DISCLAIMER

Due to uncertainty surrounding the application of recent amendments to the *Competition Act* (Canada), this document is provided for historical information purposes only and does not constitute an active or current representation of ATCO Ltd. or any of its related parties. The purpose of this document is to comply with disclosure requirements that were in effect on the date this document was 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 THREE MONTHS ENDED MARCH 31, 2024

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2024 FIRST QUARTER FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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 three months ended March 31, 2024.

This MD&A was prepared as of May 1, 2024, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2024. Additional information, including the Company's previous MD&A (2023 MD&A), Annual Information Form (2023 AIF), and audited consolidated financial statements for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca. Information contained in the 2023 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.6 per cent ownership), ATCO Structures & Logistics Ltd. (ATCO Structures & Logistics) (100 per cent ownership), ATCO Land and Development Ltd. (ATCO Land and Development) (100 per cent ownership), and ASHCOR Technologies Ltd. (Ashcor) (100 per cent ownership). The Company also has an equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended March 31		
($ millions, except per share data and outstanding shares)	**2024**	**2023**	**Change**
Key Financial Metrics			
Revenues	**1,324**	1,358	(34)
Adjusted earnings (loss) [(1)]	**148**	137	11
Structures & Logistics [(1)]	**25**	22	3
Neltume Ports	**5**	5	—
ATCO Corporate & Other [(1)]	**—**	(5)	5
Canadian Utilities Limited [(1)]			
ATCO Energy Systems [(1)]	**116**	110	6
ATCO EnPower [(1)]	**4**	8	(4)
ATCO Australia [(1)]	**6**	9	(3)
Canadian Utilities Corporate & Other [(1)]	**(8)**	(12)	4
Adjusted earnings ($ per share) [(2)]	**1.32**	1.21	0.11
Earnings attributable to Class I and Class II Shares	**147**	167	(20)
Earnings attributable to Class I and Class II Shares ($ per share)	**1.31**	1.47	(0.16)
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**1.31**	1.47	(0.16)
Total assets	**25,347**	25,060	287
Long-term debt	**10,932**	10,825	107
Class I and Class II Share owners' equity	**4,508**	4,429	79
Cash dividends declared per Class I and Class II Share (cents per share)	**48.98**	47.56	1.42
Cash flows from operating activities	**554**	554	—
Capital investment [(3)]	**350**	1,050	(700)
Capital expenditures	**348**	358	(10)
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**112,159**	113,624	(1,465)
Diluted	**112,179**	113,925	(1,746)

(1) Total of segments measures (as defined in National Instrument 52-112 - Non GAAP and Other Financial Measures Disclosure (NI 52-112)). The most directly comparable measure reported in accordance with International Financial Reporting Standards (IFRS) is Earnings Attributable to Class I non-voting and Class II voting shares. See "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) Non-GAAP ratio (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is Earnings Attributable to Class I non-voting and Class II voting shares ($ per share). See "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.

(3) Non-GAAP financial measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is capital expenditures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

In the first quarter of 2024, ATCO Ltd. changed its operating segment structure to better align current strategy and future growth objectives. This change involved creating a new operating segment, ATCO Australia, which includes natural gas distribution (ATCO Gas Australia) and electricity generation operations (ATCO Power Australia) based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating

segment. In addition, ATCO Australia's corporate office was included in Canadian Utilities Corporate & Other. Comparative amounts for prior periods have been reclassified to reflect this change in reportable operating segments.

REVENUES

Revenues in the first quarter of 2024 were $1,324 million, $34 million lower than the same period in 2023. Lower revenues were mainly due to lower flow-through natural gas storage revenues and lower pricing realized at the Forty Mile wind facility in ATCO EnPower, lower flow-through revenues in Electricity Distribution, and decreased commodity prices in ATCOenergy. Lower revenues were partially offset by growth in rate base and an increase in return on equity (ROE) in ATCO Energy Systems, and higher workforce housing trade sale activity in most geographies in ATCO Structures.

ADJUSTED EARNINGS [(1)]

Our adjusted earnings in the first quarter of 2024 were $148 million or $1.32 per share, compared to $137 million or $1.21 per share for the same period in 2023.

Higher adjusted earnings in the first quarter of 2024 were mainly due to increased ROE and growth in rate base in ATCO Energy Systems' businesses, increased space rentals activity in most geographies and workforce housing trade sale activity in Canada in ATCO Structures, and higher interest income earned on Corporate investments. Higher adjusted earnings were partially offset by lower capture pricing at the Forty Mile wind facility at ATCO EnPower, and the impact of inflation indexing in ATCO Australia.

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 $147 million in the first quarter of 2024, $20 million lower compared to the same period in 2023. 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.

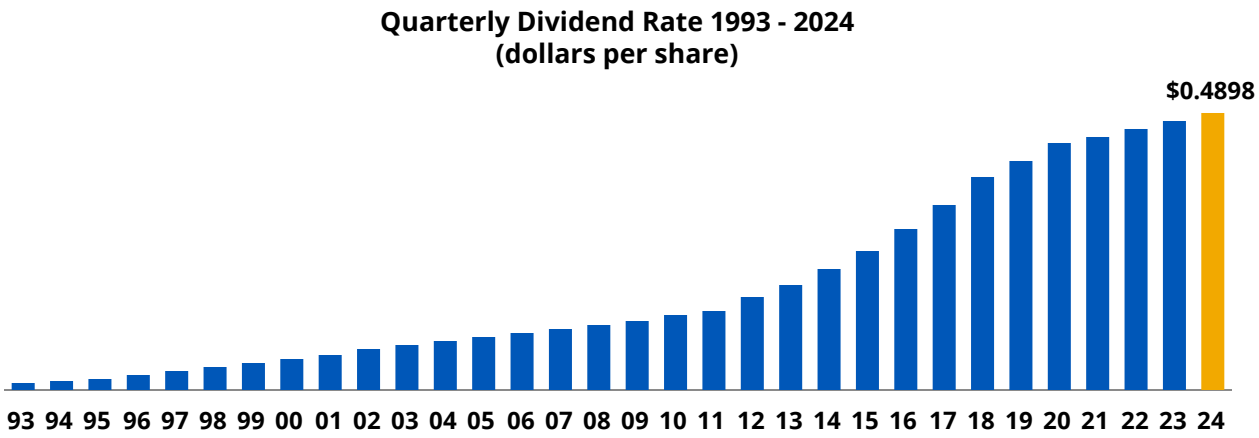
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities in the first quarter of 2024 were comparable to the same period in 2023.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II Share owners totaled $55 million in the first quarter of 2024. On April 11, 2024, the Board of Directors declared a second quarter dividend of 48.98 cents per share or $1.96 on an annualized basis. ATCO expects to continue to grow its dividends consistent with the sustainable growth of its investments.

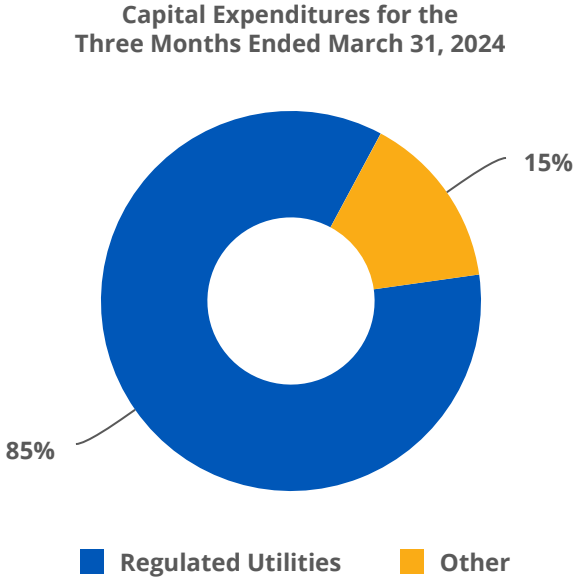
(1) *Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.*



CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

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. Total capital investment of $350 million in the first quarter of 2024 was $700 million lower compared to the same period in 2023 mainly due to the acquisition of the renewable energy portfolio in January 2023, decreased capital spending within Canadian Utilities' ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, and the timing of capital spend within ATCO Structures related to completion of customer orders in the US. Lower capital investments were partially offset by increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems.

Capital expenditures, a GAAP measure, include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Total capital expenditures of $348 million in the first quarter of 2024 were $10 million lower compared to the same period in 2023 mainly due to the factors outlined above with the exception of the 2023 renewable energy portfolio acquisition within ATCO EnPower.



Capital expenditures in Canadian Utilities' Regulated Utilities accounted for 85 per cent of the total in the first quarter of 2024. The remaining 15 per cent was primarily related to ATCO Structures' continued expansion of its space rentals fleet globally, and capital spending within ATCO EnPower, largely related to the Atlas Carbon Sequestration Hub project.

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[1] *Non-GAAP financial measure. See "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. ATCO Structures designs, builds and delivers products to service the essential need for housing and shelter around the globe. ATCO Frontec provides operational support services to government, defence and commercial clients.

REVENUES

Structures & Logistics revenues of $229 million in the first quarter of 2024 were $3 million higher than the same period in 2023 mainly due to higher workforce housing and space rental trade activity in Canada, higher workforce housing trade activity in Australia and the US in ATCO Structures, and ATCO Frontec's additional revenue from the Fire Prevention Services business acquired in December 2023. Higher revenues were partially offset by ATCO Structures' Bechtel Pluto Train II project reaching substantial completion in the second quarter of 2023, and the closure of ATCO Frontec-operated Trans Mountain Expansion Project (TMEP) camps.

ADJUSTED EARNINGS

		Three Months Ended March 31	
($ millions)	**2024**	**2023**	**Change**
ATCO Structures [(1)]	**24**	19	5
ATCO Frontec [(1)]	**1**	3	(2)
Total Structures & Logistics [(2)]	**25**	22	3

(1) Non-GAAP financial measures. See "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) Total of segments measure. See "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 $25 million in the first quarter of 2024 were $3 million higher than the same period in 2023. Higher adjusted earnings were mainly due to ATCO Structures' strong base business performance driven by increased space rentals activity in most geographies, workforce housing trade sale activity in Canada, and improved earnings at ATCO Frontec's Pogo Mine project. Earnings were partially offset by ATCO Structures' lower workforce housing rental earnings in Canada, and the closure of ATCO Frontec-operated camps including the TMEP camps.

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 modular 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 residential homes.

ATCO Structures adjusted earnings of $24 million in the first quarter of 2024 were $5 million higher than the same period in 2023 mainly due to ATCO Structures' strong base business driven by increased space rentals activity in most geographies and workforce housing trade sale activity in Canada due to multiple camp dismantlement projects in the quarter, which more than fully offset lower workforce housing rental activity in Canada, and lower earnings from the completion of the Pluto project and associated space rentals trade in Australia.

The following table compares ATCO Structures' rental fleet for the first quarter of 2024 and 2023.

	Three Months Ended March 31		
	2024	**2023**	**Change**
Global Space Rentals			
Number of units	**24,229**	23,024	5%
Average utilization *(%)*	**73**	75	(2%)
Average rental rate *($ per month)*	**775**	692	12%
Global Workforce Housing			
Number of units	**2,744**	2,681	2%
Average utilization *(%)*	**58**	74	(16%)
Average rental rate *($ per month)*	**1,279**	1,971	(35%)

Rental Fleet

Space Rentals

ATCO Structures continues to invest capital in Canada, the US and Australia in order to capture market share and execute the expansion strategy for sustainable base business. 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. Utilization follows a cyclical pattern with the North American construction season driving increased activity in the summer months. Current utilization levels ensure there is a mix of fleet available that is suitable for servicing the demands of a larger customer base.

Workforce Housing

Strong demand for workforce housing product in Australia has driven fleet growth in the region. The decrease in overall utilization and rental rates was primarily attributable to TMEP, which had three camps that concluded rental terms successively in each of the first three quarters of 2023, resulting in a progressive decrease in utilization and lower year-over-year utilization and rental rates.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Quebec Hospital Complex

ATCO Structures was previously awarded a contract for the sale and installation of a 42-unit modular hospital complex in Quebec. Site preparation, delivery and installation commenced during the first quarter of 2024, and installation is expected to be completed in the second quarter of 2024.

United States

LNG Facility

ATCO Structures was awarded a $28 million rental contract for 363 space rentals units supporting an LNG facility in the South Central United States. The rental term is expected to commence in the fourth quarter of 2024 for a term of 36 months.

Data Centre

ATCO Structures was awarded a $3 million rental contract for 33 space rentals units for a data centre in Alabama. The contract term is expected to commence in the second quarter of 2024 for a term of 36 months.

Micron

ATCO Structures was awarded a $3 million rental contract for 64 space rentals units to be deployed to Boise, Idaho supporting construction of a new chip fabrication facility. The units are expected to be fully deployed by the second quarter of 2024 for a term of 12 months.

In-Situ Copper Recovery

ATCO Structures was awarded a $5 million contract to design, manufacture, deliver and install three space rental office complexes for an in-situ copper recovery project in the Southwestern United States. The units are expected to be fully delivered by the fourth quarter of 2024.

Australia

Pilbara Mining

Structures Australia was awarded a $26 million supply and delivery contract for a 200-person camp in support of a mining project located in the Pilbara, 150-km south of Port Hedland. Manufacturing commenced during the first quarter of 2024 with final delivery anticipated in the third quarter of 2024.

Western Australia Infrastructure

ATCO Structures was awarded a $12 million supply and delivery contract for a 100-person camp and a 64-person camp, both in support of infrastructure projects in Western Australia. Manufacturing concluded during the first quarter of 2024 with final delivery anticipated in the third quarter of 2024.

LNG Facility

Structures Australia was awarded a $11 million supply and delivery contract for 58 blast-resistant, non-processing infrastructure buildings in support of an LNG Facility in Western Australia. Manufacturing commenced during the first quarter of 2024 with final delivery anticipated in the fourth quarter of 2024.

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 first quarter of 2024 were $2 million lower than the same period in 2023 mainly due to the closure of the TMEP camps in 2023, and lower occupancy at BC Hydro's Site C camp, partially offset by improved earnings from ATCO Frontec's Pogo Mine project, and additional earnings from the Fire Prevention Services business acquired in December 2023.



Employee at Fire Prevention Services 2016 Ltd.



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 March 31		
($ millions)	**2024**	**2023**	**Change**
Neltume Ports	**5**	5	—

Neltume Ports adjusted earnings of $5 million in the first quarter of 2024 were comparable to the same period in 2023.

RECENT DEVELOPMENTS

Vancouver Bulk Terminal Joint Venture

Neltume Ports and partner Nautilus International Holding Corporation are in the process of securing financing for a development at Vancouver Bulk Terminal that will allow for the export of 3 million tonnes of soda ash annually. The facility will support soda ash volumes from Solvay's Green River, Wyoming operations while providing additional export capacity to the North American soda ash industry. Neltume anticipates securing financing for the project in in the second quarter of 2024.



ATCO Corporate & Other contains ATCO Land and Development, Ashcor, and Fresh Bites, 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.

REVENUES

ATCO Corporate & Other revenues of $4 million in the first quarter of 2024 were $3 million higher compared to the same period in 2023 mainly due to additional revenues in Fresh Bites which was acquired in the second quarter of 2023.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
ATCO Corporate & Other [(1)]	—	(5)	5

(1) Total of segments measure. See "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 first quarter of 2024 were $5 million higher than the same period in 2023 mainly due to the timing of certain expenses and higher interest income earned.



Canadian Utilities is a diversified global energy infrastructure corporation delivering essential services and innovative business solutions through ATCO Energy Systems (electricity and natural gas transmission and distribution, and international operations); ATCO EnPower (renewables, energy storage, industrial water solutions, and clean fuels); ATCO Australia (natural gas distribution and electricity generation); and ATCOenergy and Rümi (retail electricity and natural gas services, home maintenance services and professional home advice).

ATCO ENERGY SYSTEMS

REVENUES

ATCO Energy Systems revenues of $887 million in the first quarter of 2024 were comparable to the same period in 2023. Revenues were positively impacted by growth in the Alberta regulated rate base and an increase in return on equity following the 2023 Alberta Utilities Commission (AUC) decision which set the 2024 ROE at 9.28 per cent, partially offset by lower flow-through revenue in Electricity Distribution.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Electricity			
Electricity Distribution [1]	**21**	20	1
Electricity Transmission [1]	**24**	24	—
International Electricity Operations [1]	**7**	6	1
Total Electricity [1]	**52**	50	2
Natural Gas			
Natural Gas Distribution [1]	**52**	47	5
Natural Gas Transmission [1]	**12**	13	(1)
Total Natural Gas [1]	**64**	60	4
Total ATCO Energy Systems [2]	**116**	110	6

(1) Non-GAAP financial measures. See "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) Total of segments measure. See "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 $116 million in the first quarter of 2024 were $6 million higher than the same period in 2023 mainly due to growth in rate base and an increase in ROE, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

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 in the first quarter of 2024 were $1 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

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 first quarter of 2024 were comparable to the same period in 2023.

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 in the first quarter of 2024 were $1 million higher compared to the same period in 2023 mainly due to lower operating costs in 2024.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $52 million in the first quarter of 2024 were $5 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $12 million in the first quarter of 2024 were $1 million lower than the same period in 2023 mainly due to the 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers, partially offset by growth in rate base and an increase in return on equity.

ATCO ENERGY SYSTEMS REGULATORY DEVELOPMENTS

Natural Gas Transmission

2024-2026 General Rate Application (GRA)

On July 31, 2023, ATCO Pipelines filed a GRA for 2024 through 2026. A comprehensive Negotiated Settlement Agreement (NSA) was reached with all participating interveners in December 2023, and an application was filed with the AUC in January 2024. On March 27, 2024, the AUC issued a decision approving the NSA for 2024 and 2025 in its entirety but limited the approval to two years.

ATCO ENPOWER

REVENUES

ATCO EnPower revenues of $91 million in the first quarter of 2024 were $35 million lower compared to the same period in 2023 mainly due to lower flow-through natural gas storage revenues and lower pricing realized at the Forty Mile wind facility. Lower revenues were partially offset by stronger seasonal spreads in natural gas storage services.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Electricity Generation [1]	**(1)**	4	(5)
Storage & Industrial Water [1]	**5**	4	1
Total ATCO EnPower [2]	**4**	8	(4)

(1) Non-GAAP financial measures. See "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) Total of segments measure. See "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 first quarter of 2024 were $4 million lower than the same period in 2023 mainly due to lower capture pricing at the Forty Mile wind facility, partially offset by stronger seasonal spreads in natural gas storage services.

Electricity Generation

Non-regulated electricity activities include the supply of electricity from solar, wind, hydroelectric, and distributed generation facilities in Canada, Mexico, and Chile.

Electricity Generation adjusted earnings in the first quarter of 2024 were $5 million lower compared to the same period in 2023 mainly due to lower capture pricing realized at the Forty Mile wind facility.

The following table compares ATCO EnPower's renewable portfolio performance in Canada for the first quarter of 2024 and 2023.

	Three Months Ended March 31		
	2024	**2023**	**Change**
Capacity Share [1] ***(MW)***	359	256	103
Average Availability *(%)*	87	91	(4)
Generation *(MWh)*	220,997	207,520	13,477
Wind	192,175	202,891	(10,716)
Solar	28,789	—	28,789
Hydroelectric	33	4,629	(4,596)
% Merchant	21	82	(61)
% PPA	79	18	61
Average Realized Price *($)*	84	106	(22)

(1) Capacity share represents the percentage of nameplate capacity owned by ATCO EnPower, except Deerfoot and Barlow solar which is represented at 100 per cent because it is a controlled subsidiary.

The average realized price related to the renewable portfolio decreased from an average of $106 per MWh in the first quarter of 2023 to an average of $84 per MWh in the first quarter of 2024. Merchant generation decreased as we increased the percentage of contracted generation in 2023 in response to expected lower merchant pricing and as we advanced project financings on certain assets.

Generation from the renewable portfolio was impacted by lower wind and hydroelectric generation, even as total generation increased after considering solar generation added from the Barlow, Deerfoot and Empress solar assets

which achieved commercial operations in the second half of 2023. In the first quarter of 2024, the Alberta wind fleet capacity factor has been as much as five to fifteen per cent below the 5-year daily moving average. Reservoir and river flows are also at a thirty-year low for this time of year due to drought conditions, affecting our Southern Alberta hydroelectric facility. In looking specifically at the decrease in wind generation of 10,716 MWh in the first quarter of 2024 as compared to the first quarter of 2023, it is important to note that ATCO EnPower's near-term development project is solar based and is expected to help balance our exposure to wind generation in our overall portfolio.

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 $5 million in the first quarter of 2024 were $1 million higher compared to the same period in 2023 mainly due to stronger seasonal spreads in natural gas storage services.

ATCO AUSTRALIA

REVENUES

ATCO Australia revenues of $53 million in the first quarter of 2024 were comparable to the same period in 2023.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
ATCO Gas Australia [1]	**5**	10	(5)
ATCO Power Australia [1]	**1**	(1)	2
Total ATCO Australia [2]	**6**	9	(3)

(1) Non-GAAP financial measures. See "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) Total of segments measure. See "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 Australia adjusted earnings of $6 million in the first quarter of 2024 were $3 million lower than the same period in 2023 mainly due to the impact of inflation indexing on rate base and increased 2024 project costs in ATCO Gas Australia, partially offset by higher rates and increased system volumes in ATCO Gas Australia, and higher project development costs in ATCO Power Australia in 2023.

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

ATCO Gas Australia

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

ATCO Gas Australia adjusted earnings of $5 million in the first quarter of 2024 were $5 million lower than the same period in 2023 mainly due to the impact of inflation indexing on rate base and increased project costs, partially offset by higher rates and increased system volumes.

In the first quarter of 2023, Australia inflation indexing reflected a full year inflation assumption of 4 to 5 per cent. It is expected that inflation for 2024 will be 3 per cent.

ATCO Power Australia

ATCO Power Australia develops, builds, owns and operates energy and infrastructure assets, including the two natural gas fired generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia.

ATCO Power Australia adjusted earnings of $1 million in the first quarter of 2024 were $2 million higher than the same period in 2023 mainly due to the timing of project development costs and engine repairs at the Karratha facility in 2023.

RECENT DEVELOPMENTS

South Australian Hydrogen Jobs Plan

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. Throughout the first quarter of 2024, progress continues on developing a contract offer price, and negotiation of engineering, procurement, construction and operations and maintenance contracts from delivery and operations of the project. The ECI phase of the project is expected to be completed by the third quarter of 2024.

ATCO AUSTRALIA REGULATORY DEVELOPMENTS

Access Arrangement 6 (AA6)

ATCO Gas Australia submitted AA6 to the Economic Regulation Authority (ERA) on September 1, 2023. Subsequent to quarter end, the ERA released a draft AA6 decision in April 2024, with a final decision due in late third quarter 2024. ATCO Gas Australia is reviewing the draft decision and has six weeks to submit responses to the ERA.

CANADIAN UTILITIES CORPORATE & OTHER

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

REVENUES

Canadian Utilities Corporate & Other revenues of $60 million in the first quarter of 2024 were $7 million lower compared to the same period in 2023 mainly due to lower prices for retail electricity and natural gas partially offset by an increase in retail customers in ATCOenergy.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Canadian Utilities Corporate & Other [(1)]	**(8)**	(12)	4

(1) Total of segments measure. See "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 first quarter of 2024 were $4 million higher compared to the same period in 2023 mainly due to the timing of certain expenditures and higher interest income earned.

RECENT DEVELOPMENTS

Executive Appointments

Effective March 1, 2024, Katie Patrick, Executive Vice President, Chief Financial & Investment Officer, ATCO, broadened her portfolio to include Chief Financial Officer for Canadian Utilities.

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 2023 Sustainability Report, to be published in May 2024, focuses on the following material topics:

- Energy Transition and Environment - energy transition and climate change, greenhouse gas (GHG) emissions, and land use and biodiversity;
- Resilience and Safety - system reliability and availability, emergency preparedness and response, employee safety and well-being, public health and safety, and cybersecurity;
- People and Partners - Indigenous relations, economic opportunities and reconciliation, community engagement and investment, customer experience and satisfaction, human capital development, retention, and attraction, and diversity, equity and inclusion; and
- Governance and Responsible Business – corporate governance, business ethics, government relations and political advocacy, and responsible supply chain.

In January 2022, we released our net zero by 2050 aspiration as well as an initial set of 2030 ESG Targets. Our Board of Directors recognizes and fully supports our net-zero aspiration and 2030 targets, and agrees that these aspirations 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, the Sustainability Accounting Standards Board, the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, and the new IFRS International Sustainability Standards Board (ISSB) Standards.

The 2023 Sustainability Report, ESG Datasheet, materiality assessment, and additional details and other disclosures will be published in May 2024 and made available on our website at www.atco.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To support the energy transition and 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.

PEOPLE & PARTNERS

Indigenous Relations, Economic Opportunities & Reconciliation

New Northland Utilities Enterprises Ltd. (NUE) Brand Name

Naka Power is the new brand name for Northland Utilities Enterprises Ltd. (NUE), a joint partnership between Denendeh Investments Incorporated (DII) and ATCO Electric Ltd. In most Dene First Nations languages, Naka ("nah-kah") is the word for the unique phenomenon known as the aurora borealis, or northern lights. The name change

honours the equal partnership with DII with a name that represents a shared commitment to the prosperity of the North.

Naka Power is an electric utility company operating in the Northwest Territories, Canada for over 70 years, connecting communities, forging partnerships, and powering essentials. In 2022, the Company and DII entered into a share purchase agreement increasing DII's ownership interest in NUE to 50 per cent, highlighting our continued commitment to foster community ownership and self-sustaining economic development.

POLICY/REGULATORY UPDATE

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

New Renewables Projects Approval Pause Ended with Updated Alberta Policy Guidance

On February 29, 2024, the pause for approvals on new renewable electricity generation projects (introduced August 2023) ended. At the same time, the Government of Alberta updated policy guidance on developing renewable power projects. This policy guidance addresses issues related to the use of agricultural lands, buffer zones, reclamation security, viewscape impacts, Crown lands, and municipal engagement that were considered during the pause.

Modernizing Alberta's Power Grid

The Government of Alberta enacted the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, 2022* effective March 5, 2024. The Act and its accompanying regulatory amendments are intended to help Alberta's electricity system adapt to new technologies and the changing ways that electricity producers and consumers interact with the grid.

Alberta Electricity Market Regulations

In March 2024, based on the report and recommendation of the Alberta Market Surveillance Administrator to address interim economic and physical withholding, the Minister of Affordability and Utilities announced the Market Power Mitigation Regulation and the Supply Cushion Regulation. The Alberta Electric System Operator (AESO) has until July 1, 2024, to create relevant rules to support these interim regulations which expire on November 30, 2027.

Alberta Restructured Energy Market Recommendation

In March 2024, the Minister of Affordability and Utilities directed the AESO to move forward with stakeholder engagement and detailed design for a Restructured Energy Market (REM) for the Alberta electricity grid. To implement the REM prior to the expiry of the interim regulations in 2027 (mentioned above), the AESO has aggressive timelines and plans to file an application for approval of the rules to enable the REM with the AUC in late 2024 or early 2025.

Utilities Affordability Statutes Amendment Act, 2024

Subsequent to quarter end, on April 18, 2024, the Government of Alberta announced changes to the Regulated Rate Option (RRO) to mitigate price volatility, effective January 1, 2025. Legislation to implement the changes was introduced in the Alberta legislature on April 22, 2024, with regulations and more implementation details to follow before fall of this year. The changes may have implications for the retail electricity sector beyond the RRO providers.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2024 and 2023 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 March 31	
($ millions)	**2024**	**2023**	**Change**
Operating costs	**682**	682	—
Depreciation and amortization	**199**	189	10
Earnings from investment in associate company	**5**	5	—
Earnings from investment in joint ventures	**20**	21	(1)
Net finance costs	**113**	103	10
Income tax expense	**80**	92	(12)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, in the first quarter of 2024 were comparable to the same period in 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $10 million in the first quarter of 2024 compared to the same period in 2023 mainly due to ATCO Structures' increase in global rental fleet assets, the Barlow, Deerfoot and Empress Solar projects reaching commercial operations throughout 2023 in Canadian Utilities' ATCO EnPower business, 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 first quarter of 2024 were comparable to the same period in 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, Naka Power (rebranded name for Northland Utilities Enterprises Ltd.) electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures in the first quarter of 2024 were comparable to the same period in 2023.

NET FINANCE COSTS

Net finance costs increased by $10 million in the first quarter of 2024 compared to the same period in 2023 mainly due to higher interest expense on additional debt issued to fund ongoing capital investment in the Regulated Utilities, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $12 million in the first quarter of 2024 compared to the same period in 2023 due to lower IFRS earnings before income taxes primarily driven by lower unrealized and realized gains on derivative financial instruments.

LIQUIDITY AND CAPITAL RESOURCES

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

CREDIT RATINGS

The following table shows the credit ratings assigned to ATCO, Canadian Utilities, CU Inc. and ATCO Gas Australia Pty Ltd (ATCO Gas Australia) at March 31, 2024.

	DBRS	Fitch
ATCO		
Issuer	A (low)	BBB+
Canadian Utilities		
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 [(1)] a BBB+ issuer and senior unsecured debt credit rating with a stable outlook.

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

On February 23, 2024, Fitch Ratings affirmed its 'BBB+' issuer rating and stable outlook on ATCO and its 'A-' issuer rating with a stable outlook on both Canadian Utilities and CU Inc.

On March 21, 2024, S&P Global Ratings affirmed Canadian Utilities' subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating and stable outlook.

LINES OF CREDIT

At March 31, 2024, ATCO and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**3,057**	979	2,078
Short-term committed	**310**	310	—
Uncommitted	**692**	270	422
Total	**4,059**	1,559	2,500

Of the $4,059 million in total lines of credit, $692 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,367 million in credit lines was committed with maturities between 2024 and 2027, and may be extended at the option of the lenders.

Of the $1,559 million in lines of credit used, $643 million was related to ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia'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 March 31, 2024, the Company's cash position was $92 million. This represents a decrease of $632 million compared to the same period in 2023 and a $196 million decrease from December 31, 2023. Major movements are outlined in the following table:

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Cash position, beginning of period	**288**	1,033	(745)
Cash from (used in):			
Operating activities	**554**	554	—
Investing activities	**(377)**	(1,332)	955
Financing activities	**(371)**	472	(843)
Foreign currency translation	**(2)**	(3)	1
Cash position, end of the period	**92**	724	(632)

The opening cash position of $288 million in the first quarter of 2024 was $745 million lower compared to the same period in 2023 mainly due to the $290 million investment in marketable securities in February 2023, the funding of capital projects throughout 2023, and the timing of payables.

Operating Activities

Cash flows from operating activities were comparable to the same period in 2023.

Investing Activities

Cash flows used in investing activities was $377 million in the first quarter of 2024, $955 million lower than the same period in 2023 mainly due to the 2023 acquisition of the renewable energy portfolio, and the investments in marketable securities in 2023, partially offset by ATCO Energy Systems' increased capital expenditures related to ongoing system upgrades and growth projects for new customers.

A reconciliation of capital investment to capital expenditures and information pertaining to marketable securities is summarized below.

Cash Used for Capital Investment [1] and Capital Expenditures

Capital investment and capital expenditures for the first quarter of 2024 and 2023 are shown in the following table.

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Structures & Logistics	**29**	50	(21)
ATCO Corporate & Other	**3**	4	(1)
	32	54	(22)
Canadian Utilities			
ATCO Energy Systems			
Electricity	**150**	145	5
Natural Gas	**131**	96	35
	281	241	40
ATCO EnPower	**14**	42	(28)
ATCO Australia	**16**	20	(4)
CU Corporate & Other	**5**	1	4
Canadian Utilities Total Capital Expenditures [1] [2]	**316**	304	12
ATCO Total Capital Expenditures	**348**	358	(10)
Capital Expenditures in joint ventures			
ATCO Energy Systems			
Electricity	**1**	1	—
ATCO EnPower	**1**	—	1
Business Combination			
ATCO EnPower	**—**	691	(691)
Canadian Utilities Total Capital Investment [3]	**318**	996	(678)
ATCO Total Capital Investment [3]	**350**	1,050	(700)

(1) Includes additions to property, plant and equipment, intangibles and $3 million (2023 - $6 million) of capitalized interest during construction for the first quarter of 2024.

(2) Includes $22 million for the first quarter of 2024 (2023 - $56 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions and government grants.

(3) Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Total capital investment of $350 million in the first quarter of 2024 was $700 million lower compared to the same period in 2023 mainly due to the acquisition of the renewable energy portfolio in January 2023, decreased capital spending within Canadian Utilities' ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, and the timing of capital spend within ATCO Structures related to completion of customer orders in the US. Lower capital investments were partially offset by increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems.

Total capital expenditures of $348 million in the first quarter of 2024 were $10 million lower compared to the same period in 2023 mainly due to the factors outlined above with the exception of the 2023 renewable energy portfolio acquisition within ATCO EnPower. Business combinations are excluded from capital expenditures.

Marketable Securities

In February 2023, the Company 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.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

Financing Activities

Cash flows used in financing activities were $371 million in the first quarter of 2024, $843 million lower than the same period in 2023 mainly due to the 2023 financing related acquisition of the renewable energy portfolio in January 2023, and the repayment of long-term debt in CU Inc. in the first quarter of 2024.

Information pertaining to financing activities is summarized below.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 31-year track record. Dividends paid to Class I and Class II Share owners totaled $55 million in the first quarter of 2024.

On April 11, 2024, the Board of Directors declared a second quarter dividend of 48.98 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.

Debenture Repayments

On March 6, 2024, Canadian Utilities' subsidiary, CU Inc., repaid $120 million of 6.215 per cent debentures upon maturity.

Normal Course Issuer Bid (NCIB)

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 NCIB to purchase up to 1,014,881 outstanding Class I Shares. On September 26, 2023, we amended the NCIB 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. This bid expired on March 12, 2024. During this period, 1,758,600 Class I Shares were purchased for $67 million.

On March 13, 2024, ATCO Ltd. commenced a NCIB to purchase up to 1,994,677 outstanding Class I Shares. The bid will expire on March 12, 2025. To date no shares have been purchased.

Base Shelf Prospectus - Canadian Utilities

On September 14, 2023, Canadian Utilities filed a short-form base shelf prospectus that permits it to issue Class A non-voting shares, preferred shares and debt securities, over the 25-month life of the prospectus. As of April 30, 2024, no securities had been issued under the prospectus.

Future Financing Alternatives

Significant opportunities for growth continue to be expected in connection with the energy transition, including existing and new opportunities within both ATCO Energy Systems and ATCO EnPower. To support this potential growth, Canadian Utilities intends to explore various financing alternatives. In the short-term we are considering partnership options. In the long-term we will continue to evaluate both private and public sources of funding. We are also considering the possibility of creating ATCO EnPower as a separate entity.

SHARE CAPITAL

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

At April 30, 2024, we had outstanding 99,733,891 Class I Shares, 12,424,987 Class II Shares, and options to purchase 2,256,850 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, 7,926,150 Class I Shares were available for issuance at March 31, 2024. 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 June 30, 2022 through March 31, 2024.

($ millions, except for per share data)	**Q2 2023**	**Q3 2023**	**Q4 2023**	**Q1 2024**
Revenues	1,104	1,058	1,221	**1,324**
Earnings attributable to Class I and Class II Shares	79	91	95	**147**
Earnings per Class I and Class II Share *($)*	0.70	0.80	0.85	**1.31**
Diluted earnings per Class I and Class II Share *($)*	0.70	0.80	0.85	**1.31**
Adjusted earnings per Class I and Class II Share *($)*	0.77	0.71	1.13	**1.32**
Adjusted earnings (loss) [(1)]				
Structures & Logistics [(1)]	26	28	14	**25**
Neltume Ports	5	7	5	**5**
ATCO Corporate & Other [(1)]	3	1	6	**—**
Canadian Utilities [(1)]				
ATCO Energy Systems [(1)]	51	46	95	**116**
ATCO EnPower [(1)]	5	4	7	**4**
ATCO Australia [(1)]	9	9	5	**6**
Canadian Utilities Corporate & Other [(1)]	(12)	(14)	(5)	**(8)**
Total adjusted earnings [(1)]	87	81	127	**148**

($ millions, except for per share data)	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**
Revenues	1,161	1,158	1,348	1,358
Earnings attributable to Class I and Class II Shares	90	71	81	167
Earnings per Class I and Class II Share *($)*	0.79	0.62	0.72	1.47
Diluted earnings per Class I and Class II Share *($)*	0.79	0.62	0.71	1.47
Adjusted earnings per Class I and Class II Share *($)*	0.81	0.76	0.97	1.21
Adjusted earnings (loss) [(1)]				
Structures & Logistics [(1)]	19	18	4	22
Neltume Ports	4	4	2	5
ATCO Corporate & Other [(1)]	(3)	1	8	(5)
Canadian Utilities [(1)]				
ATCO Energy Systems [(1)]	69	56	87	110
ATCO EnPower [(1)]	6	9	6	8
ATCO Australia [(1)]	13	13	9	9
Canadian Utilities Corporate & Other [(1)]	(16)	(14)	(6)	(12)
Total adjusted earnings [(1)]	92	87	110	137

(1) Total of segments measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares" in this MD&A.

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

ADJUSTED EARNINGS

Adjusted earnings in the second 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 Performance Based Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, the impact of inflation indexing on rate base in 2022 in ATCO Gas Australia, 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 ATCO Gas Australia, 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.

Adjusted Earnings in the fourth quarter of 2023 were higher mainly due to increased space rentals activity in most geographies for ATCO Structures, earnings from Triple M Housing acquired in December 2022, additional earnings from ATCO EnPower's Forty Mile and Adelaide wind assets acquired in January 2023, and Neltume Ports' increased ownership at Puerto Angamos and Terminal Graneles del Norte. Higher adjusted earning 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, the impact of inflation indexing on rate base in 2022 in ATCO Gas Australia, ATCO Structures' Bechtel Pluto Train II project reaching substantial completion, and lower workforce housing trade activity in the US and Mexico.

Adjusted earnings in the first quarter of 2024 were higher compared to the same period in 2023 mainly due to increased ROE and growth in rate base in ATCO Energy Systems' businesses, increased space rentals activity in most geographies and workforce housing trade sale activity in Canada in ATCO Structures, and higher interest income earned on Corporate investments. Higher adjusted earnings were partially offset by lower capture pricing at the Forty Mile wind facility at ATCO EnPower, and the impact of inflation indexing in ATCO Australia.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the fourth quarter of 2022, a reversal of impairment of $2 million (after-tax and non-controlling interests) was recorded mainly related to ATCO Australia'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 first quarter of 2023, the Company recognized legal and other costs of $5 million (after-tax and non-controlling interests) related to the early termination of the Wipro Master Service Agreements (MSAs) for managed IT services. This matter was concluded on February 26, 2023.
- 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 as it was determined that they no longer had any remaining value.
- In the fourth quarter of 2023, the Company recognized an impairment of $19 million (after-tax and non-controlling interests) of certain computer software assets which are not expected to be used in the Company.
- In the fourth quarter of 2023, the Company accrued income taxes and interest of $15 million relating to the 2009-2016 reassessment notices received from the Portuguese Tax Authority.

OTHER FINANCIAL AND NON-GAAP MEASURES

This MD&A should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2024. 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 (IFRS Accounting Standards).

This MD&A contains various “total of segments measures” (as such term is defined in NI 52-112), “non-GAAP financial measures” (as such term is defined in NI 52-112), and "non-GAAP ratios" (as such term is defined in NI 52-112), which are described in further detail below.

Total of Segments Measures

NI 52-112 defines a “total of segments measure” as a financial measure disclosed by an issuer that is a subtotal or total of two or more reportable segments of an entity, is not a component of a line item disclosed in the primary financial statements of the entity, is disclosed in the notes to the financial statements of the entity, and is not disclosed in the primary financial statements of the entity.

Consolidated adjusted earnings (loss) and adjusted earnings (loss) for each of Structures & Logistics, ATCO Corporate & Other, Canadian Utilities Limited, ATCO Energy Systems, ATCO EnPower, ATCO Australia, and Canadian Utilities Corporate & Other are total of segments measures, as defined in NI 52-112.

Non-GAAP Financial Measures

NI 52-112 defines a “non-GAAP financial measure” as a financial measure disclosed by an issuer that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

All references to capital investment, and references to adjusted earnings (loss) for each of ATCO Structures, ATCO Frontec, Electricity Distribution, Electricity Transmission, International Electricity Operations, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, Total Natural Gas, ATCO Gas Australia, ATCO Power Australia, Electricity Generation, and Storage & Industrial Water, are non-GAAP financial measures, as defined in NI 52-112.

Non-GAAP Ratio

NI 52-112 defines a "non-GAAP ratio" as a financial measure disclosed by an issuer that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-GAAP financial measure as one or more of its components, and (c) is not disclosed in the financial statements of the entity.

Adjusted earnings ($ per share) are a non-GAAP ratio, as defined in NI 52-112.

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

Adjusted earnings (loss) are most directly comparable to earnings (loss) 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 (loss) may not be comparable to similar financial measures disclosed by other issuers. Management's view is that adjusted earnings (loss) are a key measure of segment earnings (loss) that are used to assess segment performance and allocate resources and allow for a more effective analysis of operating performance and trends. For investors, adjusted earnings (loss) may provide value as they exclude items that are not in the normal course of business and, as such, provide insight as to earnings (loss) resulting from the issuer's usual course of business. A reconciliation of adjusted earnings (loss) to earnings (loss) 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 (loss) attributable to Class I and Class II Shares. Comparable total of segments measures for the same period in 2023 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 (loss) attributable to Class I and Class II Shares is presented in this MD&A.

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

($ millions)

Three Months Ended March 31

2024 2023	**ATCO Ltd.**								**ATCO Consolidated**
				Canadian Utilities Limited					
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**CU Corporate & Other**	**Consolidated**	
Revenues	**229**	**—**	**4**	**887**	**91**	**53**	**60**	**1,091**	**1,324**
	226	—	1	885	126	53	67	1,131	1,358
Adjusted earnings (loss)	**25**	**5**	**—**	**116**	**4**	**6**	**(8)**	**118**	**148**
	22	5	(5)	110	8	9	(12)	115	137
Unrealized gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**2**	**—**	**4**	**6**	**6**
	—	—	—	—	—	—	32	32	32
Rate-regulated activities	**—**	**—**	**—**	**(1)**	**—**	**(3)**	**—**	**(4)**	**(4)**
	—	—	—	11	—	(6)	—	5	5
IT Common Matters decision	**—**	**—**	**—**	**(3)**	**—**	**—**	**—**	**(3)**	**(3)**
	—	—	—	(3)	—	—	—	(3)	(3)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(1)	—	(4)	—	(5)	(5)
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	—	—	1	1	1
Earnings (loss) attributable to Class I and Class II Shares	**25**	**5**	**—**	**112**	**6**	**3**	**(4)**	**117**	**147**
	22	5	(5)	117	8	(1)	21	145	167

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

The Company's electricity generation and electricity and natural gas retail businesses enter 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 in the electricity generation business are recognized in the ATCO EnPower segment and electricity and natural gas retail business 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 Accounting Standards 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 Accounting Standards 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 Accounting Standards.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For the three months ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs [(1)]	**16**	16	—
Impact of colder temperatures [(2)]	**3**	1	2
Revenues to be billed in future periods			
Deferred income taxes [(3)]	**(17)**	(19)	2
Impact of inflation on rate base [(4)]	**(3)**	(5)	2
Settlement of regulatory decisions and other items			
Distribution rate relief [(5)]	**—**	3	(3)
Other [(6)]	**(3)**	9	(12)
	(4)	5	(9)

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

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

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

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

(5) In 2021, in response to the ongoing COVID-19 Pandemic, Electricity Distribution and Natural Gas Distribution applied and received approval from the AUC for interim rate relief for customers to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three months ended March 31, 2023, $3 million (after-tax and non-controlling interests) was billed to customers.

(6) For the three months ended March 31, 2023, Electricity Distribution recorded an increase in earnings of $8 million (after-tax and non-controlling interests) related to payments of electricity transmission costs.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the first quarter of 2024 was $3 million (2023 - $3 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 MSAs matter that was concluded on February 26, 2023.

ATCO Energy Systems

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

($ millions)

Three Months Ended March 31

	Canadian Utilities Limited							
	Electricity				Natural Gas			ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
2024								
2023								
Adjusted earnings	**21**	**24**	**7**	**52**	**52**	**12**	**64**	**116**
	20	24	6	50	47	13	60	110
Rate-regulated activities	**(7)**	**(3)**	**—**	**(10)**	**8**	**1**	**9**	**(1)**
	5	(2)	—	3	9	(1)	8	11
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(1)**	**—**	**(1)**	**(3)**
	(1)	(1)	—	(2)	(1)	—	(1)	(3)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	—	(1)	—	—	—	(1)
Earnings attributable to Class I and Class II Shares	**13**	**20**	**7**	**40**	**59**	**13**	**72**	**112**
	23	21	6	50	55	12	67	117

ATCO EnPower

The following table reconciles adjusted earnings for the ATCO EnPower business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)

Three Months Ended March 31

	Canadian Utilities Limited		
	Electricity Generation	Storage & Industrial Water	ATCO EnPower
2024			
2023			
Adjusted earnings (loss)	**(1)**	**5**	**4**
	4	4	8
Unrealized gains on mark-to-market forward and swap commodity contracts	**2**	**—**	**2**
	—	—	—
Earnings attributable to Class I and Class II Shares	**1**	**5**	**6**
	4	4	8

ATCO Australia

The following table reconciles adjusted earnings for the ATCO Australia business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)

	Three Months Ended March 31		
2024 / 2023	Canadian Utilities Limited		
	ATCO Gas Australia	**ATCO Power Australia**	**ATCO Australia**
Adjusted earnings (loss)	**5**	**1**	**6**
	10	(1)	9
Rate-regulated activities	**(3)**	**—**	**(3)**
	(6)	—	(6)
Transition of managed IT services	**—**	**—**	**—**
	(3)	(1)	(4)
Earnings (loss) attributable to Class I and Class II Shares	**2**	**1**	**3**
	1	(2)	(1)

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 March 31								
2024 / 2023	ATCO Ltd.								ATCO Consolidated
				Canadian Utilities Limited					
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**CU Corporate & Other**	**Consolidated**	
Capital Investment	**29**	**—**	**3**	**282**	**15**	**16**	**5**	**318**	**350**
	50	—	4	242	733	20	1	996	1,050
Capital Expenditures in joint ventures	**—**	**—**	**—**	**(1)**	**(1)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(1)	—	—	—	(1)	(1)
Business combination [1]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(691)	—	—	(691)	(691)
Capital Expenditures	**29**	**—**	**3**	**281**	**14**	**16**	**5**	**316**	**348**
	50	—	4	241	42	20	1	304	358

(1) Business combination refers to the acquisition of the renewable energy portfolio in ATCO EnPower in January 2023.

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of interim filings for the interim period ended March 31, 2024, 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 January 1, 2024 and ending on March 31, 2024.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

The Company has adopted amendments to IAS 1 *Presentation of Financial Statements* that are effective January 1, 2024. The amendments clarified the requirements for classifying current or non-current liabilities and introduced additional disclosures to assist users of financial statements in understanding the risk that non-current liabilities with covenants may become payable within the next twelve months after the balance sheet date. The adoption of the amendments did not have an impact to the Company's unaudited interim consolidated financial statements.

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 aspiration 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 commencement, completion or commercial operations of activities, contracts and projects; 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 diversification and expansion opportunities; the potential impacts of climate related effects on current assets; the expected balancing effect of ATCO EnPower's near-term development pipeline of projects; 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; the expected timing for securing financing for the development of Terminal 2, Berth 7 at the Port of Vancouver and the export capacity expected when construction is complete; the expected timing and impact of regulatory decisions and new regulatory announcements; the Company's liquidity, capital resources and contractual financial obligations and other commitments; and potential financing alternatives, including the possibility of creating ATCO EnPower as a separate entity.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to meet its initial set of 2030 ESG targets and successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and complete proposed development projects at currently estimated project budgets; the availability of financing sources on acceptable terms; 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, infrastructure, and future demand for resources; the development and execution of projects, including development projects, not proceeding on schedule or at all, or at currently estimated budgets; the availability of financing sources for development projects on acceptable terms; 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, extreme weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events, global pandemics, geopolitical tensions and wars; 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 the “Business Risks and Risk Management” section in the Company's Management's Discussion and Analysis for the year ended December 31, 2023.

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

Additional information relating to the Company, including the Company’s audited consolidated financial statements for the year ended December 31, 2023, unaudited interim consolidated financial statements for the three months ended March 31, 2024, and most recent Annual Information Form dated February 28, 2024, can be found on SEDAR+ at www.sedarplus.ca.

Copies of these documents may also 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. Corporate information is also available on the Company's website at www.atco.com.

GLOSSARY

AUC means the Alberta Utilities Commission.

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

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

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

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

Customer contributions are non-refundable cash contributions made by customers for certain additions to property, plant and equipment, mainly in ATCO Energy Systems. 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 ATCO Gas Australia.

ROE means return on equity.



ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
(millions of Canadian Dollars except per share data)	**Note**	**2024**	**2023**
Revenues	4	**1,324**	1,358
Costs and expenses			
Salaries, wages and benefits		**(152)**	(157)
Energy transmission and transportation		**(78)**	(75)
Plant and equipment maintenance		**(58)**	(62)
Fuel costs		**(43)**	(63)
Purchased power		**(69)**	(70)
Materials and consumables		**(116)**	(117)
Depreciation and amortization		**(199)**	(189)
Franchise fees		**(99)**	(108)
Property and other taxes		**(22)**	(20)
Derivative financial instruments gains	11	**23**	72
Other		**(68)**	(82)
		(881)	(871)
Earnings from investment in associate company		**5**	5
Earnings from investment in joint ventures		**20**	21
Operating profit		**468**	513
Interest income		**21**	19
Interest expense		**(134)**	(122)
Net finance costs		**(113)**	(103)
Earnings before income taxes		**355**	410
Income tax expense		**(80)**	(92)
Earnings for the period		**275**	318
Earnings attributable to:			
Class I and Class II Shares		**147**	167
Non-controlling interests		**128**	151
		275	318
Earnings per Class I and Class II Share	5	**$1.31**	$1.47
Diluted earnings per Class I and Class II Share	5	**$1.31**	$1.47

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
(millions of Canadian Dollars)	**2024**	**2023**
Earnings for the period	**275**	318
Other comprehensive loss, net of income taxes		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits [1]	**3**	(2)
Items that are or may be reclassified subsequently to earnings:		
Cash flow hedges [2]	**(28)**	(80)
Foreign currency translation adjustment [3]	**6**	12
Share of other comprehensive loss in associate company [3]	**–**	(4)
Share of other comprehensive income of joint ventures [3]	**1**	5
	(21)	(67)
Other comprehensive loss	**(18)**	(69)
Comprehensive income for the period	**257**	249
Comprehensive income attributable to:		
Class I and Class II Shares	**145**	137
Non-controlling interests	**112**	112
	257	249

(1) Net of income taxes of $(1) million for the three months ended March 31, 2024 (2023 - nil)).

(2) Net of income taxes of $9 million for the three months ended March 31, 2024 (2023 - $22 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	March 31 2024	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents		**118**	288
Marketable securities	6	**314**	304
Accounts receivable and contract assets		**917**	890
Finance lease receivables		**12**	12
Inventories		**125**	114
Prepaid expenses and other current assets		**199**	228
		1,685	1,836
Non-current assets			
Property, plant and equipment	7	**20,964**	20,857
Intangibles		**1,037**	1,028
Retirement benefit asset		**46**	49
Right-of-use assets		**119**	114
Goodwill		**242**	242
Investment in joint ventures		**252**	260
Investment in associate company		**482**	464
Finance lease receivables		**122**	126
Deferred income tax assets		**80**	75
Other assets		**318**	307
Total assets		**25,347**	25,358
LIABILITIES			
Current liabilities			
Bank indebtedness		**26**	–
Accounts payable and accrued liabilities		**867**	961
Lease liabilities		**18**	17
Provisions and other current liabilities		**103**	107
Long-term debt	8	**409**	531
		1,423	1,616
Non-current liabilities			
Deferred income tax liabilities		**2,189**	2,152
Retirement benefit obligations		**239**	244
Customer contributions		**2,047**	2,041
Lease liabilities		**108**	104
Other liabilities		**186**	186
Long-term debt	8	**10,523**	10,517
Total liabilities		**16,715**	16,860
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	9	**188**	187
Contributed surplus		**14**	14
Retained earnings		**4,304**	4,216
Accumulated other comprehensive income		**2**	6
		4,508	4,423
Non-controlling interests		**4,124**	4,075
Total equity		**8,632**	8,498
Total liabilities and equity		**25,347**	25,358

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to Equity Owners of the Company						
(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
December 31, 2022		179	10	4,090	97	4,376	3,968	8,344
Earnings for the period		–	–	167	–	167	151	318
Other comprehensive loss		–	–	–	(30)	(30)	(39)	(69)
Losses on retirement benefits transferred to retained earnings		–	–	(2)	2	–	–	–
Shares issued		–	–	–	–	–	6	6
Shares purchased and cancelled	9	(1)	–	(22)	–	(23)	–	(23)
Acquisition	12	–	–	–	–	–	27	27
Dividends [1]	9	–	–	(55)	–	(55)	(78)	(133)
Other		–	–	(6)	–	(6)	9	3
March 31, 2023		178	10	4,172	69	4,429	4,044	8,473
December 31, 2023		187	14	4,216	6	4,423	4,075	8,498
Earnings for the period		–	–	**147**	–	**147**	**128**	**275**
Other comprehensive loss		–	–	–	**(2)**	**(2)**	**(16)**	**(18)**
Gains on retirement benefits transferred to retained earnings		–	–	**2**	**(2)**	–	–	–
Shares issued		–	–	–	–	–	**10**	**10**
Dividends [1]	9	–	–	**(55)**	–	**(55)**	**(80)**	**(135)**
Other		**1**	–	**(6)**	–	**(5)**	**7**	**2**
March 31, 2024		**188**	**14**	**4,304**	**2**	**4,508**	**4,124**	**8,632**

(1) For the three months ended March 31, 2024, dividends paid to non-controlling interests of $80 million (2023 - $78 million) include $10 million (2023 - $6 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2024**	**2023**
Operating activities			
Earnings for the period		**275**	318
Adjustments to reconcile earnings to cash flows from operating activities	10	**394**	314
Changes in non-cash working capital		**(115)**	(78)
Cash flows from operating activities		**554**	554
Investing activities			
Additions to property, plant and equipment		**(319)**	(325)
Proceeds on disposal of property, plant and equipment		**–**	2
Additions to intangibles		**(26)**	(27)
Acquisition, net of cash acquired	12	**–**	(675)
Investment in joint ventures		**–**	(2)
Investment in marketable securities	6	**(4)**	(290)
Changes in non-cash working capital		**(14)**	(15)
Other		**(14)**	–
Cash flows used in investing activities		**(377)**	(1,332)
Financing activities			
Issue of long-term debt	8	**46**	786
Repayment of long-term debt	8	**(154)**	(47)
Repayment of lease liabilities		**(6)**	(4)
Net purchase of Class I Shares	9	**–**	(23)
Dividends paid to Class I and Class II Share owners	9	**(55)**	(55)
Dividends paid to non-controlling interests		**(70)**	(72)
Interest paid		**(132)**	(113)
Cash flows (used in) from financing activities		**(371)**	472
Decrease in cash position [(1)]		**(194)**	(306)
Foreign currency translation		**(2)**	(3)
Beginning of period		**288**	1,033
End of period	10	**92**	724

(1) Cash position includes $15 million which is not available for general use by the Company (2023 - $13 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2024

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

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

In the first quarter of 2024, ATCO Ltd. changed its operating segment structure to better align current strategy and future growth objectives. The change resulted in reporting the business activities of ATCO Australia as a separate reportable operating segment (see Note 3).

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 (52.6 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 (IFRS Accounting Standards). 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, 2023, prepared according to IFRS Accounting Standards.

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 and the change in

reportable segments. 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 May 1, 2024.

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.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

The Company has adopted amendments to IAS 1 Presentation of Financial Statements that are effective January 1, 2024. The amendments clarified the requirements for classifying current or non-current liabilities and introduced additional disclosures to assist users of financial statements in understanding the risk that non-current liabilities with covenants may become payable within the next twelve months after the balance sheet date. The adoption of the amendments did not have an impact to the Company's unaudited interim consolidated financial statements.

3. SEGMENTED INFORMATION

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

The accounting policies applied by the segments are the same as those applied by the Company, except for those used in the calculation of adjusted earnings. Intersegment transactions are measured at the exchange amount, as agreed to by the related parties.

In the first quarter of 2024, the Company changed its operating segment structure to better align current strategy and future growth objectives. This change involved reporting a new operating segment, ATCO Australia, which includes natural gas distribution and electricity generation operations based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating segment. In addition, ATCO Australia's corporate office was included in Canadian Utilities Corporate & Other. The change in reportable segments had no impact to the Company's previously reported historical consolidated balance sheets and the consolidated statements of earnings, comprehensive income, cash flows and changes in equity. Comparative segment results previously reported have been reclassified to reflect this change in the reportable operating segments.

Management has determined that the operating subsidiaries in the reportable segments below share similar economic characteristics, as such, they have been aggregated.

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

Structures & Logistics			The Structures & Logistics segment includes ATCO Structures & Logistics. This segment offers workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services.
Canadian Utilities Limited	**ATCO Energy Systems**	**Electricity**	The ATCO Energy Systems (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan, and the Company's 50 per cent ownership interest in LUMA Energy, LLC, which provides international electricity operations.
		Natural Gas	The ATCO Energy Systems (Natural Gas) segment includes ATCO Gas and ATCO Pipelines. These businesses provide integrated natural gas transmission and distribution services throughout Alberta and in the Lloydminster area of Saskatchewan.
	ATCO EnPower		The ATCO EnPower segment includes ATCO Renewables and ATCO Next Energy. These businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Yukon, the Northwest Territories, Ontario, Mexico and Chile.
	ATCO Australia		The ATCO Australia segment includes ATCO Gas Australia, which provides regulated natural gas distribution services in Western Australia, and ATCO Power Australia, which provides electricity generation.
	Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business, and a home maintenance solution provider.
Neltume Ports			The Neltume Ports segment includes the equity interest in Neltume Ports S.A., a leading port operator and developer based in South America. Neltume Ports operates eighteen port facilities and five port operation services businesses located in Chile, Uruguay, Argentina, Brazil and the United States.
Corporate & Other			ATCO Corporate & Other includes commercial real estate owned by the Company, intersegment eliminations, Ashcor, a business engaged in the processing and marketing of live ash and ash reclaimed from landfills, and Fresh Bites, a business engaged in food services.

Results by operating segment for the three months ended March 31 are shown below:

2024 2023	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited					ATCO Total
				ATCO Energy Systems [1]	ATCO EnPower	ATCO Australia	Corporate & Other	Total	
Revenues - external	**229**	_	**4**	**887**	**58**	**53**	**93**	**1,091**	**1,324**
	226	_	1	885	90	53	103	1,131	1,358
Revenues - intersegment	**_**	**_**	**_**	**_**	**33**	**_**	**(33)**	**_**	**_**
	_	_	_	_	36	_	(36)	_	_
Revenues	**229**	**_**	**4**	**887**	**91**	**53**	**60**	**1,091**	**1,324**
	226	_	1	885	126	53	67	1,131	1,358
Operating expenses [2]	**(173)**	**_**	**3**	**(386)**	**(57)**	**(32)**	**(37)**	**(512)**	**(682)**
	(179)	_	(1)	(384)	(90)	(44)	16	(502)	(682)
Depreciation and amortization	**(20)**	**_**	**(3)**	**(145)**	**(14)**	**(14)**	**(3)**	**(176)**	**(199)**
	(18)	_	(3)	(140)	(11)	(14)	(3)	(168)	(189)
Earnings from investment in associate company	**_**	**5**	**_**	**_**	**_**	**_**	**_**	**_**	**5**
	_	5	_	_	_	_	_	_	5
Earnings from investment in joint ventures	**1**	**_**	**_**	**14**	**3**	**2**	**_**	**19**	**20**
	2	_	_	13	3	3	_	19	21
Net finance costs	**(3)**	**_**	**(4)**	**(92)**	**(7)**	**(3)**	**(4)**	**(106)**	**(113)**
	(3)	_	(3)	(88)	(6)	(2)	(1)	(97)	(103)
Earnings (loss) before income taxes	**34**	**5**	**_**	**278**	**16**	**6**	**16**	**316**	**355**
	28	5	(6)	286	22	(4)	79	383	410
Income tax (expense) recovery	**(9)**	**_**	**_**	**(62)**	**(4)**	**(1)**	**(4)**	**(71)**	**(80)**
	(6)	_	1	(64)	(5)	2	(20)	(87)	(92)
Earnings (loss) for the period	**25**	**5**	**_**	**216**	**12**	**5**	**12**	**245**	**275**
	22	5	(5)	222	17	(2)	59	296	318
Adjusted earnings (loss)	**25**	**5**	**_**	**116**	**4**	**6**	**(8)**	**118**	**148**
	22	5	(5)	110	8	9	(12)	115	137
Total assets [3]	**1,278**	**472**	**517**	**18,781**	**2,331**	**1,520**	**448**	**23,080**	**25,347**
	1,283	454	463	18,619	2,340	1,557	642	23,158	25,358
Capital expenditures [4]	**29**	**_**	**3**	**281**	**14**	**16**	**5**	**316**	**348**
	50	_	4	241	42	20	1	304	358

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

(3) 2023 comparatives are at December 31, 2023.

(4) Includes additions to property, plant and equipment, intangibles and $3 million of interest capitalized during construction for the three months ended March 31, 2024 (2023 - $6 million).

Results of the operating segments included in ATCO Energy Systems for the three months ended March 31 are shown below:

2024	ATCO Energy Systems			
2023	Electricity	Natural Gas	Intersegment Eliminations	Total
Revenues - external	**364**	**523**	_	**887**
	377	508	_	885
Revenues - intersegment	**3**	**1**	**(4)**	_
	1	1	(2)	_
Revenues	**367**	**524**	**(4)**	**887**
	378	509	(2)	885
Operating expenses [1]	**(140)**	**(250)**	**4**	**(386)**
	(136)	(250)	2	(384)
Depreciation and amortization	**(83)**	**(62)**	_	**(145)**
	(79)	(61)	_	(140)
Earnings from investment in joint ventures	**14**	_	_	**14**
	13	_	_	13
Net finance costs	**(57)**	**(35)**	_	**(92)**
	(55)	(33)	_	(88)
Earnings before income taxes	**101**	**177**	_	**278**
	121	165	_	286
Income tax expense	**(21)**	**(41)**	_	**(62)**
	(26)	(38)	_	(64)
Earnings for the period	**80**	**136**	_	**216**
	95	127	_	222
Adjusted earnings	**52**	**64**	_	**116**
	50	60	_	110
Total assets [2]	**11,016**	**7,767**	**(2)**	**18,781**
	10,990	7,630	(1)	18,619
Capital expenditures [3]	**150**	**131**	_	**281**
	145	96	_	241

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

(2) 2023 comparatives are at December 31, 2023.

(3) Includes additions to property, plant and equipment, intangibles and $3 million of interest capitalized during construction for the three months ended March 31, 2024 (2023 - $6 million).

Results by operating segment for the year ended December 31 reflecting the realigned segments are shown below:

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited					ATCO Total
				ATCO Energy Systems [1]	ATCO EnPower	ATCO Australia	Corporate & Other	Total	
Revenues - external	**926**	**–**	**19**	**2,968**	**272**	**225**	**331**	**3,796**	**4,741**
	929	–	1	3,184	220	202	442	4,048	4,978
Revenues - intersegment	**–**	**–**	**–**	**–**	**83**	**–**	**(83)**	**–**	**–**
	–	–	–	16	77	–	(93)	–	–
Revenues	**926**	**–**	**19**	**2,968**	**355**	**225**	**248**	**3,796**	**4,741**
	929	–	1	3,200	297	202	349	4,048	4,978
Operating expenses [2]	**(720)**	**–**	**7**	**(1,453)**	**(227)**	**(153)**	**17**	**(1,816)**	**(2,529)**
	(789)	–	18	(1,482)	(234)	(110)	(447)	(2,273)	(3,044)
Depreciation, amortization and impairment	**(77)**	**–**	**(9)**	**(608)**	**(47)**	**(53)**	**(17)**	**(725)**	**(811)**
	(66)	–	(9)	(560)	(18)	(54)	(10)	(642)	(717)
Earnings from investment in associate company	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**22**
	–	14	–	–	–	–	–	–	14
Earnings from investment in joint ventures	**6**	**–**	**–**	**50**	**10**	**6**	**–**	**66**	**72**
	5	–	–	53	11	12	–	76	81
Net finance (costs) income	**(16)**	**–**	**(12)**	**(359)**	**(25)**	**(13)**	**(9)**	**(406)**	**(434)**
	(8)	–	(12)	(356)	(9)	(13)	7	(371)	(391)
Earnings (loss) before income taxes	**119**	**22**	**5**	**598**	**66**	**12**	**239**	**915**	**1,061**
	71	14	(2)	855	47	37	(101)	838	921
Income tax (expense) recovery	**(44)**	**–**	**–**	**(121)**	**(15)**	**(2)**	**(60)**	**(198)**	**(242)**
	(16)	–	1	(198)	(10)	(3)	12	(199)	(214)
Earnings (loss) for the year	**75**	**22**	**5**	**477**	**51**	**10**	**179**	**717**	**819**
	55	14	(1)	657	37	34	(89)	639	707
Adjusted earnings (loss)	**90**	**22**	**5**	**302**	**24**	**32**	**(43)**	**315**	**432**
	61	14	–	330	18	41	(41)	348	423
Total assets	**1,283**	**454**	**463**	**18,619**	**2,340**	**1,557**	**642**	**23,158**	**25,358**
	1,147	473	545	18,090	1,158	1,552	1,174	21,974	24,139
Capital expenditures [3]	**198**	**–**	**28**	**1,130**	**139**	**83**	**8**	**1,360**	**1,586**
	204	–	10	1,038	234	99	12	1,383	1,597

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

(3) Includes additions to property, plant and equipment, intangibles and $21 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $14 million).

Results of the operating segments included in ATCO Energy Systems for the year ended December 31 reflecting the realigned segments are shown below:

2023	ATCO Energy Systems			
2022	Electricity	Natural Gas	Intersegment Eliminations	Total
Revenues - external	**1,429**	**1,539**	**_**	**2,968**
	1,493	1,691	_	3,184
Revenues - intersegment	**7**	**4**	**(11)**	**_**
	21	1	(6)	16
Revenues	**1,436**	**1,543**	**(11)**	**2,968**
	1,514	1,692	(6)	3,200
Operating expenses [(1)]	**(570)**	**(894)**	**11**	**(1,453)**
	(591)	(897)	6	(1,482)
Depreciation, amortization and impairment	**(339)**	**(269)**	**_**	**(608)**
	(321)	(239)	_	(560)
Earnings from investment in joint ventures	**50**	**_**	**_**	**50**
	53	_	_	53
Net finance costs	**(225)**	**(134)**	**_**	**(359)**
	(222)	(134)	_	(356)
Earnings before income taxes	**352**	**246**	**_**	**598**
	433	422	_	855
Income tax expense	**(65)**	**(56)**	**_**	**(121)**
	(100)	(98)	_	(198)
Earnings for the year	**287**	**190**	**_**	**477**
	333	324	_	657
Adjusted earnings	**190**	**112**	**_**	**302**
	199	131	_	330
Total assets	**10,990**	**7,630**	**(1)**	**18,619**
	10,644	7,447	(1)	18,090
Capital expenditures [(2)]	**630**	**500**	**_**	**1,130**
	566	472	_	1,038

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

(2) Includes additions to property, plant and equipment, intangibles and $15 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $12 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 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 March 31 is shown below:

2024 2023	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited					ATCO Total
				ATCO Energy Systems	ATCO EnPower	ATCO Australia	Corporate & Other	Total	
Adjusted earnings (loss)	**25**	**5**	**–**	**116**	**4**	**6**	**(8)**	**118**	**148**
	22	5	(5)	110	8	9	(12)	115	137
Unrealized gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**2**	**–**	**4**	**6**	**6**
	–	–	–	–	–	–	32	32	32
Rate-regulated activities	**–**	**–**	**–**	**(1)**	**–**	**(3)**	**–**	**(4)**	**(4)**
	–	–	–	11	–	(6)	–	5	5
IT Common Matters decision	**–**	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**	**(3)**
	–	–	–	(3)	–	–	–	(3)	(3)
Transition of managed IT services	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(1)	–	(4)	–	(5)	(5)
Other	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–	1	1	1
Earnings (loss) attributable to Class I and Class II Shares	**25**	**5**	**–**	**112**	**6**	**3**	**(4)**	**117**	**147**
	22	5	(5)	117	8	(1)	21	145	167
Earnings attributable to non-controlling interests									**128**
									151
Earnings for the period									**275**
									318

The reconciliation of adjusted earnings and earnings for the operating segments included in ATCO Energy Systems for the three months ended March 31 are shown below:

2024 2023	ATCO Energy Systems		
	Electricity	Natural Gas	Total
Adjusted earnings	**52**	**64**	**116**
	50	60	110
Rate-regulated activities	**(10)**	**9**	**(1)**
	3	8	11
IT Common Matters decision	**(2)**	**(1)**	**(3)**
	(2)	(1)	(3)
Transition of managed IT services	**–**	**–**	**–**
	(1)	–	(1)
Earnings attributable to Class I and Class II Shares	**40**	**72**	**112**
	50	67	117

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

The Company's electricity generation and electricity and natural gas retail businesses enter 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 in the electricity generation business are recognized in the ATCO EnPower segment and electricity and natural gas retail business 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 Accounting Standards 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 Accounting Standards in the following ways:

	Timing Adjustment	Items	RRA Treatment	IFRS Accounting Standards 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 Accounting Standards.
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.

For the three months ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	2024	2023
Additional revenues billed in current period		
Future removal and site restoration costs [(1)]	**16**	16
Impact of colder temperatures [(2)]	**3**	1
Revenues to be billed in future periods		
Deferred income taxes [(3)]	**(17)**	(19)
Impact of inflation on rate base [(4)]	**(3)**	(5)
Settlement of regulatory decisions and other items		
Distribution rate relief [(5)]	**–**	3
Other [(6)]	**(3)**	9
	(4)	5

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

(2) ATCO Gas 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.

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

(4) The inflation-indexed portion of ATCO Gas Australia's (part of ATCO Australia) 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 and received approval from the AUC for interim rate relief for customers to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three months ended March 31, 2023, $3 million (after-tax and non-controlling interests (NCI)) was billed to customers.

(6) For the three months ended March 31, 2023, ATCO Electric Distribution recorded an increase in earnings of $8 million (after-tax and NCI) related to payments of electricity transmission costs.

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three months ended March 31, 2024 was $3 million (after-tax and NCI) (2023- $3 million (after-tax and NCI)).

Transition of managed IT services

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

ATCO Australia Annual Adjusted Earnings

For the year ended December 31, 2023, ATCO Australia’s earnings attributable to Class I and Class II Shares was $5 million (2022 - $18 million) and adjusted earnings was $32 million (2022 - $41 million). The most significant item included in ATCO Australia's adjusted earnings is rate-regulated activities of $23 million (after-tax and NCI) (2022 - $34 million (after-tax and NCI)).

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 March 31 is shown below:

2024 2023	Structures & Logistics	ATCO Energy Systems			ATCO EnPower	ATCO Australia [2]	Corporate & Other [3] [4]	Consolidated
		Electricity [1]	Natural Gas [1]	Total				
Revenue Streams								
Rendering of Services								
Distribution services	–	**153**	**337**	**490**	–	**39**	–	**529**
	–	167	315	482	–	39	–	521
Transmission services	–	**167**	**90**	**257**	–	–	–	**257**
	–	167	87	254	–	–	–	254
Modular structures - services	**59**	–	–	–	–	–	–	**59**
	65	–	–	–	–	–	–	65
Logistics and facility operations and maintenance services	**24**	–	–	–	–	–	–	**24**
	22	–	–	–	–	–	–	22
Lodging and support	**27**	–	–	–	–	–	–	**27**
	36	–	–	–	–		–	36
Customer contributions	–	**9**	**6**	**15**	–	**2**	–	**17**
	–	9	4	13	–	1	–	14
Franchise fees	–	**10**	**89**	**99**	–	–	–	**99**
	–	10	98	108	–	–	–	108
Retail electricity and natural gas services	–	–	–	–	–	–	**90**	**90**
	–	–	–	–	–	–	99	99
Storage and industrial water	–	–	–	–	**22**	–	–	**22**
	–	–	–	–	19	–	–	19
Total rendering of services	**110**	**339**	**522**	**861**	**22**	**41**	**90**	**1,124**
	123	353	504	857	19	40	99	1,138
Sale of Goods								
Electricity generation and delivery	–	–	–	–	**22**	**2**	–	**24**
	–	–	–	–	26	2	–	28
Commodity sales	–	–	–	–	**7**	–	**5**	**12**
	–	–	–	–	30	–	5	35
Modular structures - goods	**72**	–	–	–	–	–	–	**72**
	56	–	–	–	–	–	–	56
Total sale of goods	**72**	–	–	–	**29**	**2**	**5**	**108**
	56	–	–	–	56	2	5	119
Lease income								
Finance lease	–	–	–	–	**1**	**2**	–	**3**
	–	–	–	–	1	2	–	3
Operating lease	**46**	–	–	–	–	–	–	**46**
	47	–	–	–	–	–	–	47
Total lease income	**46**	–	–	–	**1**	**2**	–	**49**
	47	–	–	–	1	2	–	50
Other	**1**	**25**	**1**	**26**	**6**	**8**	**2**	**43**
	–	24	4	28	14	9	–	51
Total	**229**	**364**	**523**	**887**	**58**	**53**	**97**	**1,324**
	226	377	508	885	90	53	104	1,358

(1) For the three months ended March 31, 2024, Electricity and Natural Gas segments include $126 million of unbilled revenue (2023 - $118 million). At March 31, 2024, $126 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - $118 million).

(2) Revenues for the new reportable operating segment, ATCO Australia, were previously reported in ATCO Energy Systems (ATCO Australia's natural gas distribution operations), ATCO EnPower (ATCO Australia's electricity generation operations) and Corporate & Other (ATCO Australia's corporate office). Prior period amounts have been reclassified to align with current presentation. For the three months ended March 31, 2024, ATCO Australia segment

includes $20 million of unbilled revenue (2023 - $19 million). At March 31, 2024, $20 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - $19 million).

(3) For the three months ended March 31, 2024, Corporate & Other segment includes $59 million of unbilled revenue (2023 - $45 million) from retail electricity and natural gas energy services. At March 31, 2024, $59 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - $45 million).

(4) 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 vesting of shares held in the mid-term incentive plan (MTIP) Trust on the weighted average Class I and Class II Shares outstanding. In May 2023, the Company terminated the MTIP plan and all Class I shares held in the MTIP Trust were sold.

The earnings and average number of shares used to calculate earnings per share for the three months ended March 31 are as follows:

	2024	2023
Average shares		
Weighted average shares outstanding	**112,158,878**	113,624,269
Effect of dilutive stock options	**20,468**	43,780
Effect of dilutive shares held in MTIP Trust	**–**	256,616
Weighted average dilutive shares outstanding	**112,179,346**	113,924,665
Earnings for earnings per share calculation		
Earnings for the period	**275**	318
Non-controlling interests	**(128)**	(151)
Earnings attributable to Class I and Class II Shares	**147**	167
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$1.31**	$1.47
Diluted earnings per Class I and Class II Share	**$1.31**	$1.47

6. MARKETABLE SECURITIES

In February 2023, the Company invested $290 million in marketable securities primarily consisting of 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.

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three months ended March 31, 2024, realized gains of $4 million (2023 - $1 million) were recognized in interest income and unrealized gains, resulting from fair value changes, of $6 million (2023 - unrealized gains of $1 million) 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	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2023	23,321	1,548	1,089	524	979	959	28,420
Additions	**12**	**1**	**3**	**290**	**21**	**1**	**328**
Transfers	**154**	**(5)**	**12**	**(180)**	**2**	**17**	–
Retirements and disposals	**(27)**	–	–	–	**(18)**	**(7)**	**(52)**
Foreign exchange rate adjustment	**(28)**	**4**	**2**	**(2)**	**1**	**(3)**	**(26)**
Changes to asset retirement costs	–	**(7)**	–	–	–	–	**(7)**
March 31, 2024	**23,432**	**1,541**	**1,106**	**632**	**985**	**967**	**28,663**
Accumulated depreciation							
December 31, 2023	6,237	240	274	–	298	514	7,563
Depreciation	**138**	**11**	**6**	–	**14**	**15**	**184**
Retirements and disposals	**(27)**	–	–	–	**(8)**	**(7)**	**(42)**
Foreign exchange rate adjustment	**(8)**	**1**	**2**	–	**(2)**	**1**	**(6)**
March 31, 2024	**6,340**	**252**	**282**	–	**302**	**523**	**7,699**
Net book value							
December 31, 2023	17,084	1,308	815	524	681	445	20,857
March 31, 2024	**17,092**	**1,289**	**824**	**632**	**683**	**444**	**20,964**

The additions to property, plant and equipment included $2 million of interest capitalized during construction for the three months ended March 31, 2024 (2023 - $4 million).

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 was partially repaid in December 2023. The remaining balance of $68 million 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.

OTHER

On March 6, 2024, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, repaid $120 million of 6.215 per cent debentures.

9. CLASS I AND CLASS II SHARES

At March 31, 2024, there were 99,733,891 (December 31, 2023 - 99,733,891) Class I shares and 12,424,987 (December 31, 2023 - 12,424,987) Class II shares outstanding. In addition, there were 2,256,850 options to purchase Class I shares outstanding at March 31, 2024, under the Company's stock option plan (December 31, 2023 - 2,353,600).

DIVIDENDS

The Company declared and paid cash dividends of $0.4898 per Class I and Class II share during the three months ended March 31, 2024 (2023 - $0.4756). 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 April 11, 2024, the Company declared a second quarter dividend of $0.4898 per Class I and Class II share, payable on June 30, 2024 to share owners of record as of May 30, 2024.

NORMAL COURSE ISSUER BID

On March 13, 2024, the Company began a normal course issuer bid (NCIB) to purchase up to 1,994,677 outstanding Class I shares. The bid will expire on March 12, 2025. The prior year NCIB to purchase up to 2,214,881outstanding Class I shares began on March 13, 2023 and expired on March 12, 2024.

During the three months ended March 31, 2024, no Class I shares were purchased (2023 - 558,600 Class l 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).

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the three months ended March 31 are summarized below.

	Three Months Ended March 31	
	2024	**2023**
Depreciation and amortization	**199**	189
Earnings from investment in associate company	**(5)**	(5)
Earnings from investment in joint ventures	**(20)**	(21)
Dividends and distributions received from investment in joint ventures	**19**	17
Income tax expense	**80**	92
Unrealized gains on derivative financial instruments	**(14)**	(79)
Contributions by customers for extensions to plant	**22**	56
Amortization of customer contributions	**(17)**	(14)
Net finance costs	**113**	103
Income taxes paid	**(23)**	(13)
Interest received	**18**	15
Other	**22**	(26)
	394	314

CASH POSITION

Cash position at March 31 is comprised of:

	2024	2023
Cash	**74**	706
Short-term investments	**29**	5
Restricted cash [(1)]	**15**	13
Cash and cash equivalents	**118**	724
Bank indebtedness	**(26)**	–
	92	724

(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:

	March 31, 2024		December 31, 2023	
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Finance lease receivables	**134**	**150**	138	156
Long-term advances due from joint venture [(1)]	**30**	**28**	33	32
Financial Liabilities				
Long-term debt	**10,932**	**10,301**	11,048	10,744

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, nil (December 31, 2023 - $3 million), and other assets, $30 million (December 31, 2023 - $30 million), on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

At March 31, 2024, the Company's marketable securities measured at fair value include investment grade corporate bonds and debentures, private fixed income funds, and bank loans and commercial mortgage funds (see Note 6).

Derivative financial instruments

The Company's derivative instruments are measured at fair value. At March 31, 2024 and December 31, 2023, 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 power forward 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 [1]	Commodities		Total Fair Value of Derivatives
March 31, 2024					
Financial Assets					
Prepaid expenses and other current assets	**18**	**14**	_	**59**	**91**
Other assets	**4**	**5**	**98**	**90**	**197**
Financial Liabilities					
Provisions and other current liabilities	_	**41**	_	_	**41**
Other liabilities	_	**43**	_	_	**43**
December 31, 2023					
Financial Assets					
Prepaid expenses and other current assets	22	36	_	51	109
Other assets	3	16	90	94	203
Financial Liabilities					
Provisions and other current liabilities	_	43	_	6	49
Other liabilities	1	35	_	_	36

(1) Derivative financial instruments (Level 3) that are subject to hedge accounting are related to Canadian Utilities Limited's renewable power purchase agreements in its generation business (reported in ATCO EnPower operating segment) and supply contracts in its retail electricity and natural gas business (reported in Canadian Utilities Limited's Corporate & Other operating segment).

(2) Derivative financial instruments (Level 3) that are not subject to hedge accounting are related to customer contracts in the Canadian Utilities Limited's retail electricity and natural gas business (reported in Canadian Utilities Limited's Corporate & Other operating segment).

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 for the three months ended March 31, 2024 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2023 [1]	90	139	229
Settlement of derivative contracts	**(4)**	**(8)**	**(12)**
Gains recognized in earnings	**5**	**18**	**23**
Gains recognized in other comprehensive income	**7**	_	**7**
March 31, 2024 [1]	**98**	**149**	**247**

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

For the three months ended March 31, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2024			2023		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	_	**1**	**1**	(5)	_	(5)
Fuel costs	**(6)**	_	**(6)**	(4)	_	(4)
Purchased power	**12**	_	**12**	24	_	24
Derivative financial instruments	**1**	**8**	**9**	4	(11)	(7)
	7	**9**	**16**	19	(11)	8
Unrealized gains (losses)						
Derivative financial instruments	_	**14**	**14**	(1)	80	79
Total	**7**	**23**	**30**	18	69	87

Notional and maturity summary

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

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas [1]**	**Power [2]**	**Foreign Currency Forward Contracts**	**Natural Gas [1]**	**Power [2]**	**Foreign Currency Forward Contracts**
March 31, 2024							
Purchases [3]	_	**43,190,825**	**4,255,462**	_	_	_	_
Sales [3]	_	**243,499**	**8,967,846**	_	**20,558,794**	**2,780,679**	_
Currency							
Canadian dollars	**170**	_	_	_	_	_	_
Australian dollars	**719**	_	_	_	_	_	_
U.S. dollars	_	_	_	**14**	_	_	_
Mexican pesos	_	_	_	_	_	_	**23**
Maturity	**2024-2034**	**2024-2028**	**2024-2038**	**2024**	**2024-2028**	**2024-2028**	**2024**
December 31, 2023							
Purchases [3]	_	49,744,800	4,633,262	_	_	_	_
Sales [3]	_	422,595	10,288,344	_	26,647,764	3,096,245	_
Currency							
Canadian dollars	173	_	_	_	_	_	_
Australian dollars	719	_	_	_	_	_	_
U.S. dollars	_	_	_	5	_	_	1
Mexican pesos	_	_	_	_	_	_	23
Maturity	2024-2034	2024-2028	2024-2038	2024	2024-2028	2024-2028	2024

(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 COMBINATION

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Renewables 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 primarily financed 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.

The fair values of the identifiable assets acquired and liabilities assumed were as follows:

	Preliminary Values	Adjustments [1]	Final Values
Assets			
Accounts receivable and contract assets	10	1	11
Property, plant and equipment	641	(1)	640
Construction work-in-progress	46	(46)	_
Intangible assets	61	46	107
Other assets	9	_	9
Right-of-use assets	3	2	5
Goodwill	145	(4)	141
Total assets	915	(2)	913
Liabilities and non-controlling interest			
Accounts payable and accrued liabilities	(37)	_	(37)
Deferred income tax liabilities	(150)	5	(145)
Lease liabilities	(3)	(2)	(5)
Other liabilities	(7)	(1)	(8)
Non-controlling interest	(27)	_	(27)
Total liabilities and non-controlling interest	(224)	2	(222)
Total identifiable net assets acquired	691	_	691

(1) The Company recorded certain adjustments to the purchase price allocation in December 2023 following the finalization of the fair values of the identifiable assets acquired and liabilities assumed.