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, 2023

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2023 THIRD QUARTER FINANCIAL INFORMATION

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the nine months ended September 30, 2023.

This MD&A was prepared as of October 25, 2023, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2023. Additional information, including the Company's previous MD&As, Annual Information Form, and audited consolidated financial statements for the year ended December 31, 2022, is available on SEDAR+ at www.sedarplus.ca. Information contained in the MD&A for the year ended December 31, 2022 is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.8 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies Ltd. (Ashcor) (100 per cent ownership). The Company also has an equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	Three Months Ended September 30 2023	2022	Change	Nine Months Ended September 30 2023	2022	Change
Key Financial Metrics						
Revenues	**1,058**	1,158	(100)	**3,520**	3,630	(110)
Adjusted earnings (loss) (1)	**81**	87	(6)	**305**	313	(8)
Structures & Logistics	**28**	18	10	**76**	57	19
Neltume Ports	**7**	4	3	**17**	12	5
ATCO Corporate & Other	**1**	1	—	**(1)**	(8)	7
Canadian Utilities Limited						
ATCO Energy Systems (1)	**58**	73	(15)	**240**	279	(39)
ATCO EnPower	**4**	6	(2)	**17**	16	1
Canadian Utilities Corporate & Other	**(17)**	(15)	(2)	**(44)**	(43)	(1)
Adjusted earnings ($ per share)	**0.71**	0.76	(0.05)	**2.69**	2.74	(0.05)
Earnings attributable to Class I and Class II Shares	**91**	71	20	**337**	289	48
Earnings attributable to Class I and Class II Shares ($ per share)	**0.80**	0.62	0.18	**2.97**	2.53	0.44
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**0.80**	0.62	0.18	**2.97**	2.53	0.44
Total assets	**25,094**	23,632	1,462	**25,094**	23,632	1,462
Long-term debt	**11,075**	10,164	911	**11,075**	10,164	911
Class I and Class II Share owners' equity	**4,381**	4,321	60	**4,381**	4,321	60
Cash dividends declared per Class I and Class II Share (cents per share)	**47.56**	46.17	1.39	**142.68**	138.51	4.17
Cash flows from operating activities	**454**	420	34	**1,399**	1,700	(301)
Capital investment (2)	**378**	425	(47)	**1,835**	1,090	745
Capital expenditures	**377**	420	(43)	**1,138**	1,080	58
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**113,359**	113,893	(534)	**113,402**	114,059	(657)
Diluted	**113,374**	114,241	(867)	**113,622**	114,376	(754)

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

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

REVENUES

Revenues in the third quarter of 2023 were $1,058 million, $100 million lower than the same period in 2022. Lower revenues were mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Base Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the Alberta Utilities Commission (AUC) decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. Lower revenues were also due to ATCO Structures' Bechtel Pluto Train II project reaching substantial completion and lower workforce housing trade activity in the US and Mexico. Lower revenues were partially offset by higher space rentals activity across all geographies in ATCO Structures, additional revenue from the acquisition of Triple M Housing Ltd. (Triple M Housing) in December 2022, and revenues from ATCO EnPower's Forty Mile and Adelaide wind assets acquired in January 2023.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the third quarter of 2023 were $81 million or $0.71 per share, compared to $87 million or $0.76 per share for the same period in 2022.

Lower adjusted earnings in the third quarter of 2023 were mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, ATCO Structures' Bechtel Pluto Train II project reaching substantial completion, and lower workforce housing trade activity in the US and Mexico. Lower adjusted earnings were partially offset by increased space rentals activity in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022 and Neltume's increased ownership at Puerto Angamos and Terminal Graneles del Norte.

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 $91 million in the third quarter of 2023, $20 million higher compared to 2022. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

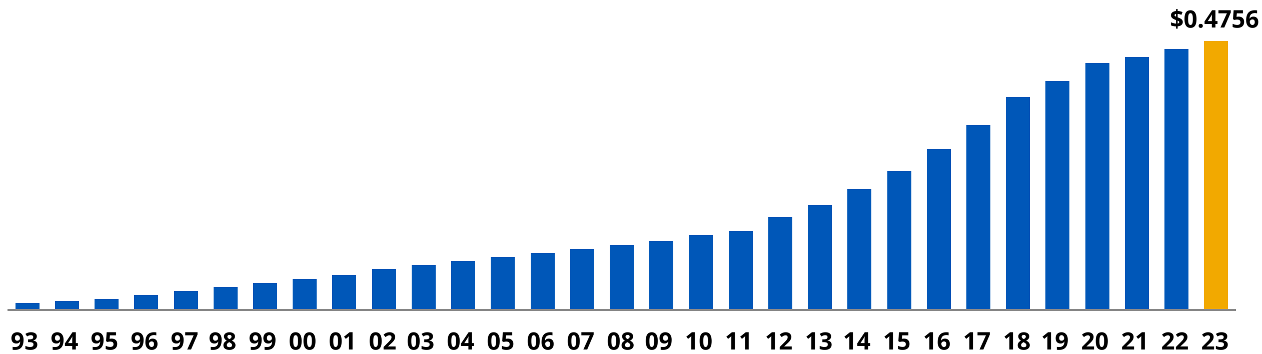
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $454 million in the third quarter of 2023, $34 million higher than the same period in 2022 mainly due to higher cash flows from operations generated from ATCO Structures and Canadian Utilities' ATCO EnPower, largely related to the acquisitions of Triple M and the Forty Mile and Adelaide wind assets.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II Share owners totaled $54 million in the third quarter of 2023. On September 12, 2023, the Board of Directors declared a fourth quarter dividend of 47.56 cents per share or $1.90 on an annualized basis. ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

Quarterly Dividend Rate 1993 - 2023
(dollars per share)



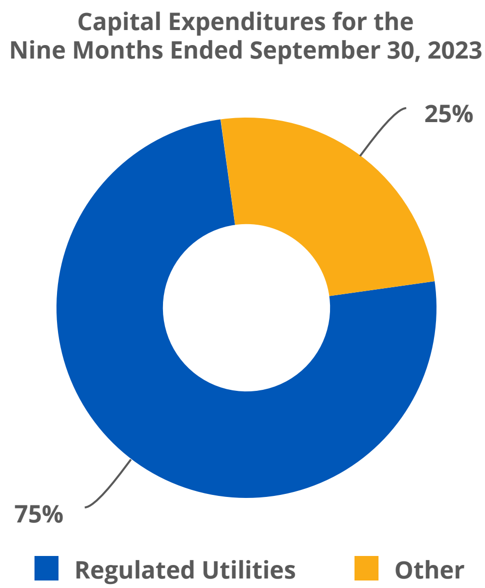
[1] *Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.*

CAPITAL INVESTMENT [(1)] AND CAPITAL EXPENDITURES

Total capital investment of $378 million and capital expenditures of $377 million in the third quarter of 2023 were $47 million and $43 million lower compared to the same period in 2022 mainly due to construction activity in 2022 related to the expansion of the Carbon natural gas storage facility in Canadian Utilities' ATCO EnPower segment.

Total capital investment of $1,835 million in the first nine months of 2023 was $745 million higher compared to the same period in 2022 mainly due to the first quarter acquisition of the renewable energy portfolio and ongoing capital spend related to the Barlow, Deerfoot and Empress solar projects in Canadian Utilities' ATCO EnPower segment, ongoing capital investment in the Regulated Utilities, and continued expansion of ATCO Structures' space rentals fleet globally.

Total capital expenditures of $1,138 million in the first nine months of 2023 were $58 million higher compared to the same period in 2022 mainly due to the factors outlined above with the exception of the first quarter renewable energy portfolio acquisition within Canadian Utilities' ATCO EnPower segment as this business combination is excluded from capital expenditures.



Capital expenditures in Canadian Utilities' Regulated Utilities accounted for 75 per cent of the total in the first nine months of 2023. The remaining 25 per cent was primarily related to ATCO Structures' continued expansion of its space rentals fleet globally and capital spending within Canadian Utilities' ATCO EnPower segment, mainly related to the Barlow, Deerfoot and Empress solar projects.

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(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 $239 million and $687 million in the third quarter and first nine months of 2023 were $20 million and $1 million lower than the same periods in 2022 mainly due to ATCO Structures' Bechtel Pluto Train II project reaching substantial completion in the second quarter, lower workforce housing trade activity in the US and Mexico, and the closure of ATCO Frontec-operated camps including the Trans Mountain Expansion Project (TMEP) camps. This was partially offset by increased space rentals activity, additional revenue from Triple M Housing acquired in December 2022, and additional revenue at ATCO Frontec-operated camps from new projects including the BHP Jansen Discovery Lodge.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
ATCO Structures (1) (2)	**28**	15	13	**73**	47	26
ATCO Frontec (1) (2)	**—**	3	(3)	**3**	10	(7)
Total Structures & Logistics (2)	**28**	18	10	**76**	57	19

(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 $28 million and $76 million in the third quarter and first nine months of 2023 were $10 million and $19 million higher than the same periods in 2022. Higher adjusted earnings were mainly due to strong business performance driven by increased space rentals performance in most geographies for ATCO Structures, and earnings from Triple M Housing acquired in December 2022. Earnings were partially offset by ATCO Structures' lower workforce housing trade sale activity in the US, and higher operating costs on ATCO Frontec's Pogo Mine project.

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

ATCO STRUCTURES

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

ATCO Structures adjusted earnings of $28 million and $73 million in the third quarter and first nine months of 2023 were $13 million and $26 million higher than the same periods in 2022 mainly due to strong business performance driven by increased space rentals performance globally, additional earnings from Triple M Housing, and improved workforce housing rental performance in US, Australia and Chile. Earnings were partially offset by lower workforce housing trade sale activity in the US.

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Global Space Rentals						
Number of units	**23,897**	21,835	9%	**23,897**	21,835	9%
Average utilization *(%)*	**74**	79	(5%)	**75**	80	(5%)
Average rental rate *($ per month)*	**735**	637	15%	**715**	616	16%
Global Workforce Housing						
Number of units	**2,764**	2,659	4%	**2,764**	2,659	4%
Average utilization *(%)*	**68**	76	(8%)	**72**	74	(2%)
Average rental rate *($ per month)*	**2,313**	1,803	28%	**2,055**	1,901	8%

Rental Fleet

Space Rentals

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

Workforce Housing

In the prior year, ATCO Structures decreased the size of the workforce housing fleet by selling used and under-utilized fleet assets in Canada, Australia, and the US. Year-over-year fleet growth is in targeted regions with increased demand for workforce housing product, particularly Australia and Chile. The disposal of under-utilized product in the prior year combined with fleet growth in the current year has resulted in decreased utilization. During the third quarter of 2023, the final camp for TMEP located in Blue River, BC concluded its rental term following the Valemount camp in the second quarter and the Clearwater camp in the first quarter. The utilization impact has been partially mitigated by redeployment of assets previously on rent for TMEP to other projects.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Fire Relief Camps

ATCO Structures was previously awarded a rental contract for the rapid-response deployment of a 375-person camp to support the recovery of a Northern Alberta First Nation community that was impacted by wildfires. Installation and the rental term commenced in the second quarter of 2023. Installation concluded in the third quarter, and the rental term is expected to conclude in the fourth quarter of 2023.

Additionally, following the conclusion of TMEP's rental term in the second quarter of 2023, the workforce housing camp in Valemount, BC was re-mobilized to support people displaced by wildfires. The rental term commenced and concluded during the third quarter of 2023.

Fire Relief Camp, High Level, Alberta, Canada

ATCO FRONTEC

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

ATCO Frontec adjusted earnings in the third quarter and first nine months of 2023 were $3 million and $7 million lower than the same periods in 2022 mainly due to the closure of the three TMEP camps throughout the year, prior year earnings from the UK Training Camp Exercise project conducted over the second and third quarter of 2022, and higher operating costs on ATCO Frontec's Pogo Mine project. Lower earnings were partially offset by earnings from the North Warning System contract and new projects including the fire relief camps.

ATCO FRONTEC RECENT DEVELOPMENTS

Trans Mountain Blue River Camp

In August 2023, the TMEP camp located in Blue River, BC was closed. This is the closure of the third and final TMEP camp throughout 2023 as the expansion project moves towards completion. The 550-person camp was an ATCO Frontec joint venture operation with Simpcw First Nation and commenced operations in November 2021, opening in February 2022 with an average occupancy of 291 rooms per day.

Neltume Ports is a port operator and developer with a diversified portfolio of 18 multi-purpose, bulk cargo and container port facilities and 5 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)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Neltume Ports [1]	**7**	4	3	**17**	12	5

(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 $7 million and $17 million in the third quarter and first nine months of 2023 were $3 million and $5 million higher than the same periods in 2022 mainly due to favourable foreign exchange rates, increased ownership at Puerto Angamos and Terminal Graneles del Norte, and timing of certain revenues and expenses in the third quarter of 2023.

RECENT DEVELOPMENTS

Subsequent to quarter-end, on October 11, 2023, Vancouver Bulk Terminal, a joint venture between Neltume Ports and Nautilus International Holding Corporation, announced it is working with Solvay, a global leader in the soda ash market, on the development of Terminal 2, Berth 7 at the Port of Vancouver, in Washington State. The newly designed terminal will have the capability to annually export more than 2.5 million tonnes of soda ash, supporting soda ash volumes from Solvay's Green River, Wyoming operations while providing additional export capacity to the North American soda ash industry. Construction to allow for the transfer of soda ash is set to begin in 2024 and is expected to be completed by early 2026.

ATCO CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
ATCO Corporate & Other [(1)]	**1**	1	—	**(1)**	(8)	7

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

ATCO Corporate & Other adjusted earnings in the third quarter of 2023 were comparable to the same period in 2022.

ATCO Corporate & Other adjusted earnings in the first nine months of 2023 were $7 million higher compared to the same period in 2022 mainly due to increased earnings from Ashcor and timing of expenses.

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

ATCO ENERGY SYSTEMS

REVENUES

ATCO Energy Systems revenues of $659 million and $2,322 million in the third quarter and first nine months of 2023 were $62 million and $160 million lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. In addition, Electricity Transmission revenues were lower due to the settlement of the 2018-2021 Deferral Application as well as the settlement of the 2023-2025 General Tariff Application which reflects ceased collection and a refund of previously collected federal deferred income taxes. These actions do not significantly impact adjusted earnings, however, they will reduce revenues and cash flows from 2023-2025, providing rate relief to customers. Lower revenues were partially offset by higher flow-through revenues in Electricity Distribution, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity						
Electricity Distribution [1]	**21**	22	(1)	**56**	68	(12)
Electricity Transmission [1]	**24**	22	2	**67**	68	(1)
International Electricity Operations [1]	**7**	10	(3)	**18**	21	(3)
Total Electricity	**52**	54	(2)	**141**	157	(16)
Natural Gas						
Natural Gas Distribution [1]	**(16)**	(9)	(7)	**31**	50	(19)
Natural Gas Transmission [1]	**11**	12	(1)	**36**	36	—
International Natural Gas Distribution [1]	**11**	16	(5)	**32**	36	(4)
Total Natural Gas	**6**	19	(13)	**99**	122	(23)
Total ATCO Energy Systems [2]	**58**	73	(15)	**240**	279	(39)

(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.

ATCO Energy Systems adjusted earnings of $58 million and $240 million in the third quarter and first nine months of 2023 were $15 million and $39 million lower than the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, partially offset by increased system volumes. In the first nine months of 2023, lower earnings were partially offset by growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution.

Detailed information about the activities and financial results of the ATCO Energy Systems 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 $21 million and $56 million in the third quarter and first nine months of 2023 were $1 million and $12 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, partially offset by new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $24 million in the third quarter of 2023 were $2 million higher compared to the same period in 2022 mainly due to new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission adjusted earnings of $67 million in the first nine months of 2023 were $1 million lower compared to the same period in 2022 mainly due to the second quarter decision received from the AUC on the 2018-2021 Deferral Application which denied recovery of forgone return related to certain cancelled projects.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority and the Puerto Rico Electric Power Authority (PREPA).

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022 and will continue until such time that PREPA's bankruptcy is resolved. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance agreement.

International Electricity Operations adjusted earnings of $7 million and $18 million in the third quarter and first nine months of 2023 were $3 million lower compared to the same periods in 2022 mainly due to the timing of recovery of costs in 2022, partially offset by favourable foreign exchange rates.

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 2023 were $7 million and $19 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by growth in rate base and new cost efficiencies realized in the first nine months of 2023.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $11 million and $36 million in the third quarter and first nine months of 2023 were comparable to the same periods in 2022.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $11 million and $32 million in the third quarter and first nine months of 2023 were $5 million and $4 million lower than the same periods in 2022 mainly due to the impact of inflation indexing on rate base in 2022, partially offset by increased system volumes.

In the third quarter of 2022, Australia inflation indexing reflected a full year inflation assumption of 7 per cent (3 per cent in the first quarter and 6 per cent in the second quarter of 2022) which increased to 8 per cent by the end of 2022. It is expected that inflation for 2023 will be in the range of 4 to 5 per cent.

ATCO ENERGY SYSTEMS REGULATORY DEVELOPMENTS

SUBSEQUENT COMMON MATTERS DECISIONS

Generic Cost of Capital Decision

On October 9, 2023, the AUC issued its decision with respect to the Generic Cost of Capital parameters for 2024 and beyond. AUC has approved the use of a formula for setting Return on Equity (ROE) rates and set the equity thickness at 37 per cent for Alberta Utilities.

The established starting point ROE, which will serve as the base in the annual formula, is set at 9 per cent and the formula will take into account two variables; changes in 30-year Government of Canada Bond Yields and changes in utility spreads. AUC will update the ROE annually and issue the following year's ROE in November of the current year, as such, we expect to receive the 2024 ROE in November 2023.

2024-2028 Performance-Based Regulation Decision

On October 4, 2023, the AUC issued its decision on the parameters of the third generation of performance-based regulation (PBR3) plans that will set rates for the distribution utilities for the years 2024 to 2028. AUC has approved continuation of the incremental capital funding mechanism based on historical five years of actual capital spend as well as the ability to seek additional funding for capital that meets certain eligibility criteria. The AUC also introduced two new benefit sharing mechanisms with a new productivity factor premium and an asymmetric, two-tiered Earnings Sharing Mechanism.

The following table compares the key aspects of the PBR Second Generation with the Third Generation based on the AUC's decision.

	PBR Second Generation	PBR Third Generation
Timeframe	2018 to 2022	2024 to 2028
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually using a lagged calculation	Inflation indices (FWI and CPI) adjusted annually with a true up applied
Productivity Adjuster (X Factor)	0.30%	0.40%
O&M	Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term	Based on 2023 approved Cost of Service Applications; inflated by I-X through the PBR term.

	PBR Second Generation	PBR Third Generation
Return on Operating Cost Investment	Not applicable	Ability to apply for return on operating solutions when it replaces a capital solution
Treatment of Capital Costs	a. Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual WACC b. Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a "Type I" K Factor	a. Recovered through going-in rates inflated for I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2018-2022. The K Bar is calculated annually and adjusted for the actual WACC b. Significant extraordinary capital costs not previously incurred, required by a third party or directly caused by applicable law related to net-zero objectives recovered through a "Type I" K Factor
ROE Used for Going-in Rates	a. 8.5% b. + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019	a. 8.5% b. + 0.5% ROE ECM achieved from PBR Second Generation added to 2023 and 2024
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria	Not applicable
Earnings Sharing Mechanism (ESM)	Not applicable	Two-tiered, asymmetric ESM; • the utilities retain a 100% of the first 200bps of earnings above the authorized ROE • a 60/40 utility/customer split for the next 200bps of earnings, and • a 20/80 utility/customer split for any earnings over 400bps
Reopener	+/-300 bps of the approved ROE for two consecutive years or +/- 500bps of the approved ROE for any single year	- 300bps of the approved ROE for two consecutive years or +/- 500bps of the approved ROE for any single year
ROE Used for Reopener Calculation	• 2018: 8.5% excluding impact of ECM • 2019: 8.5% excluding impact of ECM • 2020 - 2022: 8.5%	• 2024: Based on the Generic Cost of Capital formula excluding impact of ECM • 2025-2028: Based on the Generic Cost of Capital formula
Quantification and Tracking of Efficiencies	Not applicable	Utility must report a select set of operational metrics annually to the AUC

ATCO ENPOWER

REVENUES

ATCO EnPower revenues of $72 million and $273 million in the third quarter and first nine months of 2023 were $5 million and $55 million higher compared to the same periods in 2022 mainly due to revenues from the Forty Mile and Adelaide wind assets acquired in January 2023, and higher revenues at the Carbon natural gas storage facility.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity Generation (1) (2)	**1**	1	—	**7**	4	3
Storage & Industrial Water (1) (2)	**3**	5	(2)	**10**	12	(2)
Total ATCO EnPower (2)	**4**	6	(2)	**17**	16	1

(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.

ATCO EnPower adjusted earnings of $4 million in the third quarter of 2023 were $2 million lower than the same period in 2022 mainly due to lower demand of natural gas storage services, partially offset by the timing of project development costs.

ATCO EnPower adjusted earnings of $17 million in the first nine months of 2023 were $1 million higher than the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, higher earnings and additional working capacity from the Carbon natural gas storage facility, and earnings from the solar assets energized in 2023. Higher earnings were partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, and timing of project costs.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $1 million in the third quarter of 2023 were comparable to the same period in 2022.

Electricity Generation adjusted earnings of $7 million in the first nine months of 2023 were $3 million higher compared to the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, earnings from the solar assets energized in 2023, and the timing of project development costs. Higher earnings were partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $3 million and $10 million in the third quarter and first nine months of 2023 were $2 million lower compared to the same periods in 2022 mainly due to lower demand of natural gas storage services, and timing of project costs, partially offset by stronger seasonal spreads in natural gas storage services.

ATCO ENPOWER RECENT DEVELOPMENTS

Canada

Chiniki and Goodstoney First Nations Equity Partnership

In September 2023, the Chiniki and Goodstoney First Nations and ATCO announced a partnership agreement for the Deerfoot and Barlow solar projects, the largest solar installation in an urban centre in Western Canada. Under the terms of the agreement, the Chiniki and Goodstoney First Nations have become the majority owners with a 51 per cent ownership stake in the facilities. The Chiniki and Goodstoney majority ownership of the projects is expected to generate economic benefits for the Indigenous communities and contribute to lasting prosperity for future generations.

The 27-megawatt (MW) Barlow project reached commercial operations in the second quarter of 2023. The 37-MW Deerfoot project commenced generation in the third quarter of 2023 with full commercial operations expected to commence in the fourth quarter.

Lafarge Canada Inc. (Lafarge) Power Purchase Agreement

In September 2023, ATCO, through its investment in Canadian Utilities Limited, entered into a 12.5-year virtual power purchase agreement with Lafarge. Under the terms of the agreement, Lafarge's Exshaw cement plant will notionally purchase 100 per cent of the solar power generated from the 38.5-MW Empress solar project, meeting 34 per cent of the plant's power requirements through 2036. The Empress solar project achieved energization in the third quarter of 2023 and full commercial operations is expected to commence in the fourth quarter of 2023.

Empress solar project, Empress, Alberta, Canada

Australia

Subsequent to quarter-end, in October 2023, the South Australian Government announced an Early Contractor Involvement (ECI) agreement with ATCO Australia and our joint venture partner BOC Linde for the South Australian Hydrogen Jobs Plan project, a 250-MW Hydrogen production facility, a 200-MW Hydrogen-fuelled electricity generation facility and a Hydrogen storage facility. Activities under this agreement include developing a contract offer price, and negotiation of engineering, procurement, construction and O&M contracts for delivery and operations of the project. The ECI phase of the project is due for completion in the second quarter of 2024.

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	2023	2022	Change	2023	2022	Change
Canadian Utilities Corporate & Other (1)	**(17)**	(15)	(2)	**(44)**	(43)	(1)

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

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the third quarter and first nine months of 2023 were $2 million and $1 million lower compared to the same periods in 2022 mainly due to the timing of certain expenses.

Executive Appointment

Effective October 1, 2023, John Ivulich was appointed to Chief Executive Officer & Country Chair of ATCO Australia, our regulated gas utility and non-regulated renewables, power, and clean fuels businesses in Australia.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

SUSTAINABILITY REPORTING AND ESG TARGETS

Our 2022 Sustainability Report, published in April 2023, focuses on the following material topics:

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

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

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

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

CLIMATE CHANGE AND ENERGY TRANSITION

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

POLICY/REGULATORY UPDATE

On August 3, 2023, the Alberta Minister of Affordability and Utilities issued an announcement that the AUC was directed to pause approvals on new renewable electricity generation projects greater than one megawatt until February 29, 2024. Over this pause period, the AUC will conduct an inquiry to gather input on policy issues which is intended to support the ongoing economic, orderly and efficient development of electricity generation in Alberta. The AUC cannot issue approvals but will continue to process applications (new and existing) up to the approval stage while the pause period is in effect. Projects currently approved are not impacted. At this time, there is no impact to the post-permitted renewable power generation projects currently underway at ATCO EnPower.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 2023 and 2022 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Operating costs	**567**	744	(177)	**1,894**	2,160	(266)
Depreciation, amortization and impairment	**190**	173	17	**577**	522	55
Earnings from investment in associate company	**7**	4	3	**17**	12	5
Earnings from investment in joint ventures	**14**	22	(8)	**51**	57	(6)
Net finance costs	**111**	95	16	**321**	294	27
Income tax expense	**49**	41	8	**175**	176	(1)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by $177 million in the third quarter of 2023 compared to the same period in 2022. Lower operating costs were mainly due to higher unrealized and realized gains on derivative financial instruments and lower energy costs in ATCO Energy, decreased material costs at ATCO Structures due to the Bechtel Pluto Train II project reaching substantial completion, and lower franchise fees within the Natural Gas Distribution business. Lower operating costs were partially offset by ongoing operational expenses, technology costs, and increased flow-through costs.

Operating costs decreased by $266 million in the first nine months of 2023 compared to the same period in 2022 mainly due to the factors outlined above, in addition to 2022 costs incurred related to the AUC enforcement proceeding. Lower operating costs were partially offset by legal and other costs related to the Wipro Ltd. (Wipro) Master Services Agreements (MSAs) matter that was concluded on February 26, 2023.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $17 million and $55 million in the third quarter and first nine months of 2023 compared to the same periods in 2022 mainly due to the acquisition of the Forty Mile and Adelaide wind assets acquired in January 2023 in Canadian Utilities' ATCO EnPower business, a $4 million (after taxes and non-controlling interest) impairment of certain electricity generation assets that had been removed from service and determined to have no remaining value in Electricity Transmission in the second quarter of 2023, ATCO Structures' increase in global rental fleet assets, and ongoing investment in Canadian Utilities' Regulated Utilities.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer based in South America with operations in 18 port facilities and 5 port operation services businesses located in Chile, Uruguay, Argentina, Brazil, and the US.

Earnings from investment in associate company in the third quarter and first nine months of 2023 were $3 million and $5 million higher than the same periods in 2022 mainly due to favourable foreign exchange rates, increased ownership at Puerto Angamos and Terminal Graneles del Norte, and timing of certain revenues and expenses in the third quarter of 2023.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures decreased by $8 million and $6 million in the third quarter and first nine months of 2023 compared to the same periods in 2022 mainly due to the timing of recovery of costs in 2022 in the LUMA Energy business, partially offset by the inclusion of NUE earnings as an investment in joint venture after the sale of a controlling interest on March 31, 2022.

NET FINANCE COSTS

Net finance costs increased by $16 million and $27 million in the third quarter and first nine months of 2023 compared to the same periods in 2022 mainly due to higher interest expense as a result of external financing related to the acquisition of the renewable energy portfolio, partially offset by higher interest income in the first nine months from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by $8 million in the third quarter of 2023 compared to the same period in 2022 mainly due to higher IFRS earnings before income taxes primarily driven by higher unrealized and realized gains on derivative financial instruments.

Income taxes were lower by $1 million in the first nine months of 2023 compared to the same period in 2022 mainly due to prior year non-deductible items, partially offset by higher IFRS earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

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

CREDIT RATINGS

The following table shows the credit ratings assigned to ATCO Ltd., Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd at September 30, 2023.

	DBRS	Fitch
ATCO Ltd.		
Issuer	A (low)	BBB+
Canadian Utilities Limited		
Issuer	A	A-
Senior unsecured debt	A	A-
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2	BBB
CU Inc.		
Issuer	A (high)	A-
Senior unsecured debt	A (high)	A
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2 (high)	BBB+

S&P Global Ratings has assigned Canadian Utilities' subsidiary ATCO Gas Australia Pty Ltd [(1)] a BBB+ issuer and senior unsecured debt credit rating with a stable outlook.

(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 July 25, 2023, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc.

On August 29, 2023, DBRS Limited affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO Ltd. and its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities Limited.

LINES OF CREDIT

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

($ millions)	Total	Used	Available
Long-term committed	**3,352**	1,373	1,979
Uncommitted	**628**	208	420
Total	**3,980**	1,581	2,399

Of the $3,980 million in total lines of credit, $628 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,352 million in credit lines was committed with maturities between 2024 and 2026, and may be extended at the option of the lenders.

Of the $1,581 million in lines of credit used, $619 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd's term debt financing needs. The majority of the remaining usage is related to the funding of the renewable energy portfolio acquisition in ATCO EnPower, 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, 2023, the Company's cash position was $579 million, a decrease of $454 million compared to December 31, 2022 mainly due to cash used to fund the capital investment program including the acquisition of renewable energy assets in January 2023, investments in marketable securities, dividends paid, payments of debt and interest, partially offset by Canadian Utilities’ debt issuances and cash flows from operating activities achieved during the first nine months of 2023.

Cash Flows from Operating Activities

Cash flows from operating activities were $454 million in the third quarter of 2023, $34 million higher than the same period in 2022 mainly due to higher cash flows from operations generated from ATCO Structures' and Canadian Utilities' ATCO EnPower, largely related to the acquisitions of Triple M and the Forty Mile and Adelaide wind assets.

Cash flows from operating activities were $1,399 million in the first nine months of 2023, $301 million lower than the same period in 2022. These decreases were mainly due to lower cash flows from the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses, and the timing of payables.

Cash Used for Capital Investment [(1)] and Capital Expenditures

Total capital investment of $378 million and capital expenditures of $377 million in the third quarter of 2023 were $47 million and $43 million lower compared to the same period in 2022 mainly due to construction activity in 2022 related to the expansion of the Carbon natural gas storage facility in Canadian Utilities' ATCO EnPower segment.

Total capital investment of $1,835 million in the first nine months of 2023 was $745 million higher compared to the same period in 2022 mainly due to the first quarter acquisition of the renewable energy portfolio and ongoing capital spend related to the Barlow, Deerfoot and Empress solar projects in Canadian Utilities' ATCO EnPower segment, ongoing capital investment in the Regulated Utilities, and continued expansion of ATCO Structures' space rentals fleet globally.

Total capital expenditures of $1,138 million in the first nine months of 2023 were $58 million higher compared to the same period in 2022 mainly due to the factors outlined above with the exception of the first quarter renewable energy portfolio acquisition within Canadian Utilities' ATCO EnPower segment as this business combination is excluded from capital expenditures.

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

(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.*

($ millions)	Three Months Ended September 30 2023	2022	Change	Nine Months Ended September 30 2023	2022	Change
Structures & Logistics	**43**	43	—	**155**	144	11
ATCO Corporate & Other	**4**	3	1	**17**	5	12
	47	46	1	**172**	149	23
Canadian Utilities						
ATCO Energy Systems						
Electricity	**156**	136	20	**450**	367	83
Natural Gas	**151**	157	(6)	**404**	386	18
	307	293	14	**854**	753	101
ATCO EnPower	**22**	78	(56)	**105**	170	(65)
CU Corporate & Other	**1**	3	(2)	**7**	8	(1)
Canadian Utilities Total Capital Expenditures (1) (2)	**330**	374	(44)	**966**	931	35
ATCO Total Capital Expenditures	**377**	420	(43)	**1,138**	1,080	58
Capital Expenditures in Joint Ventures						
ATCO Energy Systems						
Electricity	**—**	2	(2)	**2**	4	(2)
ATCO EnPower	**1**	3	(2)	**4**	6	(2)
Business Combination						
ATCO EnPower	**—**	—	—	**691**	—	691
Canadian Utilities Total Capital Investment (3)	**331**	379	(48)	**1,663**	941	722
ATCO Total Capital Investment (3)	**378**	425	(47)	**1,835**	1,090	745

(1) Includes additions to property, plant and equipment, intangibles and $4 million and $15 million (2022 - $5 million and $10 million) of capitalized interest during construction for the third quarter and first nine months of 2023.

(2) Includes $37 million and $117 million for the third quarter and first nine months of 2023 (2022 - $44 million and $152 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions.

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

Marketable Securities

In February 2023, the Company initially invested excess cash of $290 million in a diversified portfolio of marketable securities, with the objective of delivering competitive returns and maintaining a high degree of liquidity. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within seven business days.

The marketable securities investments are measured at fair value. Realized gains, primarily representing interest income received of $3 million and $6 million, were recorded in the third quarter and first nine months of 2023. Unrealized losses, representing periodic temporary fluctuations in fair value measurement of $3 million in the first nine months of 2023, was recognized in other costs and expenses.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 30-year track record. Dividends paid to Class I and Class II Share owners totaled $54 million in the third quarter of 2023.

On September 12, 2023, the Board of Directors declared a fourth quarter dividend of 47.56 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Debt Issuance

On September 20, 2023, CU Inc. issued $340 million of 5.088 per cent 30-year debentures. Proceeds from the issue will be used to finance capital expenditures and for other general corporate purposes.

Normal Course Issuer Bid

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

On March 13, 2023, ATCO Ltd. commenced a normal course issuer bid to purchase up to 1,014,881 outstanding Class I Shares. The bid will expire on March 12, 2024. On September 26, 2023, we amended the normal course issuer bid to increase the maximum number of Class I Shares that may be repurchased under the bid to 2,214,881 outstanding Class I Shares. No other terms of the bid changed. Between March 13, 2023 and October 24, 2023, 558,600 Class I Shares were purchased for $23 million.

SHARE CAPITAL

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

At October 24, 2023, we had outstanding 100,848,882 Class I Shares, 12,424,996 Class II Shares, and options to purchase 2,362,300 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 7,819,700 Class I Shares were available for issuance at September 30, 2023. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

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

($ millions, except for per share data)	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**
Revenues	1,348	1,358	1,104	**1,058**
Earnings attributable to Class I and Class II Shares	81	167	79	**91**
Earnings per Class I and Class II Share *($)*	0.72	1.47	0.70	**0.80**
Diluted earnings per Class I and Class II Share *($)*	0.71	1.47	0.70	**0.80**
Adjusted earnings per Class I and Class II Share *($)*	0.97	1.21	0.77	**0.71**
Adjusted earnings (loss)				
Structures & Logistics	4	22	26	**28**
Neltume Ports	2	5	5	**7**
ATCO Corporate & Other	8	(5)	3	**1**
Canadian Utilities				
ATCO Energy Systems (1)	100	120	62	**58**
ATCO EnPower	3	8	5	**4**
Canadian Utilities Corporate & Other	(7)	(13)	(14)	**(17)**
Total adjusted earnings (1)	110	137	87	**81**

($ 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				
ATCO Energy Systems (1)	109	124	82	73
ATCO EnPower	2	4	6	6
Canadian Utilities Corporate & Other	(10)	(12)	(16)	(15)
Total adjusted earnings (1)	114	134	92	87

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

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

Adjusted earnings in the second quarter of 2023 were lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, and ATCO Structures' lower workforce housing trade sale activity in the US. Lower adjusted earnings were partially offset by increased space rentals activity in most geographies for ATCO Structures, and earnings from Triple M Housing acquired in December 2022.

Adjusted earnings in the third quarter of 2023 were lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, ATCO Structures' Bechtel Pluto Train II project reaching substantial completion, and lower workforce housing trade activity in the US and Mexico. Lower adjusted earnings were partially offset by increased space rentals activity in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022 and Neltume's increased ownership at Puerto Angamos and Terminal Graneles del Norte.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- Early Termination of the MSAs for Managed IT Services
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, ATCO recognized transition costs of $22 million (after-tax and non-controlling interests).
    - In the first quarter of 2023, the Company recognized legal and other costs of $5 million (after-tax and non-controlling interests) related to the Wipro MSAs matter which was concluded on February 26, 2023.
- During the fourth quarter of 2021, the Company recorded earnings of $9 million (after-tax and non-controlling interests) following the conclusion of the Company's involvement in an international project.
- On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the proceeding.
- To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In the first quarter of 2022, the Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the Workplace COVID-19 vaccination standard.
- On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The

transaction resulted in a gain on sale of $3 million (after-tax and non-controlling interests). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

- In the fourth quarter of 2022, a reversal of impairment of $2 million (after-tax and non-controlling interests) was recorded mainly related to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the second quarter of 2023, the Company recognized an impairment of $4 million (after-tax and non-controlling interests) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

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

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

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

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

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

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. Capital expenditures include 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**

2023 / 2022	**ATCO Ltd.**							
				Canadian Utilities Limited				
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**CU Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Revenues	**239**	**—**	**7**	**659**	**72**	**81**	**812**	**1,058**
	259	—	1	721	67	110	898	1,158
Adjusted earnings (loss)	**28**	**7**	**1**	**58**	**4**	**(17)**	**45**	**81**
	18	4	1	73	6	(15)	64	87
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**38**	**38**	**38**
	—	—	—	—	—	(7)	(7)	(7)
Rate-regulated activities	**—**	**—**	**—**	**(23)**	**—**	**(2)**	**(25)**	**(25)**
	—	—	—	(7)	—	—	(7)	(7)
IT Common Matters decision	**—**	**—**	**—**	**(3)**	**—**	**—**	**(3)**	**(3)**
	—	—	—	(2)	—	—	(2)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**28**	**7**	**1**	**32**	**4**	**19**	**55**	**91**
	18	4	1	64	6	(22)	48	71

($ millions)

Nine Months Ended September 30

2023 / 2022	**ATCO Ltd.**							
				Canadian Utilities Limited				**ATCO Consolidated**
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**CU Corporate & Other**	**Consolidated**	
Revenues	**687**	**—**	**11**	**2,322**	**273**	**227**	**2,822**	**3,520**
	688	—	1	2,482	218	241	2,941	3,630
Adjusted earnings (loss)	**76**	**17**	**(1)**	**240**	**17**	**(44)**	**213**	**305**
	57	12	(8)	279	16	(43)	252	313
Impairment	**—**	**—**	**—**	**(4)**	**—**	**—**	**(4)**	**(4)**
	—	—	—	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**73**	**73**	**73**
	—	—	—	—	—	(25)	(25)	(25)
Rate-regulated activities	**—**	**—**	**—**	**(24)**	**—**	**—**	**(24)**	**(24)**
	—	—	—	24	—	—	24	24
IT Common Matters decision	**—**	**—**	**—**	**(8)**	**—**	**—**	**(8)**	**(8)**
	—	—	—	(6)	—	—	(6)	(6)
Transition of managed IT services	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(14)	—	—	(14)	(14)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(5)	—	—	(5)	(5)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	3	—	—	3	3
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	(1)	—	—	—	—	(1)
Earnings (loss) attributable to Class I and Class II Shares	**76**	**17**	**(1)**	**199**	**17**	**29**	**245**	**337**
	57	12	(9)	281	16	(68)	229	289

IMPAIRMENT

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

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

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts are recognized in the Corporate & Other segment.

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

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

For the three and nine months ended September 30, 2023, 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)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**12**	14	(2)	**47**	48	(1)
Revenues to be billed in future periods						
Deferred income taxes [2]	**(20)**	(9)	(11)	**(59)**	(34)	(25)
Impact of warmer temperatures [3]	**(1)**	(3)	2	**(5)**	(4)	(1)
Impact of inflation on rate base [4]	**(6)**	(11)	5	**(17)**	(22)	5
Settlement of regulatory decisions and other items						
Distribution rate relief [5]	**2**	10	(8)	**7**	45	(38)
Other [6]	**(12)**	(8)	(4)	**3**	(9)	12
	(25)	(7)	(18)	**(24)**	24	(48)

(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) 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.

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

(5) In 2021, in response to the COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution had interim rate relief for customers approved by the AUC to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the three and nine months ended September 30, 2023, $2 million and $7 million (after-tax and non-controlling interests) (2022 - $10 million and $45 million (after-tax and non-controlling interests)) was billed to customers.

(6) In the three months ended September 30, 2023, ATCO Electric Transmission refunded customers approximately $9 million (after-tax and non-controlling interest) to settle deferral accounts related primarily to property taxes and direct assigned capital.

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, 2023 was $3 million and $8 million (after-tax and non-controlling interests) (2022 - $2 million and $6 million (after-tax and non-controlling interests)).

TRANSITION OF MANAGED IT SERVICES

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

AUC ENFORCEMENT PROCEEDING

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

WORKPLACE COVID-19 VACCINATION STANDARD

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

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

On March 31, 2022, the Company and 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.

ATCO Energy Systems

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

($ millions)									Three Months Ended September 30
2023	**Canadian Utilities Limited**								
2022	**Electricity**				**Natural Gas**				**ATCO Energy Systems**
	Electricity Distribution	**Electricity Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	
Adjusted earnings (loss)	**21**	**24**	**7**	**52**	**(16)**	**11**	**11**	**6**	**58**
	22	22	10	54	(9)	12	16	19	73
Rate-regulated activities	**(4)**	**(22)**	**—**	**(26)**	**9**	**—**	**(6)**	**3**	**(23)**
	(5)	2	—	(3)	7	(2)	(9)	(4)	(7)
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(1)**	**—**	**—**	**(1)**	**(3)**
	(1)	(1)	—	(2)	—	—	—	—	(2)
Earnings (loss) attributable to Class I and Class II Shares	**16**	**1**	**7**	**24**	**(8)**	**11**	**5**	**8**	**32**
	16	23	10	49	(2)	10	7	15	64

Nine Months Ended September 30

($ millions)

2023 / 2022	Canadian Utilities Limited								
	Electricity				Natural Gas				
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	ATCO Energy Systems
Adjusted earnings	**56**	**67**	**18**	**141**	**31**	**36**	**32**	**99**	**240**
	68	68	21	157	50	36	36	122	279
Impairment	**—**	**(4)**	**—**	**(4)**	**—**	**—**	**—**	**—**	**(4)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**2**	**(19)**	**—**	**(17)**	**14**	**(3)**	**(18)**	**(7)**	**(24)**
	(4)	13	—	9	38	(2)	(21)	15	24
IT Common Matters decision	**(3)**	**(2)**	**—**	**(5)**	**(3)**	**—**	**—**	**(3)**	**(8)**
	(2)	(2)	—	(4)	(1)	(1)	—	(2)	(6)
Transition of managed IT services	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**(3)**	**(4)**	**(5)**
	—	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(14)	—	(14)	—	—	—	—	(14)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	(2)	(2)	(1)	—	(3)	(5)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	3	—	—	3	—	—	—	—	3
Earnings attributable to Class I and Class II Shares	**54**	**42**	**18**	**114**	**41**	**33**	**11**	**85**	**199**
	64	64	21	149	85	32	15	132	281

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures include 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

2023 / 2022	ATCO Ltd.							ATCO Consolidated
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
Capital Investment	**43**	**—**	**4**	**307**	**23**	**1**	**331**	**378**
	43	—	3	295	81	3	379	425
Capital Expenditure in joint ventures	**—**	**—**	**—**	**—**	**(1)**	**—**	**(1)**	**(1)**
	—	—	—	(2)	(3)	—	(5)	(5)
Capital Expenditures	**43**	**—**	**4**	**307**	**22**	**1**	**330**	**377**
	43	—	3	293	78	3	374	420

($ millions)

Nine Months Ended September 30

2023 / 2022	ATCO Ltd.							ATCO Consolidated
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
Capital Investment	**155**	**—**	**17**	**856**	**800**	**7**	**1,663**	**1,835**
	144	—	5	757	176	8	941	1,090
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(2)**	**(4)**	**—**	**(6)**	**(6)**
	—	—	—	(4)	(6)	—	(10)	(10)
Business combination (1)	**—**	**—**	**—**	**—**	**(691)**	**—**	**(691)**	**(691)**
	—	—	—	—	—	—	—	—
Capital Expenditures	**155**	**—**	**17**	**854**	**105**	**7**	**966**	**1,138**
	144	—	5	753	170	8	931	1,080

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

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the commitment to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; the expected timing of the commencement or completion of activities and contracts; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; the payment of dividends; expected growth and expansion opportunities; the expected timing for the construction of the development of Terminal 2, Berth 7 at the Port of Vancouver and the export capacity expected when construction is complete; the expected electricity generation capacity of the Deerfoot, Barlow and Empress solar projects; the expected timing of full commercial operations for the Deerfoot and Empress solar projects; the expected impact of regulatory decisions and new regulatory announcements; the expected use of proceeds from CU Inc.'s $340 million debenture issuance; and the expected hydrogen production, electricity generation and hydrogen storage capacity of the facilities planned in connection with the South Australian Hydrogen Jobs Plan project and the expected timing of the project.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to meet its initial set of 2030 ESG targets and successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

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

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

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

ADDITIONAL INFORMATION

ATCO has published its unaudited interim consolidated financial statements and MD&A for the nine months ended September 30, 2023. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

AUC means the Alberta Utilities Commission.

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

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

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

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

COS means Cost of Service.

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.

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

PBR means Performance Based Regulation.

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

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

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CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended September 30 2023	Three Months Ended September 30 2022	Nine Months Ended September 30 2023	Nine Months Ended September 30 2022
Revenues	4	**1,058**	1,158	**3,520**	3,630
Costs and expenses					
Salaries, wages and benefits		**(162)**	(142)	**(474)**	(441)
Energy transmission and transportation		**(72)**	(68)	**(221)**	(202)
Plant and equipment maintenance		**(68)**	(65)	**(191)**	(159)
Fuel costs		**(13)**	(25)	**(95)**	(121)
Purchased power		**(70)**	(87)	**(205)**	(221)
Materials and consumables		**(116)**	(159)	**(343)**	(390)
Depreciation, amortization and impairment		**(190)**	(173)	**(577)**	(522)
Franchise fees		**(49)**	(55)	**(220)**	(244)
Property and other taxes		**(18)**	(18)	**(59)**	(56)
Other		**1**	(125)	**(86)**	(326)
		(757)	(917)	**(2,471)**	(2,682)
Earnings from investment in associate company		**7**	4	**17**	12
Earnings from investment in joint ventures		**14**	22	**51**	57
Operating profit		**322**	267	**1,117**	1,017
Interest income		**14**	15	**49**	27
Interest expense		**(125)**	(110)	**(370)**	(321)
Net finance costs		**(111)**	(95)	**(321)**	(294)
Earnings before income taxes		**211**	172	**796**	723
Income tax expense		**(49)**	(41)	**(175)**	(176)
Earnings for the period		**162**	131	**621**	547
Earnings attributable to:					
Class I and Class II Shares		**91**	71	**337**	289
Non-controlling interests		**71**	60	**284**	258
		162	131	**621**	547
Earnings per Class I and Class II Share	5	**$0.80**	$0.62	**$2.97**	$2.53
Diluted earnings per Class I and Class II Share	5	**$0.80**	$0.62	**$2.97**	$2.53

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**2023**	**2022**	**2023**	**2022**
Earnings for the period	**162**	131	**621**	547
Other comprehensive (loss) income, net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits [(1)]	**13**	(9)	**41**	1
Items that are or may be reclassified subsequently to earnings:				
Cash flow hedges [(2)]	**(33)**	39	**(117)**	105
Foreign currency translation adjustment [(3)]	**–**	25	**(40)**	20
Share of other comprehensive (loss) income in associate company [(3)]	**(10)**	1	**(13)**	15
Share of other comprehensive income of joint ventures [(3)]	**–**	1	**7**	1
	(43)	66	**(163)**	141
Other comprehensive (loss) income	**(30)**	57	**(122)**	142
Comprehensive income for the period	**132**	188	**499**	689
Comprehensive income attributable to:				
Class I and Class II Shares	**76**	114	**264**	394
Non-controlling interests	**56**	74	**235**	295
	132	188	**499**	689

(1) Net of income taxes of $(4) million and $(12) million for the three and nine months ended September 30, 2023 (2022 - $3 million and nil).

(2) Net of income taxes of $12 million and $36 million for the three and nine months ended September 30, 2023 (2022 - $(12) million and $(35) 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 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents	12	**580**	1,033
Marketable securities	6	**293**	-
Accounts receivable and contract assets	12	**645**	956
Finance lease receivables		**11**	11
Inventories		**109**	80
Prepaid expenses and other current assets		**235**	281
		1,873	2,361
Non-current assets			
Property, plant and equipment	7, 12	**20,630**	19,504
Intangibles	12	**989**	870
Retirement benefit asset		**75**	24
Right-of-use assets	12	**113**	109
Goodwill	12	**237**	89
Investment in joint ventures		**262**	264
Investment in associate company		**463**	473
Finance lease receivables		**126**	138
Deferred income tax assets		**67**	64
Other assets		**259**	243
Total assets		**25,094**	24,139
LIABILITIES			
Current liabilities			
Bank indebtedness		**1**	—
Accounts payable and accrued liabilities	12	**795**	1,161
Lease liabilities		**17**	16
Provisions and other current liabilities	3, 9	**221**	240
Long-term debt	8	**794**	109
		1,828	1,526
Non-current liabilities			
Deferred income tax liabilities	12	**2,113**	1,843
Retirement benefit obligations		**218**	223
Customer contributions		**2,051**	1,989
Lease liabilities	12	**103**	99
Other liabilities		**133**	137
Long-term debt	8, 12	**10,281**	9,978
Total liabilities		**16,727**	15,795
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	9	**190**	179
Contributed surplus		**8**	10
Retained earnings		**4,180**	4,090
Accumulated other comprehensive income		**3**	97
		4,381	4,376
Non-controlling interests	12	**3,986**	3,968
Total equity		**8,367**	8,344
Total liabilities and equity		**25,094**	24,139

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 2021		180	8	3,962	(39)	4,111	3,838	7,949
Earnings for the period		–	–	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	9	(1)	–	(22)	–	(23)	–	(23)
Dividends [(1)] [(2)]	9	–	–	(158)	–	(158)	(229)	(387)
Share-based compensation		–	1	–	–	1	–	1
Changes in ownership interest in subsidiary company [(3)]		–	–	(6)	–	(6)	6	–
Other		–	–	1	–	1	1	2
September 30, 2022		180	9	4,068	64	4,321	3,924	8,245
December 31, 2022		179	10	4,090	97	4,376	3,968	8,344
Earnings for the period		**–**	**–**	**337**	**–**	**337**	**284**	**621**
Other comprehensive loss		**–**	**–**	**–**	**(73)**	**(73)**	**(49)**	**(122)**
Gains on retirement benefits transferred to retained earnings		**–**	**–**	**21**	**(21)**	**–**	**–**	**–**
Shares issued		**–**	**–**	**–**	**–**	**–**	**18**	**18**
Sale of shares from MTIP Trust [(4)]	9	**10**	**1**	**–**	**–**	**11**	**16**	**27**
Shares purchased and cancelled	9	**(1)**	**–**	**(22)**	**–**	**(23)**	**–**	**(23)**
Acquisition	12	**–**	**–**	**–**	**–**	**–**	**27**	**27**
Dividends [(1)] [(2)]	9	**–**	**–**	**(216)**	**–**	**(216)**	**(312)**	**(528)**
Share-based compensation		**1**	**–**	**–**	**–**	**1**	**2**	**3**
Changes in ownership interest in subsidiary company [(3)]		**–**	**–**	**(29)**	**–**	**(29)**	**29**	**–**
Other		**1**	**(3)**	**(1)**	**–**	**(3)**	**3**	**–**
September 30, 2023		**190**	**8**	**4,180**	**3**	**4,381**	**3,986**	**8,367**

(1) For the nine months ended September 30, 2023, dividends attributable to Class I and Class II share owners of $216 million (2022 - $158 million) include dividends of $54 million (2022 - nil) payable on December 31, 2023 (see note 9).

(2) For the nine months ended September 30, 2023, dividends attributable to non-controlling interests of $312 million (2022 - $229 million) include dividends of $78 million (2022 - nil) payable on December 1, 2023 by Canadian Utilities Limited to its Class A and Class B and Equity Preferred share owners. In addition, dividends attributable to non-controlling interests include $17 million (2022 - $12 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.

(3) The changes in ownership interest in subsidiary company is related to Canadian Utilities Limited's dividend reinvestment program, and in 2022, purchases of Class A shares under the normal course issuer bid program. The bid expired on July 28, 2022.

(4) Sale of shares from MTIP Trust included in non-controlling interests of $16 million is related to Canadian Utilities Limited's sale of Class A shares held in its MTIP Trust.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2023**	**2022**	**2023**	**2022**
Operating activities					
Earnings for the period		**162**	131	**621**	547
Adjustments to reconcile earnings to cash flows from operating activities	10	**279**	361	**985**	1,181
Changes in non-cash working capital		**13**	(72)	**(207)**	(28)
Cash flows from operating activities		**454**	420	**1,399**	1,700
Investing activities					
Additions to property, plant and equipment		**(336)**	(379)	**(1,024)**	(966)
Proceeds on disposal of property, plant and equipment		**–**	2	**2**	2
Additions to intangibles		**(37)**	(36)	**(99)**	(104)
Acquisition, net of cash acquired	12	**–**	–	**(691)**	–
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed		**–**	–	**–**	8
Investment in joint ventures		**(1)**	(4)	**(7)**	(8)
Investment in marketable securities	6	**(3)**	–	**(296)**	–
Changes in non-cash working capital		**(26)**	42	**(52)**	47
Other	7	**(6)**	4	**(6)**	75
Cash flows used in investing activities		**(409)**	(371)	**(2,173)**	(946)
Financing activities					
Net repayment of short-term debt		**–**	(216)	**–**	(187)
Issue of long-term debt	8	**394**	269	**1,645**	573
Repayment of long-term debt	8	**(25)**	(66)	**(616)**	(244)
Repayment of lease liabilities		**(5)**	(4)	**(13)**	(13)
Issue of shares by subsidiary company		**1**	–	**1**	1
Purchase of Class I Shares	9	**–**	(23)	**(23)**	(22)
Proceeds from sale of Class I shares from MTIP Trust	9	**–**	–	**11**	–
Proceeds from sale of shares from subsidiary's MTIP Trust		**–**	–	**17**	–
Dividends paid to Class I and Class II Share owners	9	**(54)**	(52)	**(162)**	(158)
Dividends paid to non-controlling interests		**(69)**	(73)	**(217)**	(217)
Interest paid		**(102)**	(95)	**(318)**	(303)
Other		**(4)**	(3)	**(5)**	(5)
Cash flows from (used in) from financing activities		**136**	(263)	**320**	(575)
Increase (decrease) in cash position [(1)]		**181**	(214)	**(454)**	179
Foreign currency translation		**3**	2	**–**	2
Beginning of period		**395**	1,481	**1,033**	1,088
End of period	10	**579**	1,269	**579**	1,269

(1) Cash position includes $24 million which is not available for general use by the Company (2022 - $21 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2023

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

1. THE COMPANY AND ITS OPERATIONS

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

Effective July 1, 2023, ATCO Ltd. launched a branding initiative resulting in a change of its Utilities operating segment to ATCO Energy Systems and its Energy Infrastructure operating segment to ATCO EnPower. ATCO Energy Systems is the new global brand for gas and electrical utility services and ATCO EnPower is the new global brand for non-regulated energy businesses, including renewables, clean fuels, and energy storage (see Note 3). As this is a change in name of operating segments, there is no impact on the comparative amounts presented in the unaudited interim consolidated financial statements.

ATCO Ltd. is engaged in the following business activities:

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

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

Principal operating subsidiaries are:

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on October 25, 2023.

BASIS OF MEASUREMENT

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

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

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: ATCO Energy Systems [1]	Canadian Utilities Limited: ATCO EnPower [2]	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Revenues - external	**239**	**–**	**7**	**659**	**72**	**81**	**812**	**1,058**
	259	–	1	717	63	118	898	1,158
Revenues - intersegment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	4	4	(8)	–	–
Revenues	**239**	**–**	**7**	**659**	**72**	**81**	**812**	**1,058**
	259	–	1	721	67	110	898	1,158
Operating expenses [3]	**(177)**	**–**	**1**	**(349)**	**(42)**	**–**	**(391)**	**(567)**
	(216)	–	4	(345)	(48)	(139)	(532)	(744)
Depreciation and amortization	**(19)**	**–**	**(2)**	**(154)**	**(12)**	**(3)**	**(169)**	**(190)**
	(17)	–	(1)	(147)	(4)	(4)	(155)	(173)
Earnings from investment in associate company	**–**	**7**	**–**	**–**	**–**	**–**	**–**	**7**
	–	4	–	–	–	–	–	4
Earnings from investment in joint ventures	**(1)**	**–**	**–**	**13**	**2**	**–**	**15**	**14**
	1	–	–	18	3	–	21	22
Net finance costs	**(4)**	**–**	**(4)**	**(94)**	**(8)**	**(1)**	**(103)**	**(111)**
	(2)	–	(3)	(90)	(3)	3	(90)	(95)
Earnings (loss) before income taxes	**38**	**7**	**2**	**75**	**12**	**77**	**164**	**211**
	25	4	1	157	15	(30)	142	172
Income tax (expense) recovery	**(10)**	**–**	**(1)**	**(17)**	**(3)**	**(18)**	**(38)**	**(49)**
	(9)	–	–	(34)	(3)	5	(32)	(41)
Earnings (loss) for the period	**28**	**7**	**1**	**58**	**9**	**59**	**126**	**162**
	16	4	1	123	12	(25)	110	131
Adjusted earnings (loss)	**28**	**7**	**1**	**58**	**4**	**(17)**	**45**	**81**
	18	4	1	73	6	(15)	64	87
Capital expenditures [4]	**43**	**–**	**4**	**307**	**22**	**1**	**330**	**377**
	43	–	3	293	78	3	374	420

(1) ATCO Energy Systems operating segment was previously reported as Utilities. It includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in ATCO Energy Systems are disclosed below.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

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

(4) Includes additions to property, plant and equipment, intangibles and $4 million of interest capitalized during construction for the three months ended September 30, 2023 (2022 - $5 million).

Results of the operating segments included in ATCO Energy Systems (previously reported as Utilities) for the three months ended September 30 are shown below:

2023	**ATCO Energy Systems** [(1)]			
2022	**Electricity**	**Natural Gas**	**Intersegment Eliminations**	**Consolidated**
Revenues - external	**310**	**349**	**–**	**659**
	362	355	–	717
Revenues - intersegment	**1**	**1**	**(2)**	**–**
	4	2	(2)	4
Revenues	**311**	**350**	**(2)**	**659**
	366	357	(2)	721
Operating expenses [(2)]	**(134)**	**(217)**	**2**	**(349)**
	(134)	(213)	2	(345)
Depreciation and amortization	**(79)**	**(75)**	**–**	**(154)**
	(76)	(71)	–	(147)
Earnings from investment in joint ventures	**13**	**–**	**–**	**13**
	18	–	–	18
Net finance costs	**(57)**	**(37)**	**–**	**(94)**
	(54)	(36)	–	(90)
Earnings before income taxes	**54**	**21**	**–**	**75**
	120	37	–	157
Income tax expense	**(11)**	**(6)**	**–**	**(17)**
	(26)	(8)	–	(34)
Earnings for the period	**43**	**15**	**–**	**58**
	94	29	–	123
Adjusted earnings	**52**	**6**	**–**	**58**
	54	19	–	73
Capital expenditures [(3)]	**156**	**151**	**–**	**307**
	136	157	–	293

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

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

(3) Includes additions to property, plant and equipment, intangibles and $4 million of interest capitalized during construction for the three months ended September 30, 2023 (2022 - $5 million).

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

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: ATCO Energy Systems (1)	Canadian Utilities Limited: ATCO EnPower (2)	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Revenues - external	**687**	**–**	**11**	**2,322**	**224**	**276**	**2,822**	**3,520**
	688	–	1	2,472	172	297	2,941	3,630
Revenues - intersegment	**–**	**–**	**–**	**–**	**49**	**(49)**	**–**	**–**
	–	–	–	10	46	(56)	–	–
Revenues	**687**	**–**	**11**	**2,322**	**273**	**227**	**2,822**	**3,520**
	688	–	1	2,482	218	241	2,941	3,630
Operating expenses (3)	**(522)**	**–**	**2**	**(1,133)**	**(182)**	**(59)**	**(1,374)**	**(1,894)**
	(562)	–	2	(1,106)	(172)	(322)	(1,600)	(2,160)
Depreciation, amortization and impairment	**(57)**	**–**	**(6)**	**(468)**	**(36)**	**(10)**	**(514)**	**(577)**
	(48)	–	(6)	(446)	(12)	(10)	(468)	(522)
Earnings from investment in associate company	**–**	**17**	**–**	**–**	**–**	**–**	**–**	**17**
	–	12	–	–	–	–	–	12
Earnings from investment in joint ventures	**3**	**–**	**–**	**37**	**11**	**–**	**48**	**51**
	3	–	–	42	12	–	54	57
Net finance costs	**(11)**	**–**	**(9)**	**(275)**	**(21)**	**(5)**	**(301)**	**(321)**
	(5)	–	(10)	(274)	(7)	2	(279)	(294)
Earnings (loss) before income taxes	**100**	**17**	**(2)**	**483**	**45**	**153**	**681**	**796**
	76	12	(13)	698	39	(89)	648	723
Income tax (expense) recovery	**(24)**	**–**	**1**	**(104)**	**(10)**	**(38)**	**(152)**	**(175)**
	(24)	–	4	(163)	(9)	16	(156)	(176)
Earnings (loss) for the period	**76**	**17**	**(1)**	**379**	**35**	**115**	**529**	**621**
	52	12	(9)	535	30	(73)	492	547
Adjusted earnings (loss)	**76**	**17**	**(1)**	**240**	**17**	**(44)**	**213**	**305**
	57	12	(8)	279	16	(43)	252	313
Total assets (4)	**1,335**	**453**	**460**	**19,666**	**2,458**	**722**	**22,846**	**25,094**
	1,147	473	545	19,507	1,342	1,125	21,974	24,139
Capital expenditures (5)	**155**	**–**	**17**	**854**	**105**	**7**	**966**	**1,138**
	144	–	5	753	170	8	931	1,080

(1) ATCO Energy Systems operating segment was previously reported as Utilities. It includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in ATCO Energy Systems are disclosed below.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

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

(4) 2022 comparatives are at December 31, 2022.

(5) Includes additions to property, plant and equipment, intangibles and $15 million of interest capitalized during construction for the nine months ended September 30, 2023 (2022 - $10 million).

Results of the operating segments included in ATCO Energy Systems (previously reported as Utilities) for the nine months ended September 30 are shown below:

2023	**ATCO Energy Systems**			
2022	**Electricity**	**Natural Gas**	**Intersegment Eliminations**	**Consolidated**
Revenues - external	**1,045**	**1,277**	**–**	**2,322**
	1,121	1,351	–	2,472
Revenues - intersegment	**4**	**3**	**(7)**	**–**
	9	5	(4)	10
Revenues	**1,049**	**1,280**	**(7)**	**2,322**
	1,130	1,356	(4)	2,482
Operating expenses [(1)]	**(404)**	**(736)**	**7**	**(1,133)**
	(403)	(707)	4	(1,106)
Depreciation, amortization and impairment	**(246)**	**(222)**	**–**	**(468)**
	(233)	(213)	–	(446)
Earnings from investment in joint ventures	**37**	**–**	**–**	**37**
	42	–	–	42
Net finance costs	**(167)**	**(108)**	**–**	**(275)**
	(166)	(108)	–	(274)
Earnings before income taxes	**269**	**214**	**–**	**483**
	370	328	–	698
Income tax expense	**(53)**	**(51)**	**–**	**(104)**
	(85)	(78)	–	(163)
Earnings for the period	**216**	**163**	**–**	**379**
	285	250	–	535
Adjusted earnings	**141**	**99**	**–**	**240**
	157	122	–	279
Total assets [(2)]	**10,842**	**8,825**	**(1)**	**19,666**
	10,644	8,865	(2)	19,507
Capital expenditures [(3)]	**450**	**404**	**–**	**854**
	367	386	–	753

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

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

(3) Includes additions to property, plant and equipment, intangibles and $12 million of interest capitalized during construction for the nine months ended September 30, 2023 (2022 - $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:

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: ATCO Energy Systems [1]	Canadian Utilities Limited: ATCO EnPower [2]	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**28**	**7**	**1**	**58**	**4**	**(17)**	**45**	**81**
	18	4	1	73	6	(15)	64	87
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**38**	**38**	**38**
	–	–	–	–	–	(7)	(7)	(7)
Rate-regulated activities	**–**	**–**	**–**	**(23)**	**–**	**(2)**	**(25)**	**(25)**
	–	–	–	(7)	–	–	(7)	(7)
IT Common Matters decision	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**	**(3)**
	–	–	–	(2)	–	–	(2)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**28**	**7**	**1**	**32**	**4**	**19**	**55**	**91**
	18	4	1	64	6	(22)	48	71
Earnings attributable to non-controlling interests								**71**
								60
Earnings for the period								**162**
								131

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

The reconciliation of adjusted earnings and earnings for the operating segments included in ATCO Energy Systems (previously reported as Utilities) for the three months ended September 30 are shown below:

2023 2022	ATCO Energy Systems: Electricity	ATCO Energy Systems: Natural Gas	ATCO Energy Systems: Total
Adjusted earnings	**52**	**6**	**58**
	54	19	73
Rate-regulated activities	**(26)**	**3**	**(23)**
	(3)	(4)	(7)
IT Common Matters decision	**(2)**	**(1)**	**(3)**
	(2)	–	(2)
Earnings attributable to Class I and Class II Shares	**24**	**8**	**32**
	49	15	64

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

2023 2022	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited** **ATCO Energy Systems** [1]	 **ATCO EnPower** [2]	 **Corporate & Other**	 **Consolidated**	**ATCO Consolidated**
Adjusted earnings (loss)	**76**	**17**	**(1)**	**240**	**17**	**(44)**	**213**	**305**
	57	12	(8)	279	16	(43)	252	313
Transition of managed IT services	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	–	–	–	–	–
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**73**	**73**	**73**
	–	–	–	–	–	(25)	(25)	(25)
Rate-regulated activities	**–**	**–**	**–**	**(24)**	**–**	**–**	**(24)**	**(24)**
	–	–	–	24	–	–	24	24
IT Common Matters decision	**–**	**–**	**–**	**(8)**	**–**	**–**	**(8)**	**(8)**
	–	–	–	(6)	–	–	(6)	(6)
Impairment	**–**	**–**	**–**	**(4)**	**–**	**–**	**(4)**	**(4)**
	–	–	–	–	–	–	–	–
AUC enforcement proceeding	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(14)	–	–	(14)	(14)
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(5)	–	–	(5)	(5)
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	3	–	–	3	3
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	(1)	–	–	–	–	(1)
Earnings (loss) attributable to Class I and Class II Shares	**76**	**17**	**(1)**	**199**	**17**	**29**	**245**	**337**
	57	12	(9)	281	16	(68)	229	289
Earnings attributable to non-controlling interests								**284**
								258
Earnings for the period								**621**
								547

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

The reconciliation of adjusted earnings and earnings for the operating segments included in ATCO Energy Systems (previously reported as Utilities) for the nine months ended September 30 are shown below:

2023 2022	ATCO Energy Systems Electricity	 Natural Gas	 Total
Adjusted earnings	**141**	**99**	**240**
	157	122	279
Transition of managed IT services	**(1)**	**(4)**	**(5)**
	–	–	–
Rate-regulated activities	**(17)**	**(7)**	**(24)**
	9	15	24
IT Common Matters decision	**(5)**	**(3)**	**(8)**
	(4)	(2)	(6)
Impairment	**(4)**	**–**	**(4)**
	–	–	–
AUC enforcement proceeding	**–**	**–**	**–**
	(14)	–	(14)
Workplace COVID-19 vaccination standard	**–**	**–**	**–**
	(2)	(3)	(5)
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**
	3	–	3
Earnings attributable to Class I and Class II Shares	**114**	**85**	**199**
	149	132	281

Transition of managed IT services

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

Unrealized gains and losses on mark-to-market forward and swap commodity contracts

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts are recognized in the Corporate & Other segment.

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

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

Rate-regulated activities

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

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

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

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

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

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	
	2023	**2022**	**2023**	**2022**
Additional revenues billed in current period				
Future removal and site restoration costs (1)	**12**	14	**47**	48
Revenues to be billed in future periods				
Deferred income taxes (2)	**(20)**	(9)	**(59)**	(34)
Impact of warmer temperatures (3)	**(1)**	(3)	**(5)**	(4)
Impact of inflation on rate base (4)	**(6)**	(11)	**(17)**	(22)
Settlement of regulatory decisions and other items				
Distribution rate relief (5)	**2**	10	**7**	45
Other (6)	**(12)**	(8)	**3**	(9)
	(25)	(7)	**(24)**	24

(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) 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.

(4) The inflation-indexed portion of ATCO Gas Australia's (part of Natural Gas Distribution) rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in

the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related asset.

(5) In 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. This was approved by the AUC in 2021. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three and nine months ended September 30, 2023, $2 million (after-tax and NCI) and $7 million (after-tax and NCI) (2022 - $10 million (after-tax and NCI) and $45 million (after-tax and NCI)) was billed to customers.

(6) In the three months ended September 30, 2023, ATCO Electric Transmission refunded customers approximately $9 million (after-tax and NCI) to settle deferral accounts related primarily to property taxes and direct assigned capital.

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, 2023 was $3 million (after-tax and NCI) and $8 million (after-tax and NCI) (2022 - $2 million (after-tax and NCI) and $6 million (after-tax and NCI)).

Impairment of electric utility assets

In the nine months ended September 30, 2023, the Company recognized an impairment of $4 million (after-tax and NCI) relating to certain electricity generation assets in ATCO Electric Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value. The impairment was recognized in depreciation, amortization and impairment expense in the unaudited interim consolidated statements of earnings. As the impairment is not in the normal course of business, the charge was excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

For the nine months ended September 30, 2022, the Company recognized costs of $14 million (after-tax and NCI) related to the AUC enforcement proceeding. As this proceeding was 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 were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Gain on sale of ownership interest in a subsidiary company

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

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended September 30 is shown below:

2023 2022	Structures & Logistics	ATCO Energy Systems [1] Electricity [3]	Natural Gas [3]	Total	ATCO EnPower [2]	Corporate & Other [4], [5]	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**143**	**207**	**350**	**–**	**–**	**350**
	–	140	214	354	–	–	354
Transmission services	**–**	**129**	**87**	**216**	**–**	**–**	**216**
	–	176	82	258	–	–	258
Modular structures - services	**50**	**–**	**–**	**–**	**–**	**–**	**50**
	97	–	–	–	–	–	97
Logistics and facility operations and maintenance services	**17**	**–**	**–**	**–**	**–**	**–**	**17**
	30	–	–	–	–	–	30
Lodging and support	**51**	**–**	**–**	**–**	**–**	**–**	**51**
	30	–	–	–	–	–	30
Customer contributions	**–**	**7**	**6**	**13**	**–**	**–**	**13**
	–	8	6	14	–	–	14
Franchise fees	**–**	**9**	**40**	**49**	**–**	**–**	**49**
	–	9	46	55	–	–	55
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**84**	**84**
	–	–	–	–	–	113	113
Storage and industrial water	**–**	**–**	**–**	**–**	**20**	**–**	**20**
	–	–	–	–	19	–	19
Total rendering of services	**118**	**288**	**340**	**628**	**20**	**84**	**850**
	157	333	348	681	19	113	970
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**21**	**–**	**21**
	–	–	–	–	18	–	18
Commodity sales	**–**	**–**	**–**	**–**	**7**	**7**	**14**
	–	–	–	–	16	5	21
Modular structures - goods	**69**	**–**	**–**	**–**	**–**	**–**	**69**
	64	–	–	–	–	–	64
Total sale of goods	**69**	**–**	**–**	**–**	**28**	**7**	**104**
	64	–	–	–	34	5	103
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	–	4	–	4
Operating lease	**52**	**–**	**–**	**–**	**–**	**–**	**52**
	38	–	–	–	–	–	38
Total lease income	**52**	**–**	**–**	**–**	**4**	**–**	**56**
	38	–	–	–	4	–	42
Other	**–**	**22**	**9**	**31**	**20**	**(3)**	**48**
	–	29	7	36	6	1	43
Total	**239**	**310**	**349**	**659**	**72**	**88**	**1,058**
	259	362	355	717	63	119	1,158

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

(3) For the three months ended September 30, 2023, Electricity and Natural Gas segments include $105 million of unbilled revenue (2022 - $117 million).

(4) For the three months ended September 30, 2023, Corporate & Other segment includes $30 million of unbilled revenue (2022 - $35 million) from retail electricity and natural gas energy services.

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

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

2023 / 2022	Structures & Logistics	ATCO Energy Systems [1] Electricity [3]	Natural Gas [3]	Total	ATCO EnPower [2]	Corporate & Other [4], [5]	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**454**	**779**	**1,233**	**–**	**–**	**1,233**
	–	462	842	1,304	–	–	1,304
Transmission services	**–**	**472**	**260**	**732**	**–**	**–**	**732**
	–	535	253	788	–	–	788
Modular structures - services	**176**	**–**	**–**	**–**	**–**	**–**	**176**
	242	–	–	–	–	–	242
Logistics and facility operations and maintenance services	**43**	**–**	**–**	**–**	**–**	**–**	**43**
	90	–	–	–	–	–	90
Lodging and support	**139**	**–**	**–**	**–**	**–**	**–**	**139**
	82	–	–	–	–	–	82
Customer contributions	**–**	**25**	**18**	**43**	**–**	**–**	**43**
	–	24	17	41	–	–	41
Franchise fees	**–**	**28**	**192**	**220**	**–**	**–**	**220**
	–	28	216	244	–	–	244
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**268**	**268**
	–	–	–	–	–	282	282
Storage and industrial water	**–**	**–**	**–**	**–**	**57**	**–**	**57**
	–	–	–	–	45	–	45
Total rendering of services	**358**	**979**	**1,249**	**2,228**	**57**	**268**	**2,911**
	414	1,049	1,328	2,377	45	282	3,118
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**68**	**–**	**68**
	–	–	–	–	35	–	35
Commodity sales	**–**	**–**	**–**	**–**	**45**	**19**	**64**
	–	–	–	–	61	12	73
Modular structures - goods	**183**	**–**	**–**	**–**	**–**	**–**	**183**
	152	–	–	–	–	–	152
Total sale of goods	**183**	**–**	**–**	**–**	**113**	**19**	**315**
	152	–	–	–	96	12	260
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**11**	**–**	**11**
	–	–	–	–	11	–	11
Operating lease	**146**	**–**	**–**	**–**	**–**	**–**	**146**
	121	–	–	–	–	–	121
Total lease income	**146**	**–**	**–**	**–**	**11**	**–**	**157**
	121	–	–	–	11	–	132
Other	**–**	**66**	**28**	**94**	**43**	**–**	**137**
	1	72	23	95	20	4	120
Total	**687**	**1,045**	**1,277**	**2,322**	**224**	**287**	**3,520**
	688	1,121	1,351	2,472	172	298	3,630

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

(3) For the nine months ended September 30, 2023, Electricity and Natural Gas segments include $105 million of unbilled revenue (2022 - $117 million). At September 30, 2023, $105 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $117 million).

(4) For the nine months ended September 30, 2023, Corporate & Other segment includes $30 million of unbilled revenue (2022 - $35 million) from retail electricity and natural gas energy services. At September 30, 2023, $30 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $35 million).

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

5. EARNINGS PER SHARE

Earnings per Class I Non-Voting (Class I) and Class II Voting (Class II) Share are calculated by dividing the earnings attributable to Class I and Class II Shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and shares held in the mid-term incentive plan (MTIP) Trust on the weighted average Class I and Class II Shares outstanding. In May 2023, all of the shares held in the MTIP Trust were sold (see Note 9).

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	
	2023	**2022**	**2023**	**2022**
Average shares				
Weighted average shares outstanding	**113,358,878**	113,893,063	**113,402,416**	114,058,894
Effect of dilutive stock options	**14,856**	96,339	**90,291**	67,375
Effect of dilutive shares held in MTIP Trust	**–**	251,398	**129,142**	249,706
Weighted average dilutive shares outstanding	**113,373,734**	114,240,800	**113,621,849**	114,375,975
Earnings for earnings per share calculation				
Earnings for the period	**162**	131	**621**	547
Non-controlling interests	**(71)**	(60)	**(284)**	(258)
Earnings attributable to Class I and Class II Shares	**91**	71	**337**	289
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.80**	$0.62	**$2.97**	$2.53
Diluted earnings per Class I and Class II Share	**$0.80**	$0.62	**$2.97**	$2.53

6. MARKETABLE SECURITIES

In February 2023, the Company initially invested $290 million in marketable securities primarily consisting of publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds. . The Company's marketable securities are actively managed by an external investment manager. Any distributions received including interest income from the securities are reinvested in accordance with the Company's reinvestment instructions provided to the investment manager.

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three and nine months ended September 30, 2023, realized gains of $3 million and $6 million, respectively, were recognized in interest income and unrealized losses, resulting from fair value changes of nil and $3 million, respectively, were recognized in other costs and expenses in the unaudited interim consolidated statements of earnings.

7. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Energy Generation & Storage (1)	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2022	22,292	613	1,075	770	854	929	26,533
Additions	**34**	**37**	**1**	**862**	**142**	**11**	**1,087**
Transfers	**697**	**59**	**6**	**(776)**	**–**	**14**	**–**
Retirements and disposals	**(60)**	**–**	**(7)**	**(2)**	**(31)**	**(31)**	**(131)**
Acquisition (*Note 12)*	**–**	**641**	**–**	**46**	**–**	**–**	**687**
Foreign exchange rate adjustment	**(90)**	**12**	**(4)**	**(3)**	**(13)**	**(5)**	**(103)**
Changes to asset retirement costs	**–**	**8**	**–**	**–**	**–**	**–**	**8**
September 30, 2023	**22,873**	**1,370**	**1,071**	**897**	**952**	**918**	**28,081**
Accumulated depreciation and impairment							
December 31, 2022	5,816	197	257	–	273	486	7,029
Depreciation and impairment	**391**	**68**	**18**	**–**	**40**	**46**	**563**
Retirements and disposals	**(58)**	**–**	**(7)**	**–**	**(17)**	**(31)**	**(113)**
Foreign exchange rate adjustment	**(22)**	**3**	**(1)**	**–**	**(5)**	**(3)**	**(28)**
September 30, 2023	**6,127**	**268**	**267**	**–**	**291**	**498**	**7,451**
Net book value							
December 31, 2022	16,476	416	818	770	581	443	19,504
September 30, 2023	**16,746**	**1,102**	**804**	**897**	**661**	**420**	**20,630**

(1) Energy Generation & Storage property, plant and equipment was previously reported as Energy Infrastructure property, plant and equipment.

The additions to property, plant and equipment included $10 million of interest capitalized during construction for the nine months ended September 30, 2023 (2022 - $6 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 kilometer segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. This asset was previously recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets. The proceeds from sale are included in other investing activities in the unaudited interim consolidated statements of cash flows.

8. LONG-TERM DEBT

ACQUISITION FINANCING

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

PROJECT FINANCING

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, entered into a limited recourse term loan of $90 million with a bank lender. The loan is secured by the assets of the borrower. The loan amortizes quarterly until final maturity on December 31, 2034 and bears interest at CDOR plus an applicable margin. To mitigate the variable interest rate risk, the partnership entered into an interest rate swap agreement to fix the interest rate at 4.88 per cent, including the applicable margin (see Note 11).

OTHER

On September 20, 2023, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $340 million of 5.088 per cent debentures maturing September 20, 2053 (2022 - On September 14, 2022, CU Inc. issued $210 million of 4.773 per cent debentures maturing on September 14, 2052).

On May 1, 2023, the CU Inc. repaid $100 million of 9.4 per cent debentures (2022 - On April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures).

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

9. CLASS I AND CLASS II SHARES

At September 30, 2023, there were 100,933,882 (December 31, 2022 - 101,369,144) Class I shares and 12,424,996 (December 31, 2022 - 12,543,434) Class II shares outstanding. In addition, there were 2,363,300 options to purchase Class I shares outstanding at September 30, 2023, under the Company's stock option plan (December 31, 2022 - 1,882,600).

DIVIDENDS

The Company declared and paid cash dividends of $0.4756 and $1.4268 per Class I and Class II share during the three and nine months ended September 30, 2023 (2022 - $0.4617 and $1.3851). 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 September 12, 2023, the Company declared a fourth quarter dividend of $0.4756 per Class I and Class II share, payable on December 31, 2023 to share owners of record as of December 7, 2023.

NORMAL COURSE ISSUER BID

On March 13, 2023, ATCO Ltd. began a normal course issuer bid (NCIB) to purchase up to 1,014,881 outstanding Class I shares. On September 26, 2023, the NCIB was amended to increase the maximum outstanding number of Class I shares that may be purchased from 1,014,881 to 2,214,881. The bid will expire on March 12, 2024. The prior year NCIB to purchase up to 1,011,907 outstanding Class I shares began on March 9, 2022 and expired on March 8, 2023.

During the nine months ended September 30, 2023, 558,600 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 (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).

MID-TERM INCENTIVE PLAN

In May 2023, the Company sold all of the 259,590 Class I shares that were held in trust for the MTIP for proceeds of $11 million. In the unaudited interim consolidated balance sheets, the cost of the Class I shares sold of $10 million was recorded as an increase to Class I shares and the after tax gain of $1 million was recorded as an increase to contributed surplus. In the unaudited interim consolidated statements of cash flows, the proceeds from the sale of $11 million were recorded in financing activities.

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	**2022**	**2023**	**2022**
Depreciation, amortization and impairment	**190**	173	**577**	522
Earnings from investment in associate company	**(7)**	(4)	**(17)**	(12)
Dividends received from associate company	**–**	–	**16**	15
Earnings from investment in joint ventures	**(14)**	(22)	**(51)**	(57)
Dividends and distributions received from investment in joint ventures	**18**	4	**56**	41
Income tax expense	**49**	41	**175**	176
Unrealized (gains) losses on derivative financial instruments	**(91)**	21	**(180)**	61
Contributions by customers for extensions to plant	**37**	44	**117**	152
Amortization of customer contributions	**(13)**	(14)	**(43)**	(41)
Net finance costs	**111**	95	**321**	294
Income taxes paid	**(15)**	(5)	**(44)**	(32)
Interest received	**13**	12	**48**	22
Other	**1**	16	**10**	40
	279	361	**985**	1,181

CASH POSITION

Cash position at September 30 is comprised of:

	2023	**2022**
Cash	**540**	1,240
Short-term investments	**16**	8
Restricted cash [1]	**24**	21
Cash and cash equivalents	**580**	1,269
Bank indebtedness	**(1)**	–
Cash position	**579**	1,269

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

11. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	September 30, 2023		December 31, 2022	
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Finance lease receivables	**137**	**156**	149	185
Long-term advances due from joint venture [(1)]	**33**	**31**	33	30
Financial Liabilities				
Long-term debt	**11,075**	**9,741**	10,087	9,099

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, $3 million (2022 - nil), and other assets, $30 million (2022 - nil), on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable Securities

At September 30, 2023, the Company's marketable securities measured at fair value include publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds (see Note 6).

Derivatives Financial Instruments

The Company's derivative instruments are measured at fair value. At September 30, 2023 and December 31, 2022, the following derivative instruments were outstanding:

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

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

	Level 2		Level 3		
	Subject to Hedge Accounting		Subject to Hedge Accounting (1)	Not Subject to Hedge Accounting (2)	
Recurring Measurements	**Interest Rate Swaps**	**Commodities (2)**	**Commodities**		**Total Fair Value of Derivatives**
September 30, 2023					
Financial Assets					
Prepaid expenses and other current assets	**9**	**64**	**–**	**30**	**103**
Other assets	**52**	**36**	**–**	**74**	**162**
Financial Liabilities					
Provisions and other current liabilities	**–**	**28**	**–**	**25**	**53**
Other liabilities	**–**	**29**	**7**	**–**	**36**
December 31, 2022					
Financial Assets					
Prepaid expenses and other current assets	7	184	–	4	195
Other assets	46	91	–	14	151
Financial Liabilities					
Provisions and other current liabilities	1	36	–	98	135
Other liabilities	2	15	18	21	56

(1) Derivative financial instruments related to renewable power purchase agreements in the Canadian Utilities Limited's electricity generation business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value include electricity generation forecast volumes and extrapolated forward power prices. On September 15, 2023, Canadian Utilities Limited executed a renewable power purchase agreement with Lafarge Canada Inc. Under the agreement, Canadian Utilities Limited will receive a fixed price per megawatt per hour (MWh) and pay the settled price per MWh from the Alberta Electric System Operator as well as deliver the related renewable energy credits. The energy component within the agreement was designated as a cash flow hedge.

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

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2022 (1)	(18)	(101)	(119)
Settlement of derivative contracts	**1**	**47**	**48**
Gains recognized in earnings	**–**	**133**	**133**
Gains recognized in other comprehensive income	**24**	**–**	**24**
September 30, 2023 (1)	**7**	**79**	**86**

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

For the three months ended September 30, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(4)**	**(1)**	**(5)**	(8)	–	(8)
Fuel costs	**(2)**	–	**(2)**	1	–	1
Purchased power	**27**	–	**27**	41	–	41
Other costs and expenses	**5**	**(17)**	**(12)**	5	(33)	(28)
	26	**(18)**	**8**	39	(33)	6
Unrealized gains (losses)						
Other costs and expenses	**(1)**	**90**	**89**	–	(21)	(21)
Total	**25**	**72**	**97**	39	(54)	(15)

For the nine months ended September 30, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(13)**	**(1)**	**(14)**	(15)	–	(15)
Fuel costs	**(9)**	–	**(9)**	10	–	10
Purchased power	**79**	–	**79**	63	–	63
Other costs and expenses	**14**	**(46)**	**(32)**	15	(54)	(39)
	71	**(47)**	**24**	73	(54)	19
Unrealized gains (losses)						
Other costs and expenses	**(2)**	**180**	**178**	(4)	(57)	(61)
Total	**69**	**133**	**202**	69	(111)	(42)

Notional and maturity summary

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

Notional value and maturity	Subject to Hedge Accounting: Interest Rate Swaps	Natural Gas (1)	Power (2)	Foreign Currency Forward Contracts	Not Subject to Hedge Accounting: Natural Gas (1)	Power (2)	Foreign Currency Forward Contracts
September 30, 2023							
Purchases (3)	–	**47,921,725**	**4,444,716**	–	–	–	–
Sales (3)	–	**633,207**	**9,741,704**	–	**28,590,697**	**3,023,085**	–
Currency							
Canadian dollars	**438**	–	–	–	–	–	–
Australian dollars	**722**	–	–	–	–	–	–
Mexican pesos	–	–	–	–	–	–	**23**
U.S. dollars	–	–	–	–	–	–	**2**
Maturity	**2023-2045**	**2023-2027**	**2023-2038**	**NA**	**2023-2028**	**2023-2028**	**2024**
December 31, 2022							
Purchases (3)	–	35,272,100	4,234,062	–	–	–	–
Sales (3)	–	1,227,947	10,451,215	–	24,050,972	2,181,310	–
Currency							
Canadian dollars	443	–	–	–	–	–	–
Australian dollars	725	–	–	–	–	–	–
Mexican pesos	–	–	–	–	–	–	23
U.S. dollars	–	–	–	3	–	–	7
Maturity	2023-2045	2023-2026	2023-2038	2023	2023-2027	2023-2027	2023

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

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

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

12. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Power (2010) Ltd., a wholly owned subsidiary of Canadian Utilities Limited, acquired from Suncor Energy Inc. (Suncor) a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was $713 million, which included cash acquired of $38 million. The finalized working capital adjustment, which resulted in an additional payment of $16 million to Suncor, was recorded during the second quarter ended June 30, 2023. Identifiable assets acquired and liabilities assumed are $691 million.

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

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

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

Revenues and other income of $9 million and $57 million, and earnings attributable to Class I and Class II share owners of the Company of $1 million (after NCI) and $11 million (after NCI) were included in the unaudited interim consolidated statements of earnings for the three and nine months ended September 30, 2023. Transaction costs of $2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.

PARTNERSHIP WITH CHINIKI AND GOODSTONEY FIRST NATIONS

In September 2023, Canadian Utilities Limited announced the formation of a partnership for the Deerfoot and Barlow solar projects with the Chiniki and Goodstoney First Nations (the First Nations) through its wholly-owned subsidiary, ATCO Power (2010) Ltd. Under the terms of the partnership agreement, the First Nations will own a 51 per cent ownership interest in the partnership, and Canadian Utilities Limited will retain a 49 per cent ownership interest.

For accounting purposes, the Company has applied judgement in determining that it continues to retain significant financial risks in the projects, and therefore has accounted for the partnership as a controlled subsidiary using the consolidation method of accounting. The partnership is included in the ATCO EnPower operating segment (previously reported as Energy Infrastructure operating segment).