



ATCO LTD.
FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2020

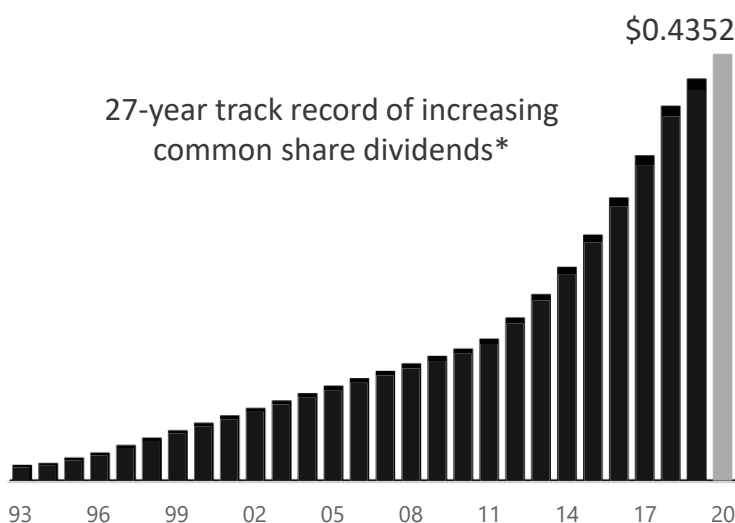
Q1 2020 INVESTOR FACT SHEET

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



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

TRACK RECORD OF DIVIDEND GROWTH



* On March 31, 2020, ATCO declared a second quarter dividend of \$0.4352 per share, or \$1.74 per share annualized.

GLOBAL ESSENTIAL SERVICES

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



ATCO AT A GLANCE

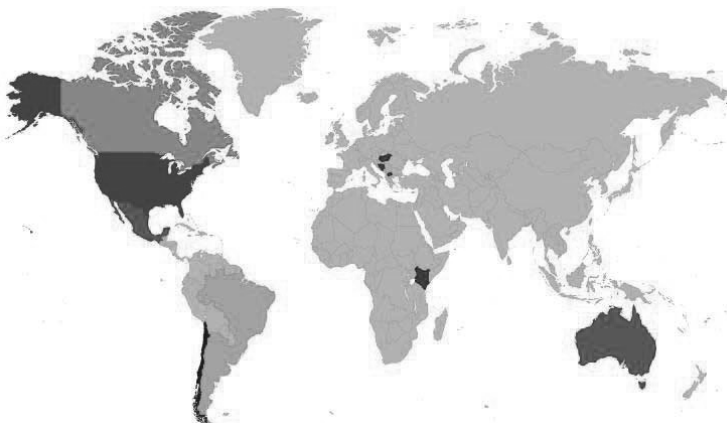
73-year history in more than 100 countries

"A-" rating by Standard & Poor's; "A" (low) rating by DBRS Limited

Total Assets	\$22 Billion
Modular Building Manufacturing Locations	7 Globally (1 Canada, 2 United States, 2 Australia, 1 Chile, 1 Mexico)
Electric Powerlines	75,000 kms
Pipelines	64,000 kms
Power Plants	5 Globally
Power Generating Capacity Share	244 MW *
Water Infrastructure Capacity	85,200 m3/d **
Natural Gas Storage Capacity	52 PJ ***
Hydrocarbon Storage Capacity	400,000 m3 ****
Ports and Port Operations	16 Ports, 3 Port Operation Services

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

GLOBAL GROWTH



- Electricity, Pipelines & Liquids, Structures & Logistics and Commercial Real Estate
- Electricity, Pipelines & Liquids, and Structures & Logistics
- Structures & Logistics
- Neltume Ports, Structures & Logistics, and Electricity
- Neltume Ports and Structures & Logistics
- Neltume Ports

ATCO SHARE INFORMATION

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

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

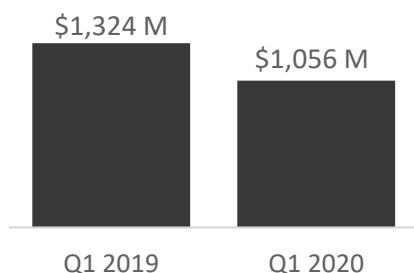
It is important for prospective owners of ATCO shares to understand that ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company. It is also important for present and prospective share owners to understand that the ATCO share registry has both Class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

We continue to grow and expand our international business.

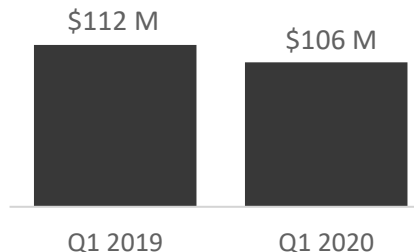
Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains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

Q1 2020 RESULTS

CONSOLIDATED REVENUES



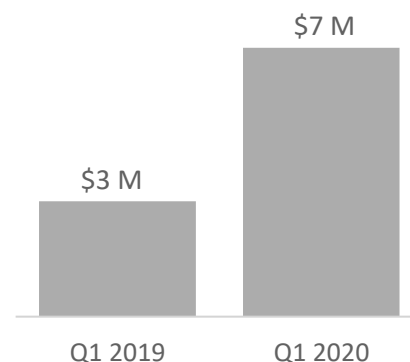
CONSOLIDATED ADJUSTED EARNINGS



STRUCTURES & LOGISTICS

- Higher adjusted earnings in the first quarter of 2020 were mainly due to incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.
- Began the manufacturing and installation work on a 12-dorm, 444-person expansion of the BC Hydro Site C Two Rivers Lodge.
- Began construction of a \$9 million, 44-unit apartment building in New Westminster, BC as part of the Government of BC's program to provide affordable housing to low income individuals and families across the province. Awarded a \$5 million contract to design, manufacture and install three permanent modular classrooms in Melbourne, Australia with the Victoria Department of Education.

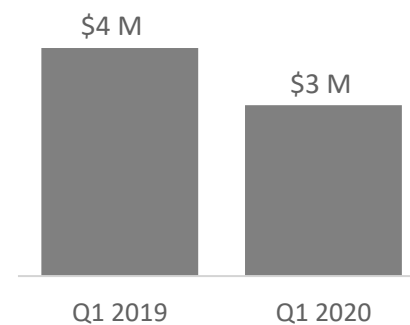
ADJUSTED EARNINGS



NELTUME PORTS

- Lower adjusted earnings in the first quarter of 2020 were mainly due to lower cargo volumes and margins.
- In January 2020, Neltume Ports entered into a 50/50 joint venture partnership with Terminal Zarate to build and operate a roll-on roll-off terminal in Mobile, Alabama. The port will primarily support the import and export needs of the growing automotive sector in the region.

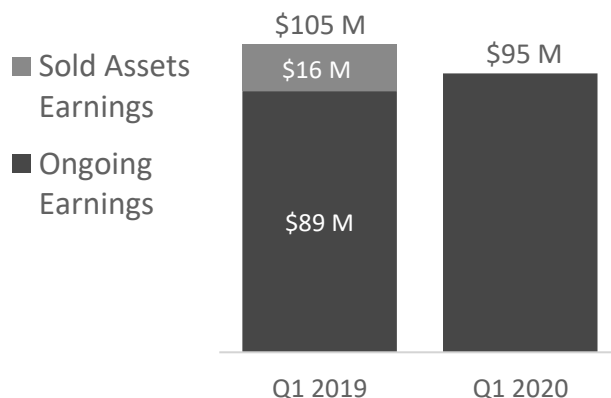
ADJUSTED EARNINGS



CANADIAN UTILITIES

- Lower adjusted earnings in the first quarter of 2020 were mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and APL in the fourth quarter of 2019.
- Excluding the forgone earnings impact from the sale of these businesses in 2019, Canadian Utilities earnings in the first quarter of 2020 were \$6 million higher mainly due to continuing cost efficiencies, utility rate base growth and lower income taxes.
- Completed and placed in-service the Pembina-Keephills Natural Gas Transmission pipeline ahead of schedule and below the \$230 million approved budget.

ADJUSTED EARNINGS



2020 FIRST QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

TABLE OF CONTENTS

Management's Discussion and Analysis	4
Consolidated Financial Statements	44



ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the three months ended March 31, 2020.

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

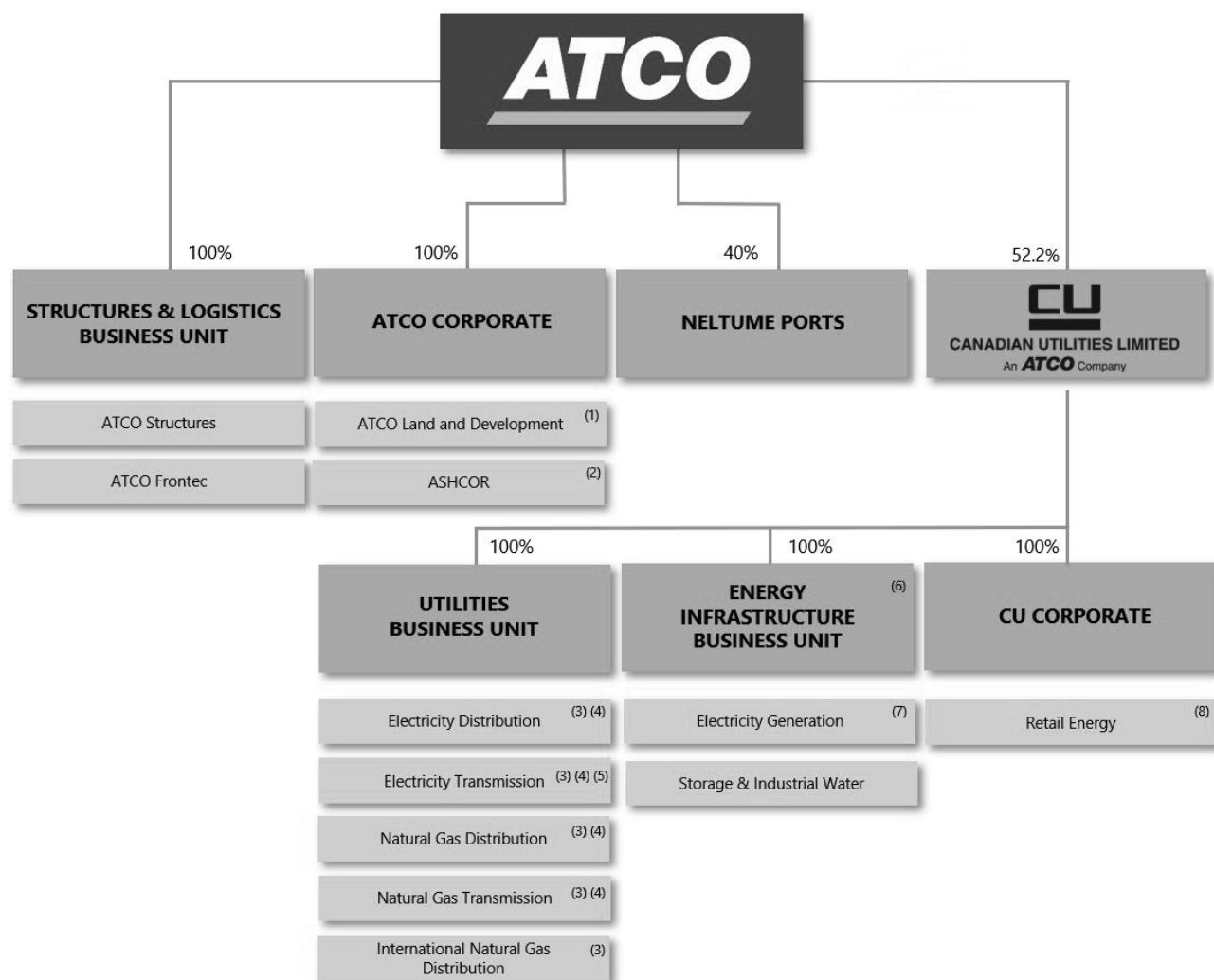
The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.2 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land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

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

TABLE OF CONTENTS

	Page
Organizational Structure	6
Performance Overview	8
Business Unit Performance	13
Structures & Logistics	13
Neltume Ports	17
ATCO Corporate & Other	18
Canadian Utilities	19
Utilities	19
Energy Infrastructure	21
Canadian Utilities Corporate & Other	22
Regulatory Developments	23
Sustainability, Climate Change and Energy Transition	24
Other Expenses and Income	25
Liquidity and Capital Resources	27
Share Capital	30
Quarterly Information	31
Non-GAAP and Additional GAAP Measures	35
Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares	36
Reconciliation of Funds Generated by Operations to Cash Flows from Operating Activities	40
Reconciliation of Capital Investment to Capital Expenditures	41
Other Financial Information	42
Glossary	43

ORGANIZATIONAL STRUCTURE



- (1) ATCO Land and Development Ltd. includes commercial real estate investments held for sale, lease or development.
- (2) In December 2019, ATCO purchased Canadian Utilities' 100 per cent ownership interest in ASHCOR Technologies Ltd. (ASHCOR), an Alberta-based company engaged in marketing fly ash.
- (3) Regulated businesses include Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission, and International Natural Gas Distribution.
- (4) Canadian Utilities' 100 per cent owned subsidiary CU Inc. includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.
- (5) Electricity Transmission was the construction project manager for Alberta PowerLine and is the operator of Alberta PowerLine under a 35-year contract.
- (6) Alberta PowerLine Limited Partnership (Alberta PowerLine or APL), was a partnership between Canadian Utilities Limited (80 per cent) and Quanta Services, Inc. (Quanta) (20 per cent). In 2019, Canadian Utilities, and Quanta completed the sale of APL. Canadian Utilities received aggregate proceeds of \$222 million for its interest in APL. Electricity Transmission will remain as the operator over its 35-year contract with the Alberta Electric System Operator.
- (7) In the fourth quarter of 2019, Canadian Utilities completed the sale of its Canadian fossil fuel-based electricity generation portfolio for aggregate proceeds of \$821 million. Canadian Utilities continues to own 244-MW of electricity generation assets in Canada, Mexico and Australia.
- (8) Retail Energy, through ATCO Energy Ltd. (ATCOenergy), provides retail, commercial and industrial electricity and natural gas service in Alberta.

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

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments and its equity-accounted investment in associate company (Neltume Ports). Principal subsidiaries are Canadian Utilities, of which ATCO Ltd. owns 52.2 per cent (38.3 per cent of the Class A non-voting shares and 90.2 per cent of the Class B common shares), and ATCO Structures & Logistics

Ltd., of which ATCO Ltd. owns 100 per cent of the common shares. ATCO Ltd. also owns 100 per cent of the common shares of ATCO Land and Development Ltd. and ASHCOR Technologies Ltd.

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

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended March 31		
<i>(\$ millions, except per share data and outstanding shares)</i>	2020	2019	Change
Key Financial Metrics			
Revenues	1,056	1,324	(268)
Adjusted earnings ⁽¹⁾	106	112	(6)
Structures & Logistics	7	3	4
Neltume Ports	3	4	(1)
ATCO Corporate & Other	1	–	1
Canadian Utilities Limited			
Utilities	99	93	6
Energy Infrastructure	3	19	(16)
Canadian Utilities Corporate & Other	(7)	(7)	–
Adjusted earnings (\$ per share) ⁽¹⁾	0.93	0.98	(0.05)
Earnings attributable to Class I and Class II Shares	87	112	(25)
Earnings attributable to Class I and Class II Shares (\$ per share)	0.76	0.98	(0.22)
Cash dividends declared per Class I and Class II Share (cents per share)	43.52	40.48	3.04
Funds generated by operations ⁽¹⁾	516	579	(63)
Capital investment ⁽¹⁾	303	343	(40)
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding <i>(thousands)</i> :			
Basic	114,352	114,323	29
Diluted	114,732	114,723	9

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

REVENUES

Revenues for the first quarter of 2020 were \$1,056 million, \$268 million lower than the same period in 2019. Lower revenues were mainly due to forgone revenue following the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Revenues from Alberta PowerLine construction activity in the first quarter of 2019 and the subsequent sale of APL in the fourth quarter of 2019 also contributed to lower revenues in the first quarter of 2020. These factors were partially offset by higher first quarter revenues in ATCO Structures mainly due to the LNG Canada Cedar Valley Lodge contract and in the Alberta Utilities from growth in the regulated rate base.

ADJUSTED EARNINGS

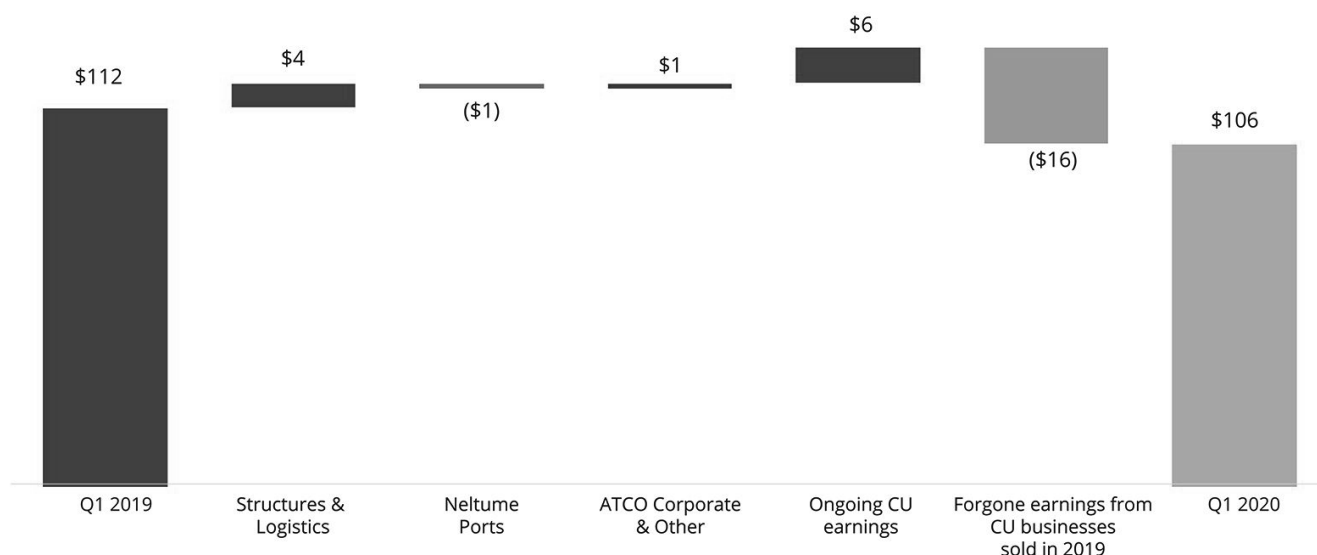
Our adjusted earnings in the first quarter of 2020 were \$106 million or \$0.93 per share, compared to \$112 million or \$0.98 per share for the same period in 2019.

The primary drivers of adjusted earnings results were as follows:

- Structures & Logistics adjusted earnings in the first quarter of 2020 were \$4 million higher than the same period in 2019. The increase was mainly due to continued work on ATCO Structures' LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia.
- Canadian Utilities adjusted earnings in the first quarter of 2020 were \$10 million lower than the same period in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and APL in the fourth quarter of 2019. Excluding the forgone earnings impact from the sale of these

businesses in 2019, Canadian Utilities earnings in the first quarter of 2020 were \$6 million higher than the same period in 2019 mainly due to continuing cost efficiencies, utility rate base growth and lower income taxes.

Adjusted Earnings (\$ Millions)



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 \$87 million in the first quarter of 2020, \$25 million lower compared to the first quarter of 2019. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

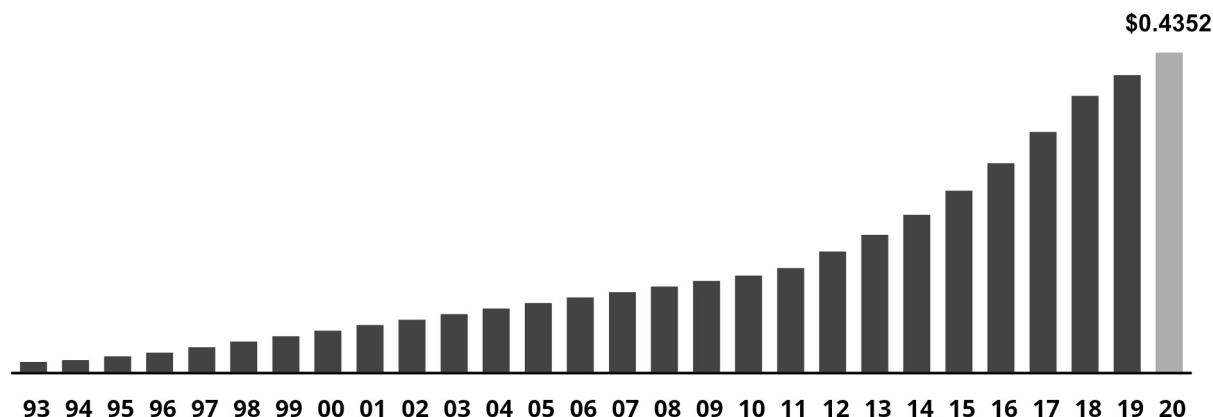
More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

COMMON SHARE DIVIDENDS

On March 31, 2020, the Board of Directors declared a second quarter dividend of 43.52 cents per share. Dividends paid to Class I and Class II Share owners totaled \$50 million in the first quarter of 2020.

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

**Quarterly Dividend Rate 1993 - 2020
(dollars per share)**



FUNDS GENERATED BY OPERATIONS

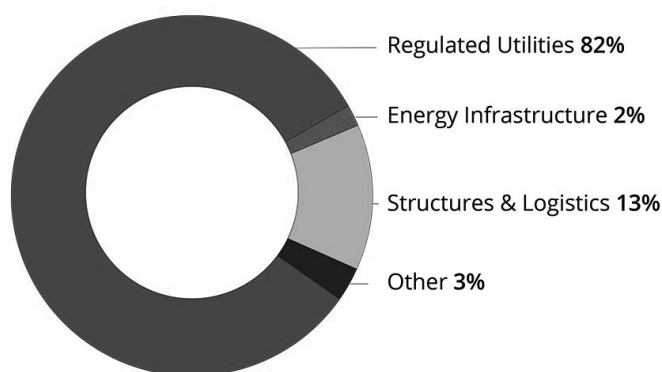
Funds generated by operations were \$516 million in the first quarter of 2020, \$63 million lower than in the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Electricity Distribution business as a result of the timing of transmission costs which will be recovered in future periods and in Electricity Generation as a result of Canadian Utilities' third quarter 2019 sale of the Canadian fossil-fuel based electricity generation portfolio. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to continued activity on the LNG Canada Cedar Valley Lodge project.

CAPITAL INVESTMENT

Total capital investment of \$303 million in the first quarter of 2020 was \$40 million lower than the first quarter of 2019. Lower capital spending in Canadian Utilities was mainly due to the completion of construction on Alberta PowerLine at the end of the first quarter of 2019. This lower spending was partially offset by higher capital investment in Canadian Utilities' Natural Gas Transmission business on the Pembina-Keeyik Transmission Pipeline and in ATCO Structures mainly due to the commencement of manufacturing and installation work for Phase 2 of the BC Hydro Site C Two Rivers Lodge, and expansion of the global space rental fleet.

Capital spending in Canadian Utilities' regulated utility businesses accounted for \$249 million or 82 per cent of total capital invested in the first quarter of 2020. The remaining \$54 million or 18 per cent invested in the first quarter of 2020 included ATCO Structures' capital for manufacturing and installation work for Phase 2 of the BC Hydro Site C Two Rivers Lodge, and expansion of the global space rental fleet.

**Capital Investment for the Three Months Ended
March 31, 2020**



COVID-19 AND GLOBAL MACROECONOMIC CONDITIONS

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

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

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

Below we have summarized the impact on each of our businesses in the first quarter of 2020. ATCO continues to monitor the situation.

ATCO Structures

Due to the COVID -19 pandemic and slowing global economic activity, ATCO Structures anticipates that customers may delay making final investment decisions on prospective modular structures projects which may impact 2020 earnings.

ATCO Structures is responding to inquiries from customers who are looking for potential solutions to the COVID-19 pandemic to assist in the prevention of the spread of the virus. In March and April 2020, ATCO Structures signed three short-term rental contracts to supply 630 beds in the U.S. to support the fight against COVID-19.

ATCO Frontec

ATCO Frontec and its customers have taken active measures to ensure the safety of its employees and the public to reduce the spread of the COVID-19 virus by lowering occupancy levels at camps by 50 per cent or more and limiting the type of work on site to essential activities only. Lower earnings were mainly due to scaled back activity at the BC Hydro Site C Two Rivers Lodge, Real Property North maintenance and support service contracts and our Iqaluit fueling contracts. Lower occupancy levels at camps and reduced services requests are expected to continue while COVID-19 proactive and preventative actions remain in place.

Neltume Ports

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

Canadian Utilities

Canadian Utilities continues to review its 2020 capital investment plan to optimize free cash flow and liquidity. This may result in a lowering of the planned 2020 capital investment and postponement of capital projects into future years.

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

On March 27, 2020, the Bank of Canada announced the Commercial Paper Purchase Program (CPPP) to support the continuous functioning of financial markets. Under the CPPP, for the next 12 months the Bank of Canada will conduct primary and secondary market purchases of commercial paper (CP) issued by Canadian companies with an outstanding CP program. Due to their strong CP credit ratings and existing CP programs, both Canadian Utilities Limited and CU Inc. are eligible to participate in the CPPP. Through the CPPP, Canadian Utilities and CU Inc. can issue up to an aggregate of \$875 million. If Canadian Utilities or CU Inc. were to take advantage of CPPP, it would increase liquidity beyond the normal course lines of credit as outlined in the Liquidity and Capital Resources section of this MD&A.

Utilities

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

Government of Alberta 90 Day Utility Bill Deferral Program

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The initial deferred payment period will last for 90 days. The terms of the utility deferral bill program have not been finalized and Canadian Utilities continues to communicate with industry participants, the Government of Alberta, and the Alberta Utilities Commission (AUC) on this initiative.

Electricity Distribution

Electricity Distribution operates on a price indexing mechanism for the setting of its rates under Performance Based Regulation (PBR). While the price indexing mechanism does not offer the same adjustment or updates as the Natural Gas Distribution revenue indexing mechanism for future years, its current rate structure utilizes a variety of mechanisms to limit the exposure to demand reductions from industrial and commercial customers. Under PBR, there is also the opportunity to file regulatory applications seeking recovery of lost revenue related to events outside the control of the utility. While there was no material impact to revenues in the first quarter of 2020 as a result of the COVID-19 pandemic, oil price decline and slowing economic activity, we continue to monitor changes in demand from industrial and commercial customers for future possible impacts.

Electricity and Natural Gas Transmission

Electricity and Natural Gas Transmission rates are spread across all customers in the province. Changes in customers' demand and use are reflected in customer rates over time. At this time, we do not expect material changes in 2020 revenue as a result of the COVID-19 pandemic, oil price decline and slowing economic activity.

Natural Gas Distribution

Natural Gas Distribution operates on a revenue mechanism under PBR. This mechanism provides protection and adjustments on future revenue variances associated with changes in volumes or customer counts. While future changes in customer counts may impact the revenue stream, the majority of customers are residential and these customer counts are not expected to change materially. At this time, we do not expect material changes in 2020 revenue as a result of the COVID-19 pandemic, oil price decline and slowing global economic activity. Under PBR, there is also the opportunity to file regulatory applications seeking recovery of lost revenue related to events outside the control of the utility.

International Natural Gas Distribution

The new 5-year Access Arrangement (AA5) effective January 1, 2020 has lowered the return on equity from 7.21 per cent to 5.02 per cent and increased the common equity ratio from 40 per cent to 45 per cent when compared to the previous access arrangement. AA5 also includes rebasing of revenues for the recovery of operating costs, the approved capital expenditure program and forecast for demand and throughput. Variables that may impact financial results include Australia's inflation rate and the exchange rate compared to the Canadian dollar.

Energy Infrastructure

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

The global macroeconomic situation, low commodity prices, and potential business disruptions due to the COVID-19 pandemic may have an adverse impact on energy storage.

Further Information

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

BUSINESS UNIT PERFORMANCE



REVENUES

Structures & Logistics revenues of \$171 million in the first quarter of 2020 were \$33 million higher than the same period in 2019, mainly due to incremental revenues from ATCO Structures' LNG Canada Cedar Valley Lodge contract.

ADJUSTED EARNINGS

	Three Months Ended March 31		
(\$ millions)	2020	2019	Change
ATCO Structures	7	2	5
ATCO Frontec	-	1	(1)
Total Structures & Logistics Adjusted Earnings	7	3	4

Structures & Logistics recorded adjusted earnings of \$7 million in the first quarter of 2020, \$4 million higher than the same period in 2019. The increase was mainly due to incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.

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

ATCO STRUCTURES

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

ATCO Structures recorded adjusted earnings of \$7 million in the first quarter of 2020, \$5 million higher than the same period in 2019. Higher earnings were mainly due to continued work on the LNG Canada Cedar Valley Lodge contract, higher space rental activity in Canada and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.

Rental Fleet Statistics

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

	Three Months Ended March 31		
	2020	2019	Change
North America			
Manufacturing hours (<i>thousands</i>)	350	177	98%
Global Space Rentals			
Number of units	16,669	15,529	7%
Average utilization (%)	71	70	1%
Average rental rate (<i>\$ per month</i>)	551	561	(2%)
Global Workforce Housing			
Number of units	2,894	2,902	-
Average utilization (%)	45	37	8%
Average rental rate (<i>\$ per month</i>)	1,646	1,725	(5%)

The increase in manufacturing hours in the first quarter of 2020 was mainly due to increased LNG Canada Cedar Valley Lodge manufacturing activity, the newly awarded Phase 2 of the BC Hydro Site C Two Rivers Lodge expansion in Canada, and building permanent modular supply product for Marriott Hotels in the U.S. ATCO Structures also continues to manufacture additional units to support the planned expansion of the central Canada, BC and U.S. space rental fleet. Given the current economic outlook, ATCO Structures continues to monitor its future capital plans.

The increase in the number of space rental units was mainly due to the continued strategic expansion of the space rental fleet in the United States, central Canada, BC, Mexico and Chile. ATCO Structures has increased its fleet size by 1,140 units year-over-year and maintained a steady utilization rate providing strong revenue growth on the product line over the period. The decrease in the average rental rate was mainly due to lower rates in Australia partially offset by stronger rental rates in Canada driven by increased activity in the construction sector.

The increase in utilization in workforce housing was mainly due to rental projects in Western Australia and BC. The decrease in the average rental rate was mainly due to the lower rates in Canada and the U.S partially offset by higher rates in Australia.

ATCO STRUCTURES RECENT DEVELOPMENTS

United States

COVID-19 Pandemic Response

ATCO Structures is responding to inquiries from customers who are looking for potential solutions to the COVID-19 pandemic to assist in the prevention of the spread of the virus. In March and April 2020, ATCO Structures signed three short-term rental contracts to supply 630 beds in the U.S. to support the fight against COVID-19.

Canada

LNG Canada Cedar Valley Lodge Contract

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



LNG Canada Cedar Valley Lodge - Kitimat, BC

BC Hydro Site C Two Rivers Lodge - Phase 2 Expansion

In 2016, Structures & Logistics commenced a supply, installation, operations and maintenance contract at the BC Hydro Site C Two Rivers Lodge for up to 1,750 workers. The original operations and maintenance services contract is in place until late 2022.

In October 2019, Structures & Logistics executed a change order with BC Hydro for the phase 2 expansion of the lodge. During the first quarter of 2020, ATCO Structures began the manufacturing and installation work on a 12-dorm, 444-person expansion. The additional rooms are anticipated to be handed over by June 1, 2020 and will contribute \$25 million in installation and rental revenue during the 12-month contract term for ATCO Structures.

Permanent Modular Construction - BC Housing

During the first quarter of 2020, ATCO Structures completed a 44-unit complex in Powell River, BC for the Government of British Columbia's supportive housing program. In addition, ATCO Structures began construction of a \$9 million, 44-unit apartment building in New Westminster, BC with expected completion in the second quarter of 2020. The housing projects will provide affordable housing to low income individuals and families across the province.



44-unit supportive housing complex - Powell River, BC

Australia

Victoria Department of Education

ATCO Structures was awarded a contract in the first quarter of 2020 to design, manufacture and install three permanent modular classrooms in Melbourne, Australia. The \$5 million project with the Victoria Department of Education will see classrooms progressively completed from June to October of 2020.

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 recorded adjusted earnings of \$nil in the first quarter of 2020, \$1 million lower than the same period in 2019. ATCO Frontec and its customers have taken active measures to ensure the safety of its employees and the public to reduce the spread of the COVID-19 virus by lowering occupancy levels at camps by 50 per cent or more and limiting the type of work on site to essential activities only. Lower earnings were mainly due to scaled back activity at the BC Hydro Site C Two Rivers Lodge, Real Property North maintenance and support service contracts and our Iqaluit fueling contracts.

Lower occupancy levels at camps and reduced services requests are expected to continue while COVID-19 proactive and preventative actions remain in place.



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

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended March 31		
	2020	2019	Change
Neltume Ports	3	4	(1)

Neltume Ports recorded adjusted earnings of \$3 million in the first quarter of 2020, \$1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.

RECENT DEVELOPMENTS

New Port - AutoMobile International Terminal

In January 2020, Neltume Ports entered into a 50/50 joint venture (JV) partnership with Terminal Zarate to build and operate a roll-on roll-off (RoRo) terminal in Mobile, Alabama. The JV will invest 30 per cent of construction costs. Neltume Ports' portion of the investment will be approximately US\$9 million and will be funded with existing cash reserves. The Alabama State Port Authority will provide the remaining capital funding. The JV will operate the terminal beginning in 2021 under a 10-year concession agreement with two consecutive 10-year extensions at the JV's election for a total of up to 30 years. The port will primarily support the import and export needs of the growing local automotive sector in the region.

Neltume Ports' partner, Terminal Zarate, a member company of Grupo Murchison, provides port operations services, integrated logistics, warehousing and other related business activities in Argentina and Uruguay. Terminal Zarate operates the largest RoRo terminal in Latin America.

This investment allows Neltume Ports to grow and diversify, by both geography and product type, while partnering with an experienced and respected partner.





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

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended March 31		
	2020	2019	Change
ATCO Corporate & Other	1	-	1

ATCO Corporate & Other adjusted earnings in the first quarter of 2020 were \$1 million higher than the same period in 2019, mainly due to the timing of certain expenditures.



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

UTILITIES

REVENUES

Utilities revenues of \$789 million in the first quarter of 2020 were \$5 million lower than the same period in 2019. Lower revenues were mainly due to the timing of settlements from various regulatory decisions, the completion of project management construction activities on APL at the end of the first quarter of 2019 and transition to APL operating activities by Electricity Transmission. Lower revenues were also a result of the completion of the PBR efficiency carry-over mechanism (ECM) funding in 2019. The ECM was the incentive granted to Alberta distribution utilities in the first two years of the second generation of PBR for demonstrating superior cost savings in the prior PBR period. Lower revenues were partially offset by higher revenues from growth in the Alberta regulated rate base.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended March 31		
	2020	2019	Change
Electricity			
Electricity Distribution	18	20	(2)
Electricity Transmission	23	23	–
Total Electricity	41	43	(2)
Natural Gas			
Natural Gas Distribution	43	38	5
Natural Gas Transmission	11	8	3
International Natural Gas Distribution	4	4	–
Total Natural Gas	58	50	8
Total Utilities Adjusted Earnings	99	93	6

Utilities adjusted earnings of \$99 million in the first quarter of 2020 were \$6 million higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

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

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in northern and central east Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan.

In the first quarter of 2020, Electricity Distribution adjusted earnings of \$18 million were \$2 million lower than the same period in 2019. Lower earnings were mainly due to the completion of ECM funding in 2019 and timing of operating costs, partially offset by continued growth in the utility rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of \$23 million in the first quarter of 2020 were comparable to the same period in 2019.

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 recorded adjusted earnings of \$43 million in the first quarter of 2020, \$5 million higher than the same period in 2019. Higher earnings were mainly due to continuing cost efficiencies, lower income taxes, and growth in the utility rate base. Higher earnings were partially offset by the completion of ECM funding in 2019.

Natural Gas Transmission

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

Natural Gas Transmission recorded adjusted earnings of \$11 million in the first quarter of 2020, \$3 million higher than the same period in 2019. Higher adjusted earnings were mainly due to lower income taxes, and continued growth in the utility rate base.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of \$4 million in the first quarter of 2020 were comparable to the same period in 2019. Lower earnings were mainly due to the new five year Access Arrangement commencing January 1, 2020, with a lower rate of return and rebasing of the demand forecast, financing and operating allowances. Lower earnings were partially offset by the net impact of inflation rate adjustments applied to rate of return calculations in the first quarter of 2019 and 2020.

UTILITIES RECENT DEVELOPMENTS

Pembina Keephills

On April 1, 2020, Natural Gas Transmission completed and placed in-service the Pembina-Keephills transmission pipeline ahead of schedule and below the \$230 million approved budget. The 59-km high-pressure natural gas pipeline supports coal-to-gas conversion of power producers in the Genesee and surrounding areas of Alberta with the capacity to deliver up to 550-TJ per day.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of \$50 million in the first quarter of 2020 were \$323 million lower than the same period in 2019 mainly due to forgone revenue associated with the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Revenues from APL construction activity in the first quarter of 2019 and the subsequent sale of APL in the fourth quarter of 2019 also contributed to lower revenues in the first quarter of 2020.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended March 31		
	2020	2019	Change
Electricity Generation	2	2	-
Storage & Industrial Water	1	1	-
	3	3	-
Adjusted Earnings from Businesses Sold in 2019			
Canadian Fossil Fuel-Based Electricity Generation	-	12	(12)
Alberta PowerLine (APL)	-	4	(4)
	-	16	(16)
Total Energy Infrastructure Adjusted Earnings	3	19	(16)

Energy Infrastructure recorded adjusted earnings of \$3 million in the first quarter of 2020, \$16 million lower than the same period in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019. Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings in the first quarter of 2020 were comparable to the same period in 2019.

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

Electricity Generation

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

Electricity Generation adjusted earnings of \$2 million recorded in the first quarter of 2020 were comparable to the same period in 2019.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of \$1 million in the first quarter of 2020 were comparable to the same period in 2019.

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended March 31		
<i>(\$ millions)</i>	2020	2019	Change
Canadian Utilities Corporate & Other	(7)	(7)	-

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the first quarter of 2020 were comparable to the same period in 2019.

REGULATORY DEVELOPMENTS

ALBERTA REGULATORY UPDATES

GOVERNMENT OF ALBERTA 90 DAY UTILITY BILL DEFERRAL PROGRAM

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The initial deferred payment period will last for 90 days. The terms of the utility deferral bill program have not been finalized and Canadian Utilities continues to communicate with industry participants, the Government of Alberta, and the Alberta Utilities Commission (AUC) on this initiative.

2021 GENERIC COST OF CAPITAL PROCEEDING

In December 2018, the AUC initiated the 2021 Generic Cost of Capital (GCOC) proceeding. The main focus of the proceeding will be to determine the rate of return for the years 2021 and 2022, as well as consideration of returning to a formula-based approach. Initial evidence was filed in January 2020. In March 2020, the AUC suspended the proceeding and will re-evaluate the suspension every 30-60 days.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

SUSTAINABILITY REPORTING

Our 2019 Sustainability Report, which is expected to be published in June 2020, will focus on the material topics listed below.

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

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

The 2018 Sustainability Report, Sustainability Framework Reference Document, and other disclosures are available on our website, at www.atco.com.

HEALTH AND SAFETY PANDEMIC UPDATE

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

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

We are committed to doing our part to limit the spread of COVID-19 by following the guidance of local health authorities and governments. We continue to actively monitor the situation and act accordingly as new information becomes available.

CLIMATE CHANGE AND ENERGY TRANSITION

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

At the end of 2019, Canadian Utilities had 18 electric vehicle (EV) charging stations in Alberta providing end-users an opportunity to replace liquid fuel with a low-carbon emitting energy. In the first quarter of 2020, five additional EV charging stations were installed in Alberta.

OTHER EXPENSES AND INCOME

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

(\$ millions)	Three Months Ended March 31		
	2020	2019	Change
Operating costs	574	641	(67)
Service concession arrangement costs	-	95	(95)
Depreciation and amortization	156	167	(11)
Earnings from investment in associate company	3	4	(1)
Earnings from investment in joint ventures	7	8	(1)
Net finance costs	99	123	(24)
Income taxes	63	84	(21)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, decreased by \$67 million in the first quarter of 2020 when compared to the same period in 2019. Lower operating costs were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019. Lower operating costs were partially offset by higher materials costs in ATCO Structures due to progress on the LNG Canada Cedar Valley Lodge contract.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs were recorded for third party construction and operation activities for Canadian Utilities' Fort McMurray West-500kV Project. Service concession arrangement costs in the first quarter of 2020 were \$95 million lower compared to the same period in 2019 due to the sale of APL in the fourth quarter of 2019.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased by \$11 million in the first quarter of 2020 mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, partially offset by higher depreciation at ATCO Structures due to the expansion of the global space rental fleet.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

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

Earnings from investment in associate company were \$3 million in the first quarter of 2020, \$1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures decreased by \$1 million in the first quarter of 2020 compared to the same period in 2019 mainly due to the sale of the joint venture ownership positions included within the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019.

NET FINANCE COSTS

Net finance costs decreased by \$24 million in the first quarter of 2020 when compared to the same period in 2019, mainly due to lower interest expense on non-recourse long-term debt related to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business, and lower interest expense under service concession arrangement accounting for APL. Decreased net finance costs were also due to the positive impact of a new interest rate hedging arrangement for International Natural Gas Distribution in Canadian Utilities which became effective at the beginning of January, 2020.

INCOME TAXES

Income taxes decreased by \$21 million in the first quarter of 2020 compared to the same period in 2019 mainly due to lower taxable earnings and the impact of the continued phased reduction of the Alberta tax rate.

In June 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent over four years, commencing with a one per cent decrease on July 1, 2019 followed by a one per cent reduction on January 1 of each of the following three years. This change lowered first quarter 2020 IFRS earnings and adjusted earnings.

In April 2019, capital cost allowance acceleration measures enacted by the Government of Canada had no impact to IFRS earnings because lower current taxes were equally offset by higher deferred taxes. However, there was a positive impact to first quarter 2020 adjusted earnings for the Natural Gas Distribution and Transmission businesses.

LIQUIDITY AND CAPITAL RESOURCES

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

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

COMMERCIAL PAPER PROGRAMS

On March 27, 2020, the Bank of Canada announced the Commercial Paper Purchase Program (CPPP) to support the continuous functioning of financial markets. Under the CPPP, for the next 12 months the Bank of Canada will conduct primary and secondary market purchases of commercial paper (CP) issued by Canadian companies with an outstanding CP program. Due to their strong CP credit ratings and existing CP programs, both Canadian Utilities Limited and CU Inc. are eligible to participate in the CPPP. Through the CPPP, Canadian Utilities and CU Inc. can issue up to an aggregate of \$875 million. If Canadian Utilities or CU Inc. were to take advantage of CPPP, it would increase liquidity beyond the normal course lines of credit.

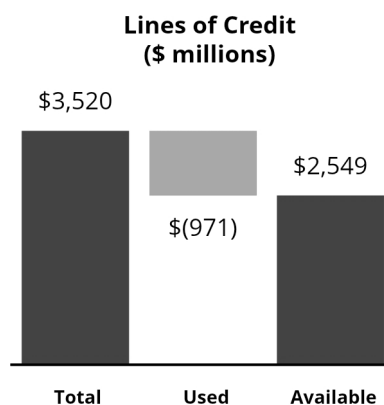
LINES OF CREDIT

At March 31, 2020, ATCO and its subsidiaries had the following lines of credit.

<i>(\$ millions)</i>	Total	Used	Available
Long-term committed	2,932	778	2,154
Short-term committed	17	11	6
Uncommitted	571	182	389
Total	3,520	971	2,549

Of the \$3,520 million in total lines of credit, \$571 million was in the form of uncommitted credit facilities with no set maturity date. The other \$2,949 million in credit lines was committed, with maturities between 2021 and 2023, and may be extended at the option of the lenders.

Of the \$971 million in lines of credit used, \$570 million was related to ATCO Gas Australia Pty Ltd. with the majority of the remaining usage pertaining to the issuance of letters of credit. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs.



CONSOLIDATED CASH FLOW

At March 31, 2020, the Company's cash position was \$1,207 million, an increase of \$67 million compared to December 31, 2019 mainly due to funds generated by operations achieved during the quarter partially offset by cash used to fund the capital investment program and dividends paid.

Funds Generated by Operations

Funds generated by operations were \$516 million in the first quarter of 2020, \$63 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Electricity Distribution business as a result of the timing of transmission costs which will be recovered in future periods and in Electricity Generation as a result of Canadian Utilities' third quarter 2019 sale of the Canadian fossil-fuel based electricity generation portfolio. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to continued activity on the LNG Canada Cedar Valley Lodge project.

Cash Used for Capital Investment

Cash used for capital investment was \$303 million in the first quarter of 2020, \$40 million lower than the same period in 2019. Lower capital spending in Canadian Utilities was mainly due to the completion of construction on Alberta PowerLine at the end of the first quarter of 2019. This lower spending was partially offset by higher capital investment in Canadian Utilities' Natural Gas Transmission business on the Pembina-Keeyik Transmission Pipeline and in ATCO Structures mainly due to the commencement of manufacturing and installation work for Phase 2 of the BC Hydro Site C Two Rivers Lodge, and expansion of the global space rental fleet.

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

(\$ millions)	Three Months Ended		
	2020	2019	March 31 Change
Structures & Logistics	38	18	20
Neltume Ports	–	9	(9)
ATCO Corporate & Other	6	1	5
	44	28	16
Canadian Utilities			
Utilities			
Electricity Distribution	66	45	21
Electricity Transmission	42	63	(21)
Natural Gas Distribution	57	44	13
Natural Gas Transmission	73	45	28
International Natural Gas Distribution	11	16	(5)
	249	213	36
Energy Infrastructure			
Electricity Generation	2	1	1
Storage & Industrial Water	6	2	4
	8	3	5
Capital Investment from Businesses Sold in 2019 ⁽¹⁾			
Canadian Fossil Fuel-Based Electricity Generation	–	3	(3)
Alberta PowerLine	–	95	(95)
	–	98	(98)
CU Corporate & Other	2	1	1
ATCO Total Capital Investment ^{(2) (3)}	303	343	(40)

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

(2) Includes capital expenditures in joint ventures of \$2 million (2019 - nil) for the first quarter of 2020.

(3) Includes additions to property, plant and equipment, intangibles and \$5 million (2019 - \$5 million) of interest capitalized during construction for the first quarter of 2020.

Base Shelf Prospectuses

CU Inc. Debentures

On June 11, 2018, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of \$1.5 billion of debentures over the 25-month life of the prospectus. As of April 30, 2020, aggregate issuances of debentures were \$965 million.

Canadian Utilities Debt Securities and Preferred Shares

On June 11, 2018, Canadian Utilities filed a base shelf prospectus that permits it to issue up to an aggregate of \$2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

Dividends and Common Shares

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

On March 31, 2020, the Board of Directors declared a second quarter dividend of 43.52 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

**27 year
track record of
increasing
common
share dividends**

Normal Course Issuer Bid

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

On March 8, 2019, we commenced a normal course issuer bid to purchase up to 1,014,294 outstanding Class I Shares. This bid expired on March 7, 2020. During this period, 101,350 shares were purchased for \$5 million.

On March 9, 2020, we commenced a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. This bid will expire on March 8, 2021. From March 9, 2020 to April 30, 2020, no shares were purchased.

SHARE CAPITAL

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

At April 29, 2020, we had outstanding 101,472,899 Class I Shares, 13,196,129 Class II Shares, and options to purchase 690,700 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 2,444,450 Class I Shares were available for issuance at March 31, 2020. Options may be granted to our officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

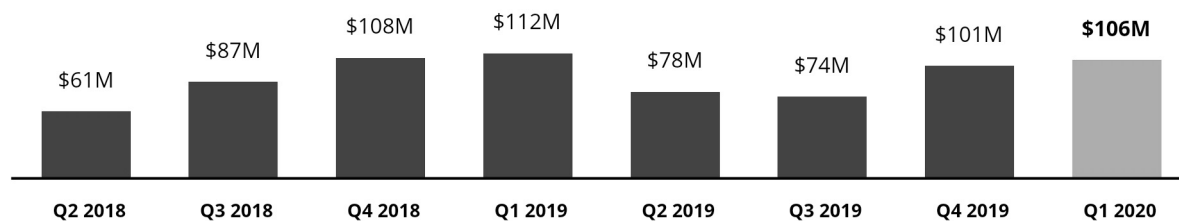
QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2018 through March 31, 2020.

<i>(\$ millions, except for per share data)</i>	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenues	1,103	1,097	1,182	1,056
Earnings attributable to Class I and Class II Shares	158	160	83	87
Earnings per Class I and Class II Share (\$)	1.38	1.40	0.73	0.76
Diluted earnings per Class I and Class II Share (\$)	1.37	1.40	0.72	0.76
Adjusted earnings per Class I and Class II Share (\$)	0.68	0.65	0.88	0.93
Adjusted earnings				
Structures & Logistics	7	13	14	7
Neltume Ports	4	3	4	3
ATCO Corporate & Other	-	3	(9)	1
Canadian Utilities				
Utilities	68	48	92	99
Energy Infrastructure	10	20	8	3
Canadian Utilities Corporate & Other	(11)	(13)	(8)	(7)
Total adjusted earnings	78	74	101	106
<i>(\$ millions, except for per share data)</i>	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Revenues	1,103	1,111	1,174	1,324
Earnings (loss) attributable to Class I and Class II Shares	(12)	115	135	112
Earnings (loss) per Class I and Class II Share (\$)	(0.10)	1.01	1.18	0.98
Diluted earnings (loss) per Class I and Class II Share (\$)	(0.10)	1.00	1.18	0.98
Adjusted earnings per Class I and Class II Share (\$)	0.53	0.76	0.94	0.98
Adjusted earnings				
Structures & Logistics	6	3	5	3
Neltume Ports	-	1	3	4
ATCO Corporate & Other	(2)	15	2	-
Canadian Utilities				
Utilities	56	43	86	93
Energy Infrastructure	11	36	22	19
Canadian Utilities Corporate & Other	(10)	(11)	(10)	(7)
Total adjusted earnings	61	87	108	112

ADJUSTED EARNINGS

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

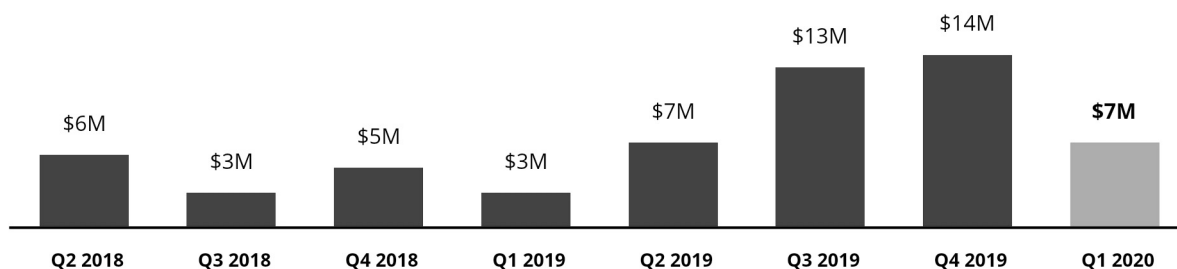


STRUCTURES & LOGISTICS

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

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

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



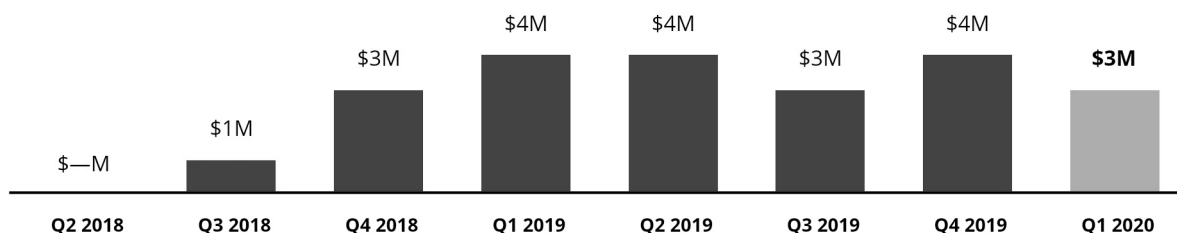
NELTUME PORTS

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

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

Neltume Ports recorded adjusted earnings of \$4 million in the fourth quarter of 2019. Earnings were \$1 million higher compared to the same period of 2018 mainly due to higher container volumes at the Terminal Pacifico Sur port.

Neltume Ports recorded adjusted earnings of \$3 million in the first quarter of 2020, \$1 million lower than the same period in 2019. Lower earnings were mainly due to lower cargo volumes and margins in the first quarter of 2020.



CANADIAN UTILITIES

Utilities

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

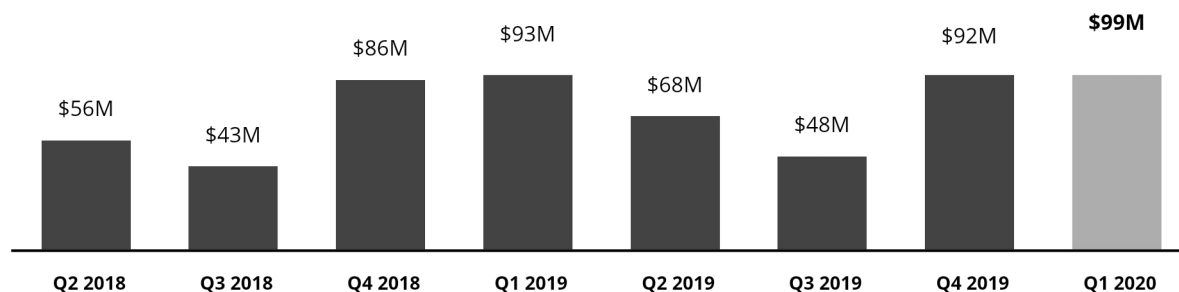
In 2018, earnings were adversely impacted by performance based regulation rate rebasing under Alberta's regulated model in Natural Gas and Electricity Distribution and lower Electricity Transmission interim rates approved by the AUC, partially offset by growth in rate base across the Utilities, and higher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

In the first quarter of 2019, higher earnings compared to the first quarter of 2018 were mainly due to ongoing growth in the regulated rate base and cost efficiencies in Natural Gas and Electricity Distribution, partially offset by inflation adjustments applied to the rate of return calculations in International Natural Gas Distribution.

In the second quarter of 2019, higher earnings compared to the second quarter of 2018 were mainly due to the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) decision, the impact of the Natural Gas Transmission 2019-2020 General Rate Application (GRA) decision, continued growth in the regulated rate base, cost efficiencies, and lower income taxes.

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

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



Energy Infrastructure

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

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

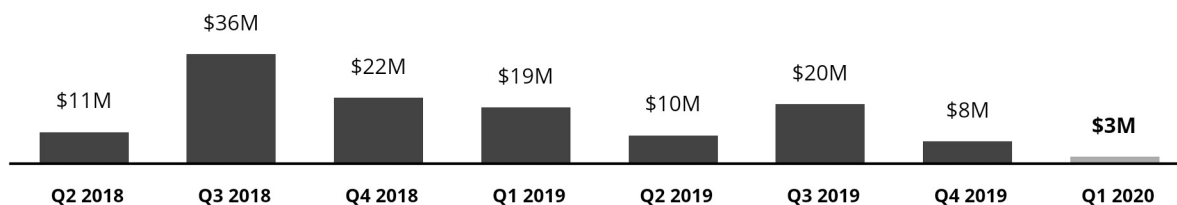
In the fourth quarter of 2018, earnings were positively impacted from the sale of the Barking Power assets and higher Alberta PowerLine earnings recorded as a result of an early energization incentive.

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

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

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

Energy infrastructure recorded lower earnings in the first quarter of 2020 compared to the first quarter of 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019. Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings in the first quarter of 2020 were comparable to the same period in 2019.



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the second quarter of 2018, restructuring and other costs not in the normal course of business of \$39 million after-tax were recorded. These costs mainly relate to staff reductions and associated severance costs, as well as costs related to decisions to discontinue certain projects that no longer represent long-term strategic value to the Company.
- In the third quarter of 2018, the Battle River unit 5 PPA was terminated by the Balancing Pool and dispatch control was returned to Canadian Utilities. Canadian Utilities received a payment from the Balancing Pool and also recorded additional coal-related costs and Asset Retirement Obligations associated with the Battle River generating facility. This one-time receipt and costs in the net amount of \$19 million were excluded from adjusted earnings.
- In the fourth quarter of 2018, Canadian Utilities sold its 100 per cent ownership interest in Barking Power assets. A gain in the amount of \$46 million was excluded from adjusted earnings.
- In the third and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation portfolio and Alberta PowerLine resulting in a gain on sale of operations of \$65 million. As these transactions are one-time in nature, they are excluded from adjusted earnings.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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

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

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

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

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

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

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

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

				Three Months Ended March 31				
2020	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
2019				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	171	-	-	789	50	46	885	1,056
	138	-	(3)	794	373	22	1,189	1,324
Adjusted earnings (loss)	7	3	1	99	3	(7)	95	106
	3	4	-	93	19	(7)	105	112
Unrealized gains on mark-to-market forward and swap commodity contracts	-	-	-	-	-	3	3	3
	-	-	-	-	3	-	3	3
Rate-regulated activities	-	-	-	(17)	-	-	(17)	(17)
	-	-	-	(4)	-	1	(3)	(3)
IT Common Matters decision	-	-	-	(2)	-	-	(2)	(2)
	-	-	-	-	-	-	-	-
Other	-	-	1	-	(4)	-	(4)	(3)
	-	-	-	-	-	-	-	-
Earnings (loss) attributable to Class I and Class II Shares	7	3	2	80	(1)	(4)	75	87
	3	4	-	89	22	(6)	105	112

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

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

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

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

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

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

(\$ millions)	Three Months Ended		
	2020	2019	March 31 Change
Additional revenues billed in current period			
Future removal and site restoration costs ⁽¹⁾	12	11	1
Impact of colder temperatures ⁽²⁾	3	6	(3)
Revenues to be billed in future periods			
Deferred income taxes ⁽³⁾	(18)	(15)	(3)
Impact of inflation on rate base ⁽⁴⁾	(2)	-	(2)
Settlement of regulatory decisions and other items ⁽⁵⁾	(12)	(5)	(7)
	(17)	(3)	(14)

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

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

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

(4) 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 rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

(5) In the first quarter of 2020, ATCO Electric Distribution recorded a decrease in earnings of \$14 million related to payment of transmission costs. This will be recovered from customers in future periods.

INFORMATION TECHNOLOGY (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 first quarter of 2020 was \$2 million (2019 - nil).

OTHER

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three months ended March 31, 2020, the Company recorded a foreign exchange loss of \$4 million after tax and non-controlling interests (2019 - \$nil) due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

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

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

(\$ millions)

2020	Three Months Ended March 31
2019	
Funds generated by operations	516
	579
Changes in non-cash working capital	62
	(95)
Change in receivable under service concession arrangement	-
	(126)
Cash flows from operating activities	578
	358

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

(\$ millions)

Three Months Ended
March 31

2020 2019	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Capital Investment	38	–	6	249	8	2	259	303
	18	9	1	213	101	1	315	343
Equity investment in associate company	–	–	–	–	–	–	–	–
	–	(9)	–	–	–	–	–	(9)
Capital expenditure in joint ventures	–	–	–	–	(2)	–	(2)	(2)
	–	–	–	–	–	–	–	–
Service concession arrangement	–	–	–	–	–	–	–	–
	–	–	–	–	(95)	–	(95)	(95)
Capital Expenditures	38	–	6	249	6	2	257	301
	18	–	1	213	6	1	220	239

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2020, and ended on March 31, 2020, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

ATCO has published its unaudited interim consolidated financial statements and MD&A for the three months ended March 31, 2020. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

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

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

AUC means the Alberta Utilities Commission.

Availability is a measure of time, expressed as a percentage of continuous operation, that a generating unit is capable of producing electricity, regardless of whether the unit is actually generating electricity.

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

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

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

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

Gigajoule (GJ) is a unit of energy equal to approximately 948.2 thousand British thermal units.

IFRS means International Financial Reporting Standards.

Kilowatt (kW) is a measure of electric power equal to 1,000 watts.

LNG means liquefied natural gas.

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

Megawatt hour (MWh) is a measure of electricity consumption equal to the use of 1,000,000 watts of electricity over a one-hour period.

NCI means non controlling interest.

PBR means Performance Based Regulation.

PPA means Power Purchase Arrangements.

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

Terajoule (TJ) is a unit of energy equal to the use of 100 cubic feet of natural gas.

Thermal PPA Plant is a coal-fired power station in which heat energy is converted to electric power and the electricity generated is sold through PPAs. Under the PPAs, generating capacity must be made available for each generating unit to the PPA purchaser of that unit. These arrangements allow for the recovery of fixed and variable costs from the PPA purchaser. An operations and maintenance margin is included on these fixed and variable costs and is recognized over the term of the PPA.



ATCO LTD.
INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

TABLE OF CONTENTS

	Page
Consolidated Statements of Earnings	46
Consolidated Statements of Comprehensive Income	47
Consolidated Balance Sheets	48
Consolidated Statements of Changes in Equity	49
Consolidated Statements of Cash Flows	50
Notes to Consolidated Financial Statements	
<i>General Information</i>	
1. The Company and its Operations	51
2. Basis of Presentation	51
<i>Information on Financial Performance</i>	
3. Segmented Information	52
4. Revenues	58
5. Earnings per Share	59
<i>Information on Financial Position</i>	
6. Property, Plant and Equipment	59
7. Long-Term Debt	60
8. Class I Non-Voting and Class II Voting Shares	60
9. Retirement Benefits	60
<i>Information on Cash Flow</i>	
10. Cash Flow Information	61
<i>Risk</i>	
11. Financial Instruments	62
12. COVID-19 Pandemic	64

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
<i>(millions of Canadian Dollars except per share data)</i>	Note	2020	2019
Revenues	4	1,056	1,324
Costs and expenses			
Salaries, wages and benefits		(131)	(128)
Energy transmission and transportation		(53)	(52)
Plant and equipment maintenance		(48)	(60)
Fuel costs		(26)	(78)
Purchased power		(65)	(64)
Service concession arrangement costs		-	(95)
Materials and consumables		(96)	(77)
Depreciation and amortization	6	(156)	(167)
Franchise fees		(81)	(74)
Property and other taxes		(18)	(49)
Other		(56)	(59)
		(730)	(903)
Earnings from investment in associate company		3	4
Earnings from investment in joint ventures		7	8
Operating profit		336	433
Interest income		6	6
Interest expense		(105)	(129)
Net finance costs		(99)	(123)
Earnings before income taxes		237	310
Income tax expense		(63)	(84)
Earnings for the period		174	226
Earnings attributable to:			
Class I and Class II Shares		87	112
Non-controlling interests		87	114
		174	226
Earnings per Class I and Class II Share	5	\$0.76	\$0.98
Diluted earnings per Class I and Class II Share	5	\$0.76	\$0.98

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
<i>(millions of Canadian Dollars)</i>	2020	2019
Earnings for the period	174	226
Other comprehensive income (loss), net of income taxes		
<i>Items that will not be reclassified to earnings:</i>		
Re-measurement of retirement benefits ⁽¹⁾	202	(79)
<i>Items that are or may be reclassified subsequently to earnings:</i>		
Cash flow hedges ⁽²⁾	(17)	(5)
Cash flow hedges reclassified to earnings ⁽³⁾	-	2
Foreign currency translation adjustment ⁽³⁾	(2)	(18)
Share of other comprehensive loss in associate company	(4)	-
	(23)	(21)
Other comprehensive income (loss)	179	(100)
Comprehensive income for the period	353	126
Comprehensive income attributable to:		
Class I and Class II Shares	172	52
Non-controlling interests	181	74
	353	126

(1) Net of income taxes of \$(60) million for the three months ended March 31, 2020 (2019 - \$29 million).

(2) Net of income taxes of \$6 million for the three months ended March 31, 2020 (2019 - \$2 million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

<i>(millions of Canadian Dollars)</i>	Note	March 31 2020	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	10	1,207	1,140
Accounts receivable and contract assets		672	731
Finance lease receivables		8	9
Inventories		75	64
Prepaid expenses and other current assets		109	93
		2,071	2,037
Non-current assets			
Property, plant and equipment	6	17,902	17,857
Intangibles		655	662
Retirement benefit asset	9	92	-
Right-of-use assets		91	96
Goodwill		82	82
Investment in joint ventures		194	187
Investment in associate company		499	468
Finance lease receivables		160	170
Deferred income tax assets		71	83
Other assets		53	61
Total assets		21,870	21,703
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		731	675
Lease liabilities		14	15
Other current liabilities		70	47
Long-term debt	7	129	173
		944	910
Non-current liabilities			
Deferred income tax liabilities		1,392	1,319
Retirement benefit obligations	9	265	429
Customer contributions		1,732	1,720
Lease liabilities		80	84
Other liabilities		128	120
Long-term debt		9,241	9,263
Total liabilities		13,782	13,845
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	8	176	173
Contributed surplus		10	12
Retained earnings		3,977	3,832
Accumulated other comprehensive loss		(40)	(17)
		4,123	4,000
Non-controlling interests		3,965	3,858
Total equity		8,088	7,858
Total liabilities and equity		21,870	21,703

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(millions of Canadian Dollars)</i>	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non- Controlling Interests	Total Equity
December 31, 2018		169	11	3,535	40	3,755	3,687	7,442
Earnings for the period		-	-	112	-	112	114	226
Other comprehensive loss		-	-	-	(60)	(60)	(40)	(100)
Losses on retirement benefits transferred to retained earnings		-	-	(42)	42	-	-	-
Dividends	8	-	-	(46)	-	(46)	(74)	(120)
Share-based compensation		1	-	-	-	1	-	1
March 31, 2019		170	11	3,559	22	3,762	3,687	7,449
December 31, 2019		173	12	3,832	(17)	4,000	3,858	7,858
Earnings for the period		-	-	87	-	87	87	174
Other comprehensive income		-	-	-	85	85	94	179
Gains on retirement benefits transferred to retained earnings		-	-	108	(108)	-	-	-
Shares issued, purchased and cancelled		1	-	-	-	1	-	1
Dividends	8	-	-	(50)	-	(50)	(76)	(126)
Share-based compensation		2	(2)	-	-	-	-	-
Other		-	-	-	-	-	2	2
March 31, 2020		176	10	3,977	(40)	4,123	3,965	8,088

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(millions of Canadian Dollars)</i>	Note	Three Months Ended March 31	
		2020	2019
Operating activities			
Earnings for the period		174	226
Adjustments to reconcile earnings to cash flows from operating activities	10	342	353
Changes in non-cash working capital		62	(95)
Change in receivable under service concession arrangement		-	(126)
Cash flows from operating activities		578	358
Investing activities			
Additions to property, plant and equipment		(278)	(218)
Proceeds on disposal of property, plant and equipment		-	1
Additions to intangibles		(18)	(16)
Investment in equity interest in associate company		-	(9)
Investment in joint ventures		(5)	-
Changes in non-cash working capital		19	(14)
Cash flows used in investing activities		(282)	(256)
Financing activities			
Net issue of short-term debt		-	225
Issue of long-term debt		59	-
Repayment of long-term debt		(71)	(201)
Release of restricted project funds		-	105
Repayment of non-recourse long-term debt		-	(3)
Repayment of lease liabilities		(4)	(4)
Issue of Class I Shares		1	1
Dividends paid to Class I and Class II Share owners		(50)	(46)
Dividends paid to non-controlling interests		(76)	(74)
Interest paid		(81)	(106)
Other		-	14
Cash flows used in financing activities		(222)	(89)
Increase in cash position ⁽¹⁾		74	13
Foreign currency translation		(7)	(3)
Beginning of period		1,140	691
End of period	10	1,207	701

(1) Cash position includes \$55 million which is not available for general use by the Company (2019 - \$85 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

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

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

Principal operating subsidiaries are:

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

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 30, 2020.

BASIS OF MEASUREMENT

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

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

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

3. SEGMENTED INFORMATION

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

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

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

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

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

Structures & Logistics		The Structures & Logistics segment includes ATCO Structures & Logistics. This company offers workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services.	
Canadian Utilities Limited	Utilities	Electricity	The Utilities (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories.
		Natural Gas	The Utilities (Natural Gas) segment includes ATCO Gas, ATCO Pipelines and ATCO Gas Australia. These businesses provide integrated natural gas transmission and distribution services throughout Alberta, in the Lloydminster area of Saskatchewan and in Western Australia.
	Energy Infrastructure		The Energy Infrastructure segment includes ATCO Power (2010) (in 2019, the Company sold its Canadian fossil fuel-based electricity generation portfolio), Alberta PowerLine (before sale in 2019), ATCO Energy Solutions and ATCO Power Australia. Together these businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Yukon, the Northwest Territories, Australia and Mexico.
	Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business in Alberta.
Neltume Ports		The Neltume Ports segment includes the equity interest in Neltume Ports S.A., a leading port operator and developer in South America. Neltume Ports operates sixteen port facilities and three port operation services businesses located in Chile, Uruguay, Argentina and Brazil.	
Corporate & Other		ATCO Corporate & Other includes commercial real estate owned by the Company and intersegment eliminations.	

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

2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities ⁽¹⁾	Energy Infrastructure	Corporate & Other	Consolidated	
2019								
Revenues - external	171	-	-	786	34	65	885	1,056
	138	-	(3)	794	335	60	1,189	1,324
Revenues - intersegment	-	-	-	3	16	(19)	-	-
	-	-	-	-	38	(38)	-	-
Revenues	171	-	-	789	50	46	885	1,056
	138	-	(3)	794	373	22	1,189	1,324
Operating expenses ⁽²⁾	(153)	-	8	(350)	(42)	(37)	(429)	(574)
	(122)	-	10	(322)	(283)	(19)	(624)	(736)
Depreciation and amortization	(12)	-	(1)	(139)	(4)	-	(143)	(156)
	(9)	-	(1)	(139)	(16)	(2)	(157)	(167)
Earnings from investment in associate company	-	3	-	-	-	-	-	3
	-	4	-	-	-	-	-	4
Earnings from investment in joint ventures	1	-	-	-	6	-	6	7
	-	-	-	-	8	-	8	8
Net finance costs	(1)	-	(4)	(92)	(3)	1	(94)	(99)
	(1)	-	(5)	(91)	(28)	2	(117)	(123)
Earnings before income taxes	6	3	3	208	7	10	225	237
	6	4	1	242	54	3	299	310
Income tax (expense) recovery	1	-	(1)	(51)	(9)	(3)	(63)	(63)
	(3)	-	(1)	(64)	(15)	(1)	(80)	(84)
Earnings for the period	7	3	2	157	(2)	7	162	174
	3	4	-	178	39	2	219	226
Adjusted earnings (loss) for the period	7	3	1	99	3	(7)	95	106
	3	4	-	93	19	(7)	105	112
Total assets ⁽³⁾	1,006	499	244	18,001	1,022	1,098	20,121	21,870
	987	466	206	17,852	1,754	438	20,044	21,703
Capital expenditures ⁽⁴⁾	38	-	6	249	6	2	257	301
	18	-	1	213	6	1	220	239

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

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

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

(4) Includes additions to property, plant and equipment and intangibles and \$5 million of interest capitalized during construction for the three months ended March 31, 2020 (2019 - \$5 million).

Results of the operating segments included in the Utilities for the three months ended March 31 are shown below.

2020	Utilities			
2019	Electricity	Natural Gas	Intersegment eliminations	Consolidated
Revenues - external	317	469	–	786
	359	435	–	794
Revenues - intersegment	3	1	(1)	3
	–	–	–	–
Revenues	320	470	(1)	789
	359	435	–	794
Operating expenses ⁽¹⁾	(122)	(229)	1	(350)
	(114)	(208)	–	(322)
Depreciation and amortization	(77)	(62)	–	(139)
	(77)	(62)	–	(139)
Net finance costs	(58)	(34)	–	(92)
	(57)	(34)	–	(91)
Earnings before income taxes	63	145	–	208
	111	131	–	242
Income tax expense	(15)	(36)	–	(51)
	(30)	(34)	–	(64)
Earnings for the period	48	109	–	157
	81	97	–	178
Adjusted earnings	41	58	–	99
	43	50	–	93
Total assets ⁽²⁾	10,314	7,689	(2)	18,001
	10,211	7,641	–	17,852
Capital expenditures ⁽³⁾	108	141	–	249
	108	105	–	213

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

(2) 2019 comparatives are at December 31, 2019.

(3) Includes additions to property, plant and equipment and intangibles and \$5 million of interest capitalized during construction for the three months ended March 31, 2020 (2019 - \$5 million).

ADJUSTED EARNINGS

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

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

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

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	Corporate & Other	Consolidated	
2019								
Adjusted earnings (loss)	7	3	1	99	3	(7)	95	106
	3	4	-	93	19	(7)	105	112
Unrealized gains on mark-to-market forward and swap commodity contracts	-	-	-	-	-	3	3	3
	-	-	-	-	3	-	3	3
Rate-regulated activities	-	-	-	(17)	-	-	(17)	(17)
	-	-	-	(4)	-	1	(3)	(3)
IT Common Matters decision	-	-	-	(2)	-	-	(2)	(2)
	-	-	-	-	-	-	-	-
Other	-	-	1	-	(4)	-	(4)	(3)
	-	-	-	-	-	-	-	-
Earnings (loss) attributable to Class I and Class II Shares	7	3	2	80	(1)	(4)	75	87
	3	4	-	89	22	(6)	105	112
Earnings attributable to non-controlling interests								87
								114
Earnings for the period								174
								226

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

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

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

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

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

Rate-regulated activities

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

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

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

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

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

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

	2020	2019
<i>Additional revenues billed in current period</i>		
Future removal and site restoration costs ⁽¹⁾	12	11
Impact of colder temperatures ⁽²⁾	3	6
<i>Revenues to be billed in future periods</i>		
Deferred income taxes ⁽³⁾	(18)	(15)
Impact of inflation on rate base ⁽⁴⁾	(2)	-
<i>Settlement of regulatory decisions and other items</i> ⁽⁵⁾	(12)	(5)
	(17)	(3)

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

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

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

(4) 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 rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

(5) In the first quarter of 2020, ATCO Electric Distribution recorded a decrease in earnings of \$14 million related to payment of transmission costs. This will be recovered from customers in future periods.

Information Technology (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 first quarter of 2020 was \$2 million (2019 - nil).

Other

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three months ended March 31, 2020, the Company recorded a foreign exchange loss of \$4 million after tax and non-controlling interests (2019 - \$nil) due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

4. REVENUES

The Company disaggregates revenues based on the revenue streams and by regulated and non-regulated business operations. The disaggregation of revenues by revenue streams by each operating segment for the year ended March 31 are shown below:

2020 2019	Structures & Logistics	Utilities			Energy Infrastructure	Corporate & Other ⁽¹⁾	Consolidated
		Electricity	Natural Gas	Total			
Revenue Streams							
Sale of Goods							
Electricity generation and delivery	-	-	-	-	7	-	7
	-	-	-	-	164	-	164
Commodity sales	-	-	-	-	7	-	7
	-	-	-	-	8	-	8
Modular structures - goods	22	-	-	-	-	-	22
	28	-	-	-	-	-	28
Total sale of goods	22	-	-	-	14	-	36
	28	-	-	-	172	-	200
Rendering of Services							
Distribution services	-	119	307	426	-	-	426
	-	155	294	449	-	-	449
Transmission services	-	173	72	245	-	-	245
	-	169	66	235	-	-	235
Modular structures - services	77	-	-	-	-	-	77
	46	-	-	-	-	-	46
Logistics and facility operations and maintenance services	26	-	-	-	-	-	26
	27	-	-	-	-	-	27
Lodging and support	21	-	-	-	-	-	21
	14	-	-	-	-	-	14
Customer contributions	-	8	6	14	-	-	14
	-	10	5	15	-	-	15
Franchise fees	-	8	73	81	-	-	81
	-	8	66	74	-	-	74
Retail electricity and natural gas services	-	-	-	-	-	60	60
	-	-	-	-	-	56	56
Storage and industrial water	-	-	-	-	2	-	2
	-	-	-	-	7	-	7
Total rendering of services	124	308	458	766	2	60	952
	87	342	431	773	7	56	923
Lease income							
Finance lease	-	-	-	-	3	-	3
	-	-	-	-	9	-	9
Operating lease	25	-	-	-	-	-	25
	23	-	-	-	21	-	44
Total lease income	25	-	-	-	3	-	28
	23	-	-	-	30	-	53
Service concession arrangement							
	-	-	-	-	-	-	-
	-	-	-	-	126	-	126
Other							
	-	9	11	20	15	5	40
	-	17	4	21	-	1	22
Total	171	317	469	786	34	65	1,056
	138	359	435	794	335	57	1,324

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

5. EARNINGS PER SHARE

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

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

	2020	2019
Average shares		
Weighted average shares outstanding	114,352,363	114,322,689
Effect of dilutive stock options	63,590	61,304
Effect of dilutive MTIP	315,629	338,591
Weighted average dilutive shares outstanding	114,731,582	114,722,584
Earnings for earnings per share calculation		
Earnings for the period	174	226
Non-controlling interests	(87)	(114)
Earnings attributable to Class I and Class II Shares	87	112
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	\$0.76	\$0.98
Diluted earnings per Class I and Class II Share	\$0.76	\$0.98

6. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Electricity Generation	Land and Buildings	Construction Work-in- Progress	Other	Total
Cost						
December 31, 2019	20,083	142	996	748	1,697	23,666
Additions	4	-	-	257	26	287
Transfers	124	-	1	(140)	15	-
Retirements and disposals	(10)	-	(1)	(2)	(13)	(26)
Foreign exchange rate adjustment	(109)	(12)	(5)	11	(4)	(119)
March 31, 2020	20,092	130	991	874	1,721	23,808
Accumulated depreciation						
December 31, 2019	4,720	17	212	79	781	5,809
Depreciation	110	1	6	-	20	137
Retirements and disposals	(10)	-	(1)	-	(10)	(21)
Foreign exchange rate adjustment	(21)	(2)	(1)	9	(4)	(19)
March 31, 2020	4,799	16	216	88	787	5,906
Net book value						
December 31, 2019	15,363	125	784	669	916	17,857
March 31, 2020	15,293	114	775	786	934	17,902

The additions to property, plant and equipment included \$5 million of interest capitalized during construction for the three months ended March 31, 2020 (2019 - \$5 million).

7. LONG-TERM DEBT

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

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

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

At March 31, 2020, there were 101,472,849 (December 31, 2019 - 101,463,781) Class I Shares and 13,196,179 (December 31, 2019 - 13,202,947) Class II Shares outstanding. In addition, there were 690,700 options to purchase Class I Shares outstanding at March 31, 2020, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of \$0.4352 per Class I and Class II Share during the three months ended March 31, 2020 (2019 - \$0.4048). 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 March 31, 2020, the Company declared a second quarter dividend of \$0.4352 per Class I and Class II Share.

NORMAL COURSE ISSUER BID

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

No shares were purchased during the three months ended March 31, 2020 and March 31, 2019.

9. RETIREMENT BENEFITS

At March 31, 2020, the discount rate assumption which is used to measure the accrued benefit obligations had increased to 4.1 per cent from 3.1 per cent at December 31, 2019. The discount rate assumption is based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) has increased from a deficit of \$429 million at December 31, 2019 to a deficit of \$156 million at March 31, 2020. The deficit of \$156 million is net of a funded surplus of \$109 million related to the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU Plan).

The retirement benefit asset of the CU Plan has been measured at the lower of the funded surplus (\$109 million) and the asset ceiling (\$92 million). Key assumptions used to determine the asset ceiling amount include a discount rate of 4.1 per cent and that the Company expects to realize the asset through future contribution holidays.

At March 31, 2020, the Company has recognized a retirement benefit asset of \$92 million and retirement benefit obligations of \$265 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.

	2020	2019
Depreciation and amortization	156	167
Earnings from investment in associate company	(3)	(4)
Dividends received from associate company	17	12
Earnings from investment in joint ventures, net of dividends and distributions received	(3)	–
Income tax expense	63	84
Unrealized gains on mark-to-market forward and swap commodity contracts	(7)	(8)
Contributions by customers for extensions to plant	26	25
Amortization of customer contributions	(14)	(15)
Net finance costs	99	123
Income taxes paid	(8)	(34)
Other	16	3
	342	353

CASH POSITION

Cash position in the unaudited interim consolidated statements of cash flows at March 31 is comprised of:

	2020	2019
Cash	1,148	616
Short-term investments	4	–
Restricted cash ⁽¹⁾	55	85
Cash and cash equivalents	1,207	701

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

Recurring Measurements	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	168	249	179	227
Financial Liabilities				
Long-term debt	9,370	10,443	9,436	11,098

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At March 31, 2020, the following derivative instruments were outstanding:

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

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

Recurring Measurements	Subject to Hedge Accounting		Not Subject to Hedge Accounting		Total Fair Value of Derivatives
	Interest Rate Swaps	Commodities	Commodities	Foreign Currency Forward Contracts	
March 31, 2020					
Financial Assets					
Prepaid expenses and other current assets ⁽¹⁾	–	15	8	1	24
Other assets ⁽¹⁾	–	13	6	–	19
Financial Liabilities					
Other current liabilities ⁽¹⁾	2	6	4	–	12
Other liabilities ⁽¹⁾	20	4	2	–	26
December 31, 2019					
Financial Assets					
Prepaid expenses and other current assets ⁽¹⁾	–	20	–	–	20
Other assets ⁽¹⁾	5	21	–	–	26
Financial Liabilities					
Other current liabilities ⁽¹⁾	1	11	–	2	14
Other liabilities ⁽¹⁾	5	10	–	–	15

⁽¹⁾ At March 31, 2020, financial assets include \$8 million of Level 3 derivative financial instruments (December 31, 2019 - financial liabilities included \$7 million).

Notional and maturity summary

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

Notional value and maturity	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
	Interest Rate Swaps	Natural Gas ⁽¹⁾	Power ⁽²⁾	Natural Gas ⁽¹⁾	Power ⁽²⁾	Foreign Currency Forward Contracts
March 31, 2020						
Purchases ⁽³⁾	–	12,588,920	2,346,002	–	–	–
Sales ⁽³⁾	–	4,474,253	1,066,662	14,716,294	1,158,100	–
Currency						
Canadian dollars	95	–	–	–	–	–
Australian dollars	743	–	–	–	–	–
Mexican pesos	570	–	–	–	–	100
U.S. dollars	–	–	–	–	–	46
Maturity	2023-2028	2020-2024	2020-2024	2020-2025	2020-2025	2020
December 31, 2019						
Purchases ⁽³⁾	–	19,680,771	2,627,765	–	–	–
Sales ⁽³⁾	–	20,456,673	2,215,145	7,000,000	–	–
Currency						
Canadian dollars	96	–	–	–	–	–
Australian dollars	743	–	–	–	–	–
Mexican pesos	570	–	–	–	–	100
U.S. dollars	–	–	–	–	–	46
Maturity	2020-2028	2020-2024	2020-2024	2020-2021	–	2020

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

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

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

12. COVID-19 PANDEMIC

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

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

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

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

