ATCO LTD.

FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2022

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2022 INVESTOR FACT SHEET

CANADIAN UTILITIES I STRUCTURES & LOGISTICS I NELTUME PORTS

With approximately 6,400 employees and assets of $23 billion, ATCO is a diversified global corporation with investments in the essential services of Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services); Utilities (electricity and natural gas transmission and distribution, and international operations); Energy Infrastructure (energy storage, energy generation, industrial water solutions, and clean fuels); Retail Energy (electricity and natural gas retail sales, and whole-home solutions); Transportation (ports and transportation logistics); and Commercial Real Estate.

ATCO QUICK FACTS

Common Shares (TSX): ACO.X, ACO.Y	
Total Assets	**$23 Billion**
Dividends	**$1.85 per share annualized**
Market Capitalization	**$5 billion**
Common Shares Outstanding *(weighted average)*	**114 million**

ATCO share registry has both Class I Non-Voting (ACO.X) and Class II Voting (ACO.Y) common shares. Above values as of March 31, 2022.

LEARN MORE ABOUT ATCO

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

INVESTMENT HIGHLIGHTS

Diversified Infrastructure Holdings – ATCO's portfolio focuses on integrated, sustainable solutions in the essential services of shelter, logistics and transportation, agriculture, water, real estate, and energy and energy infrastructure.

Operational Excellence – As a leader in operational excellence, ATCO's portfolio of companies create inter-generational value for our share owners. We achieve operational excellence through service reliability and product quality for our customers and the communities we serve.

Global Outlook, Community Minded – ATCO continues to grow and expand our business with a focus on disciplined capital investment in select global markets. Community engagement, including an unparalleled history of Indigenous relationships, is at the core of how we do business.

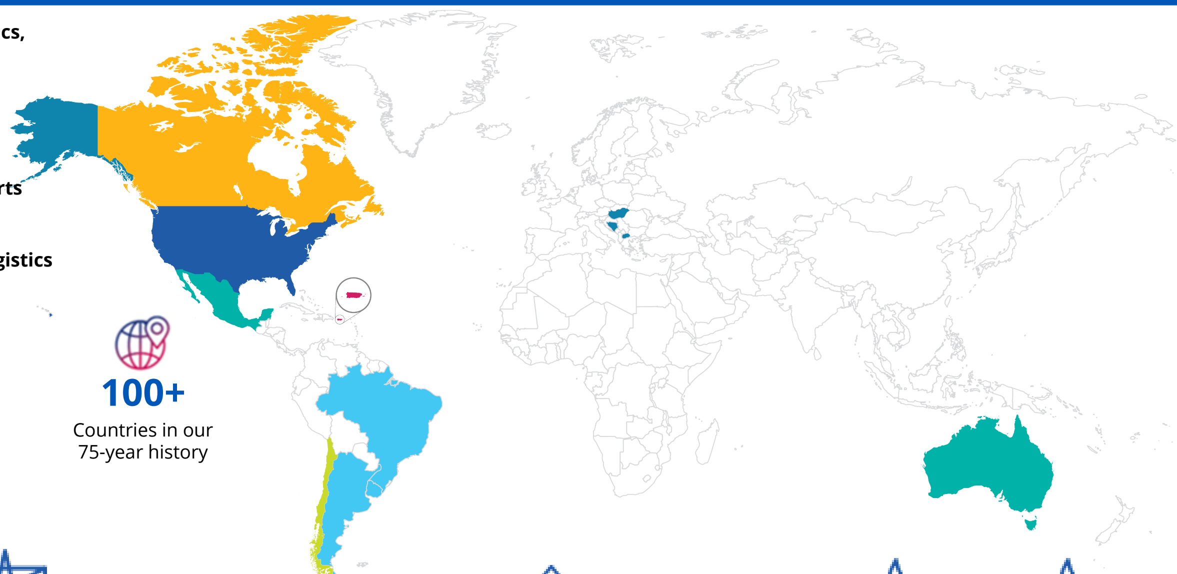
Environmental, Social, and Corporate Governance – In 2022, ATCO announced a comprehensive set of 2030 environmental, social and governance targets and a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050; highlighting our leadership in energy transition, diversity and inclusion, community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

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

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

ATCO AT A GLANCE

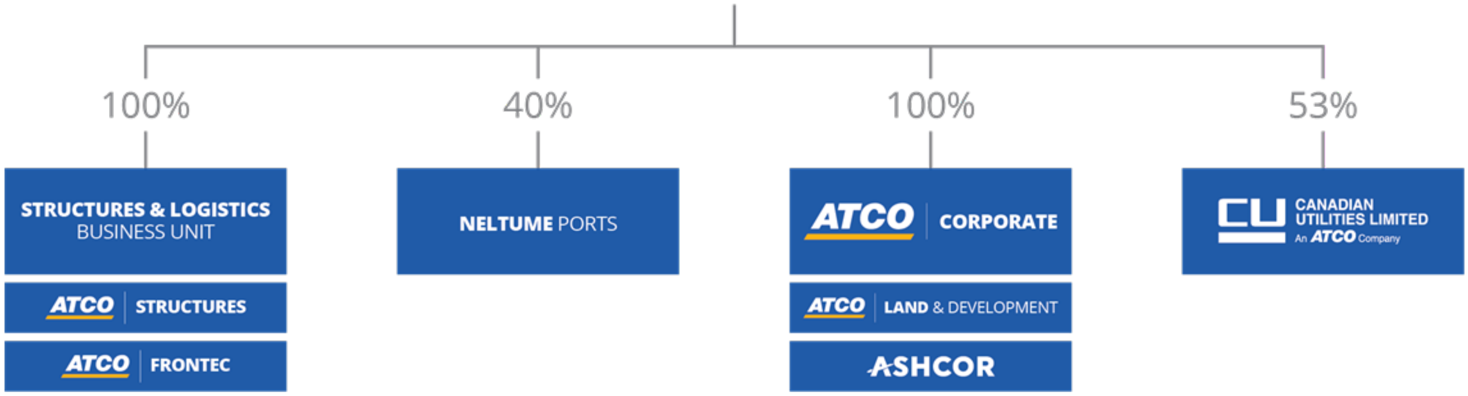
- **Canadian Utilities, Structures & Logistics, Land and Development, and Ashcor**
- **Structures & Logistics**
- **Structures & Logistics and Neltume Ports**
- **Canadian Utilities and Structures & Logistics**
- **Neltume Ports**
- **Neltume Ports, Structures & Logistics, and Canadian Utilities**
- **Canadian Utilities**



6	Modular Building Manufacturing Locations
17	Ports & 6 Port Operations Services
105,000 kms	Electric Powerlines Owns & Operates
398 MW*	Power Generation Operates
293 MW*	Power Generation Owns
85,200 m3/d**	Water Infrastructure Capacity
64,000 kms	Pipelines Owns & Operates
101 Pj***	Natural Gas Storage Capacity
400,000 m3****	Natural Gas Liquids Storage Capacity Owns & Operates

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

ATCO(1)



(1) It is important for prospective owners of ATCO shares to understand that ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company.

ANALYST COVERAGE

BMO Capital Markets
Ben Pham

CIBC Capital Markets
Mark Jarvi

Credit Suisse
Andrew Kuske

National Bank Financial
Patrick Kenny

RBC Capital Markets
Maurice Choy

TD Securities
Linda Ezergailis

OUR LEADERSHIP TEAM

Nancy C. Southern, Chair & Chief Executive Officer

Katie J. Patrick, Executive Vice President, Chief Financial & Investment Officer

Adam M. Beattie, President, Structures

M. George Constantinescu, Senior Vice President & Chief Transformation Officer

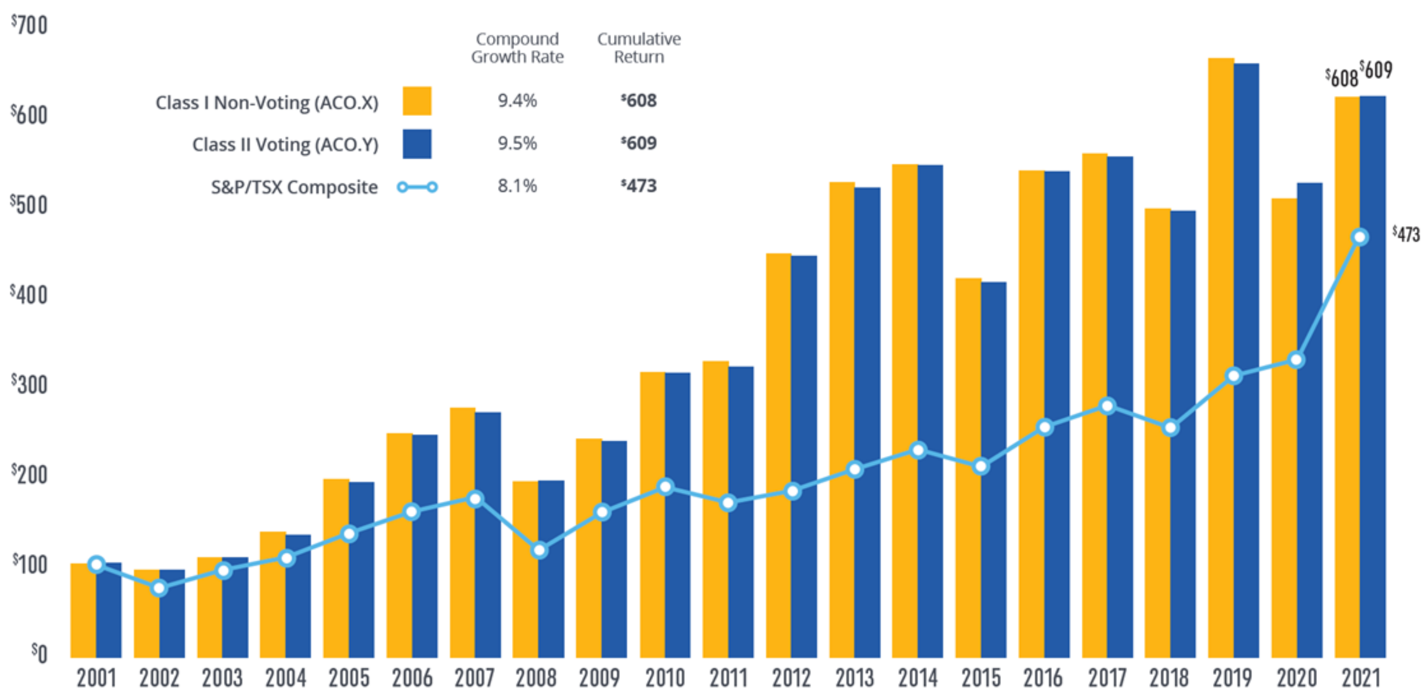
Dale Friesen, Senior Vice President, Corporate Affairs & Chief Government Affairs Officer

Jim Landon, President, Frontec

Becky A. Penrice, Executive Vice President, Corporate Services

Sarah J. Shortreed, Executive Vice President & Chief Technology Officer

20-YEAR CUMULATIVE SHARE OWNER RETURN ON $100 INVESTMENT



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2022 FIRST QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the three months ended March 31, 2022.

This MD&A was prepared as of April 27, 2022, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2022. Additional information, including the Company's previous MD&A (2021 MD&A), Annual Information Form (2021 AIF), and audited consolidated financial statements for the year ended December 31, 2021, is available on SEDAR at www.sedar.com. Information contained in the 2021 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (53.0 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies Ltd. (Ashcor) (100 per cent ownership). The Company also has an equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	**Three Months Ended March 31** 2022	2021	Change
Key Financial Metrics			
Revenues	**1,311**	1,072	239
Adjusted earnings [(1)]	**134**	119	15
Structures & Logistics	**20**	14	6
Neltume Ports	**4**	3	1
ATCO Corporate & Other	**(6)**	1	(7)
Canadian Utilities Limited			
Utilities [(1)]	**124**	106	18
Energy Infrastructure	**4**	5	(1)
Canadian Utilities Corporate & Other	**(12)**	(10)	(2)
Adjusted earnings ($ per share)	**1.17**	1.04	0.13
Earnings attributable to Class I and Class II Shares	**128**	83	45
Earnings attributable to Class I and Class II Shares ($ per share)	**1.12**	0.73	0.39
Diluted earnings attributable to Class I and Class II Shares ($ per share)	**1.12**	0.72	0.40
Total assets	**23,184**	22,262	922
Long-term debt	**9,860**	9,593	267
Class I and Class II Share owners' equity	**4,236**	4,117	119
Cash dividends declared per Class I and Class II Share (cents per share)	**46.17**	44.83	1.34
Cash flows from operating activities	**688**	544	144
Capital investment [(2)]	**304**	253	51
Capital expenditures	**302**	248	54
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,142**	114,302	(160)
Diluted	**114,426**	114,551	(125)

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

(2) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

REVENUES

Revenues for the first quarter of 2022 were $1,311 million, $239 million higher than the same period in 2021. Higher 2022 revenues, largely in Electricity Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues were also due to higher flow-through revenues in Electricity Distribution and Natural Gas Distribution, ATCO Structures' higher trade sale activity for workforce housing in Australia, Canada and Chile, and higher natural gas prices in the Energy Infrastructure segment.

ADJUSTED EARNINGS

Our adjusted earnings in the first quarter of 2022 were $134 million or $1.17 per share, compared to $119 million or $1.04 per share for the same period in 2021.

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

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 $128 million in the first quarter of 2022, $45 million higher compared to 2021. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

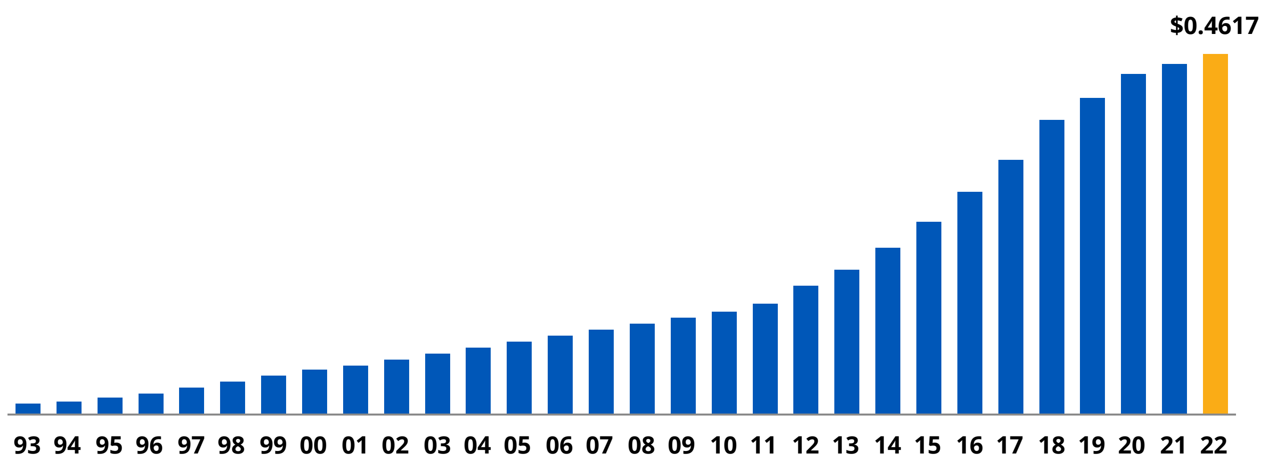
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $688 million in the first quarter of 2022, $144 million higher than the same period in 2021. The increase was mainly due to higher cash flows from Canadian Utilities' Electricity Distribution and Gas Distribution businesses resulting from revenue attributable to the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses in the Utilities, and higher cash flows generated in ATCO Structures from the sale of used fleet in Australia.

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II Share owners totaled $53 million in the first quarter of 2022. On April 14, 2022, the Board of Directors declared a second quarter dividend of 46.17 cents per share or $1.85 on an annualized basis. ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

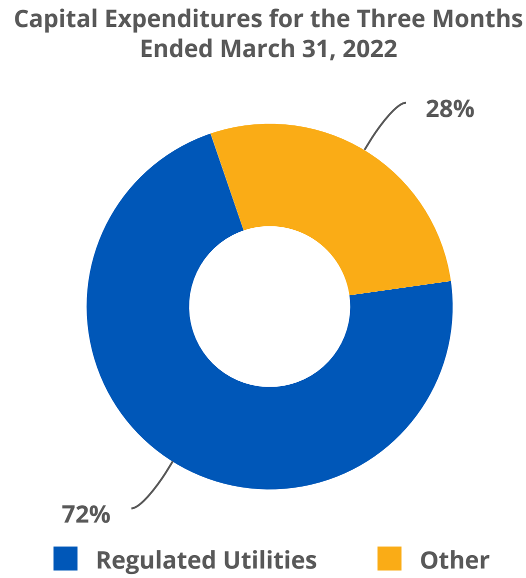
Quarterly Dividend Rate 1993 - 2022
(dollars per share)



CAPITAL INVESTMENT [(1)] AND CAPITAL EXPENDITURES

Total capital investment and capital expenditures of $304 million and $302 million in the first quarter of 2022 were $51 million and $54 million higher compared to the same period in 2021.

Capital spending in Canadian Utilities' Regulated Utilities accounted for 72 per cent of total capital invested in the first quarter of 2022. The remaining 28 per cent was mainly due to ATCO Structures' continued expansion of the space rental fleet in Canada and the US, the manufacturing of space rentals products for the China Lake Military Rebuild project, and increased construction activities within Canadian Utilities' Energy Infrastructure segment.



(1) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

BUSINESS UNIT PERFORMANCE

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

REVENUES

Structures & Logistics revenues of $202 million in the first quarter of 2022 were $35 million higher than the same period in 2021. Higher revenues were mainly due to higher trade sale activity for workforce housing in Australia, Canada and Chile, site preparation and installation work commencement on ATCO Structures' Bechtel Pluto Train II project in Australia, higher activity in the space rentals fleet and trade sales across most geographies, and increases in client work requests and occupancy for ATCO Frontec-operated camps. Higher revenues were partially offset by lower workforce housing trade sales activity in the US.

ADJUSTED EARNINGS

		Three Months Ended March 31	
($ millions)	**2022**	**2021**	**Change**
ATCO Structures (1)	**16**	13	3
ATCO Frontec (1)	**4**	1	3
Total Structures & Logistics	**20**	14	6

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

Structures & Logistics adjusted earnings of $20 million in the first quarter of 2022 were $6 million higher than the same period in 2021. Higher adjusted earnings were mainly due to higher space rental activity across all geographies, and higher occupancy and client work requests at BC Hydro Site C, and Trans Mountain camps located in Clearwater and Valemount, BC.

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

ATCO STRUCTURES

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

ATCO Structures adjusted earnings of $16 million in the first quarter of 2022 were $3 million higher than the same period in 2021. Higher adjusted earnings were mainly due to higher space rental activity and performance improvement across all geographies, higher workforce housing rental activity in the US and Canada and higher workforce housing trade sale activity in Australia. Higher adjusted earnings were partially offset by lower earnings from workforce housing trade sales in Mexico, the US, and Canada.

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

	Three Months Ended March 31		
	2022	**2021** (1)	**Change**
Global Space Rentals			
Number of units	**20,273**	18,398	10%
Average utilization *(%)*	**81**	79	2%
Average rental rate *($ per month)*	**581**	556	4%
Global Workforce Housing			
Number of units	**2,672**	3,081	(13%)
Average utilization *(%)*	**77**	65	12%
Average rental rate *($ per month)*	**2,034**	1,714	19%

(1) In 2022, management has reclassified 529 space rental fleet units to workforce housing fleet units. 2021 number of units, average utilization, and average rental rates have been restated for comparability.

Rental Fleet

Space Rentals

The year-over-year growth of the space rentals fleet is the result of continued strategic expansion of the space rental fleet in targeted regions of Canada, Australia, the US and Chile. ATCO Structures has maintained consistent utilization year over year, and experienced sustained higher demand for the space rentals fleet in these regions driven by activity across diverse sectors including construction, education, healthcare, and mining.

Workforce Housing

ATCO Structures continuously evaluates the size of its workforce housing fleet in relation to economic conditions and seeks to balance unit counts, utilization rates and average rental rates. ATCO Structures decreased the size of the workforce housing fleet and increased the quarterly utilization by selling used and under-utilized fleet assets in Canada, Australia, and the US. In addition, an increase in the utilization rate was also due to workforce housing fleet on rent for the third phase of the Trans Mountain Expansion project in BC, and for the California Department of General Services Forest Fire Recovery in Quincy, California.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Trans Mountain Expansion Project

ATCO Structures was previously awarded a rental contract to supply a 550-person camp for the Trans Mountain Expansion Project in Blue River, BC. This is the third camp for the project with the previous camps located in Valemount and Clearwater, BC. Site personnel were mobilized in the fourth quarter of 2021 and the camp was completed during the first quarter of 2022.

Australia

Bechtel Pluto Train II

ATCO Structures previously secured a Full Notice to Proceed for the construction of a 2,500-person accommodation village to support the construction of a second LNG Train. The project commenced in the first quarter of 2022 with installation and site work. Manufacturing is expected to commence in the second quarter of 2022 with delivery to site in the third quarter of 2022.

In the first quarter of 2022, ATCO Structures was awarded a $37 million space rentals contract to manufacture and install a parallel modular facility with delivery expected in the third quarter of 2022 through the second quarter of 2023.

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 $4 million in the first quarter of 2022 were $3 million higher than the same period in 2021. Higher adjusted earnings were mainly due to higher occupancy and additional work requests at the BC Hydro Site C camp, and the Trans Mountain camps located in Clearwater and Valemount, BC.

ATCO FRONTEC RECENT DEVELOPMENTS

Defence Construction Canada (DCC)

In October 2021, ATCO Frontec secured two facility maintenance and site services contracts with DCC to maintain 15 different Department of National Defence (DND) sites and the associated infrastructure across Alberta. Mobilization is completed and operations commenced on April 1, 2022.

Trans Mountain Expansion Project

In August 2021, ATCO Frontec North America commenced mobilization of a 550-bed facility near Blue River, BC for the Trans Mountain Expansion Project, with the first occupants in the camp in November 2021. Mobilization was completed and the camp was fully operational in February 2022.

North Warning System (NWS)

In February 2022, the Government of Canada awarded Nasittuq Corporation (Nasittuq), a partnership between ATCO Frontec and the Pan Arctic Inuit Corporation (PAIL), a 7-year contract for the operation and maintenance of the NWS. The NWS contract commenced April 1, 2022 with transition underway. Care, custody and control of the system is expected to have transitioned by August 1, 2022.

NELTUME PORTS

Neltume Ports is a port operator and developer with a diversified portfolio of 17 multi-purpose, bulk cargo and container port facilities and 6 port operation services. The business is located primarily in Chile with additional operations in Uruguay, Argentina, Brazil and the US.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Neltume Ports	**4**	3	1

Neltume Ports adjusted earnings of $4 million in the first quarter of 2022 were $1 million higher than the same period in 2021. Higher adjusted earnings were mainly due to higher volumes across the portfolio of ports largely resulting from improved weather conditions over the same time frame in 2021.

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

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
ATCO Corporate & Other	**(6)**	1	(7)

ATCO Corporate & Other adjusted earnings in the first quarter of 2022 were $7 million lower compared to the same period in 2021 mainly due to one-time tax benefits that were recognized in 2021 and the timing of certain expenses.

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

UTILITIES

REVENUES

Utilities revenues of $964 million in the first quarter of 2022 were $174 million higher compared to the same period in 2021. Higher 2022 revenues, largely in Electricity Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues are also due to higher flow-through revenues in Electricity Distribution and Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Electricity			
Electricity Distribution [1]	**25**	22	3
Electricity Transmission [1]	**23**	23	—
International Electricity Operations [1]	**6**	3	3
Total Electricity	**54**	48	6
Natural Gas			
Natural Gas Distribution [1]	**52**	42	10
Natural Gas Transmission [1]	**12**	10	2
International Natural Gas Distribution [1]	**6**	6	—
Total Natural Gas	**70**	58	12
Total Utilities [2]	**124**	106	18

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

(2) Additional information regarding this total of segments measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Utilities adjusted earnings of $124 million in the first quarter of 2022 were $18 million higher than the same period in 2021 mainly due to timing of operating costs, cost efficiencies, growth in rate base, and earnings from International Electricity Operations.

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 $25 million in the first quarter of 2022 were $3 million higher than the same period in 2021 mainly due to cost efficiencies.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $23 million in the first quarter of 2022 were comparable to the same period in 2021.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority (P3A) and the Puerto Rico Electric Power Authority (PREPA).

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

International Electricity Operations adjusted earnings of $6 million in the first quarter of 2022 were $3 million higher than the same period in 2021. Higher adjusted earnings were generated in the first quarter of 2022 as a result of ongoing operations as compared to continued transition work in the first quarter of 2021.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $52 million in the first quarter of 2022 were $10 million higher than the same period in 2021 mainly due to timing of operating costs in 2022 and 2021.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $12 million in the first quarter of 2022 were $2 million higher than the same period in 2021. Higher adjusted earnings were mainly due to growth in rate base, including the acquisition of the Pioneer Pipeline which occurred in June 2021.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $6 million in the first quarter of 2022 were comparable to the same period in 2021.

UTILITIES RECENT DEVELOPMENTS

Northland Utilities Enterprises Ltd. (NUE) Ownership Structure

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through DII's purchase of 36 per cent of the outstanding shares of NUE for a purchase price, net of cash disposed, of $8 million. The transaction results in ATCO Electric Ltd. and DII each having a 50 per cent ownership interest in NUE and highlights our continued commitment to foster community ownership and self-sustaining economic development.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

Generic Cost of Capital (GCOC)

On March 31, 2022, 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 the 2023 period. By the third quarter of 2022, the AUC is expected to initiate a process for 2024 and beyond, including the potential establishment of a formula.

ELECTRICITY TRANSMISSION

Application of AUC Enforcement Staff for the Commencement of Proceeding Pursuant to Sections 8 and 63 of the *Alberta Utilities Commission Act*

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

The AUC enforcement branch and ATCO Electric Transmission commenced settlement discussions in January 2022. On March 18, 2022, the AUC enforcement branch and ATCO Electric Transmission concluded discussions and notified the AUC that the parties had reached a settlement on all matters. On April 14, 2022, the settlement was filed with the AUC, reflecting an agreed administrative penalty of $31 million, a commitment to amend the ongoing Deferral Account application to ensure the estimated $11 million of additional rate base remains excluded from customer rates, and the implementation of revised practices and policies. The AUC is currently determining the next process steps. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the potential outcome of the proceeding.

NATURAL GAS TRANSMISSION

Pioneer Pipeline Acquisition

In 2020, Natural Gas Transmission entered into an agreement to acquire the 131-km Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation. Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission transferred to Nova Gas Transmission Ltd. (NGTL) the 30-km segment of pipeline that is located in the NGTL footprint.

The transaction to acquire the Pioneer Pipeline closed in 2021. The transfer to NGTL received approval from the Canada Energy Regulator on December 22, 2021, and on February 25, 2022, Natural Gas Transmission completed the transfer to NGTL of the 30-km segment of pipeline located in the NGTL footprint for $63 million.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $81 million in the first quarter of 2022 were $29 million higher than the same period in 2021 mainly due to higher natural gas prices at the Carbon, Alberta natural gas storage facility and additional revenue from the Alberta Hub natural gas facility acquired in December 2021.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Electricity Generation (1)	**1**	3	(2)
Storage & Industrial Water (1)	**3**	2	1
Total Energy Infrastructure	**4**	5	(1)

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

Energy Infrastructure adjusted earnings of $4 million in the first quarter of 2022 were $1 million lower than the same period in 2021 mainly due to recovered business development costs in 2021, project development costs incurred in 2022, and unfavourable movements in the Australian foreign exchange rate, partially offset by earnings from the Alberta Hub Natural gas storage facility acquired in December 2021.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $1 million in the first quarter of 2022 were $2 million lower compared to the same period in 2021. Lower adjusted earnings were mainly due to recovered business development costs in 2021, project development costs incurred in 2022, and unfavourable movements in the Australian foreign exchange rate.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $3 million in the first quarter of 2022 were $1 million higher compared to the same period in 2021 mainly due to earnings from the Alberta Hub Natural gas storage facility acquired in December 2021.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Canadian Utilities - Suncor Clean Hydrogen Project

In May 2021, Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tons per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, resulting in reductions to Alberta's carbon dioxide emissions of approximately two million tons per year. The hydrogen production facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and is expected to be operational as early as 2028, subject to a 2024 sanctioning decision.

Carbon sequestration for the clean hydrogen project is planned to be provided by the proposed Atlas Carbon Sequestration hub (Atlas Hub). The Atlas Hub has been proposed to be developed east of Edmonton by a partnership led by Shell Canada, ATCO Energy Solutions, and Suncor Energy. On March 31, 2022, Atlas Hub was shortlisted for further evaluation by the Government of Alberta. Proponents have been invited to work with the government to further evaluate the suitability of each location for safely storing carbon from industrial emissions. If the evaluation demonstrates that the proposed projects can provide permanent storage, companies can work with the government on an agreement that provides them with the right to inject captured carbon dioxide. This agreement will also ensure proponents will provide open access to all emitters and affordable use of the hub.

Calgary Solar Development Projects

In September 2021, Canadian Utilities announced that it had acquired the development rights to build two solar projects, the Deerfoot and Barlow projects in Calgary, Alberta, with a combined capacity of 64-MW. In March 2022, Canadian Utilities entered into a 15-year power purchase agreement with Microsoft Corporation. Under the terms of the agreement, Microsoft will purchase all renewable energy generated by Canadian Utilities’ 37-MW Deerfoot solar project in Calgary, Alberta. Once operational, the Deerfoot solar project will be one of the largest solar installations in a major urban centre in Western Canada.

Both the Barlow and the Deerfoot projects have received all major permits and are scheduled to start construction in May 2022. Energization is expected to commence in the fourth quarter of 2022.

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Canadian Utilities Corporate & Other	**(12)**	(10)	(2)

Canadian Utilities' Corporate & Other adjusted earnings in the first quarter of 2022 were $2 million lower than the same period in 2021 mainly due to increased financing costs from a new preferred dividend issuance in December 2021, partially offset by improved earnings from ATCOenergy resulting from increased commodity margins.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

Sustainability Reporting and ESG Targets

Our 2021 Sustainability Report focuses on the following material topics:

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

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

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

The 2021 Sustainability Report, Sustainability Framework Reference Document, Corporate Governance, materiality assessment, and additional details and other disclosures are available on our website at www.atco.com.

Climate Change and Energy Transition

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

Canadian Net-Zero Emissions Accountability Act

As required under the *Canadian Net-Zero Emissions Accountability Act*, on March 29, 2022, the Government of Canada released the 2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy. The plan outlines a sector-by-sector approach for Canada to reduce emissions by 40 per cent below 2005 levels by 2030, including $9.1 billion in new investments in electric vehicle charging infrastructure, homes and buildings, technology and cleaner fuels, renewable electricity, oil and gas and farming. The plan also includes the development of the Clean Electricity Standard.

Our Performance

As our portfolio of assets and businesses evolves, so too does our environmental footprint. Since 2005, we have significantly decarbonized our portfolio through a combination of asset sales, implementation of fuel-switching, GHG reduction initiatives and other efficiency programs. More information on our GHG performance can be found in the 2021 Sustainability Report.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2022 and 2021 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Operating costs	**729**	611	118
Depreciation and amortization	**175**	170	5
Earnings from investment in associate company	**4**	3	1
Earnings from investment in joint ventures	**19**	14	5
Net finance costs	**102**	102	—
Income tax expense	**83**	45	38

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $118 million in the first quarter of 2022 compared to the same period in 2021. Higher operating costs were mainly due to higher flow-through costs in the Alberta Utilities, costs related to the AUC enforcement proceeding, increased fuel costs in Energy Infrastructure due to the acquisition of Alberta Storage Hub Ltd., and higher prices for natural gas purchases at Energy Infrastructures' natural gas storage facility in Carbon, Alberta. Higher operating costs were also due to increased material costs associated with the commencement of the ATCO Structures' Bechtel Pluto II project in Australia, higher trade sale activity in ATCO Structures' Mexico and Chile businesses, and additional workforce housing camps at ATCO Frontec's BC Hydro Site C project. Higher operating costs were partially offset by lower material costs due to completion of manufacturing activities at the LNG Canada Cedar Valley Lodge and China Lake Military Rebuild projects.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $5 million in the first quarter of 2022 compared to the same period in 2021 mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business in June 2021, ongoing capital investment in Canadian Utilities' regulated businesses and Ashcor's RAM project going into service.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

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

Earnings from investment in associate company in the first quarter of 2022 were $1 million higher compared to the same period in 2021. Higher earnings were mainly due to higher volumes across the portfolio of ports largely resulting from improved weather conditions over the same time frame in 2021.

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.

Earnings from investment in joint ventures increased by $5 million in the first quarter of 2022 compared to the same period in 2021. Higher earnings were generated in the first quarter of 2022 as a result of LUMA Energy's ongoing operations as compared to continued transition work in the first quarter of 2021.

NET FINANCE COSTS

Net finance costs in the first quarter of 2022 were comparable to the same period in 2021.

INCOME TAX EXPENSE

Income taxes were higher by $38 million in the first quarter of 2022 compared to the same period in 2021 mainly due to increased IFRS earnings and a non-recurring Chilean tax benefit in 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

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

CREDIT RATINGS

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

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

On March 2, 2022, S&P Global Ratings revised its issuer rating on ATCO Ltd. and Canadian Utilities Limited from 'A-' with a negative outlook to 'BBB+' with a stable outlook. S&P Global Ratings affirmed ATCO subsidiary CU Inc.'s 'A-' issuer credit rating and stable outlook, reflecting S&P's view that CU Inc. is an insulated entity to ATCO Ltd. and Canadian Utilities.

On March 17, 2022, Fitch Ratings assigned a first-time issuer rating and stable outlook to ATCO Ltd. of 'BBB+'. Additionally, Fitch Ratings assigned a first-time issuer rating of 'A-' with a stable outlook to both Canadian Utilities Limited and CU Inc.

On March 24, 2022, S&P Global Ratings affirmed ATCO subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating and stable outlook.

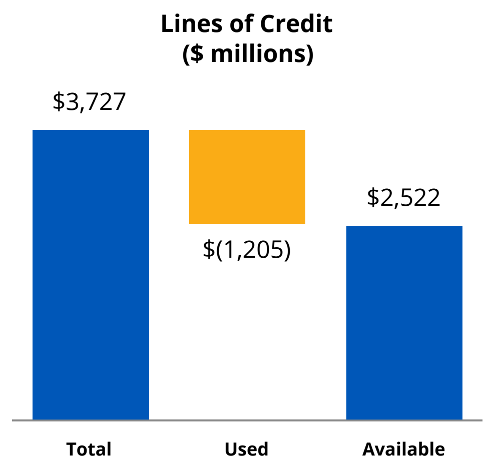
LINES OF CREDIT

At March 31, 2022, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,143**	1,018	2,125
Uncommitted	**584**	187	397
Total	**3,727**	1,205	2,522

Of the $3,727 million in total lines of credit, $584 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,143 million in credit lines was committed, with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $1,205 million in lines of credit used, $638 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd's term debt financing needs. The majority of the remaining usage is for the issuance of Canadian Utilities' letters of credit and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.



CONSOLIDATED CASH FLOW

At March 31, 2022, the Company's cash position was $1,190 million, an increase of $102 million compared to December 31, 2021 mainly due to cash flows from operating activities achieved during the quarter and the closing of a transaction to transfer a 30-km segment of the Pioneer Natural Gas Pipeline to NGTL, partially offset by cash used to fund the capital investment program, dividends paid, and payments of debt and interest.

Cash Flows from Operating Activities

Cash flows from operating activities were $688 million in the first quarter of 2022, $144 million higher than the same period in 2021. The increase was mainly due to higher cash flows from the recovery of the 2021 deferral of rate increases and timing of certain revenue and expenses in the Utilities, and higher cash flows generated in ATCO Structures from the sale of used fleet in Australia.

Cash Used for Capital Investment [1] and Capital Expenditures

Cash used for capital investment and capital expenditures was $304 million and $302 million in the first quarter of 2022, $51 million and $54 million higher compared to the same period in 2021. Capital spending in Canadian Utilities' Regulated Utilities accounted for 72 per cent of total capital invested in the first quarter of 2022. The remaining 28 per cent was mainly due to ATCO Structures' continued expansion of the space rental fleet in Canada and the US, the manufacturing of space rentals products for the China Lake Military Rebuild project, and increased construction activities within Canadian Utilities' Energy Infrastructure segment.

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

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Structures & Logistics	**39**	18	21
ATCO Corporate & Other	**—**	5	(5)
	39	23	16
Canadian Utilities			
Utilities			
Electricity	**121**	88	33
Natural Gas	**96**	132	(36)
	217	220	(3)
Energy Infrastructure	**43**	3	40
CU Corporate & Other	**3**	2	1
Canadian Utilities Total Capital Expenditures (1) (2)	**263**	225	38
ATCO Total Capital Expenditures	**302**	248	54
Capital Expenditures in Joint Ventures			
Utilities			
Electricity	**1**	—	1
Energy Infrastructure	**1**	5	(4)
Canadian Utilities Total Capital Investment (3)	**265**	230	35
ATCO Total Capital Investment (3)	**304**	253	51

(1) Includes additions to property, plant and equipment, intangibles and $2 million (2021 - $3 million) of capitalized interest during construction for the first quarter of 2022.

(2) Includes $45 million for the first quarter of 2022 (2021 - $56 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.

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

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 April 27, 2022, aggregate issuances of debentures were $610 million.

Subsequent Event

On April 1, 2022, Canadian Utilities subsidiary, CU Inc. repaid $125 million of 9.92 per cent debentures.

(1) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 29-year track record. Dividends paid to Class I and Class II Share owners totaled $53 million in the first quarter of 2022.

On April 14, 2022, the Board of Directors declared a second quarter dividend of 46.17 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid

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

On March 9, 2021, we commenced a normal course issuer bid to purchase up to 1,013,478 outstanding Class I Shares. This bid expired on March 8, 2022. During this period, 220,000 shares were purchased for $9.3 million.

On March 9, 2022, we commenced a normal course issuer bid to purchase up to 1,011,907 outstanding Class I Shares. The bid will expire on March 8, 2023. Between March 9, 2022 and April 26, 2022, no shares have been purchased.

SHARE CAPITAL

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

At April 26, 2022, we had outstanding 101,198,249 Class I Shares, 13,196,129 Class II Shares, and options to purchase 1,408,450 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, 119,150 Class I Shares were available for issuance at March 31, 2022. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2020 through March 31, 2022.

($ millions, except for per share data)	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Revenues	970	977	1,270	**1,311**
Earnings attributable to Class I and Class II Shares	12	52	99	**128**
Earnings per Class I and Class II Share *($)*	0.10	0.46	0.87	**1.12**
Diluted earnings per Class I and Class II Share *($)*	0.10	0.46	0.87	**1.12**
Adjusted earnings per Class I and Class II Share *($)*	0.70	0.60	1.01	**1.17**
Adjusted earnings (loss)				
Structures & Logistics	18	16	5	**20**
Neltume Ports	3	4	3	**4**
ATCO Corporate & Other	(1)	1	5	**(6)**
Canadian Utilities				
Utilities [(1)]	65	56	109	**124**
Energy Infrastructure	4	4	2	**4**
Canadian Utilities Corporate & Other	(9)	(12)	(10)	**(12)**
Total adjusted earnings [(1)]	80	69	114	**134**

($ millions, except for per share data)	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenues	938	897	1,053	1,072
Earnings attributable to Class I and Class II Shares	45	54	66	83
Earnings per Class I and Class II Share *($)*	0.39	0.48	0.58	0.73
Diluted earnings per Class I and Class II Share *($)*	0.39	0.47	0.58	0.72
Adjusted earnings per Class I and Class II Share *($)*	0.61	0.47	1.07	1.04
Adjusted earnings (loss)				
Structures & Logistics	21	12	17	14
Neltume Ports	2	3	7	3
ATCO Corporate & Other	(1)	—	—	1
Canadian Utilities				
Utilities [(1)]	57	47	102	106
Energy Infrastructure	2	3	7	5
Canadian Utilities Corporate & Other	(11)	(11)	(11)	(10)
Total adjusted earnings [(1)]	70	54	122	119

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

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

ADJUSTED EARNINGS

Adjusted earnings in the second and third quarters of each year were impacted by lower seasonal demand in Canadian Utilities' Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 were positively impacted by ATCO Structures' workforce housing sale and rental activity, space rental activity, and additional client work requests for COVID-19 proactive and preventative safety measures at ATCO Frontec.

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

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

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the 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 related to certain assets that no longer represent strategic value for the Company.
- Early Termination of the Master Service Agreements (MSA) for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. ATCO recognized termination costs of $32 million and $2 million (after-tax and non-controlling interests) in the fourth quarter of 2020 and first quarter of 2021, respectively, which represents management's best estimate of the costs to exit the Wipro MSAs.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, ATCO recognized transition costs of $24 million (after-tax and non-controlling interests).
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- During the fourth quarter of 2021, the Company recorded earnings of $9 million (after-tax and non-controlling interests) following the conclusion of the Company's involvement in an international project.
- AUC Enforcement Proceeding
    - In the fourth quarter of 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. A proceeding was commenced to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to a sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. The proceeding also includes a determination of any future remedies that may be required.
    - The AUC Enforcement branch and ATCO Electric Transmission reached a settlement agreement and on April 14, 2022, filed the settlement with the AUC. The AUC is in the process of determining the next steps. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the potential outcome of the proceeding.

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

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

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

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

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

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

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

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

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

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

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

($ millions) — Three Months Ended March 31

2022 / 2021	ATCO Ltd.							ATCO Consolidated
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	**202**	**—**	**(1)**	**964**	**81**	**65**	**1,110**	**1,311**
	167	—	(2)	790	52	65	907	1,072
Adjusted earnings (loss)	**20**	**4**	**(6)**	**124**	**4**	**(12)**	**116**	**134**
	14	3	1	106	5	(10)	101	119
Unrealized losses on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**	**(6)**
	—	—	—	—	—	—	—	—
Rate-regulated activities	**—**	**—**	**—**	**19**	**—**	**—**	**19**	**19**
	—	—	—	(28)	—	—	(28)	(28)
IT Common Matters decision	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(2)	—	—	(2)	(2)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	(6)	—	—	(6)	(6)
AUC enforcement proceeding	**—**	**—**	**—**	**(14)**	**—**	**—**	**(14)**	**(14)**
	—	—	—	—	—	—	—	—
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**(5)**	**—**	**—**	**(5)**	**(5)**
	—	—	—	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**3**	**—**	**—**	**3**	**3**
	—	—	—	—	—	—	—	—
Other	**—**	**—**	**(1)**	**—**	**—**	**—**	**—**	**(1)**
	—	—	—	—	—	—	—	—
Earnings (loss) attributable to Class I and Class II Shares	**20**	**4**	**(7)**	**125**	**4**	**(18)**	**111**	**128**
	14	3	1	70	5	(10)	65	83

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

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

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

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

RATE-REGULATED ACTIVITIES

Electricity Distribution and Transmission and their 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 Regulated Utilities.

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

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

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

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

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

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs (1)	**16**	15	1
Revenues to be billed in future periods			
Deferred income taxes (2)	**(12)**	(14)	2
Distribution rate relief (3)	**—**	(21)	21
Impact of warmer temperatures (4)	**(3)**	(1)	(2)
Impact of inflation on rate base (5)	**(3)**	(3)	—
Settlement of regulatory decisions and other items			
Distribution rate relief (3)	**18**	—	18
Other	**3**	(4)	7
	19	(28)	47

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

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

(3) *In the first quarter of 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease of earnings of $21 million (after tax and non-controlling interests) related to interim rate relief for customers as applied for by the company and approved by the AUC to hold current distribution base rates in place. In the first quarter of 2022, $18 million (after tax and non-controlling interests) was billed to customers based on direction from the AUC to maximize recoveries in 2022.*

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

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

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three months ended March 31, 2022 was $2 million (after-tax and non-controlling interests) (2021 - $2 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited, respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed in the fourth quarter of 2021. The amount excluded from adjusted earnings for the three months ended March 31, 2022 was $nil (2021 - $6 million after tax and non-controlling interests).

AUC ENFORCEMENT PROCEEDING

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

The AUC enforcement branch and ATCO Electric Transmission commenced settlement discussions in January 2022. On March 18, 2022, the AUC enforcement branch and ATCO Electric Transmission concluded discussions and notified the AUC that the parties had reached a settlement on all matters. On April 14, 2022, the settlement was filed with the AUC, reflecting an agreed administrative penalty of $31 million, a commitment to amend the ongoing Deferral Account application to ensure the estimated $11 million of additional rate base remains excluded from customer rates, and the implementation of revised practices and policies. The AUC is currently determining the next process steps. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $7 million and $14 million (after-tax and non-controlling interests), respectively, related to the potential outcome of the proceeding.

WORKPLACE COVID-19 VACCINATION STANDARD

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave and were subsequently offered severance. In the three months ended March 31, 2022, the Company incurred $5 million (after-tax and non-controlling interests) in severance and related costs associated with the Workplace COVID-19 vaccination standard.

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

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

UTILITIES

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

($ millions)

Three Months Ended March 31

2022 / 2021	Canadian Utilities Limited								
	Electricity				Natural Gas				
	Electric Distribution	**Electric Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	**Utilities**
Adjusted earnings	**25**	**23**	**6**	**54**	**52**	**12**	**6**	**70**	**124**
	22	23	3	48	42	10	6	58	106
Rate-regulated activities	**1**	**6**	**—**	**7**	**14**	**1**	**(3)**	**12**	**19**
	(14)	1	—	(13)	(10)	(1)	(4)	(15)	(28)
IT Common Matters decision	**—**	**(1)**	**—**	**(1)**	**—**	**(1)**	**—**	**(1)**	**(2)**
	(1)	—	—	(1)	(1)	—	—	(1)	(2)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	(2)	(1)	(1)	(2)	(4)	(6)
AUC enforcement proceeding	**—**	**(14)**	**—**	**(14)**	**—**	**—**	**—**	**—**	**(14)**
	—	—	—	—	—	—	—	—	—
Workplace COVID-19 vaccination standard	**(1)**	**(1)**	**—**	**(2)**	**(2)**	**(1)**	**—**	**(3)**	**(5)**
	—	—	—	—	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**3**	**—**	**—**	**3**	**—**	**—**	**—**	**—**	**3**
	—	—	—	—	—	—	—	—	—
Earnings attributable to Class I and Class II shares	**28**	**13**	**6**	**47**	**64**	**11**	**3**	**78**	**125**
	6	23	3	32	30	8	—	38	70

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions)

Three Months Ended March 31

2022	**ATCO Ltd.**							
2021				**Canadian Utilities Limited**				**ATCO Consolidated**
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital Investment	**39**	**—**	**—**	**218**	**44**	**3**	**265**	**304**
	18	—	5	220	8	2	230	253
Capital Expenditure in joint ventures	**—**	**—**	**—**	**(1)**	**(1)**	**—**	**(2)**	**(2)**
	—	—	—	—	(5)	—	(5)	(5)
Capital Expenditures	**39**	**—**	**—**	**217**	**43**	**3**	**263**	**302**
	18	—	5	220	3	2	225	248

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2022, and ended on March 31, 2022, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to general strategic plans and targets, including with respect to reducing GHG emissions and meeting certain environmental, social and governance targets; expected timing for construction of the village to support Bechtel Pluto Train II; commencement of control of the NWS; the AUC's determination of next process steps with respect to the settlement filed on April 14, 2022; the expectation and timing of an AUC initiated process to evaluate GCOC related formulas; and projected production levels and the timing for construction, completion or the commencement of operations in relation to the Suncor Clean Hydrogen project and Calgary Solar Development Projects.

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

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

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

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

ADDITIONAL INFORMATION

ATCO has published its unaudited interim consolidated financial statements and MD&A for the three months ended March 31, 2022. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

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

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

NCI means non-controlling interest.

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

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2022

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended March 31 2022	2021
Revenues	4	**1,311**	1,072
Costs and expenses			
Salaries, wages and benefits		**(156)**	(140)
Energy transmission and transportation		**(66)**	(64)
Plant and equipment maintenance		**(44)**	(37)
Fuel costs		**(59)**	(29)
Purchased power		**(77)**	(77)
Materials and consumables		**(103)**	(82)
Depreciation and amortization		**(175)**	(170)
Franchise fees		**(111)**	(81)
Property and other taxes		**(19)**	(18)
Other		**(94)**	(83)
		(904)	(781)
Earnings from investment in associate company		**4**	3
Earnings from investment in joint ventures		**19**	14
Operating profit		**430**	308
Interest income		**4**	4
Interest expense		**(106)**	(106)
Net finance costs		**(102)**	(102)
Earnings before income taxes		**328**	206
Income tax expense		**(83)**	(45)
Earnings for the period		**245**	161
Earnings attributable to:			
Class I and Class II Shares		**128**	83
Non-controlling interests		**117**	78
		245	161
Earnings per Class I and Class II Share	5	**$1.12**	$0.73
Diluted earnings per Class I and Class II Share	5	**$1.12**	$0.72

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2022**	**2021**
Earnings for the period		**245**	161
Other comprehensive income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits (1)	9	**15**	146
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges (2)		**31**	11
Foreign currency translation adjustment (3)		**15**	(33)
Share of other comprehensive income in associate company (3)		**12**	1
		58	(21)
Other comprehensive income		**73**	125
Comprehensive income for the period		**318**	286
Comprehensive income attributable to:			
Class I and Class II Shares		**177**	144
Non-controlling interests		**141**	142
		318	286

(1) Net of income taxes of $(5) million for the three months ended March 31, 2022 (2021 - $(44) million).

(2) Net of income taxes of $(11) million for the three months ended March 31, 2022 (2021 - $(4) million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	March 31 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents	10	**1,190**	1,091
Accounts receivable and contract assets		**817**	844
Finance lease receivables		**12**	12
Inventories		**82**	61
Prepaid expenses and other current assets		**156**	213
		2,257	2,221
Non-current assets			
Property, plant and equipment	6	**18,851**	18,791
Intangibles		**768**	752
Retirement benefit asset	9	**74**	93
Right-of-use assets		**84**	87
Goodwill		**73**	73
Investment in joint ventures	3	**265**	228
Investment in associate company		**441**	445
Finance lease receivables		**148**	149
Deferred income tax assets		**62**	54
Other assets		**161**	111
Total assets		**23,184**	23,004
LIABILITIES			
Current liabilities			
Bank indebtedness	10	**–**	3
Accounts payable and accrued liabilities		**884**	852
Lease liabilities		**14**	14
Provisions and other current liabilities		**213**	161
Short-term debt	7	**52**	206
Long-term debt		**353**	350
		1,516	1,586
Non-current liabilities			
Deferred income tax liabilities		**1,701**	1,624
Retirement benefit obligations	9	**255**	292
Customer contributions		**1,893**	1,870
Lease liabilities		**74**	76
Other liabilities		**96**	105
Long-term debt		**9,507**	9,502
Total liabilities		**15,042**	15,055
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	8	**180**	180
Contributed surplus		**8**	8
Retained earnings		**4,047**	3,962
Accumulated other comprehensive income (loss)		**1**	(39)
		4,236	4,111
Non-controlling interests		**3,906**	3,838
Total equity		**8,142**	7,949
Total liabilities and equity		**23,184**	23,004

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 2020		178	6	3,880	(12)	4,052	3,797	7,849
Earnings for the period		–	–	83	–	83	78	161
Other comprehensive income		–	–	–	61	61	64	125
Gains on retirement benefits transferred to retained earnings		–	–	79	(79)	–	–	–
Shares purchased and cancelled		–	–	–	–	–	(58)	(58)
Dividends	8	–	–	(51)	–	(51)	(76)	(127)
Share-based compensation		–	1	–	–	1	–	1
Changes in ownership interest in subsidiary company (1)		–	–	(29)	–	(29)	29	–
Other		–	–	–	–	–	2	2
March 31, 2021		178	7	3,962	(30)	4,117	3,836	7,953
December 31, 2021		180	8	3,962	(39)	4,111	3,838	7,949
Earnings for the period		**–**	**–**	**128**	**–**	**128**	**117**	**245**
Other comprehensive income		**–**	**–**	**–**	**49**	**49**	**24**	**73**
Gains on retirement benefits transferred to retained earnings		**–**	**–**	**9**	**(9)**	**–**	**–**	**–**
Shares issued		**–**	**–**	**–**	**–**	**–**	**4**	**4**
Dividends	8	**–**	**–**	**(53)**	**–**	**(53)**	**(76)**	**(129)**
Other		**–**	**–**	**1**	**–**	**1**	**(1)**	**–**
March 31, 2022		**180**	**8**	**4,047**	**1**	**4,236**	**3,906**	**8,142**

(1) The changes in ownership interest in subsidiary company are due to Canadian Utilities Limited's purchases of Class A shares under the normal course issuer bid program.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2022**	**2021**
Operating activities			
Earnings for the period		**245**	161
Adjustments to reconcile earnings to cash flows from operating activities	10	**396**	330
Changes in non-cash working capital		**47**	53
Cash flows from operating activities		**688**	544
Investing activities			
Additions to property, plant and equipment		**(268)**	(216)
Proceeds on disposal of property, plant and equipment		**–**	29
Additions to intangibles		**(32)**	(29)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**8**	–
Investment in joint ventures		**(4)**	(4)
Changes in non-cash working capital		**19**	22
Other	6	**66**	–
Cash flows used in investing activities		**(211)**	(198)
Financing activities			
Net repayment of short-term debt	7	**(154)**	–
Issue of long-term debt		**8**	1
Repayment of long-term debt		**(11)**	(25)
Repayment of lease liabilities		**(4)**	(5)
Net purchase of shares by subsidiary company		**–**	(58)
Dividends paid to Class I and Class II Share owners		**(53)**	(51)
Dividends paid to non-controlling interests		**(73)**	(76)
Interest paid		**(89)**	(82)
Cash flows used in financing activities		**(376)**	(296)
Increase in cash position (1)		**101**	50
Foreign currency translation		**1**	(3)
Beginning of period		**1,088**	1,100
End of period	10	**1,190**	1,147

(1) Cash position includes $15 million which is not available for general use by the Company (2021 - $33 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2022

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

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

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

Principal operating subsidiaries are:

- Canadian Utilities Limited (53.0 per cent owned) and its subsidiaries; and
- ATCO Structures & Logistics and its subsidiaries.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 27, 2022.

BASIS OF MEASUREMENT

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

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

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

3. SEGMENTED INFORMATION

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

2022	**Structures**	**Neltume**	**Corporate**	**Canadian Utilities Limited**				**ATCO**
2021	**& Logistics**	**Ports**	**& Other**	**Utilities** (1)	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**	**Consolidated**
Revenues - external	**202**	**–**	**(1)**	**962**	**54**	**94**	**1,110**	**1,311**
	167	–	(2)	787	34	86	907	1,072
Revenues - intersegment	**–**	**–**	**–**	**2**	**27**	**(29)**	**–**	**–**
	–	–	–	3	18	(21)	–	–
Revenues	**202**	**–**	**(1)**	**964**	**81**	**65**	**1,110**	**1,311**
	167	–	(2)	790	52	65	907	1,072
Operating expenses (2)	**(160)**	**–**	**(1)**	**(416)**	**(71)**	**(81)**	**(568)**	**(729)**
	(134)	–	4	(377)	(38)	(66)	(481)	(611)
Depreciation and amortization	**(15)**	**–**	**(3)**	**(150)**	**(4)**	**(3)**	**(157)**	**(175)**
	(15)	–	(1)	(147)	(4)	(3)	(154)	(170)
Earnings from investment in associate company	**–**	**4**	**–**	**–**	**–**	**–**	**–**	**4**
	–	3	–	–	–	–	–	3
Earnings from investment in joint ventures	**1**	**–**	**–**	**12**	**6**	**–**	**18**	**19**
	1	–	–	7	6	–	13	14
Net finance costs	**(1)**	**–**	**(4)**	**(94)**	**(2)**	**(1)**	**(97)**	**(102)**
	(1)	–	(4)	(93)	(3)	(1)	(97)	(102)
Earnings (loss) before income taxes	**27**	**4**	**(9)**	**316**	**10**	**(20)**	**306**	**328**
	18	3	(3)	180	13	(5)	188	206
Income tax (expense) recovery	**(7)**	**–**	**1**	**(78)**	**(2)**	**3**	**(77)**	**(83)**
	(4)	–	4	(41)	(4)	–	(45)	(45)
Earnings (loss) for the period	**20**	**4**	**(8)**	**238**	**8**	**(17)**	**229**	**245**
	14	3	1	139	9	(5)	143	161
Adjusted earnings (loss)	**20**	**4**	**(6)**	**124**	**4**	**(12)**	**116**	**134**
	14	3	1	106	5	(10)	101	119
Total assets (3)	**1,065**	**459**	**476**	**18,980**	**1,159**	**1,045**	**21,184**	**23,184**
	1,032	448	449	18,984	1,194	897	21,075	23,004
Capital expenditures (4)	**39**	**–**	**–**	**217**	**43**	**3**	**263**	**302**
	18	–	5	220	3	2	225	248

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

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

(3) 2021 comparatives are at December 31, 2021.

(4) Includes additions to property, plant and equipment, intangibles and $2million of interest capitalized during construction for the three months ended March 31, 2022 (2021 - $3 million).

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

2022 2021	Utilities Electricity	 Natural Gas	 Intersegment eliminations	 Consolidated
Revenues - external	**399**	**563**	**–**	**962**
	337	450	–	787
Revenues - intersegment	**2**	**1**	**(1)**	**2**
	3	1	(1)	3
Revenues	**401**	**564**	**(1)**	**964**
	340	451	(1)	790
Operating expenses (1)	**(155)**	**(262)**	**1**	**(416)**
	(131)	(247)	1	(377)
Depreciation and amortization	**(79)**	**(71)**	**–**	**(150)**
	(79)	(68)	–	(147)
Earnings from investment in joint ventures	**12**	**–**	**–**	**12**
	7	–	–	7
Net finance costs	**(57)**	**(37)**	**–**	**(94)**
	(56)	(37)	–	(93)
Earnings before income taxes	**122**	**194**	**–**	**316**
	81	99	–	180
Income tax expense	**(33)**	**(45)**	**–**	**(78)**
	(18)	(23)	–	(41)
Earnings for the period	**89**	**149**	**–**	**238**
	63	76	–	139
Adjusted earnings	**54**	**70**	**–**	**124**
	48	58	–	106
Total assets (2)	**10,482**	**8,499**	**(1)**	**18,980**
	10,405	8,581	(2)	18,984
Capital expenditures (3)	**121**	**96**	**–**	**217**
	88	132	–	220

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

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

(3) Includes additions to property, plant and equipment, intangibles and \$2 million of interest capitalized during construction for the three months ended March 31, 2022 (2021 - \$3 million).

ADJUSTED EARNINGS

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

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

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

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

2022 2021	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited – Utilities**	**Canadian Utilities Limited – Energy Infrastructure**	**Canadian Utilities Limited – Corporate & Other**	**Canadian Utilities Limited – Consolidated**	**ATCO Consolidated**
Adjusted earnings (loss)	**20**	**4**	**(6)**	**124**	**4**	**(12)**	**116**	**134**
	14	3	1	106	5	(10)	101	119
AUC enforcement proceeding	**–**	**–**	**–**	**(14)**	**–**	**–**	**(14)**	**(14)**
	–	–	–	–	–	–	–	–
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**	**(5)**
	–	–	–	–	–	–	–	–
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**3**	**–**	**–**	**3**	**3**
	–	–	–	–	–	–	–	–
Transition of managed IT services	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(6)	–	–	(6)	(6)
Unrealized losses on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**(6)**
	–	–	–	–	–	–	–	–
Rate-regulated activities	**–**	**–**	**–**	**19**	**–**	**–**	**19**	**19**
	–	–	–	(28)	–	–	(28)	(28)
IT Common Matters decision	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**	**(2)**
	–	–	–	(2)	–	–	(2)	(2)
Other	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
	–	–	–	–	–	–	–	–
Earnings (loss) attributable to Class I and Class II Shares	**20**	**4**	**(7)**	**125**	**4**	**(18)**	**111**	**128**
	14	3	1	70	5	(10)	65	83
Earnings attributable to non-controlling interests								**117**
								78
Earnings for the period								**245**
								161

The reconciliation of adjusted earnings and earnings for the operating segments included in the Utilities for the three months ended March 31 are shown below.

2022	Utilities		
2021	**Electricity**	**Natural Gas**	**Total**
Adjusted earnings (loss)	**54**	**70**	**124**
	48	58	106
AUC enforcement proceeding	**(14)**	–	**(14)**
	–	–	–
Workplace COVID-19 vaccination standard	**(2)**	**(3)**	**(5)**
	–	–	–
Gain on sale of ownership interest in a subsidiary company	**3**	–	**3**
	–	–	–
Transition of managed IT services	–	–	–
	(3)	(3)	(6)
Rate-regulated activities	**7**	**12**	**19**
	(14)	(14)	(28)
IT Common Matters decision	**(1)**	**(1)**	**(2)**
	(1)	(1)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**47**	**78**	**125**
	30	40	70

Alberta Utilities Commission (AUC) enforcement proceeding

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

The AUC enforcement branch and ATCO Electric Transmission commenced settlement discussions in January 2022. On March 18, 2022, the AUC enforcement branch and ATCO Electric Transmission concluded discussions and notified the AUC that the parties had reached a settlement on all matters. On April 14, 2022, the settlement was filed with the AUC, reflecting an agreed administrative penalty of $31 million, a commitment to amend the ongoing Deferral Account application to ensure the estimated $11 million of additional rate base remains excluded from customer rates, and the implementation of revised practices and policies. The AUC is currently determining the next process steps.

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

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the three months ended March 31, 2022, the Company incurred $5 million after-tax and NCI related to amounts paid and accrued. As these costs are not in the normal course of business and are a one-time item, they have been excluded from Adjusted Earnings.

Gain on sale of ownership interest in a subsidiary company

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

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

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

Transition of managed IT services

In 2020, and in the first quarter of 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services were previously provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was complete by December 31, 2021.

The Company recognized an onerous contract provision of $6 million ($2 million after-tax and NCI) and transition costs of $9 million ($4 million after-tax and NCI) during the three months ended March 31, 2021. The onerous contract provision of $6 million was in addition to $75 million recorded in 2020 and represents management's best estimate of the costs to exit the Wipro MSAs. The provisions are included in provisions and other current liabilities in the consolidated balance sheets. The transition costs related to activities to transfer the managed IT services from Wipro to IBM. As the onerous contract and transition costs are not in the normal course of business, they have been excluded from adjusted earnings.

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

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

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

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

Rate-regulated activities

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

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

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

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

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

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

	2022	2021
Additional revenues billed in current period		
Future removal and site restoration costs [(1)]	**16**	15
Revenues to be billed in future periods		
Deferred income taxes [(2)]	**(12)**	(14)
Distribution rate relief [(3)]	**–**	(21)
Impact of warmer temperatures [(4)]	**(3)**	(1)
Impact of inflation on rate base [(5)]	**(3)**	(3)
Settlement of regulatory decisions and other items		
Distribution rate relief [(3)]	**18**	–
Other	**3**	(4)
	19	(28)

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

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

(3) In the first quarter of 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, ATCO Electric Distribution and ATCO Gas Distribution recorded a decrease in earnings of $21 million (after-tax and NCI) in the first quarter of 2021. Based on the direction from the AUC, collection of 2021 deferred rates will be maximized in 2022. In the first quarter of 2022, $18 million (after-tax and NCI) was billed to customers.

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

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

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three months ended March 31, 2022 was $2 million (2021 - $2 million).

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended March 31 is shown below:

2022 2021	Structures & Logistics	Utilities Electricity [1]	Utilities Natural Gas [1]	Utilities Total	Energy Infrastructure	Corporate & Other [2]	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**176**	**364**	**540**	**–**	**–**	**540**
	–	130	291	421	–	–	421
Transmission services	**–**	**184**	**87**	**271**	**–**	**–**	**271**
	–	173	76	249	–	–	249
Modular structures - services	**70**	**–**	**–**	**–**	**–**	**–**	**70**
	38	–	–	–	–	–	38
Logistics and facility operations and maintenance services	**26**	**–**	**–**	**–**	**–**	**–**	**26**
	27	–	–	–	–	–	27
Lodging and support	**25**	**–**	**–**	**–**	**–**	**–**	**25**
	17	–	–	–	–	–	17
Customer contributions	**–**	**8**	**6**	**14**	**–**	**–**	**14**
	–	9	5	14	–	–	14
Franchise fees	**–**	**10**	**101**	**111**	**–**	**–**	**111**
	–	9	72	81	–	–	81
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**89**	**89**
	–	–	–	–	–	83	83
Storage and industrial water	**–**	**–**	**–**	**–**	**11**	**–**	**11**
	–	–	–	–	6	–	6
Total rendering of services	**121**	**378**	**558**	**936**	**11**	**89**	**1,157**
	82	321	444	765	6	83	936
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	–	7	–	7
Commodity sales	**–**	**–**	**–**	**–**	**26**	**3**	**29**
	–	–	–	–	8	1	9
Modular structures - goods	**39**	**–**	**–**	**–**	**–**	**–**	**39**
	50	–	–	–	–	–	50
Total sale of goods	**39**	**–**	**–**	**–**	**33**	**3**	**75**
	50	–	–	–	15	1	66
Lease income							
Finance lease	**–**	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	–	3	–	3
Operating lease	**41**	**–**	**–**	**–**	**–**	**–**	**41**
	35	–	–	–	–	–	35
Total lease income	**41**	**–**	**–**	**–**	**4**	**–**	**45**
	35	–	–	–	3	–	38
Other	**1**	**21**	**5**	**26**	**6**	**1**	**34**
	–	16	6	22	10	–	32
Total	**202**	**399**	**563**	**962**	**54**	**93**	**1,311**
	167	337	450	787	34	84	1,072

(1) For the three months ended March 31, 2022, Electricity and Natural Gas segments include $133 million of unbilled revenue (2021 - $108 million). At March 31, 2022, $133 million of the unbilled revenue is included in accounts receivable and contract assets (2021 - $108 million).

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

5. EARNINGS PER SHARE

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

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

	2022	2021
Average shares		
Weighted average shares outstanding	**114,142,446**	114,302,031
Effect of dilutive stock options	**37,930**	5,459
Effect of dilutive MTIP	**246,044**	243,920
Weighted average dilutive shares outstanding	**114,426,420**	114,551,410
Earnings for earnings per share calculation		
Earnings for the period	**245**	161
Non-controlling interests	**(117)**	(78)
Earnings attributable to Class I and Class II Shares	**128**	83
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$1.12**	$0.73
Diluted earnings per Class I and Class II Share	**$1.12**	$0.72

6. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Energy Infrastructure	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2021	21,771	500	1,062	445	718	903	25,399
Additions	**8**	–	**1**	**237**	**29**	**1**	**276**
Transfers	**74**	–	**2**	**(88)**	**5**	**7**	–
Retirements and disposals	**(21)**	–	–	–	**(22)**	**(3)**	**(46)**
Sale of ownership interest in a subsidiary company (*Note 3*)	**(111)**	–	**(8)**	**(2)**	–	**(5)**	**(126)**
Foreign exchange rate adjustment	**29**	**1**	**2**	**1**	**4**	**2**	**39**
Changes to asset retirement costs	–	**(3)**	–	–	–	–	**(3)**
March 31, 2022	**21,750**	**498**	**1,059**	**593**	**734**	**905**	**25,539**
Accumulated depreciation							
December 31, 2021	5,478	184	238	–	256	452	6,608
Depreciation	**127**	**2**	**6**	–	**11**	**15**	**161**
Retirements and disposals	**(21)**	–	–	–	**(8)**	**(4)**	**(33)**
Sale of ownership interest in subsidiary company (*Note 3*)	**(52)**	–	**(3)**	–	–	**(2)**	**(57)**
Foreign exchange rate adjustment	**7**	–	–	–	**1**	**1**	**9**
March 31, 2022	**5,539**	**186**	**241**	–	**260**	**462**	**6,688**
Net book value							
December 31, 2021	16,293	316	824	447	462	449	18,791
March 31, 2022	**16,211**	**312**	**818**	**593**	**474**	**443**	**18,851**

The additions to property, plant and equipment included $2 million of interest capitalized during construction for the three months ended March 31, 2022 (2021 - $3 million).

PIONEER NATURAL GAS PIPELINE

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

7. SHORT-TERM DEBT

At March 31, 2022, the Company had $52 million of commercial paper outstanding at an effective interest rate of 0.67 per cent, maturing in April 2022 (December 31, 2021 - $206 million at an effective interest rate of 0.32 per cent, maturing in January 2022).

The commercial paper is supported by the Company's long-term committed credit facilities.

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

At March 31, 2022, there were 101,198,249 (December 31, 2021 - 101,187,649) Class I Shares and 13,196,129 (December 31, 2021 - 13,196,129) Class II Shares outstanding. In addition, there were 1,408,450 options to purchase Class I Shares outstanding at March 31, 2022, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4617 per Class I and Class II Share during three months ended March 31, 2022 (2021 - $0.4483). The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On April 14, 2022, the Company declared a second quarter dividend of $0.4617 per Class I and Class II Share.

NORMAL COURSE ISSUER BID

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

No shares were purchased during the three months ended March 31, 2022 or 2021.

9. RETIREMENT BENEFITS

At March 31, 2022, the discount rate assumption which is used to measure the accrued benefit obligations increased to 4.27 per cent from 3.16 per cent at December 31, 2021. The discount rate assumption was based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) increased from a net deficit of $199 million at December 31, 2021 to a net deficit of $181 million at March 31, 2022. The deficit of $181 million is net of a retirement benefit asset of $74 million related to the ATCO Structures & Logistics Ltd. and Canadian Utilities Limited retirement plans (Pension Plans).

The retirement benefit asset of the Pension Plans has been measured at the lower of the funded surplus ($252 million) and the asset ceiling ($74 million). Key assumptions used to determine the asset ceiling amount include a discount factor of 4.27 per cent and that the Company expects to realize the asset through future contribution holidays.

At March 31, 2022, the Company recognized a retirement benefit asset of $74 million and retirement benefit liability of $255 million (December 31, 2021 - $93 million and $292 million).

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	2022	**2021**
Depreciation and amortization	**175**	170
Earnings from investment in associate company	**(4)**	(3)
Dividends received from associate company	**15**	15
Earnings from investment in joint ventures	**(19)**	(14)
Dividends and distributions received from investment in joint ventures	**3**	2
Income tax expense	**83**	45
Unrealized losses on derivative financial instruments	**15**	1
Contributions by customers for extensions to plant	**45**	56
Amortization of customer contributions	**(14)**	(14)
Net finance costs	**102**	102
Income taxes paid	**(18)**	(36)
Other	**13**	6
	396	330

CASH POSITION

Cash position at March 31 is comprised of:

	2022	**2021**
Cash	**1,173**	1,110
Short-term investments	**2**	5
Restricted cash [(1)]	**15**	33
Cash and cash equivalents	**1,190**	1,148
Bank indebtedness	**–**	(1)
	1,190	1,147

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

11. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	March 31, 2022		December 31, 2021	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**160**	**210**	161	217
Financial Liabilities				
Long-term debt	**9,860**	**10,121**	9,852	11,395

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At March 31, 2022 and December 31, 2021, the following derivative instruments were outstanding:

- interest rate swaps for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt;

- foreign currency forward contracts for the purpose of limiting exposure to exchange rate fluctuations; and
- natural gas and forward power sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

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

	Subject to Hedge Accounting		Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Total Fair Value of Derivatives**
March 31, 2022				
Financial Assets				
Prepaid expenses and other current assets [1]	–	**61**	–	**61**
Other assets [1]	**29**	**39**	**6**	**74**
Financial Liabilities				
Provisions and other current liabilities [1]	**1**	**13**	**30**	**44**
Other liabilities [1]	–	**7**	**5**	**12**
December 31, 2021				
Financial Assets				
Prepaid expenses and other current assets [1]	–	52	2	54
Other assets [1]	8	35	6	49
Financial Liabilities				
Provisions and other current liabilities	2	12	20	34
Other liabilities [1]	3	8	6	17

(1) At March 31, 2022, financial liabilities and financial assets include $34 million and $6 million, respectively, of Level 3 derivative financial instruments (December 31, 2021 - financial liabilities and financial assets include $26 million and $8 million, respectively, of Level 3 derivative financial instruments).

Notional and maturity summary

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

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**
March 31, 2022							
Purchases (3)	–	**18,805,600**	**3,211,562**	–	–	–	–
Sales (3)	–	**1,886,917**	**1,602,538**	–	**15,453,766**	**1,465,479**	–
Currency							
Canadian dollars	**90**	–	–	–	–	–	–
Australian dollars	**732**	–	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	–	**23**
U.S. dollars	–	–	–	**2**	–	–	–
Maturity	**2023-2028**	**2022-2026**	**2022-2038**	**2022**	**2022-2024**	**2022-2024**	**2022**
December 31, 2021							
Purchases (3)	–	23,062,900	3,240,005	–	–	–	–
Sales (3)	–	2,313,227	526,314	–	11,015,969	1,232,616	–
Currency							
Canadian dollars	88	–	–	–	–	–	–
Australian dollars	732	–	–	–	–	–	–
Mexican pesos	570	–	–	–	–	–	79
U.S. dollars	–	–	–	2	–	–	–
Maturity	2023-2028	2022-2026	2022-2026	2022	2022-2024	2022-2024	2022

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

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

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

12. SUBSEQUENT EVENT

REPAYMENT OF LONG-TERM DEBT

On April 1, 2022, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, repaid $125 million of 9.92 per cent debentures.