ATCO LTD.

FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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2020 THIRD QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

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UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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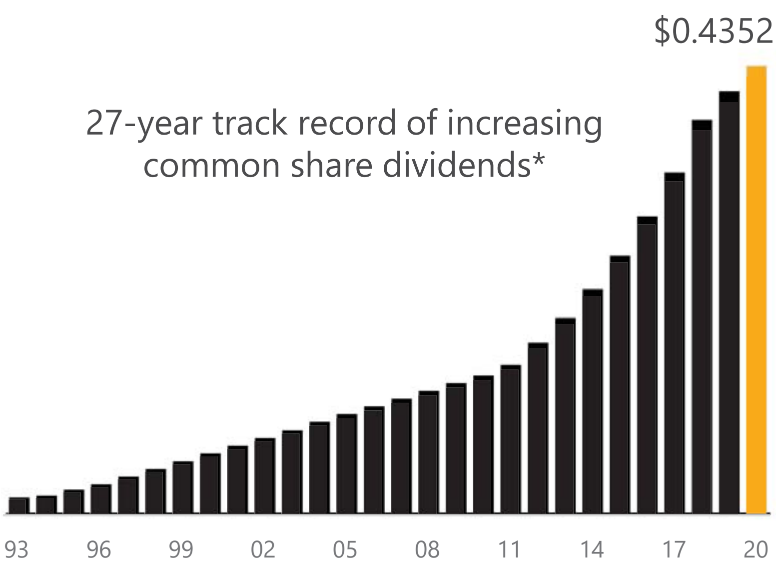
atco.com
STRUCTURES & LOGISTICS | NELTUME PORTS | CANADIAN UTILITIES

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, and international electricity operations); 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.

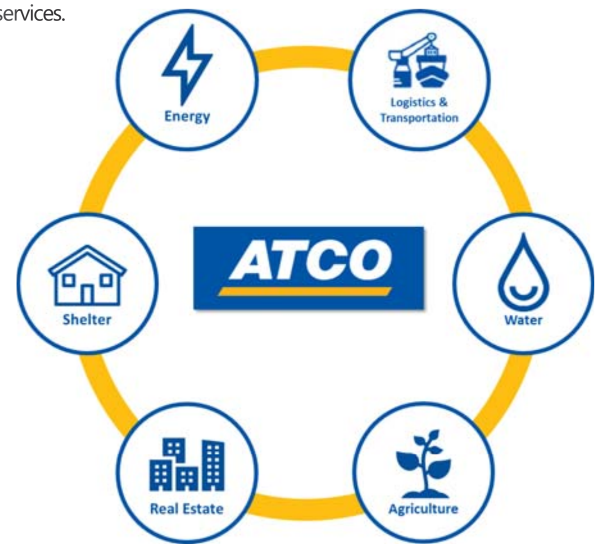
TRACK RECORD OF DIVIDEND GROWTH



* On October 8, 2020, ATCO declared a fourth 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.

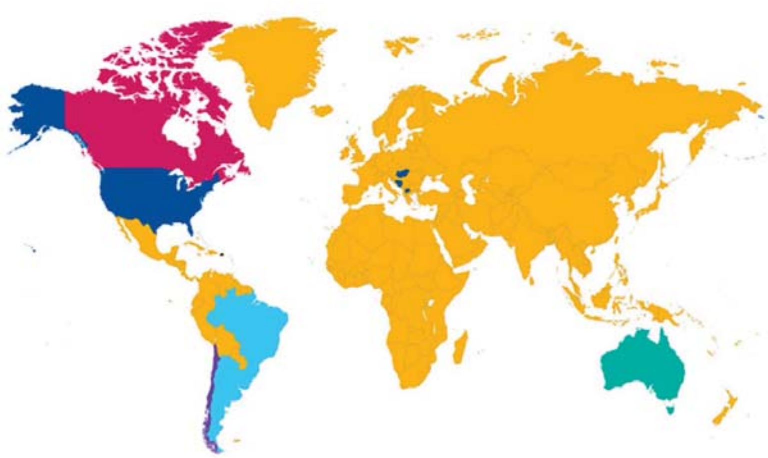


ATCO AT A GLANCE

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	6 Globally (1 Canada, 1 United States, 2 Australia, 1 Chile, 1 Mexico)
Electric Powerlines	75,000 kms
Pipelines	64,000 kms
Power Plants	6 Globally
Power Generating Capacity Share	247 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



- Canadian Utilities, Structures & Logistics and Commercial Real Estate
- Neltume Ports, Structures & Logistics, and Canadian Utilities
- Canadian Utilities and Structures & Logistics
- Canadian Utilities
- Structures & Logistics
- Neltume Ports

We continue to grow and expand our international business

ATCO SHARE INFORMATION

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

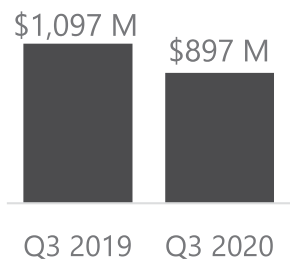
Market Capitalization	$4 billion
Weighted Average Common Shares Outstanding	114.4 million

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.

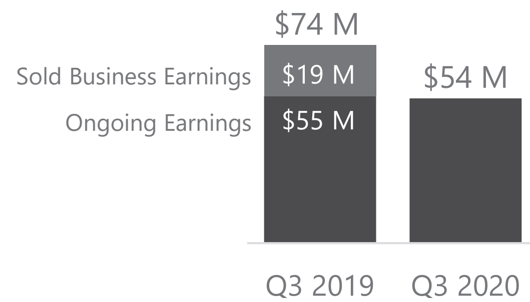
Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains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

Q3 2020 RESULTS

CONSOLIDATED REVENUES



CONSOLIDATED ADJUSTED EARNINGS



STRUCTURES & LOGISTICS

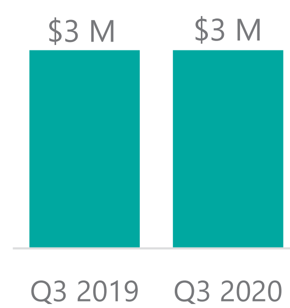
- Lower adjusted earnings were mainly due to scheduled completion of ATCO Frontec North American contracts, partially offset by additional client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.
- Awarded a United Nations Office project services contract to supply two healthcare complexes for the treatment of patients with COVID-19 in Guatemala which are expected to be installed before the end of 2020.
- Awarded a second rental contract and lodging services contract for a 592-person camp to house workers and support the construction of the Trans Mountain Expansion project. A previously awarded 600-person camp has been completed and handed over to the client during the third quarter of 2020.
- Selected to provide modular classrooms for public schools across Alberta on a three-year rental supply contract.
- Deployed and mobilized modular housing units with 2,000 beds across Louisiana and Alabama to assist with disaster and emergency response.

ADJUSTED EARNINGS

NELTUME PORTS

- Adjusted earnings in the third quarter of 2020 were comparable to the same period in 2019.
- There have been lower cargo volumes at some terminals due to the impact of the COVID-19 pandemic on trading activity in the regional geographies where Neltume Ports operates. This impact was partially offset by stronger performance at unaffected terminals elsewhere in the portfolio.

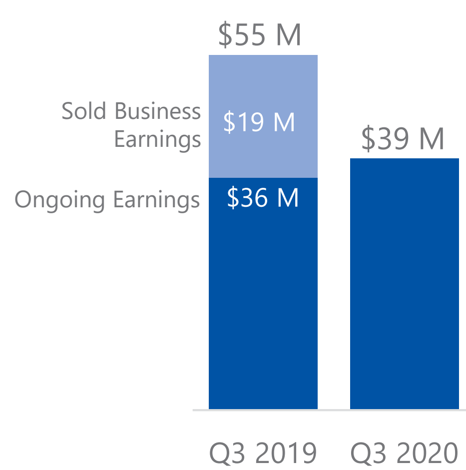
ADJUSTED EARNINGS



CANADIAN UTILITIES

- Lower adjusted earnings were mainly due to sale of the Canadian fossil fuel-based electricity generation business and Alberta PowerLine in 2019, which together contributed $19 million in adjusted earnings.
- Excluding the forgone earnings impact from the sale of these businesses, adjusted earnings in the quarter were $3 million higher than the same period in 2019. Higher earnings were mainly due improved earnings in our non-regulated businesses.
- Announced the acquisition of the Pioneer Pipeline for $255 million. The 131-km natural gas pipeline west of Edmonton, Alberta facilitates the conversion of the Sundance and Keephills coal-fired electricity generating plants to cleaner-burning natural gas.
- Received regulatory decision on the 2021 Generic Cost of Capital proceeding. The Alberta Utilities Commission approved the extension of the current return on equity of 8.5% and equity thickness ratio of 37% on a final basis for 2021.

ADJUSTED EARNINGS



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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 2020.

This MD&A was prepared as of October 28, 2020, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2020. Additional information, including the Company's previous MD&As, 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. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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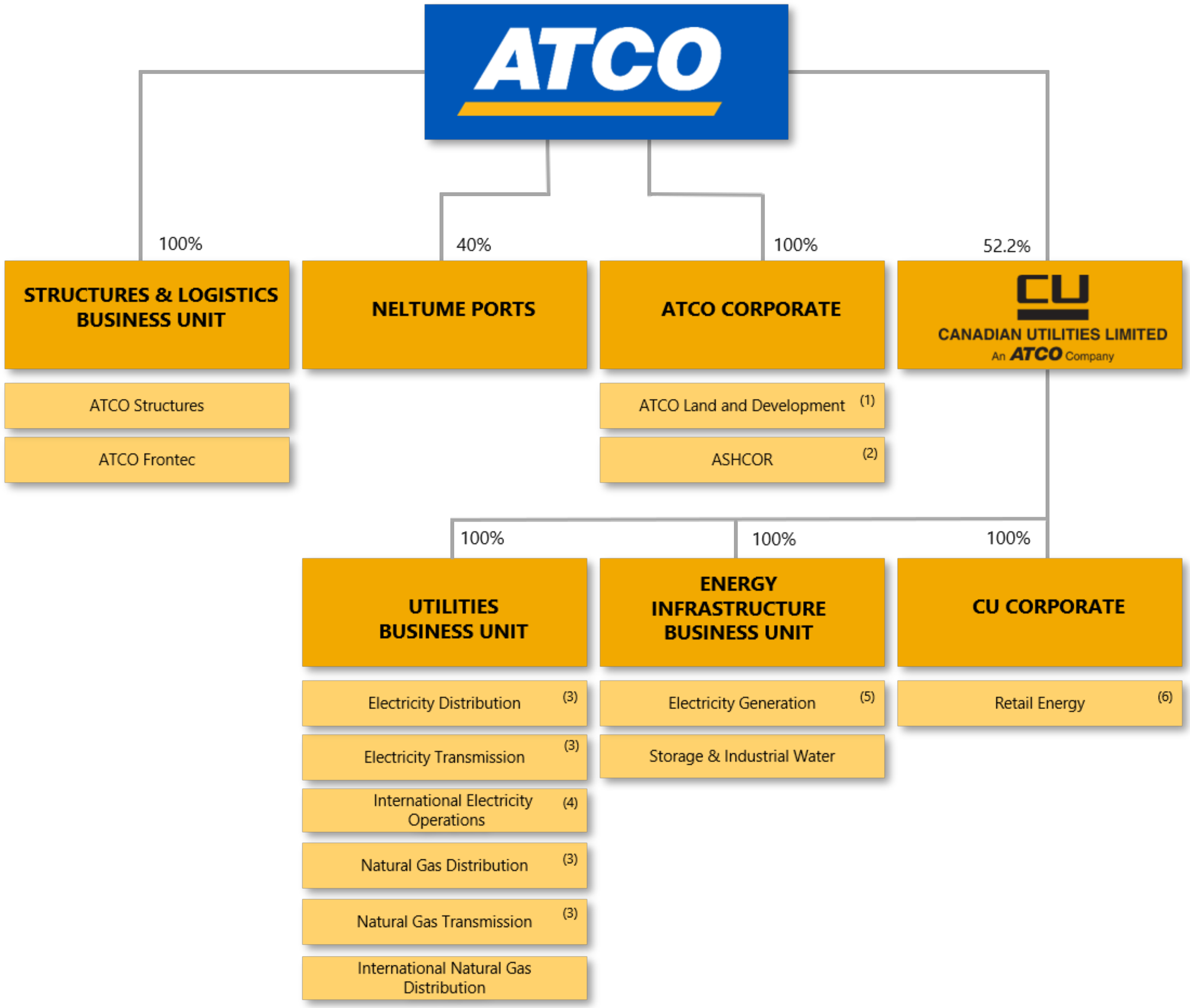
ORGANIZATIONAL STRUCTURE



(1) *ATCO Land and Development Ltd. includes commercial real estate investments held for sale, lease or development.*

(2) *ASHCOR Technologies Ltd. (ASHCOR) is an Alberta-based company engaged in processing and marketing coal ash.*

(3) *Canadian Utilities' 100 per cent owned subsidiary CU Inc. includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.*

(4) *International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, LLC (LUMA Energy), a company formed to transform, modernize and operate Puerto Rico's 30,000 km electricity transmission and distribution system under an Operations and Maintenance Agreement with a 15-year term after a one year transition period, which commenced in the second quarter of 2020.*

(5) *Canadian Utilities owns 247 MW of electricity generation assets in Australia, Mexico, Canada and Chile.*

(6) *Retail Energy, through ATCO Energy Ltd. (ATCOenergy), provides retail 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 (38.2 per cent of the Class A non-voting shares and 90.3 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 September 30			Nine Months Ended September 30		
($ millions, except per share data and outstanding shares)	2020	2019	Change	2020	2019	Change
Key Financial Metrics						
Revenues	**897**	1,097	(200)	**2,891**	3,524	(633)
Adjusted earnings [(1)]	**54**	74	(20)	**230**	264	(34)
Structures & Logistics	**12**	13	(1)	**40**	23	17
Neltume Ports	**3**	3	—	**8**	11	(3)
ATCO Corporate & Other	**—**	3	(3)	**—**	3	(3)
Canadian Utilities Limited						
Utilities	**47**	48	(1)	**203**	209	(6)
Energy Infrastructure	**3**	20	(17)	**8**	49	(41)
Canadian Utilities Corporate & Other	**(11)**	(13)	2	**(29)**	(31)	2
Adjusted earnings ($ per share) [(1)]	**0.47**	0.65	(0.18)	**2.01**	2.31	(0.30)
Earnings attributable to Class I and Class II Shares	**54**	160	(106)	**186**	430	(244)
Earnings attributable to Class I and Class II Shares ($ per share)	**0.48**	1.40	(0.92)	**1.63**	3.76	(2.13)
Cash dividends declared per Class I and Class II Share (cents per share)	**43.52**	40.48	3.04	**130.56**	121.44	9.12
Funds generated by operations [(1)]	**394**	446	(52)	**1,288**	1,458	(170)
Capital investment [(1)]	**242**	315	(73)	**771**	942	(171)
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**114,423**	114,384	39	**114,396**	114,353	43
Diluted	**114,690**	114,763	(73)	**114,696**	114,726	(30)

(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 third quarter of 2020 were $897 million, $200 million lower than the same period in 2019. Lower revenues were mainly due to forgone revenue following Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and subsequent sale of Alberta PowerLine (APL) in the fourth quarter of 2019. Lower revenues were also due to the completion of manufacturing of ATCO Structures' LNG Canada Cedar Valley Lodge contract in the second quarter of 2020, and the timing of settlements related to regulatory decisions in the Alberta Utilities. Lower revenues were partially offset by growth in Canadian Utilities' regulated rate base.

ADJUSTED EARNINGS

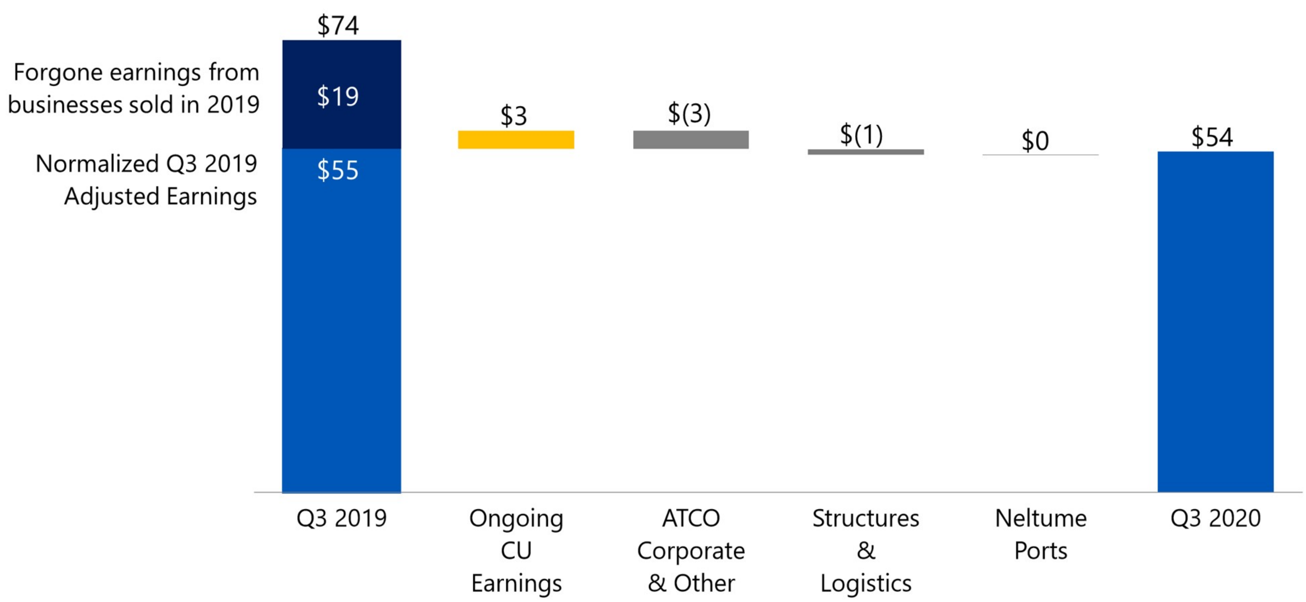
Our adjusted earnings for the third quarter of 2020 were $54 million or $0.47 per share, compared to $74 million or $0.65 per share for the same period in 2019.

Lower adjusted earnings in the third quarter of 2020 were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business and 80 per cent ownership interest in Alberta PowerLine in 2019, which together contributed $19 million in adjusted earnings in the third quarter of 2019.

Excluding the forgone earnings impact from the sale of these businesses in 2019, adjusted earnings in the third quarter of 2020 were $1 million lower than the same period in 2019. Higher earnings in Canadian Utilities' Energy Infrastructure business were offset by lower earnings in ATCO Corporate, due to a real estate sale completed in the third quarter of 2019, and in Structures & Logistics, mainly due to the scheduled completion of lodging and facilities operations and maintenance contracts.

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 $54 million in the third quarter of 2020, $106 million lower compared to the third 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.

In the third quarter of 2019, ATCO closed a series of transactions on the sale of the Canadian fossil fuel-based electricity generation business resulting in a year to date gain on sale of operations of $73 million (after-tax and non-controlling interests). As the gain is related to a series of one-time transactions, it is excluded from adjusted earnings.

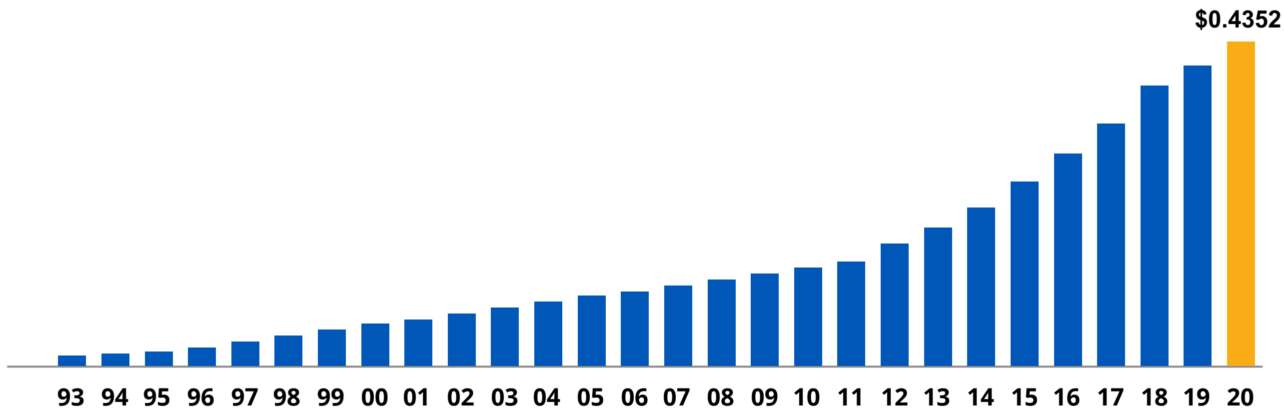
More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

COMMON SHARE DIVIDENDS

On October 8, 2020, the Board of Directors declared a fourth quarter dividend of 43.52 cents per share. Dividends paid to Class I and Class II Share owners totaled $150 million in the first nine months 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 $394 million in the third quarter of 2020, $52 million lower than the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Energy Infrastructure business as a result of the sale of the Canadian fossil fuel-based electricity generation business and APL in 2019, and in the Alberta Utilities as a result of the timing of certain revenues and expenses. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to higher workforce housing trade sale activity in Canada and higher space rental activity in Canada and the US.

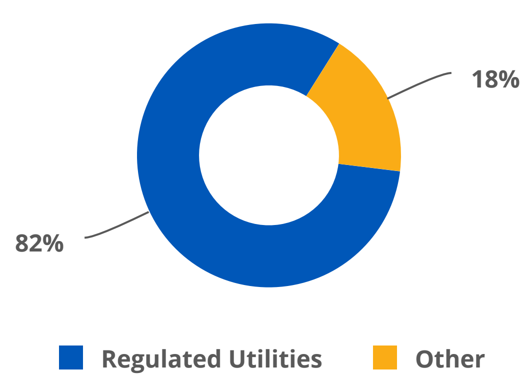
CAPITAL INVESTMENT

Total capital investment of $242 million in the third quarter of 2020 was $73 million lower than the third quarter of 2019. Lower capital spending was mainly due to delayed capital investment in the Regulated Utilities in 2020 and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019. Lower spending was partially offset by ATCO Structures' expansion of its global rental fleet.

Total capital investment of $771 million in the first nine months of 2020 was $171 million lower than the same period in 2019. Lower capital spending was mainly due to the completion of construction on Alberta PowerLine in 2019, delayed capital investment in the Regulated Utilities in 2020 and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019. Lower spending was partially offset by ATCO Structures' expansion of its global rental fleet.

Capital spending in Canadian Utilities' regulated utility businesses in the first nine months of 2020 accounted for 82 per cent of total capital invested. The remaining 18 per cent invested in the first nine months of 2020 included capital for ATCO Structures' expansion of its global rental fleet.

Capital Investment
for the Nine Months Ended
September 30, 2020



COVID-19 AND GLOBAL MACROECONOMIC CONDITIONS

The COVID-19 pandemic, continued low oil prices 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 deterioration in general economic and market conditions arising as a result of a public health threat could negatively affect 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 have a negative impact on the Company’s business.

ATCO's Pandemic Response Plan was activated in February 2020 by our Crisis Management Committee. Since then our teams across the globe have been responding to this rapidly changing situation to ensure a coordinated approach across ATCO.

In the third quarter and first nine months of 2020, the Company’s operations, financial position and performance have not been significantly impacted by the COVID-19 pandemic and changing global macroeconomic conditions. ATCO's investments are essential services and are largely focused on regulated utilities and long-term contracted businesses with strong counterparties which creates a resilient investment portfolio. Our interest in Neltume Ports and Canadian Utilities’ Electricity Distribution and International Gas Distribution businesses continue to be closely monitored. Reduced trading activity in the regional geographies where Neltume Ports operates, reduced industrial and commercial electricity demand, and recent fluctuations in Australia’s inflation and exchange rates may impact financial results. ATCO Structures & Logistics continues to respond to requests from customers who are looking for solutions to assist in the prevention of the spread of the COVID-19 virus.

BUSINESS UNIT PERFORMANCE

REVENUES

Structures & Logistics revenues of $171 million in the third quarter of 2020 were $45 million lower than the same period in 2019 mainly due to the completion of the manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge contract in the second quarter of 2020.

Structures & Logistics revenues of $543 million in the first nine months of 2020 were $15 million lower than the same period in 2019 mainly due to ATCO Frontec contracts completed in late 2019 and early 2020, the completion of manufacturing of ATCO Structures' LNG Canada Cedar Valley Lodge contract, and scaled back activity during the first and second quarters of 2020 for a number of North American workforce lodging and operations and maintenance service contracts to reduce the spread of the COVID-19 virus. Lower revenues were partially offset by ATCO Structures' strong workforce housing trade sale activity in Australia and Canada and higher space rentals in Canada, Australia, and the US.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
ATCO Structures	**11**	11	—	**39**	19	20
ATCO Frontec	**1**	2	(1)	**1**	4	(3)
Total Structures & Logistics	**12**	13	(1)	**40**	23	17

Structures & Logistics adjusted earnings of $12 million in the third quarter of 2020 were $1 million lower compared to the same period in 2019. Lower earnings were mainly due to the scheduled completion of ATCO Frontec North American contracts in late 2019 and early 2020, partially offset by additional client work requests at existing contract sites for COVID-19 proactive and preventative safety measures in the third quarter of 2020.

Structures & Logistics adjusted earnings of $40 million in the first nine months of 2020 were $17 million higher than the same period in 2019. Higher earnings were mainly due to ATCO Structures' higher workforce housing trade sale activity in Canada and Australia, higher space rental activity in Canada, the US and Australia and continued progress on the LNG Canada Cedar Valley Lodge contract. Higher earnings were partially offset by the scheduled completion of ATCO Frontec North American contracts in late 2019 and early 2020.

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

ATCO Structures adjusted earnings of $11 million in the third quarter of 2020 were comparable to the same period in 2019.

ATCO Structures recorded adjusted earnings of $39 million in the first nine months of 2020, $20 million higher than the same period in 2019. Higher earnings were mainly due to higher workforce housing trade sale activity in Canada and Australia, continued progress on the LNG Canada Cedar Valley Lodge contract and higher space rental activity in Canada, the US and Australia.

Rental Fleet Statistics

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
North America						
Manufacturing hours *(thousands)*	**120**	307	(61%)	**627**	735	(15%)
Global Space Rentals						
Number of units	**16,968**	15,964	6%	**16,968**	15,964	6%
Average utilization *(%)*	**74**	73	1%	**72**	71	1%
Average rental rate *($ per month)*	**680**	582	17%	**607**	561	8%
Global Workforce Housing						
Number of units	**2,734**	2,980	(8%)	**2,734**	2,980	(8%)
Average utilization *(%)*	**55**	53	2%	**49**	45	4%
Average rental rate *($ per month)*	**1,413**	1,964	(28%)	**1,473**	1,850	(20%)

The decrease in manufacturing hours in the third quarter of 2020 was mainly due to the completion of manufacturing activity on the LNG Canada Cedar Valley Lodge contract.

The increase in the number of space rental units was mainly due to the continued strategic expansion of the space rental fleet in the US, central Canada, British Columbia (BC) and Chile. ATCO Structures increased its fleet size by 1,004 units year-over-year while maintaining strong utilization rates over the period. The increase in the average rental rate was mainly due to higher rates in Canada, the US and Australia driven by increased activity in the construction sector, and an enhanced product mix which was on rent at a higher rate.

The decrease in the number of workforce housing units and increase in utilization was mainly due to the sale of used and non-utilized fleet assets in Canada and Australia. The increase in utilization was also due to repurposed workforce housing units mobilized for the Trans Mountain Expansion project in Canada and units on rent for hurricane response in Louisiana and Alabama, US. The increase in utilization was partially offset by the demobilization of a large rental project in Chico, California which also contributed to the reduction in the average rental rate over the period.

ATCO STRUCTURES RECENT DEVELOPMENTS

Mexico & Central America

COVID-19 Pandemic Response

ATCO Structures continues to respond to inquiries from customers who are looking for solutions to assist in the prevention of the spread of the COVID-19 virus. In the third quarter of 2020, ATCO Espaciomovil (AEM) mobilized two modular health care facilities in Tijuana and Mexico City. In addition, AEM was awarded a contract with the United Nations Office for project services to supply two healthcare complexes in Guatemala for the treatment of patients with COVID-19. The product is expected to be delivered and installed on site before the end of 2020.

Modular Health Care Facility, Tijuana, MX

Canada

Trans Mountain Expansion Project

In the third quarter, ATCO Structures repurposed existing fleet to supply a second 592-person camp to house workers and support the construction of the Trans Mountain Expansion project. A previously awarded 600-person camp was completed and handed over to the client during the third quarter of 2020.

Education

In the third quarter of 2020, ATCO Structures was selected to provide modular classrooms for public schools across Alberta on a three-year rental supply contract.

LNG Canada Cedar Valley Lodge Contract

ATCO Structures, through its joint venture with Bird Construction and the Haisla Nation, continued progress on the LNG Canada Cedar Valley Lodge contract. The facility is being built to house workers involved in the construction of LNG Canada's natural gas liquefaction and export facility in Kitimat, BC.

Permanent Modular Construction - BC Housing

During 2019 and 2020, ATCO Structures secured five projects with the Government of British Columbia's supportive housing program. The housing projects will provide affordable housing to low income individuals and families across the province. In the third quarter of 2020, ATCO Structures completed a $9 million, 44-unit complex in New Westminster, BC and in Surrey, BC, site work and manufacturing commenced on a $14 million, 61-unit complex, which is expected to be handed over to BC Housing in 2021.

United States

Disaster and Emergency Response

In the third quarter of 2020, ATCO Structures deployed and mobilized modular housing units with a total of 2,000 beds across Louisiana and Alabama within six days of Hurricanes Laura and Sally. In response to Hurricane Laura, ATCO Structures mobilized a 1,200-person rental camp and completed the sale of a 300-person camp. Additionally, during September, two 250-person rental camps were deployed in response to Hurricane Sally.

Australia

Multiplex Housing

In the third quarter of 2020, ATCO Structures completed construction on a 604-person accommodation Multiplex "Bay Village" in Karratha, Western Australia.

"Bay Village" for Multiplex in Karratha, WA

Education

ATCO Structures continues to manufacture and supply modular education classrooms for the Victoria Department of Education and has secured additional work with the Islamic College of Melbourne. The eight-year contract for design, construction and rental of modular classrooms for the Islamic College commenced manufacturing in the third quarter of 2020 at the Brisbane, Queensland facility.

ATCO FRONTEC

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

ATCO Frontec adjusted earnings of $1 million in the third quarter of 2020 were $1 million lower than the same period in 2019 mainly due to the scheduled completion of the Ontario Facilities and Maintenance contract and Tuscan Ridge contract in late 2019 and early 2020, partially offset by earnings due to additional third quarter 2020 client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.

ATCO Frontec adjusted earnings of $1 million in the first nine months of 2020 were $3 million lower than the same period in 2019 mainly due to the scheduled completion of contracts and scaled back activity during the first and second quarters of 2020 for a number of North American workforce lodging and operations and maintenance service contracts to reduce the spread of the COVID-19 virus.

ATCO FRONTEC RECENT DEVELOPMENTS

In the third quarter of 2020, ATCO Frontec was awarded a second workforce lodging services contract for a 592-person camp to support the construction of the Trans Mountain Expansion project. A previously awarded workforce lodging services contract for a 600-person camp commenced late in the third quarter of 2020.

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

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Neltume Ports	**3**	3	—	**8**	11	(3)

Neltume Ports adjusted earnings of $3 million in the third quarter of 2020 were comparable to the same period in 2019.

Neltume Ports recorded adjusted earnings of $8 million in the first nine months of 2020, $3 million lower than the same period in 2019. Lower earnings were mainly due to unplanned equipment maintenance activity in the second quarter of 2020 at Puerto Mejillones in northern Chile and overall lower cargo volumes related to the COVID-19 pandemic in 2020.

While all of Neltume Ports' terminals remain operational, there were lower cargo volumes at some terminals due to the impact of the COVID-19 pandemic on trading activity in the regional geographies where Neltume Ports operates. This impact was partially offset by stronger performance at unaffected terminals elsewhere in the portfolio.

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 processing and marketing coal 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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
ATCO Corporate & Other	—	3	(3)	—	3	(3)

ATCO Corporate & Other adjusted earnings in the third quarter and first nine months of 2020 were $3 million lower compared to the same periods in 2019. Lower earnings were mainly due to an ATCO Land and Development real estate sale completed in the third quarter of 2019.

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

UTILITIES

REVENUES

Utilities revenues of $665 million in the third quarter of 2020 and $2,132 million in the first nine months of 2020 were $3 million and $7 million lower than the same periods in 2019. Lower revenues were mainly due to the timing of settlements related to regulatory decisions, the completion of the PBR efficiency carry-over mechanism (ECM) funding at the end of 2019, and the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019. Lower revenues were partially offset by growth in the regulated rate base.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Electricity						
Electricity Distribution	**14**	14	—	**49**	50	(1)
Electricity Transmission	**23**	25	(2)	**69**	79	(10)
International Electricity Operations	**3**	—	3	**3**	—	3
Total Electricity	**40**	39	1	**121**	129	(8)
Natural Gas						
Natural Gas Distribution	**(9)**	(9)	—	**35**	30	5
Natural Gas Transmission	**11**	10	1	**35**	30	5
International Natural Gas Distribution	**5**	8	(3)	**12**	20	(8)
Total Natural Gas	**7**	9	(2)	**82**	80	2
Total Utilities Adjusted Earnings	**47**	48	(1)	**203**	209	(6)

Utilities adjusted earnings of $47 million in the third quarter of 2020 were $1 million lower than the same period in 2019. Lower earnings were mainly due to the adverse earnings impact of the five-year Access Arrangement regulatory decision which resulted in new rates commencing on January 1, 2020 and an adjustment for the impact of forecasted inflation rates in International Natural Gas Distribution. Lower earnings were also due to the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019. Lower earnings were partially offset by ongoing cost efficiencies and rate base growth across the Utilities, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy which commenced work in Puerto Rico at the end of the second quarter of 2020.

Utilities adjusted earnings of $203 million in the first nine months of 2020 were $6 million lower than the same period in 2019. Lower earnings were mainly due to the adverse earnings impact from the new five-year Access Arrangement regulatory decision and an adjustment for the impact of forecasted inflation rates in International Natural Gas Distribution, the prior period impact of an Electricity Transmission regulatory decision received in 2019, the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019, and the completion of the incremental ECM funding at the end of 2019 for Electricity and Natural Gas Distribution. Lower earnings were partially offset by ongoing cost efficiencies and rate base growth across the Utilities, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $14 million in the third quarter of 2020 were comparable to the same period in 2019.

Electricity Distribution adjusted earnings of $49 million in the first nine months of 2020 were $1 million lower than the same period in 2019 mainly due to the completion of ECM funding at the end of 2019 and lower commercial and industrial demand. Lower earnings were partially offset by cost efficiencies and continued growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $23 million in the third quarter of 2020 were $2 million lower than the same period in 2019. Lower earnings were mainly due to the completion of project management construction activities on APL in 2019 and transition to operating activities.

Electricity Transmission adjusted earnings of $69 million in the first nine months of 2020 were $10 million lower than the same period in 2019. Lower earnings were mainly due to the prior period impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) decision received in the second quarter of 2019, which approved higher rates for 2018 and 2019. Lower earnings were also due to the completion of project management construction activities and the transition to operating activities on APL in the second quarter of 2019.

International Electricity Operations

International Electricity Operations includes Canadian Utilities 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnership Authority for a 15-year term after a one-year transition period.

On June 22, 2020, LUMA Energy commenced transition work under the Operations and Maintenance Agreement. International Electricity Operations adjusted earnings in the third quarter and first nine months of 2020 were $3 million due to the commencement of this transition period work.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings in the third quarter of 2020 were comparable to the same period in 2019.

Natural Gas Distribution adjusted earnings of $35 million in the first nine months of 2020 were $5 million higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies and growth in rate base, partially offset by the completion of ECM funding at the end of 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.

Natural Gas Transmission adjusted earnings of $11 million in the third quarter of 2020 were $1 million higher than the same period in 2019.Higher adjusted earnings were mainly due to growth in rate base and cost efficiencies.

Natural Gas Transmission adjusted earnings of $35 million in the first nine months of 2020 were $5 million higher than the same period in 2019.Higher adjusted earnings were mainly due to growth in rate base, lower income taxes and cost efficiencies.

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 $5 million and $12 million in the third quarter and first nine months of 2020 were $3 million and $8 million lower compared to the same periods in 2019. Lower earnings were mainly due to the five-year Access Arrangement which resulted in new rates commencing on January 1, 2020, with a lower rate of return and rebasing of the demand forecast, financing and operating allowances. Lower earnings were also due to an adjustment for the impact of forecasted inflation rates, partially offset by higher earnings from cost efficiencies and interest savings from an interest rate hedging program which became effective in January 2020.

UTILITIES REGULATORY AND OTHER RECENT DEVELOPMENTS

2021 Generic Cost of Capital Proceeding (GCOC)

On October 13, 2020, the AUC issued a decision on the 2021 GCOC proceeding. The AUC approved the extension of the current return on equity (ROE) of 8.5 per cent and equity thickness ratio of 37 per cent on a final basis for 2021. The AUC is expecting to commence a new GCOC process in early 2021 which will allow for the submission of new evidence to address ROE and equity thickness for 2022 and beyond.

Natural Gas Transmission - Pioneer Pipeline Acquisition

On September 30, 2020, ATCO's Natural Gas Transmission business entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. (Tidewater) and its partner TransAlta Corporation (TransAlta) for a purchase price of $255 million. The 131-km natural gas pipeline runs from the Drayton Valley area to the Wabamun area west of Edmonton, Alberta.

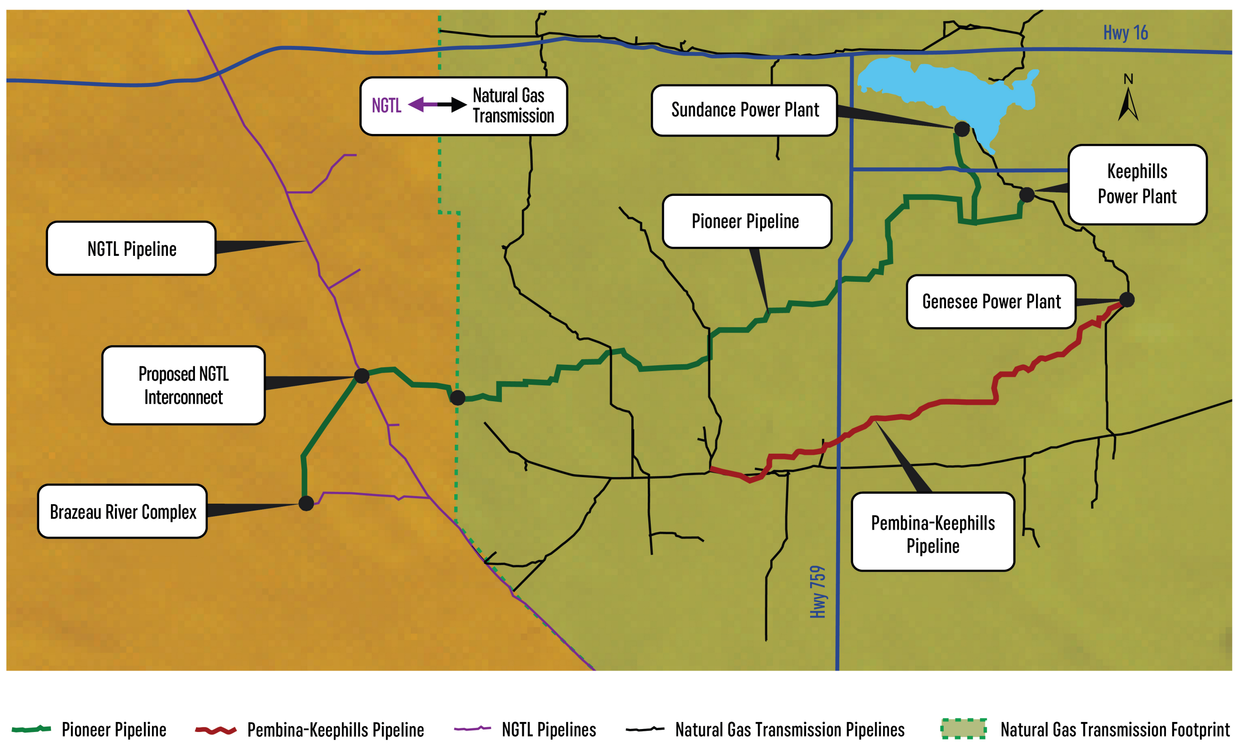
This agreement replaces the previously announced Tidewater and TransAlta purchase and sale agreement to sell the Pioneer Pipeline to NOVA Gas Transmission Ltd. (NGTL) and is under substantially similar terms.

NGTL and Natural Gas Transmission agreed that, consistent with the geographic areas defined in their Integration Agreement, Natural Gas Transmission would transfer to NGTL the 30-km segment of the Pioneer Pipeline located in the NGTL footprint for approximately $63 million. Natural Gas Transmission will retain ownership and continue to operate the portion of the Pioneer Pipeline located in the Natural Gas Transmission footprint.

The transaction is subject to customary conditions in a transaction of this nature including regulatory approvals by the AUC and the Alberta Energy Regulator, which are expected by the second quarter of 2021.

Following the close of the transaction, the Pioneer Pipeline will be integrated into NGTL's and ATCO's Alberta integrated regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas.

Pioneer Natural Gas Pipeline Acquisition



ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $51 million and $152 million in the third quarter and first nine months of 2020 were $145 million and $611 million lower than the same periods in 2019 mainly due to forgone revenue associated with the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Electricity Generation	**2**	1	1	**5**	2	3
Storage & Industrial Water	**1**	—	1	**3**	3	—
	3	1	2	**8**	5	3
Adjusted Earnings from Businesses Sold in 2019						
Canadian Fossil Fuel-Based Electricity Generation	**—**	17	(17)	**—**	32	(32)
Alberta PowerLine (APL)	**—**	2	(2)	**—**	12	(12)
	—	19	(19)	**—**	44	(44)
Total Energy Infrastructure Adjusted Earnings	**3**	20	(17)	**8**	49	(41)

Energy Infrastructure recorded adjusted earnings of $3 million and $8 million in the third quarter and first nine months of 2020, $17 million and $41 million lower than the same periods in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and sale of APL in the fourth quarter of 2019.

Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings were $2 million and $3 million higher for the third quarter and first nine months of 2020. Higher earnings were mainly due to timing and demand for natural gas storage services, cost efficiencies and recovered business development costs, partially offset by lower earnings in Australia as a result of unplanned maintenance at the Karratha power station.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $2 million and $5 million in the third quarter and first nine months of 2020 were $1 million and $3 million higher compared to the same periods in 2019. Higher earnings were mainly due to cost efficiencies and recovered business development costs, partially offset by lower earnings in Australia as a result of unplanned maintenance at the Karratha power station.

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 third quarter of 2020 were $1 million higher than the same period in 2019 mainly due to timing and demand for natural gas storage services.

Storage & Industrial Water adjusted earnings of $3 million in the first nine months of 2020 were comparable to the same period in 2019.

CANADIAN UTILITIES CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Retail Energy through ATCOenergy which provides 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 September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Canadian Utilities Corporate & Other	**(11)**	(13)	2	**(29)**	(31)	2

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the third quarter and first nine months of 2020 were $2 million higher than the same periods in 2019 mainly due to improved earnings from ATCOenergy and the timing of certain expenses.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months 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.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Operating costs	**509**	627	(118)	**1,623**	1,935	(312)
Service concession arrangement costs	**—**	15	(15)	**—**	118	(118)
Depreciation, amortization and impairment	**162**	131	31	**495**	465	30
Gain on sale of operations	**—**	163	(163)	**—**	153	(153)
Earnings from investment in associate company	**3**	3	—	**8**	11	(3)
Earnings from investment in joint ventures	**11**	4	7	**21**	17	4
Net finance costs	**102**	122	(20)	**303**	369	(66)
Income tax expense (recovery)	**30**	67	(37)	**128**	(24)	152

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation, amortization and impairment, were $118 million and $312 million lower in the third quarter and first nine months of 2020 compared to the same periods in 2019. Lower operating costs were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs were recorded for third party construction and operation activities for Canadian Utilities' Alberta PowerLine (APL) Fort McMurray West-500kV project. Service concession arrangement costs in the third quarter and first nine months of 2020 were $15 million and $118 million lower compared to the same periods in 2019 due to the completion of project management construction activities and transition to operating activities on APL in the second quarter of 2019, and subsequent sale of APL in the fourth quarter of 2019.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $31 million in the third quarter of 2020 compared to the same period in 2019 mainly due to a rate change regulatory decision received in the third quarter of 2019 in Electricity Distribution which extended the depreciable life of the assets and resulted in a one-time depreciation adjustment, and continued capital investment in the Regulated Utilities.

Depreciation, amortization and impairment increased by $30 million in the first nine months of 2020 compared to the same period in 2019 mainly due to a rate change regulatory decision received in the third quarter of 2019 in Electricity Distribution which resulted in a one-time depreciation adjustment, an impairment of assets that no longer represent strategic value for the Company, continued capital investment in the Regulated Utilities, and higher depreciation at ATCO Structures due to the expansion of the global space rentals fleet. These impacts were partially offset by lower depreciation in the first nine months of 2020 as a result of Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

GAIN ON SALE OF OPERATIONS

In the third quarter of 2019, the Company closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business resulting in a year-to-date gain on sale of operations of $153 million. This gain on sale includes $10 million of transaction costs recognized in previous quarters.

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 in the third quarter of 2020 were comparable to the same period in 2019.

Earnings from investment in associate company decreased by $3 million in the first nine months of 2020 compared to the same period in 2019 mainly due to lower cargo volumes related to the COVID-19 pandemic and unplanned maintenance activity.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta. 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 increased by $7 million and $4 million in the third quarter and first nine months of 2020 compared to the same periods in 2019 mainly due to earnings at LUMA Energy with the commencement of transition work under the Operations and Maintenance Agreement. Higher earnings were partially offset by the sale of joint venture ownership positions included within the sale of the Canadian fossil fuel-based electricity generation business in the second and third quarters of 2019.

NET FINANCE COSTS

Net finance costs decreased by $20 million in the third quarter of 2020 when compared to the same period in 2019 mainly due to lower interest expense under service concession arrangement accounting for APL, and lower interest expense on non-recourse long-term debt related to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business.

Net finance costs decreased by $66 million in the first nine months of 2020 when compared to the same period in 2019 mainly due to lower interest expense under service concession arrangement accounting for APL and lower interest expense on non-recourse long-term debt related to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business. Decreased net finance costs were also due to the positive impact of an interest rate hedging arrangement for International Natural Gas Distribution in Canadian Utilities which became effective in January 2020.

INCOME TAX

Income taxes were lower by $37 million in the third quarter compared to the same period in 2019 mainly due to lower earnings before taxes. Lower earnings before taxes for the period were mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

Income taxes were higher by $152 million in the first nine months of 2020 compared to the same period in 2019 mainly due to the realization of the deferred tax benefit from the Alberta tax rate reduction in the second quarter of 2019 partially offset by lower earnings before taxes mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019.

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 next three years.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utilities 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.

CREDIT RATINGS

Credit ratings are important to the Company's financing costs and ability to raise funds. The Company intends to maintain strong investment grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

On September 17, 2020, S&P Global Ratings affirmed its 'A-' long-term issuer credit ratings on ATCO Ltd. and Canadian Utilities with the outlooks revised from stable to negative. On September 17, 2020, S&P Global Ratings affirmed ATCO subsidiary CU Inc.'s 'A-' long term issuer credit rating and maintained a stable outlook, reflecting, S&P's decision to insulate CU Inc.'s issuer credit rating from ATCO's issuer credit rating.

On August 28, 2020, Dominion Bond Rating Service affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO. On August 10, 2020, Dominion Bond Rating Service affirmed its 'A' long-term corporate credit rating and stable outlook on ATCO subsidiary Canadian Utilities.

LINES OF CREDIT

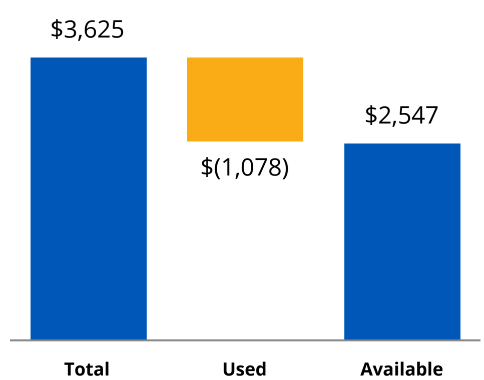
At September 30, 2020, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,640**	538	2,102
Short-term committed	**414**	402	12
Uncommitted	**571**	138	433
Total	**3,625**	1,078	2,547

Of the $3,625 million in total lines of credit, $571 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,054 million in credit lines was committed, with maturities between 2021 and 2023, and may be extended at the option of the lenders.

Of the $1,078 million in lines of credit used, $652 million was related to ATCO Gas Australia Pty Ltd. with the majority of the remaining usage pertaining to the issuance of letters of credit.

Lines of Credit ($ millions)



CONSOLIDATED CASH FLOW

At September 30, 2020, the Company's cash position was $1,298 million, an increase of $158 million compared to December 31, 2019. Funds generated by operations and funds from the issue of long-term debt by CU Inc. in September were partially offset by cash used to fund the capital investment program and dividends paid.

Funds Generated by Operations

Funds generated by operations were $394 million in the third quarter of 2020, $52 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Energy Infrastructure business as a result of the sale of the Canadian fossil fuel-based electricity generation business and APL in 2019, and in the Alberta Utilities as a result of the timing of certain revenues and expenses. These amounts were partially offset by higher funds generated in ATCO Structures mainly due to higher workforce housing trade sale activity in Canada and higher space rental activity in Canada and the US.

Funds generated by operations were $1,288 million in the first nine months of 2020, $170 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Energy Infrastructure business as a result of the sale of APL and the Canadian fossil fuel-based electricity generation business in 2019, and in the Alberta Utilities as a result of the timing of certain revenues and expenses. These amounts were partially offset by higher funds generated in ATCO Structures due to continued activity on the LNG Canada Cedar Valley Lodge contract, higher workforce housing trade sale activity and higher space rental activity in Canada, US and Australia.

Cash Used for Capital Investment

Cash used for capital investment was $242 million in the third quarter of 2020, $73 million lower than the same period in 2019. Lower capital spending was mainly due to delayed capital investment in the Regulated Utilities in 2020 and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019. Lower spending was partially offset by ATCO Structures' expansion of its global rental fleet.

Cash used for capital investment was $771 million in the first nine months of 2020, $171 million lower than the same period in 2019. Lower capital spending was mainly due to the completion of construction on Alberta PowerLine in 2019, delayed capital investment in the Regulated Utilities in 2020 and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019. Lower spending was partially offset by ATCO Structures' expansion of its global rental fleet.

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Structures & Logistics	**30**	20	10	**101**	80	21
Neltume Ports	**—**	—	—	**—**	9	(9)
ATCO Corporate & Other	**2**	(1)	3	**11**	1	10
	32	19	13	**112**	90	22
Canadian Utilities						
Utilities						
Electricity Distribution	**49**	63	(14)	**165**	151	14
Electricity Transmission	**35**	32	3	**106**	139	(33)
Natural Gas Distribution	**64**	88	(24)	**166**	192	(26)
Natural Gas Transmission	**40**	69	(29)	**154**	163	(9)
International Natural Gas Distribution	**16**	15	1	**42**	50	(8)
	204	267	(63)	**633**	695	(62)
Energy Infrastructure						
Electricity Generation	**1**	3	(2)	**4**	4	—
Storage & Industrial Water	**4**	6	(2)	**17**	12	5
	5	9	(4)	**21**	16	5
Capital Investment from Businesses Sold in 2019 (1)						
Canadian Fossil Fuel-Based Electricity Generation	**—**	19	(19)	**—**	43	(43)
Alberta PowerLine	**—**	—	—	**—**	95	(95)
	—	19	(19)	**—**	138	(138)
CU Corporate & Other	**1**	1	—	**5**	3	2
Canadian Utilities Total Capital Investment	**210**	296	(86)	**659**	852	(193)
ATCO Total Capital Investment (2) (3)	**242**	315	(73)	**771**	942	(171)

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

(2) Includes capital expenditures in joint ventures of $2 million and $7 million (2019 - $1 million and $2 million) for the third quarter and first nine months of 2020.

(3) Includes additions to property, plant and equipment, intangibles and $3 million and $10 million (2019 - $5 million and $14 million) of interest capitalized during construction for the third quarter and first nine months of 2020.

Debt Issuances and Repayments

On September 28, 2020, CU Inc. issued $150 million of 2.609 per cent 30-year debentures. Proceeds from this issuance were used to fund capital investments, to repay existing indebtedness, and for other general corporate purposes of the Alberta Utilities.

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of September 30, 2020, aggregate issuances of debentures were $150 million.

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 third quarter and $150 million in the first nine months of 2020.

On October 8, 2020, the Board of Directors declared a fourth 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 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 October 28, 2020, no shares were purchased.

SHARE CAPITAL

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

At October 27, 2020, we had outstanding 101,472,899 Class I Shares, 13,196,129 Class II Shares, and options to purchase 690,200 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, 2,444,950 Class I Shares were available for issuance at September 30, 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

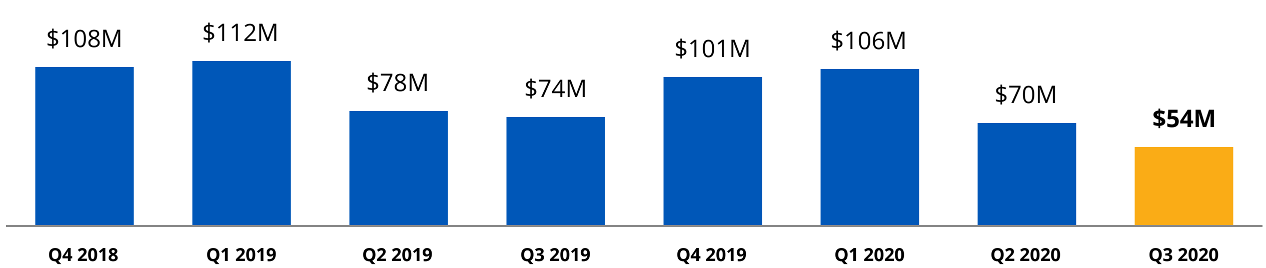
The following table shows financial information for the eight quarters ended December 31, 2018 through September 30, 2020.

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

($ millions, except for per share data)	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Revenues	1,174	1,324	1,103	1,097
Earnings attributable to Class I and Class II Shares	135	112	158	160
Earnings per Class I and Class II Share *($)*	1.18	0.98	1.38	1.40
Diluted earnings per Class I and Class II Share *($)*	1.18	0.98	1.37	1.40
Adjusted earnings per Class I and Class II Share *($)*	0.94	0.98	0.68	0.65
Adjusted earnings				
Structures & Logistics	5	3	7	13
Neltume Ports	3	4	4	3
ATCO Corporate & Other	2	—	—	3
Canadian Utilities				
Utilities	86	93	68	48
Energy Infrastructure	22	19	10	20
Canadian Utilities Corporate & Other	(10)	(7)	(11)	(13)
Total adjusted earnings	108	112	78	74

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 fourth quarter 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.

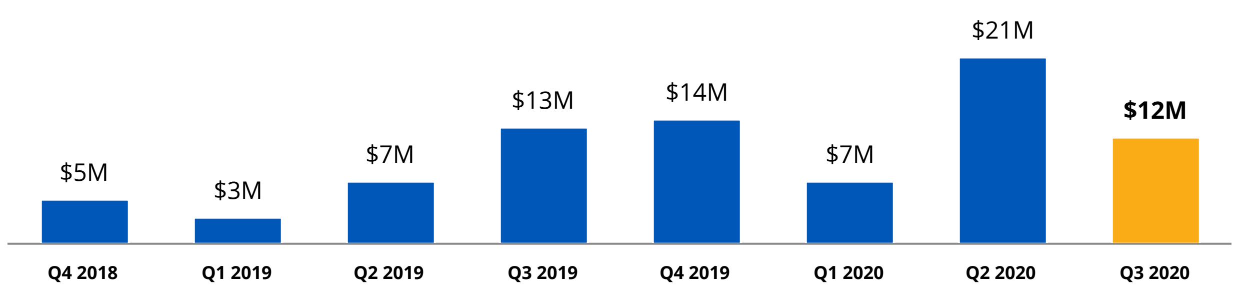
In the second quarter of 2019, earnings increased mainly due to incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge contract and higher space rental activity.

In the third and fourth quarters of 2019, earnings increased 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.

In the second quarter of 2020, earnings increased compared to the same period in 2019, mainly due to higher workforce housing trade sale activity in Canada, the US and Australia, continued progress with the LNG Canada Cedar Valley Lodge contract and higher space rental activity in Canada, the US and Australia.

In the third quarter of 2020, earnings decreased compared to the same period in 2019 mainly due to the scheduled completion of ATCO Frontec North American contracts in late 2019 and early 2020, partially offset by additional client work requests at existing contract sites for COVID-19 proactive and preventative safety measures in the third quarter of 2020.



NELTUME PORTS

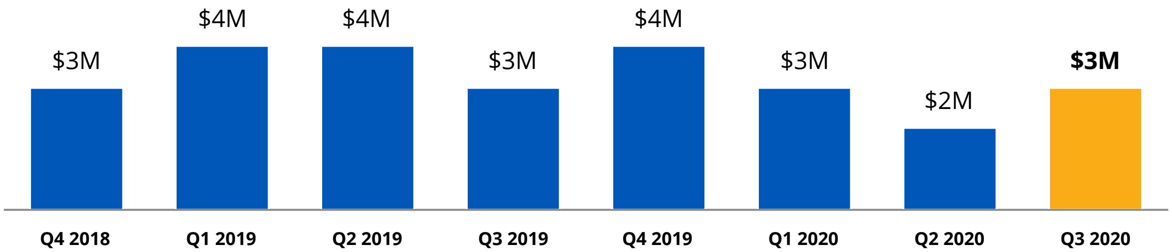
On September 12, 2018, ATCO invested in a 40 per cent interest in Neltume Ports. In the fourth quarter of 2018 and the first, second and third quarters of 2019, Neltume Ports earned $3 million, $4 million, $4 million and $3 million.

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

In the first quarter of 2020, Neltume Ports recorded adjusted earnings that 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.

In the second quarter of 2020, Neltume Ports recorded adjusted earnings that were $2 million lower than the same period in 2019. Lower earnings were mainly due to unplanned equipment maintenance activity at Puerto Mejillones in northern Chile and overall lower cargo volumes related to the COVID-19 pandemic.

In the third quarter of 2020, Neltume Ports recorded adjusted earnings that were comparable to the same period in 2019.



CANADIAN UTILITIES

Utilities

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

In the first quarter of 2019, earnings were positively impacted mainly by 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.

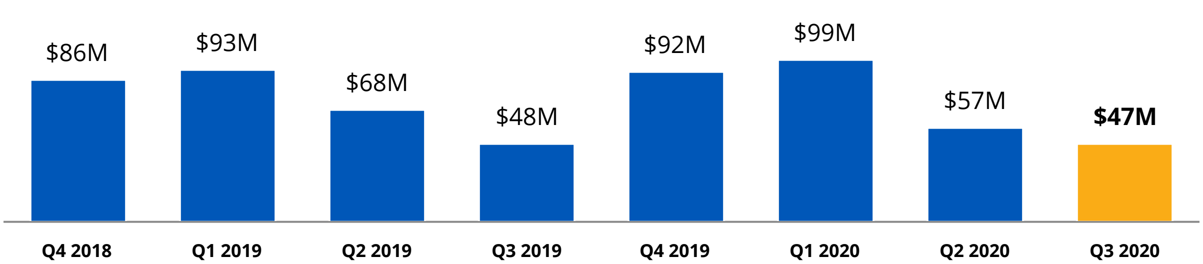
In the second quarter of 2019, earnings were positively impacted mainly by the Electricity Transmission 2018-2019 GTA decision, the Natural Gas Transmission 2019-2020 GRA decision, continued growth in the regulated rate base, cost efficiencies, and lower income taxes.

In the third and fourth quarters of 2019, Utilities earnings were positively impacted by 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, Utilities 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.

In the second quarter of 2020, adjusted earnings in the Utilities were lower compared to the same period in 2019 mainly due to the prior period impact of the Electricity Transmission 2018-2019 GTA decision received in the second quarter of 2019, the adverse earnings impact of the new five-year Access Arrangement regulatory decision in International Natural Gas Distribution which resulted in new rates commencing on January 1, 2020, the transition to APL operating activities by Electricity Transmission with completion of project management construction activities at the end of the first quarter of 2019, and the completion of the incremental ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

In the third quarter of 2020, adjusted earnings in the Utilities were $1 million lower than the same period in 2019. Lower earnings were mainly due to the adverse earnings impact of the five-year Access Arrangement regulatory decision which resulted in new rates commencing on January 1, 2020 and an adjustment for the impact of forecasted inflation rates in International Natural Gas Distribution. Lower earnings were also due to the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019. Lower earnings were partially offset by ongoing cost efficiencies and rate base growth across the Utilities, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy which commenced work in Puerto Rico at the end of the second quarter of 2020.



Energy Infrastructure

Up until the third quarter of 2019 when the Canadian fossil fuel-based electricity generation business 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 continue to have a potential impact on Energy Infrastructure adjusted earnings.

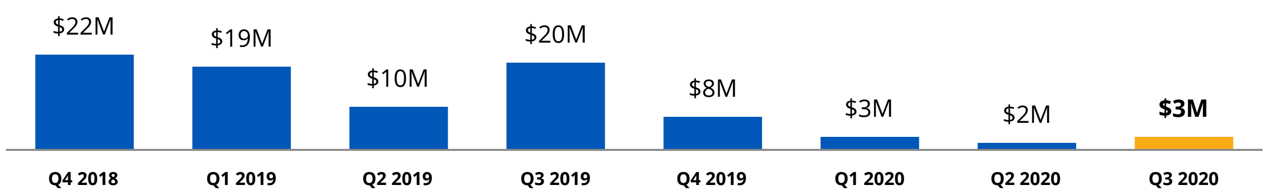
In the fourth quarter of 2018, earnings were positively impacted from the sale of the Barking Power assets and higher Alberta PowerLine earnings recorded as a result of an early energization incentive.

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

In the second quarter of 2019, the adverse earnings impact of planned outages in electricity generation were offset by incremental earnings from two additional hydrocarbon storage caverns.

In the third and fourth quarters of 2019, Energy Infrastructure earnings were lower compared to the same periods in 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.

In the first, second and third quarters of 2020, Energy Infrastructure earnings were lower compared to the same periods in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019.



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. They also include one-time gains and losses, 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 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 second, 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 business 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.
- In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million, after-tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value for the Company. As these costs 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 US accounting principles for rate-regulated activities. Management’s view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the unaudited interim consolidated financial statements.

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

Funds generated by operations is 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.

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

2020 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Revenues	**171**	**—**	**(1)**	**665**	**51**	**11**	**727**	**897**
	216	—	(4)	668	196	21	885	1,097
Adjusted earnings (loss)	**12**	**3**	**—**	**47**	**3**	**(11)**	**39**	**54**
	13	3	3	48	20	(13)	55	74
Gain on sale of operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	77	—	77	77
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**(1)**	**(4)**	**(5)**	**(5)**
	—	—	—	—	(7)	8	1	1
Rate-regulated activities	**—**	**—**	**—**	**3**	**—**	**2**	**5**	**5**
	—	—	—	7	—	2	9	9
IT Common Matters decision	**—**	**—**	**—**	**(1)**	**—**	**—**	**(1)**	**(1)**
	—	—	—	(1)	—	—	(1)	(1)
Other	**—**	**—**	**—**	**—**	**1**	**—**	**1**	**1**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**12**	**3**	**—**	**49**	**3**	**(13)**	**39**	**54**
	13	3	3	54	90	(3)	141	160

($ millions)								Nine Months Ended September 30
2020 / 2019	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	**543**	**—**	**(4)**	**2,132**	**152**	**68**	**2,352**	**2,891**
	558	—	(10)	2,139	763	74	2,976	3,524
Adjusted earnings (loss)	**40**	**8**	**—**	**203**	**8**	**(29)**	**182**	**230**
	23	11	3	209	49	(31)	227	264
Gain on sale of operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	73	—	73	73
Transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(1)	—	(1)	(1)
Impairment and other costs	**(5)**	**—**	**—**	**(4)**	**(2)**	**(9)**	**(15)**	**(20)**
	—	—	—	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity	**—**	**—**	**—**	**—**	**(2)**	**2**	**—**	**—**
	—	—	—	—	(7)	8	1	1
Rate-regulated activities	**—**	**—**	**—**	**(18)**	**—**	**1**	**(17)**	**(17)**
	—	—	—	102	—	—	102	102
IT Common Matters decision	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	(9)	—	—	(9)	(9)
Other	**—**	**—**	**—**	**—**	**(2)**	**—**	**(2)**	**(2)**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**35**	**8**	**—**	**176**	**2**	**(35)**	**143**	**186**
	23	11	3	302	114	(23)	393	430

GAIN ON SALE OF OPERATIONS

In the third quarter of 2019, the Company closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business. The sale resulted in an aggregate gain of $153 million ($73 million after-tax and non-controlling interests (NCI)). As the gain was related to a series of one-time transactions, it was excluded from adjusted earnings. This gain includes $10 million ($4 million after-tax and NCI) of transaction costs that were recognized and excluded from adjusted earnings in the second quarter of 2019.

TRANSACTION COSTS

In 2019, Canadian Utilities incurred transactions costs for the announced sale of Alberta PowerLine Limited Partnership. As these costs were related to a one-time transaction, they were excluded from adjusted earnings.

IMPAIRMENT AND OTHER COSTS

In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million, after tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value to the Company.

Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a five per cent working interest in oil and gas assets in Northern Canada. With continued low oil prices and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $9 million was recorded in the second quarter of 2020 reflecting the reduced likelihood of future recovery of these costs.

ATCO Structures closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs in the second quarter of 2020.

The remaining costs mainly relate to the continued transformation and realignment of certain functions in the Company, as well as an adjustment to certain real estate assets in small markets within the Company's real estate portfolio due to continued low prices and economic uncertainty.

UNREALIZED (LOSSES) 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 business 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 business 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:

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [(1)]	**9**	10	(1)	**30**	29	1
Impact of (warmer) colder temperatures [(2)]	**(1)**	2	(3)	**4**	8	(4)
Revenues to be billed in future periods						
Deferred income taxes [(3)]	**(8)**	(12)	4	**(38)**	(41)	3
Deferred income taxes due to decrease in provincial corporate income tax [(4)]	**—**	—	—	**—**	106	(106)
Impact of inflation on rate base [(5)]	**—**	(3)	3	**(2)**	(5)	3
Regulatory decisions received (see below)	**—**	1	(1)	**—**	—	—
Settlement of regulatory decisions and other items [(6)]	**5**	11	(6)	**(11)**	5	(16)
	5	9	(4)	**(17)**	102	(119)

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

(2) *Natural Gas Distribution 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) *In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments starting July 1, 2019. As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings in the second quarter of 2019 by $106 million.*

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

(6) In the first nine months of 2020, Electricity Distribution recorded a decrease in earnings of $10 million related to payment of transmission costs. This will be recovered from customers in future periods.

REGULATORY DECISIONS RECEIVED

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2019 is provided below.

	Decision	Amount	Description
1.	Information Technology (IT) Common Matters	9	In August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. In 2015, the AUC commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13% and to apply a glide path that reduces pricing by 4.61% in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to September 30, 2020 was $9 million. Of this amount, $8 million was recorded in the second quarter of 2019. The remaining $1 million was recorded in the third quarter of 2019.
2.	Electricity Transmission General Tariff Application (GTA)	(9)	In June 2017, Electricity Transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of $9 million was recorded in the second quarter of 2019.

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 amounts excluded from adjusted earnings in the three and nine months ended September 30, 2020 were $1 million and $5 million (2019 - $1 million and $9 million).

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 and nine months ended September 30, 2020, the Company recorded a foreign exchange gain of $1 million and a foreign exchange loss of $2 million (2019 - $nil) due to a difference between the tax base currency, which is the Mexican peso, and the US dollar functional currency.

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

Funds generated by operations is 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 2019	**Three Months Ended September 30**	**Nine Months Ended September 30**
Funds generated by operations	**394**	**1,288**
	446	1,458
Changes in non-cash working capital	**(60)**	**77**
	(17)	(207)
Change in receivable under service concession arrangement	**—**	**—**
	(13)	(152)
Cash flows from operating activities	**334**	**1,365**
	416	1,099

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 September 30**

2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital Investment	**30**	**—**	**2**	**204**	**5**	**1**	**210**	**242**
	20	—	(1)	267	28	1	296	315
Capital expenditure in joint ventures	**—**	**—**	**—**	**—**	**(2)**	**—**	**(2)**	**(2)**
	—	—	—	—	(1)	—	(1)	(1)
Capital Expenditures	**30**	**—**	**2**	**204**	**3**	**1**	**208**	**240**
	20	—	(1)	267	27	1	295	314

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

2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**ATCO Corporate & Other**	**Canadian Utilities Limited**				**ATCO Consolidated**
				Utilities	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital Investment	**101**	**—**	**11**	**633**	**21**	**5**	**659**	**771**
	80	9	1	695	154	3	852	942
Equity investment in associate company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(9)	—	—	—	—	—	(9)
Capital expenditure in joint ventures	**—**	**—**	**—**	**—**	**(7)**	**—**	**(7)**	**(7)**
	—	—	—	—	(2)	—	(2)	(2)
Service concession arrangement	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(95)	—	(95)	(95)
Capital Expenditures	**101**	**—**	**11**	**633**	**14**	**5**	**652**	**764**
	80	—	1	695	57	3	755	836

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2020, and ended on September 30, 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 nine months ended September 30, 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.

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.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

NCI means non controlling interest.

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).

Thermal Plant is a coal-fired power station in which heat energy is converted to electric power.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars except per share data)	**Note**	**2020**	**2019**	**2020**	**2019**
Revenues	4	**897**	1,097	**2,891**	3,524
Costs and expenses					
Salaries, wages and benefits		**(131)**	(132)	**(409)**	(399)
Energy transmission and transportation		**(60)**	(51)	**(168)**	(154)
Plant and equipment maintenance		**(60)**	(73)	**(156)**	(206)
Fuel costs		**(17)**	(48)	**(64)**	(171)
Purchased power		**(45)**	(43)	**(156)**	(156)
Service concession arrangement costs		**–**	(15)	**–**	(118)
Materials and consumables		**(83)**	(127)	**(295)**	(329)
Depreciation, amortization and impairment	7	**(162)**	(131)	**(495)**	(465)
Franchise fees		**(43)**	(42)	**(179)**	(171)
Property and other taxes		**(17)**	(48)	**(55)**	(137)
Other		**(53)**	(63)	**(141)**	(212)
		(671)	(773)	**(2,118)**	(2,518)
Gain on sale of operations	13	**–**	163	**–**	153
Earnings from investment in associate company		**3**	3	**8**	11
Earnings from investment in joint ventures	14	**11**	4	**21**	17
Operating profit		**240**	494	**802**	1,187
Interest income		**4**	6	**13**	18
Interest expense		**(106)**	(128)	**(316)**	(387)
Net finance costs		**(102)**	(122)	**(303)**	(369)
Earnings before income taxes		**138**	372	**499**	818
Income tax (expense) recovery	5	**(30)**	(67)	**(128)**	24
Earnings for the period		**108**	305	**371**	842
Earnings attributable to:					
Class I and Class II Shares		**54**	160	**186**	430
Non-controlling interests		**54**	145	**185**	412
		108	305	**371**	842
Earnings per Class I and Class II Share	6	**$0.48**	$1.40	**$1.63**	$3.76
Diluted earnings per Class I and Class II Share	6	**$0.47**	$1.40	**$1.62**	$3.75

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Note	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Earnings for the period		**108**	305	**371**	842
Other comprehensive (loss) income, net of income taxes					
Items that will not be reclassified to earnings:					
Re-measurement of retirement benefits [(1)]	10	**(14)**	58	**(30)**	(62)
Items that are or may be reclassified subsequently to earnings:					
Cash flow hedges [(2)]		**1**	2	**(23)**	(8)
Cash flow hedges reclassified to earnings [(3)]		–	4	–	8
Cash flow hedges reclassified to earnings as a result of sale of operations (*Note 13*) [(4)]		–	9	–	9
Foreign currency translation adjustment [(5)]		**5**	(29)	**30**	(75)
Share of other comprehensive gain (loss) in associate company [(5)]		**1**	–	**(3)**	–
		7	(14)	**4**	(66)
Other comprehensive (loss) income		**(7)**	44	**(26)**	(128)
Comprehensive income for the period		**101**	349	**345**	714
Comprehensive income attributable to:					
Class I and Class II Shares		**45**	183	**177**	348
Non-controlling interests		**56**	166	**168**	366
		101	349	**345**	714

(1) Net of income taxes of $3 million and $9 million for the three and nine months ended September 30, 2020 (2019 - $(19) million and $18 million).

(2) Net of income taxes of nil and $8 million for the three and nine months ended September 30, 2020 (2019 - nil and $2 million).

(3) Net of income taxes of nil for the three and nine months ended September 30, 2020 (2019 - $(1) and $(2) million).

(4) Net of income taxes of nil for the three and nine months ended September 30, 2020 (2019 - $(2) and $(2) million).

(5) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	September 30 2020	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	11	**1,298**	1,140
Accounts receivable and contract assets		**579**	731
Finance lease receivables		**9**	9
Inventories		**75**	64
Prepaid expenses and other current assets		**117**	93
		2,078	2,037
Non-current assets			
Property, plant and equipment	7	**18,194**	17,857
Intangibles		**661**	662
Right-of-use assets		**97**	96
Goodwill		**82**	82
Investment in joint ventures	14	**202**	187
Investment in associate company		**468**	468
Finance lease receivables		**167**	170
Deferred income tax assets		**80**	83
Other assets		**78**	61
Total assets		**22,107**	21,703
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**628**	675
Lease liabilities		**15**	15
Other current liabilities		**70**	47
Long-term debt	8	**392**	173
		1,105	910
Non-current liabilities			
Deferred income tax liabilities		**1,396**	1,319
Retirement benefit obligations	10	**475**	429
Customer contributions		**1,727**	1,720
Lease liabilities		**84**	84
Other liabilities		**154**	120
Long-term debt	8	**9,326**	9,263
Total liabilities		**14,267**	13,845
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	9	**177**	173
Contributed surplus		**11**	12
Retained earnings		**3,859**	3,832
Accumulated other comprehensive loss		**(9)**	(17)
		4,038	4,000
Non-controlling interests		**3,802**	3,858
Total equity		**7,840**	7,858
Total liabilities and equity		**22,107**	21,703

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive 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		–	–	430	–	430	412	842
Other comprehensive loss		–	–	–	(83)	(83)	(45)	(128)
Losses on retirement benefits transferred to retained earnings		–	–	(34)	34	–	–	–
Shares issued		3	–	–	–	3	3	6
Dividends	9	–	–	(139)	–	(139)	(221)	(360)
Share-based compensation		1	–	(1)	–	–	(1)	(1)
September 30, 2019		173	11	3,791	(9)	3,966	3,835	7,801
December 31, 2019		173	12	3,832	(17)	4,000	3,858	7,858
Earnings for the period		**–**	**–**	**186**	**–**	**186**	**185**	**371**
Other comprehensive loss		**–**	**–**	**–**	**(9)**	**(9)**	**(17)**	**(26)**
Losses on retirement benefits transferred to retained earnings		**–**	**–**	**(15)**	**15**	**–**	**–**	**–**
Shares issued, purchased and cancelled		**1**	**–**	**–**	**–**	**1**	**–**	**1**
Dividends	9	**–**	**–**	**(150)**	**–**	**(150)**	**(226)**	**(376)**
Share-based compensation		**3**	**(1)**	**6**	**–**	**8**	**–**	**8**
Other		**–**	**–**	**–**	**2**	**2**	**2**	**4**
September 30, 2020		**177**	**11**	**3,859**	**(9)**	**4,038**	**3,802**	**7,840**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2020**	**2019**	**2020**	**2019**
Operating activities					
Earnings for the period		**108**	305	**371**	842
Adjustments to reconcile earnings to cash flows from operating activities	11	**286**	141	**917**	616
Changes in non-cash working capital		**(60)**	(17)	**77**	(207)
Change in receivable under service concession arrangement		**–**	(13)	**–**	(152)
Cash flows from operating activities		**334**	416	**1,365**	1,099
Investing activities					
Additions to property, plant and equipment		**(209)**	(295)	**(702)**	(775)
Proceeds on disposal of property, plant and equipment		**5**	–	**7**	1
Additions to intangibles		**(29)**	(14)	**(52)**	(47)
Investment in equity interest in associate company		**–**	–	**–**	(9)
Proceeds on sale of operations, net of cash disposed		**–**	681	**–**	681
Investment in joint ventures		**(1)**	–	**(9)**	–
Changes in non-cash working capital		**25**	11	**(1)**	(23)
Other		**(11)**	6	**(13)**	10
Cash flows (used in) from investing activities		**(220)**	389	**(770)**	(162)
Financing activities					
Net (repayment) issue of short-term debt		**–**	(550)	**–**	(175)
Issue of long-term debt	8	**263**	593	**329**	619
Repayment of long-term debt	8	**(9)**	(312)	**(91)**	(544)
Release of restricted project funds		**–**	6	**–**	183
Repayment of non-recourse long-term debt		**–**	(18)	**–**	(25)
Repayment of lease liabilities		**(5)**	(5)	**(14)**	(14)
Issue of shares by subsidiary companies		**–**	3	**–**	3
Issue of Class I Shares		**–**	2	**–**	3
Dividends paid to Class I and Class II Share owners		**(50)**	(46)	**(150)**	(139)
Dividends paid to non-controlling interests		**(76)**	(74)	**(226)**	(221)
Interest paid		**(81)**	(103)	**(287)**	(355)
Other		**–**	(2)	**(1)**	15
Cash flows from (used in) financing activities		**42**	(506)	**(440)**	(650)
Increase in cash position [(1)]		**156**	299	**155**	287
Foreign currency translation		**4**	11	**3**	13
Beginning of period		**1,138**	681	**1,140**	691
End of period	11	**1,298**	991	**1,298**	991

(1) Cash position includes $50 million which is not available for general use by the Company (2019 - $29 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 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 and international electricity operations);
    - Energy infrastructure (electricity generation, energy storage and industrial water solutions);
    - Retail Energy (electricity and natural gas retail sales) (included in the Corporate & Other segment); 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 October 28, 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 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:

<table>
<tr><td colspan="3">Structures & Logistics</td><td>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.</td></tr>
<tr><td rowspan="4">Canadian Utilities Limited</td><td rowspan="2">Utilities</td><td>Electricity</td><td>The Utilities (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon and the Northwest Territories and the Company's 50 per cent ownership interest in LUMA Energy LLC which provides international electricity operations (see Note 14).</td></tr>
<tr><td>Natural Gas</td><td>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.</td></tr>
<tr><td colspan="2">Energy Infrastructure</td><td>The Energy Infrastructure segment includes ATCO Power (2010) (in 2019, the Company sold its Canadian fossil fuel-based electricity generation business), 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, Mexico and Chile.</td></tr>
<tr><td colspan="2">Corporate & Other</td><td>Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business in Alberta.</td></tr>
<tr><td colspan="3">Neltume Ports</td><td>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.</td></tr>
<tr><td colspan="3">Corporate & Other</td><td>ATCO Corporate & Other includes commercial real estate owned by the Company and intersegment eliminations.</td></tr>
</table>

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

2020 2019	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited Utilities [1]	Energy Infrastructure	Corporate & Other	Consolidated	ATCO Consolidated
Revenues - external	**171**	**–**	**(1)**	**657**	**35**	**35**	**727**	**897**
	215	–	(3)	658	196	31	885	1,097
Revenues - intersegment	**–**	**–**	**–**	**8**	**16**	**(24)**	**–**	**–**
	1	–	(1)	10	–	(10)	–	–
Revenues	**171**	**–**	**(1)**	**665**	**51**	**11**	**727**	**897**
	216	–	(4)	668	196	21	885	1,097
Operating expenses [2]	**(140)**	**–**	**5**	**(311)**	**(40)**	**(23)**	**(374)**	**(509)**
	(185)	–	13	(323)	(146)	(1)	(470)	(642)
Depreciation and amortization	**(13)**	**–**	**(2)**	**(142)**	**(5)**	**–**	**(147)**	**(162)**
	(12)	–	(2)	(116)	–	(1)	(117)	(131)
Gain on sale of operations (*Note 13*)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	163	–	163	163
Earnings from investment in associate company	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**3**
	–	3	–	–	–	–	–	3
Earnings from investment in joint ventures	**1**	**–**	**–**	**7**	**3**	**–**	**10**	**11**
	1	–	–	–	3	–	3	4
Net finance costs	**(2)**	**–**	**(3)**	**(92)**	**(3)**	**(2)**	**(97)**	**(102)**
	(2)	–	(4)	(93)	(23)	–	(116)	(122)
Earnings (loss) before income taxes	**17**	**3**	**(1)**	**127**	**6**	**(14)**	**119**	**138**
	18	3	3	136	193	19	348	372
Income tax (expense) recovery	**(5)**	**–**	**1**	**(30)**	**1**	**3**	**(26)**	**(30)**
	(5)	–	–	(33)	(22)	(7)	(62)	(67)
Earnings (loss) for the period	**12**	**3**	**–**	**97**	**7**	**(11)**	**93**	**108**
	13	3	3	103	171	12	286	305
Adjusted earnings (loss) for the period	**12**	**3**	**–**	**47**	**3**	**(11)**	**39**	**54**
	13	3	3	48	20	(13)	55	74
Capital expenditures [3]	**30**	**–**	**2**	**204**	**3**	**1**	**208**	**240**
	20	–	(1)	267	27	1	295	314

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

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

(3) Includes additions to property, plant and equipment and intangibles and $3 million of interest capitalized during construction for the three months ended September 30, 2020 (2019 - $5 million).

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

2020	**Utilities**			
2019	**Electricity**	**Natural Gas**	**Intersegment eliminations**	**Consolidated**
Revenues - external	**345**	**312**	**–**	**657**
	342	316	–	658
Revenues - intersegment	**5**	**4**	**(1)**	**8**
	10	1	(1)	10
Revenues	**350**	**316**	**(1)**	**665**
	352	317	(1)	668
Operating expenses [1]	**(125)**	**(187)**	**1**	**(311)**
	(131)	(192)	–	(323)
Depreciation and amortization	**(77)**	**(65)**	**–**	**(142)**
	(57)	(59)	–	(116)
Earnings from investment in joint ventures	**7**	**–**	**–**	**7**
	–	–	–	–
Net finance costs	**(56)**	**(36)**	**–**	**(92)**
	(58)	(35)	–	(93)
Earnings before income taxes	**99**	**28**	**–**	**127**
	106	31	(1)	136
Income tax expense	**(22)**	**(8)**	**–**	**(30)**
	(26)	(7)	–	(33)
Earnings for the period	**77**	**20**	**–**	**97**
	80	24	(1)	103
Adjusted earnings for the period	**40**	**7**	**–**	**47**
	39	9	–	48
Capital expenditures [2]	**84**	**120**	**–**	**204**
	95	172	–	267

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) Includes additions to property, plant and equipment and intangibles and $3 million of interest capitalized during construction for the three months ended September 30, 2020 (2019 - $5 million).

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

2020 2019	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities [1]	Energy Infrastructure	Corporate & Other	Consolidated	
Revenues - external	**543**	**–**	**(4)**	**2,114**	**110**	**128**	**2,352**	**2,891**
	557	–	(9)	2,111	735	130	2,976	3,524
Revenues - intersegment	**–**	**–**	**–**	**18**	**42**	**(60)**	**–**	**–**
	1	–	(1)	28	28	(56)	–	–
Revenues	**543**	**–**	**(4)**	**2,132**	**152**	**68**	**2,352**	**2,891**
	558	–	(10)	2,139	763	74	2,976	3,524
Operating expenses [2]	**(458)**	**–**	**18**	**(989)**	**(131)**	**(63)**	**(1,183)**	**(1,623)**
	(488)	–	31	(959)	(582)	(55)	(1,596)	(2,053)
Depreciation, amortization and impairment	**(38)**	**–**	**(5)**	**(420)**	**(11)**	**(21)**	**(452)**	**(495)**
	(32)	–	(5)	(394)	(29)	(5)	(428)	(465)
Gain on sale of operations (*Note 13*)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	153	–	153	153
Earnings from investment in associate company	**–**	**8**	**–**	**–**	**–**	**–**	**–**	**8**
	–	11	–	–	–	–	–	11
Earnings from investment in joint ventures	**2**	**–**	**–**	**7**	**12**	**–**	**19**	**21**
	2	–	–	–	15	–	15	17
Net finance costs	**(5)**	**–**	**(10)**	**(277)**	**(9)**	**(2)**	**(288)**	**(303)**
	(6)	–	(13)	(282)	(71)	3	(350)	(369)
Earnings (loss) before income taxes	**44**	**8**	**(1)**	**453**	**13**	**(18)**	**448**	**499**
	34	11	3	504	249	17	770	818
Income tax (expense) recovery	**(9)**	**–**	**1**	**(110)**	**(8)**	**(2)**	**(120)**	**(128)**
	(11)	–	–	79	(28)	(16)	35	24
Earnings (loss) for the period	**35**	**8**	**–**	**343**	**5**	**(20)**	**328**	**371**
	23	11	3	583	221	1	805	842
Adjusted earnings (loss) for the period	**40**	**8**	**–**	**203**	**8**	**(29)**	**182**	**230**
	23	11	3	209	49	(31)	227	264
Total assets [3]	**1,027**	**468**	**388**	**18,302**	**1,088**	**834**	**20,224**	**22,107**
	987	466	206	17,852	1,754	438	20,044	21,703
Capital expenditures [4]	**101**	**–**	**11**	**633**	**14**	**5**	**652**	**764**
	80	–	1	695	57	3	755	836

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

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

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

(4) Includes additions to property, plant and equipment and intangibles and $10 million of interest capitalized during construction for the nine months ended September 30, 2020 (2019 - $14 million).

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

2020 2019	Utilities Electricity	Natural Gas	Intersegment eliminations	Consolidated
Revenues - external	**995**	**1,119**	–	**2,114**
	1,022	1,089	–	2,111
Revenues - intersegment	**15**	**6**	**(3)**	**18**
	29	1	(2)	28
Revenues	**1,010**	**1,125**	**(3)**	**2,132**
	1,051	1,090	(2)	2,139
Operating expenses (1)	**(370)**	**(622)**	**3**	**(989)**
	(361)	(598)	–	(959)
Depreciation and amortization	**(229)**	**(191)**	–	**(420)**
	(212)	(182)	–	(394)
Earnings from investment in joint ventures	**7**	–	–	**7**
	–	–	–	–
Net finance costs	**(171)**	**(106)**	–	**(277)**
	(172)	(110)	–	(282)
Earnings before income taxes	**247**	**206**	–	**453**
	306	200	(2)	504
Income tax (expense) recovery	**(57)**	**(53)**	–	**(110)**
	60	19	–	79
Earnings for the period	**190**	**153**	–	**343**
	366	219	(2)	583
Adjusted earnings for the period	**121**	**82**	–	**203**
	129	80	–	209
Total assets (2)	**10,440**	**7,863**	**(1)**	**18,302**
	10,211	7,641	–	17,852
Capital expenditures (3)	**271**	**362**	–	**633**
	290	405	–	695

(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 $10 million of interest capitalized during construction for the nine months ended September 30, 2020 (2019 - $14 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 September 30 is shown below.

2020 / 2019	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited – Utilities**	**Canadian Utilities Limited – Energy Infrastructure**	**Canadian Utilities Limited – Corporate & Other**	**Canadian Utilities Limited – Consolidated**	**ATCO Consolidated**
Adjusted earnings (loss)	**12**	**3**	**–**	**47**	**3**	**(11)**	**39**	**54**
	13	3	3	48	20	(13)	55	74
Gain on sale of operations (*Note 13*)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	77	–	77	77
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**(1)**	**(4)**	**(5)**	**(5)**
	–	–	–	–	(7)	8	1	1
Rate-regulated activities	**–**	**–**	**–**	**3**	**–**	**2**	**5**	**5**
	–	–	–	7	–	2	9	9
IT Common Matters decision	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**(1)**
	–	–	–	(1)	–	–	(1)	(1)
Other	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**1**
	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	**12**	**3**	**–**	**49**	**3**	**(13)**	**39**	**54**
	13	3	3	54	90	(3)	141	160
Earnings attributable to non-controlling interests								**54**
								145
Earnings for the period								**108**
								305

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

2020 2019	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: Utilities	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Adjusted earnings (loss)	**40**	**8**	**–**	**203**	**8**	**(29)**	**182**	**230**
	23	11	3	209	49	(31)	227	264
Gain on sale of operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	73	–	73	73
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	(1)	–	(1)	(1)
Impairment and other costs	**(5)**	**–**	**–**	**(4)**	**(2)**	**(9)**	**(15)**	**(20)**
	–	–	–	–	–	–	–	–
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**(2)**	**2**	**–**	**–**
	–	–	–	–	(7)	8	1	1
Rate-regulated activities	**–**	**–**	**–**	**(18)**	**–**	**1**	**(17)**	**(17)**
	–	–	–	102	–	–	102	102
IT Common Matters decision	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	(9)	–	–	(9)	(9)
Other	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**(2)**
	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	**35**	**8**	**–**	**176**	**2**	**(35)**	**143**	**186**
	23	11	3	302	114	(23)	393	430
Earnings attributable to non-controlling interests								**185**
								412
Earnings for the period								**371**
								842

Gain on sale of operations

In the third quarter of 2019, the Company closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business (see Note 13). The sale resulted in an aggregate gain of $153 million ($73 million after-tax and non-controlling interests (NCI)). As the gain was related to a series of one-time transactions, it was excluded from adjusted earnings. This gain includes $10 million ($4 million after-tax and NCI) of transaction costs that were recognized and excluded from adjusted earnings in the second quarter of 2019.

Transaction costs

In 2019, Canadian Utilities incurred transactions costs for the announced sale of Alberta PowerLine Limited Partnership. As these costs were related to a one-time transaction, they were excluded from adjusted earnings.

Impairment and other costs

In the second quarter of 2020, impairment (see Note 7) and other costs not in the normal course of business of $20 million, after tax and non-controlling interests, were recorded. These costs mainly relate to certain assets that no longer represent strategic value to the Company.

Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a five per cent working interest in oil and gas assets in Northern Canada. With continued low oil prices and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $9 million was recorded in the second quarter of 2020 reflecting the reduced likelihood of future recovery of these costs.

ATCO Structures & Logistics Ltd. closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs in the second quarter of 2020.

The remaining costs mainly relate to the continued transformation and realignment of certain functions in the Company, as well as an adjustment to certain real estate assets in small markets within the Company's real estate portfolio due to continued low prices and economic uncertainty.

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

The Company’s retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. Prior to the sale of the Canadian fossil fuel-based electricity generation business 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 business 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.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**9**	10	**30**	29
Impact of (warmer) colder temperatures [(2)]	**(1)**	2	**4**	8
Revenues to be billed in future periods				
Deferred income taxes [(3)]	**(8)**	(12)	**(38)**	(41)
Deferred income taxes due to decrease in provincial corporate income tax [(4)]	**–**	–	**–**	106
Impact of inflation on rate base [(5)]	**–**	(3)	**(2)**	(5)
Regulatory decisions received (see below)	**–**	1	**–**	–
Settlement of regulatory decisions and other items [(6)]	**5**	11	**(11)**	5
	5	9	**(17)**	102

(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) *In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments starting July 1, 2019 (see Note 5). As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings in the second quarter of 2019 by $106 million.*

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

(6) *In the first nine months of 2020, ATCO Electric Distribution recorded a decrease in earnings of $10 million related to payment of transmission costs. This will be recovered from customers in future periods.*

Regulatory decisions received

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2019 is provided below.

	Decision	Amount	Description
1.	Information Technology (IT) Common Matters	9	In August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. In 2015, the AUC commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13% and to apply a glide path that reduces pricing by 4.61% in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to September 30, 2020 was $9 million. Of this amount, $8 million was recorded in the second quarter of 2019. The remaining $1 million was recorded in the third quarter of 2019.
2.	ATCO Electric Transmission General Tariff Application (GTA)	(9)	In June 2017, ATCO Electric Transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of $9 million was recorded in the second quarter of 2019.

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 amounts excluded from adjusted earnings in the three and nine months ended September 30, 2020 were $1 million and $5 million (2019 - $1 million and $9 million).

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 and nine months ended September 30, 2020, the Company recorded a foreign exchange gain of $1 million and a foreign exchange loss of $2 million (2019 - $nil) due to a difference between the tax base currency, which is the Mexican peso, and the US 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 three months ended September 30 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	**–**	**–**	**–**	**–**	**10**	**–**	**10**
	–	–	–	–	123	–	123
Commodity sales	**–**	**–**	**–**	**–**	**8**	**–**	**8**
	–	–	–	–	6	–	6
Modular structures - goods	**32**	**–**	**–**	**–**	**–**	**–**	**32**
	61	–	–	–	–	–	61
Total sale of goods	**32**	**–**	**–**	**–**	**18**	**–**	**50**
	61	–	–	–	129	–	190
Rendering of Services							
Distribution services	**–**	**132**	**189**	**321**	**–**	**–**	**321**
	–	148	195	343	–	–	343
Transmission services	**–**	**173**	**75**	**248**	**–**	**–**	**248**
	–	168	69	237	–	–	237
Modular structures - services	**61**	**–**	**–**	**–**	**–**	**–**	**61**
	73	–	–	–	–	–	73
Logistics and facility operations and maintenance services	**26**	**–**	**–**	**–**	**–**	**–**	**26**
	24	–	–	–	–	–	24
Lodging and support	**20**	**–**	**–**	**–**	**–**	**–**	**20**
	29	–	–	–	–	–	29
Customer contributions	**–**	**8**	**5**	**13**	**–**	**–**	**13**
	–	3	6	9	–	–	9
Franchise fees	**–**	**8**	**35**	**43**	**–**	**–**	**43**
	–	8	35	43	–	–	43
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**31**	**31**
	–	–	–	–	–	27	27
Storage and industrial water	**–**	**–**	**–**	**–**	**6**	**–**	**6**
	–	–	–	–	6	–	6
Total rendering of services	**107**	**321**	**304**	**625**	**6**	**31**	**769**
	126	327	305	632	6	27	791
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	–	2	–	2
Operating lease	**32**	**–**	**–**	**–**	**–**	**–**	**32**
	28	–	–	–	22	–	50
Total lease income	**32**	**–**	**–**	**–**	**7**	**–**	**39**
	28	–	–	–	24	–	52
Service concession arrangement	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	37	–	37
Other	**–**	**24**	**8**	**32**	**4**	**3**	**39**
	–	15	11	26	–	1	27
Total	**171**	**345**	**312**	**657**	**35**	**34**	**897**
	215	342	316	658	196	28	1,097

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

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

2020 2019	Structures & Logistics	Utilities Electricity	Utilities Natural Gas	Utilities Total	Energy Infrastructure	Corporate & Other [1]	Consolidated
Revenue Streams							
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**24**	**–**	**24**
	–	–	–	–	391	–	391
Commodity sales	**–**	**–**	**–**	**–**	**23**	**–**	**23**
	–	–	–	–	20	–	20
Modular structures - goods	**92**	**–**	**–**	**–**	**–**	**–**	**92**
	122	–	–	–	–	–	122
Total sale of goods	**92**	**–**	**–**	**–**	**47**	**–**	**139**
	122	–	–	–	411	–	533
Rendering of Services							
Distribution services	**–**	**382**	**698**	**1,080**	**–**	**–**	**1,080**
	–	432	700	1,132	–	–	1,132
Transmission services	**–**	**519**	**220**	**739**	**–**	**–**	**739**
	–	505	208	713	–	–	713
Modular structures - services	**227**	**–**	**–**	**–**	**–**	**–**	**227**
	207	–	–	–	–	–	207
Logistics and facility operations and maintenance services	**71**	**–**	**–**	**–**	**–**	**–**	**71**
	80	–	–	–	–	–	80
Lodging and support	**66**	**–**	**–**	**–**	**–**	**–**	**66**
	69	–	–	–	–	–	69
Customer contributions	**–**	**23**	**16**	**39**	**–**	**–**	**39**
	–	24	14	38	–	–	38
Franchise fees	**–**	**23**	**156**	**179**	**–**	**–**	**179**
	–	24	148	172	–	–	172
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**116**	**116**
	–	–	–	–	–	113	113
Storage and industrial water	**–**	**–**	**–**	**–**	**13**	**–**	**13**
	–	–	–	–	18	–	18
Total rendering of services	**364**	**947**	**1,090**	**2,037**	**13**	**116**	**2,530**
	356	985	1,070	2,055	18	113	2,542
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**12**	**–**	**12**
	–	–	–	–	18	–	18
Operating lease	**87**	**–**	**–**	**–**	**–**	**–**	**87**
	79	–	–	–	65	–	144
Total lease income	**87**	**–**	**–**	**–**	**12**	**–**	**99**
	79	–	–	–	83	–	162
Service concession arrangement	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	205	–	205
Other	**–**	**48**	**29**	**77**	**38**	**8**	**123**
	–	37	19	56	18	8	82
Total	**543**	**995**	**1,119**	**2,114**	**110**	**124**	**2,891**
	557	1,022	1,089	2,111	735	121	3,524

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

5. INCOME TAXES

The reconciliation of statutory and effective income tax expense for the three months ended September 30 is as follows:

	2020		2019	
Earnings before income taxes	**138**	**%**	372	%
Income taxes, at statutory rates	**35**	**25.0**	99	26.5
Non-taxable gains	**–**	**–**	(26)	(7.0)
Other	**(5)**	**(3.3)**	(6)	(1.5)
	30	**21.7**	67	18.0

The reconciliation of statutory and effective income tax expense for the nine months ended September 30 is as follows:

	2020		2019	
Earnings before income taxes	**499**	**%**	818	%
Income taxes, at statutory rates	**125**	**25.0**	217	26.5
Change in income taxes resulting from decrease in provincial corporate tax rate (*see below*)	**–**	**–**	(210)	(25.7)
Non-taxable gains	**–**	**–**	(26)	(3.2)
Other	**3**	**0.6**	(5)	(0.6)
	128	**25.6**	(24)	(3.0)

On May 28, 2019, the Alberta government passed Bill 3, the Job Creation Tax Cut (Bill 3), which reduces the Alberta provincial corporate tax rate from 12.0 per cent to 8.0 per cent in a phased approach between July 1, 2019 and January 1, 2022. As a result of this change, in the second quarter of 2019, the Company recorded an adjustment to current and deferred income taxes of $1 million and $210 million, respectively.

On October 20, 2020, Bill 35, Tax Statutes (Creating Jobs and Driving Innovation) (Bill 35) received first reading in the legislative assembly of Alberta and became substantively enacted for financial reporting purposes. Bill 35 accelerates the reduction of the Alberta provincial corporate tax rate, which was previously announced in Bill 3, to 8.0 per cent on July 1, 2020. The financial impact of this change is not significant and will be accounted for in the fourth quarter of 2020.

6. EARNINGS PER SHARE

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Average shares				
Weighted average shares outstanding	**114,423,014**	114,383,587	**114,395,578**	114,352,981
Effect of dilutive stock options	**20,863**	50,882	**27,018**	43,101
Effect of dilutive MTIP	**246,014**	328,673	**273,105**	329,637
Weighted average dilutive shares outstanding	**114,689,891**	114,763,142	**114,695,701**	114,725,719
Earnings for earnings per share calculation				
Earnings for the period	**108**	305	**371**	842
Non-controlling interests	**(54)**	(145)	**(185)**	(412)
Earnings attributable to Class I and Class II Shares	**54**	160	**186**	430
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.48**	$1.40	**$1.63**	$3.76
Diluted earnings per Class I and Class II Share	**$0.47**	$1.40	**$1.62**	$3.75

7. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	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	**15**	**–**	**1**	**630**	**72**	**718**
Transfers	**586**	**–**	**3**	**(623)**	**34**	**–**
Retirements and disposals	**(57)**	**(1)**	**(15)**	**(1)**	**(75)**	**(149)**
Changes to asset retirement costs	**–**	**–**	**–**	**–**	**18**	**18**
Foreign exchange rate adjustment	**72**	**(9)**	**4**	**3**	**12**	**82**
September 30, 2020	**20,699**	**132**	**989**	**757**	**1,758**	**24,335**
Accumulated depreciation						
December 31, 2019	4,720	17	212	79	781	5,809
Depreciation and impairment	**331**	**2**	**15**	**–**	**93**	**441**
Retirements and disposals	**(57)**	**–**	**(15)**	**–**	**(58)**	**(130)**
Foreign exchange rate adjustment	**14**	**(1)**	**–**	**2**	**6**	**21**
September 30, 2020	**5,008**	**18**	**212**	**81**	**822**	**6,141**
Net book value						
December 31, 2019	15,363	125	784	669	916	17,857
September 30, 2020	**15,691**	**114**	**777**	**676**	**936**	**18,194**

The additions to property, plant and equipment included $10 million of interest capitalized during construction for the nine months ended September 30, 2020 (2019 - $14 million).

IMPAIRMENT

Canadian Utilities Limited - Corporate & Other Segment

ATCO Oil & Gas Ltd., a subsidiary of Canadian Utilities Limited, holds a five per cent working interest in oil and gas assets in Northern Canada. With the continued lower oil prices and the COVID-19 pandemic continuing to cause economic uncertainty (see Note 15), the Company determined that the total net book value of these assets was not recoverable due to reduced likelihood of future development of the assets, and, therefore, impaired these assets in full, recognizing an impairment of $9 million, after tax and NCI. The impairment was included in depreciation, amortization and impairment expense. After recognizing the impairment, the recoverable amount of these assets was nil.

PIONEER NATURAL GAS PIPELINE ACQUISITION

Utilities Segment

On September 30, 2020, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., entered into an agreement to acquire the 130 km Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation for a purchase price of $255 million.

NOVA Gas Transmission Ltd. (NGTL) and ATCO Gas and Pipelines Ltd. subsequently agreed that, consistent with the geographic footprints defined in their Integration Agreement, ATCO Gas and Pipelines Ltd. would subsequently transfer to NGTL the approximately 30 km segment of the Pioneer Pipeline located in the NGTL footprint for approximately $63 million. ATCO Gas and Pipelines Ltd. will retain ownership and continue to operate the portion of the Pioneer Pipeline located in the its footprint.

The transaction is subject to satisfaction of customary conditions, including regulatory approvals by the Alberta Utilities Commission and the Alberta Energy Regulator, which are expected by the second quarter of 2021.

8. 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 September 28, 2020, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $150 million of 2.609 per cent debentures maturing on September 28, 2050.

On September 5, 2019, CU Inc. issued $580 million of 2.963 per cent debentures maturing on September 7, 2049. CU Inc. also repaid $180 million of 5.432 per cent debentures on January 23, 2019 and $300 million of 6.8 per cent debentures on August 13, 2019.

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

At September 30, 2020, there were 101,472,899 (December 31, 2019 - 101,463,781) Class I Shares and 13,196,129 (December 31, 2019 - 13,202,947) Class II Shares outstanding. In addition, there were 690,200 options to purchase Class I Shares outstanding at September 30, 2020, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4352 and $1.3056 per Class I and Class II Share during the three and nine months ended September 30, 2020 (2019 - $0.4048 and $1.2144). The Company’s policy is to pay dividends quarterly on its Class I and Class II Shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On October 8, 2020, the Company declared a fourth 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 and nine months ended September 30, 2020.

10. RETIREMENT BENEFITS

In June 2020, an actuarial valuation for funding purposes as at December 31, 2019 for the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies was completed. The estimated contribution for 2020 is $13 million and is accounted for retroactively from January 1, 2020. Prior to this actuarial valuation, the employer contribution for 2020 was based on the actuarial valuation for funding purposes as at December 31, 2017, and amounted to $18 million. The next actuarial valuation for funding purposes must be completed as at December 31, 2022.

At September 30, 2020, the discount rate assumption which is used to measure the accrued benefit obligations decreased to 2.7 per cent from 3.1 per cent at December 31, 2019. The discount rate assumption was based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments. Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) decreased from a net deficit of $429 million at December 31, 2019 to a net deficit of $475 million at September 30, 2020.

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Depreciation, amortization and impairment	**162**	131	**495**	465
Gain on sale of operations (*Note 13*)	**–**	(163)	**–**	(153)
Earnings from investment in associate company	**(3)**	(3)	**(8)**	(11)
Dividends received from associate company	**–**	–	**17**	12
Earnings from investment in joint ventures, net of dividends and distributions received	**(7)**	(1)	**(5)**	–
Income tax expense (recovery)	**30**	67	**128**	(24)
Unearned availability incentives	**–**	1	**–**	7
Unrealized (gains) losses on derivative financial instruments	**11**	(1)	**(1)**	(2)
Contributions by customers for extensions to plant	**(2)**	18	**45**	54
Amortization of customer contributions	**(13)**	(9)	**(39)**	(38)
Net finance costs	**102**	122	**303**	369
Income taxes paid	**(10)**	(24)	**(29)**	(89)
Other	**16**	3	**11**	26
	286	141	**917**	616

CASH POSITION

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

	2020	**2019**
Cash	**1,243**	1,036
Short-term investments	**5**	1
Restricted cash [(1)]	**50**	29
Cash and cash equivalents	**1,298**	1,066
Bank indebtedness	**–**	(75)
	1,298	991

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

	September 30, 2020		December 31, 2019	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**176**	**258**	179	227
Financial Liabilities				
Long-term debt	**9,718**	**11,887**	9,436	11,098

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

	Subject to Hedge Accounting		Not Subject to Hedge Accounting		
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Foreign Currency Forward Contracts**	**Total Fair Value of Derivatives**
September 30, 2020					
Financial Assets					
Prepaid expenses and other current assets (1)	–	**18**	**5**	–	**23**
Other assets (1)	–	**10**	**6**	–	**16**
Financial Liabilities					
Other current liabilities	**3**	**4**	**4**	–	**11**
Other liabilities	**31**	**4**	**1**	–	**36**
December 31, 2019					
Financial Assets					
Prepaid expenses and other current assets	–	20	–	–	20
Other assets	5	21	–	–	26
Financial Liabilities					
Other current liabilities (1)	1	11	–	2	14
Other liabilities (1)	5	10	–	–	15

(1) At September 30, 2020, financial assets include $7 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:

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**
September 30, 2020							
Purchases (3)	–	**11,576,520**	**2,355,177**	–	–	–	–
Sales (3)	–	**3,878,224**	**821,092**	–	**10,161,973**	**1,257,973**	–
Currency							
Canadian dollars	**94**	–	–	–	–	–	–
Australian dollars	**741**	–	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	–	**100**
U.S. dollars	–	–	–	**2**	–	–	–
Maturity	**2023-2028**	**2020-2024**	**2020-2024**	**2020**	**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.

13. SALE OF OPERATIONS

On May 27, 2019, the Company announced that it had entered into agreements to sell its Canadian fossil fuel-based electricity generation business (Electricity generation disposal group).

An agreement with Heartland Generation Ltd., an affiliate of Energy Capital Partners, closed on September 30, 2019, and included the sale of 10 partly or fully owned natural gas-fired and coal-fired electricity generation assets located in Alberta and British Columbia. In two other separate transactions, the Company entered into agreements to sell its 50 per cent ownership interest in the Cory Cogeneration Station to SaskPower International and its 50 per cent ownership interest in Brighton Beach Power to Ontario Power Generation. This portfolio of transactions all closed in the third quarter of 2019 and resulted in gross proceeds of $821 million ($681 million in net proceeds after debt and working capital adjustments and cash disposed). During the nine months ended September 30, 2019, the Company recognized a gain on sale of the Canadian fossil fuel-based electricity generation business of $153 million ($77 million, after tax and non-controlling interests).

In January 2020, certain customary post-closing purchase price adjustments were made. As a result, additional $13 million of proceeds were received in January 2020, and an additional $22 million of gain before tax ($5 million, after tax and non-controlling interests) was recorded in the fourth quarter of 2019.

14. JOINT VENTURES

On June 22, 2020, LUMA Energy LLC (LUMA), a Commonwealth of Puerto Rico based joint venture between Canadian Utilities Limited and Quanta Services, where each party holds a 50 per cent ownership interest, was selected by the Puerto Rico Public-Private Partnerships Authority to modernize and operate Puerto Rico's electric transmission and distribution system over a term of 15 years after a one year transition period which commenced in June 2020.

LUMA contractual arrangements do not assume ownership of any electric transmission and distribution assets. The functional currency of LUMA is US dollars.

Canadian Utilities Limited has accounted for its 50 per cent ownership interest as a joint venture, whereby the initial investment shall be adjusted for the Canadian Utilities Limited share of LUMA's earnings, other comprehensive income, dividends received from LUMA, and foreign exchange. When making the assessment on whether LUMA represents a joint venture, Canadian Utilities Limited considered the structure, legal form and contractual terms of the arrangement with Quanta Services, as well as other facts and circumstances.

LUMA is reported in the Utilities segment.

At September 30, 2020, the investment in LUMA was $6 million. Earnings from investment in LUMA during the three and nine months ended September 30, 2020, were $3 million after tax and non-controlling interests. No dividends or distributions were received from LUMA during the three months ended September 30, 2020.

15. 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 three and nine months ended September 30, 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.