricity and Natural Gas segments include $117 million of unbilled revenue (2021 - $101 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:

2022 / 2021	Structures & Logistics	Utilities Electricity (1)	Utilities Natural Gas (1)	Utilities Total	Energy Infrastructure	Corporate & Other (2)	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**462**	**842**	**1,304**	**–**	**–**	**1,304**
	–	401	703	1,104	–	–	1,104
Transmission services	**–**	**535**	**253**	**788**	**–**	**–**	**788**
	–	506	228	734	–	–	734
Modular structures - services	**242**	**–**	**–**	**–**	**–**	**–**	**242**
	115	–	–	–	–	–	115
Logistics and facility operations and maintenance services	**90**	**–**	**–**	**–**	**–**	**–**	**90**
	80	–	–	–	–	–	80
Lodging and support	**82**	**–**	**–**	**–**	**–**	**–**	**82**
	68	–	–	–	–	–	68
Customer contributions	**–**	**24**	**17**	**41**	**–**	**–**	**41**
	–	25	16	41	–	–	41
Franchise fees	**–**	**28**	**216**	**244**	**–**	**–**	**244**
	–	24	163	187	–	–	187
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**282**	**282**
	–	–	–	–	–	213	213
Storage and industrial water	**–**	**–**	**–**	**–**	**45**	**–**	**45**
	–	–	–	–	13	–	13
Total rendering of services	**414**	**1,049**	**1,328**	**2,377**	**45**	**282**	**3,118**
	263	956	1,110	2,066	13	213	2,555
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**35**	**–**	**35**
	–	–	–	–	30	–	30
Commodity sales	**–**	**–**	**–**	**–**	**61**	**12**	**73**
	–	–	–	–	33	7	40
Modular structures - goods	**152**	**–**	**–**	**–**	**–**	**–**	**152**
	163	–	–	–	–	–	163
Total sale of goods	**152**	**–**	**–**	**–**	**96**	**12**	**260**
	163	–	–	–	63	7	233
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**11**	**–**	**11**
	–	–	–	–	12	–	12
Operating lease	**121**	**–**	**–**	**–**	**–**	**–**	**121**
	108	–	–	–	–	–	108
Total lease income	**121**	**–**	**–**	**–**	**11**	**–**	**132**
	108	–	–	–	12	–	120
Other	**1**	**72**	**23**	**95**	**20**	**4**	**120**
	–	63	22	85	23	3	111
Total	**688**	**1,121**	**1,351**	**2,472**	**172**	**298**	**3,630**
	534	1,019	1,132	2,151	111	223	3,019

(1) For the nine months ended September 30, 2022, Electricity and Natural Gas segments include $117 million of unbilled revenue (2021 - $101 million). At September 30, 2022, $117 million of the unbilled revenue is included in accounts receivable and contract assets (December 31, 2021 - $156 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	
	2022	**2021**	**2022**	**2021**
Average shares				
Weighted average shares outstanding	**113,893,063**	114,092,018	**114,058,894**	114,191,936
Effect of dilutive stock options	**96,339**	56,840	**67,375**	43,227
Effect of dilutive MTIP	**251,398**	241,021	**249,706**	241,753
Weighted average dilutive shares outstanding	**114,240,800**	114,389,879	**114,375,975**	114,476,916
Earnings for earnings per share calculation				
Earnings for the period	**131**	93	**547**	280
Non-controlling interests	**(60)**	(41)	**(258)**	(133)
Earnings attributable to Class I and Class II Shares	**71**	52	**289**	147
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.62**	$0.46	**$2.53**	$1.29
Diluted earnings per Class I and Class II Share	**$0.62**	$0.46	**$2.53**	$1.28

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	Energy Infrastructure	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2021	21,771	500	1,062	445	718	903	25,399
Additions	**23**	**1**	**5**	**815**	**139**	**4**	**987**
Transfers	**338**	**29**	**5**	**(388)**	**–**	**16**	**–**
Retirements and disposals	**(64)**	**–**	**(2)**	**(1)**	**(63)**	**(28)**	**(158)**
Sale of ownership interest in a subsidiary company (*Note 3*)	**(111)**	**–**	**(8)**	**(2)**	**–**	**(5)**	**(126)**
Foreign exchange rate adjustment	**(51)**	**7**	**(4)**	**–**	**6**	**(1)**	**(43)**
Changes to asset retirement costs	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
September 30, 2022	**21,906**	**535**	**1,058**	**869**	**800**	**889**	**26,057**
Accumulated depreciation							
December 31, 2021	5,478	184	238	–	256	452	6,608
Depreciation	**373**	**8**	**18**	**–**	**34**	**44**	**477**
Retirements and disposals	**(64)**	**–**	**(2)**	**–**	**(26)**	**(28)**	**(120)**
Sale of ownership interest in subsidiary company (*Note 3*)	**(52)**	**–**	**(3)**	**–**	**–**	**(2)**	**(57)**
Foreign exchange rate adjustment	**(11)**	**2**	**(1)**	**–**	**–**	**–**	**(10)**
September 30, 2022	**5,724**	**194**	**250**	**–**	**264**	**466**	**6,898**
Net book value							
December 31, 2021	16,293	316	824	445	462	451	18,791
September 30, 2022	**16,182**	**341**	**808**	**869**	**536**	**423**	**19,159**

The additions to property, plant and equipment included $6 million of interest capitalized during construction for the nine months ended September 30, 2022 (2021 - $9 million).

PIONEER NATURAL GAS PIPELINE

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

7. SHORT-TERM DEBT

At September 30, 2022, the Company had $19 million of commercial paper outstanding at an effective interest rate of 3.39 per cent, maturing in October 2022 (December 31, 2021 - $206 million of commercial paper outstanding at a weighted average effective interest rate of 0.32 per cent, maturing in January 2022).

8. LONG-TERM DEBT

On June 3, 2022, Canadian Utilities Limited issued $250 million of 4.851 per cent debentures maturing on June 3, 2052.

On September 7, 2022, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $210 million of 4.773 per cent debentures maturing on September 14, 2052, and on April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures.

On September 5, 2021, CU Inc. issued $460 million of 3.174 per cent debentures maturing on September 5, 2051.

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

At September 30, 2022, there were 100,716,098 (December 31, 2021 - 101,187,649) Class I Shares and 13,194,930 (December 31, 2021 - 13,196,129) Class II Shares outstanding. In addition, there were 1,766,616 options to purchase Class I Shares outstanding at September 30, 2022, under the Company's stock option plan (December 31, 2021 - 1,431,050).

DIVIDENDS

The Company declared and paid cash dividends of $0.4617 and $1.3851 per Class I and Class II Share during three and nine months ended September 30, 2022 (2021 - $0.4483 and $1.3449). 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 13, 2022, the Company declared a fourth quarter dividend of $0.4617 per Class I and Class II Share.

NORMAL COURSE ISSUER BID

On March 9, 2022, ATCO Ltd. began a normal course issuer bid (NCIB) to purchase up to 1,011,907 outstanding Class I Shares. The bid expires on March 8, 2023. The prior year NCIB to purchase up to 1,013,478 outstanding Class I Shares began on March 9, 2021 and expired on March 8, 2022.

During the three and nine months ended September 30, 2022, 486,400 Class I shares were purchased for $23 million, resulting in a decrease to share capital of $1 million and a decrease to retained earnings of $22 million (2021 - 220,000 Class l shares were purchased for $9 million, resulting in a decrease to retained earnings of $9 million).

10. RETIREMENT BENEFITS

At September 30, 2022, the discount rate assumption which is used to measure the accrued benefit obligations increased to 5.13 per cent from 3.16 per cent at December 31, 2021. 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 $199 million at December 31, 2021 to a net deficit of $195 million at September 30, 2022. The deficit of $195 million is net of a retirement benefit asset of $26 million related to the ATCO Structures & Logistics Ltd. and Canadian Utilities Limited retirement plans (Pension Plans).

The retirement benefit asset of the Pension Plans has been measured at the lower of the funded surplus ($182 million) and the asset ceiling ($26 million). The key assumption used to determine the asset ceiling amount is a discount factor of 5.13 per cent.

At September 30, 2022, the Company recognized a retirement benefit asset of $26 million and retirement benefit liability of $221 million (December 31, 2021 - $93 million and $292 million).

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Depreciation, amortization and impairment	**173**	167	**522**	561
Earnings from investment in associate company	**(4)**	(4)	**(12)**	(10)
Dividends received from associate company	**–**	–	**15**	15
Earnings from investment in joint ventures	**(22)**	(19)	**(57)**	(39)
Dividends and distributions received from investment in joint ventures	**4**	5	**41**	17
Income tax expense	**41**	25	**176**	80
Unrealized losses on derivative financial instruments	**21**	17	**61**	32
Contributions by customers for extensions to plant	**44**	24	**152**	131
Amortization of customer contributions	**(14)**	(14)	**(41)**	(41)
Net finance costs	**95**	102	**294**	305
Income taxes paid	**(5)**	(2)	**(32)**	(45)
Interest received	**12**	3	**22**	10
Other	**16**	4	**40**	10
	361	308	**1,181**	1,026

CASH POSITION

Cash position at September 30 is comprised of:

	2022	**2021**
Cash	**1,240**	836
Short-term investments	**8**	1
Restricted cash [(1)]	**21**	25
Cash and cash equivalents	**1,269**	862
Bank indebtedness	**–**	(4)
	1,269	858

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, bank indebtedness, accounts payable and accrued liabilities and short-term debt	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 or forward prices in certain commodity contracts (Level 3).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	September 30, 2022		December 31, 2021	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**148**	**185**	161	217
Financial Liabilities				
Long-term debt	**10,164**	**9,238**	9,852	11,395

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At September 30, 2022 and December 31, 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; and
- natural gas and forward power sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

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

	Subject to Hedge Accounting			Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Foreign Currency Forward Contracts**	**Commodities**	**Total Fair Value of Derivatives**
September 30, 2022					
Financial Assets					
Prepaid expenses and other current assets [1]	**2**	**118**	**3**	**–**	**123**
Other assets [1]	**46**	**74**	**–**	**4**	**124**
Financial Liabilities					
Provisions and other current liabilities [1]	**–**	**25**	**–**	**63**	**88**
Other liabilities [1]	**–**	**16**	**–**	**14**	**30**
December 31, 2021					
Financial Assets					
Prepaid expenses and other current assets [1]	–	52	–	2	54
Other assets [1]	8	35	–	6	49
Financial Liabilities					
Provisions and other current liabilities	2	12	–	20	34
Other liabilities [1]	3	8	–	6	17

(1) At September 30, 2022, financial liabilities and financial assets include $83 million and $4 million, respectively, of Level 3 derivative financial instruments (December 31, 2021 - financial liabilities and financial assets include $26 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, 2022							
Purchases (3)	**–**	**30,371,700**	**4,419,464**	**–**	**–**	**–**	**–**
Sales (3)	**–**	**1,677,274**	**1,482,797**	**–**	**21,341,479**	**1,667,417**	**–**
Currency							
Canadian dollars	**88**	**–**	**–**	**–**	**–**	**–**	**–**
Australian dollars	**729**	**–**	**–**	**–**	**–**	**–**	**–**
Mexican pesos	**570**	**–**	**–**	**–**	**–**	**–**	**23**
U.S. dollars	**–**	**–**	**–**	**28**	**–**	**–**	**–**
Maturity	**2023-2028**	**2022-2026**	**2022-2038**	**2022**	**2022-2025**	**2022-2025**	**2022**
December 31, 2021							
Purchases (3)	–	23,062,900	3,240,005	–	–	–	–
Sales (3)	–	2,313,227	526,314	–	11,015,969	1,232,616	–
Currency							
Canadian dollars	88	–	–	–	–	–	–
Australian dollars	732	–	–	–	–	–	–
Mexican pesos	570	–	–	–	–	–	79
U.S. dollars	–	–	–	2	–	–	–
Maturity	2023-2028	2022-2026	2022-2026	2022	2022-2024	2022-2024	2022

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

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

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

13. SUBSEQUENT EVENT

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On October 5, 2022, Canadian Utilities Limited announced that it has entered into an agreement with Suncor Energy Inc. to acquire a portfolio of wind and solar assets and development projects in Alberta and Ontario, Canada, for aggregate consideration of approximately $730 million, subject to closing adjustments.

The transaction is expected to close in the first quarter of 2023 and is subject to regulatory approvals and closing conditions. The fair value calculation of the major classes of assets acquired and liabilities assumed will be completed during 2023.