ATCO LTD.

FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

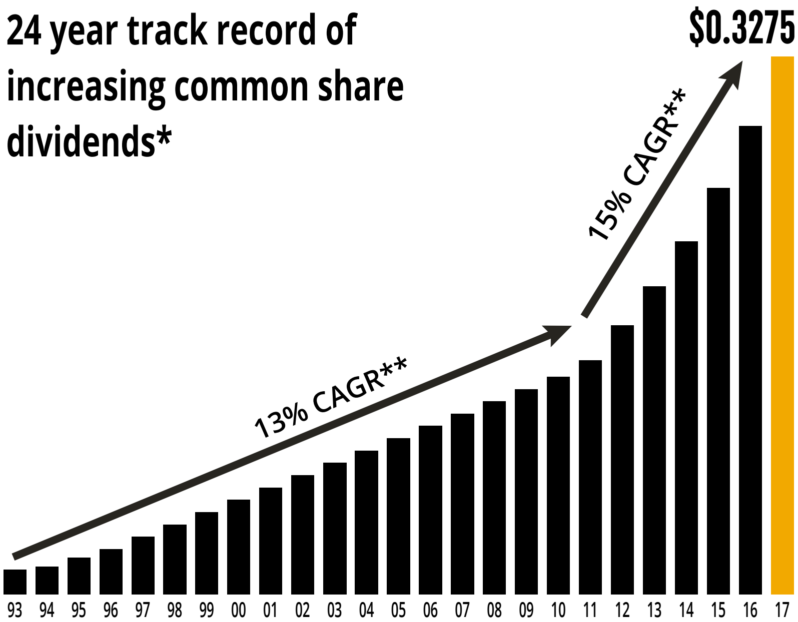
CORPORATE OFFICE: 700, 909 - 11th AVENUE SW, CALGARY, ALBERTA, CANADA T2R 1N6
TEL: 403-292-7500 WWW.ATCO.COM

Q2 2017 INVESTOR FACT SHEET

ATCO.COM
STRUCTURES & LOGISTICS | ELECTRICITY | PIPELINES & LIQUIDS

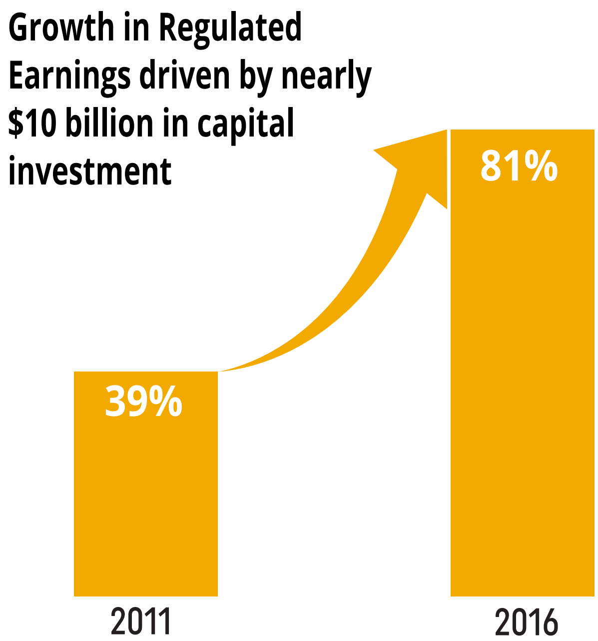
With approximately 7,000 employees and assets of $20 billion, ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management); Electricity (electricity generation, transmission, and distribution); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

TRACK RECORD OF DIVIDEND GROWTH



* On July 13, 2017, ATCO delcared a third quarter dividend of $0.3275 per share, or $1.31 per share annualized. This is a 15 per cent increase over the quarterly dividends declared in 2016.
** Compound Annual Growth Rate.

GROWING A HIGH QUALITY EARNINGS BASE

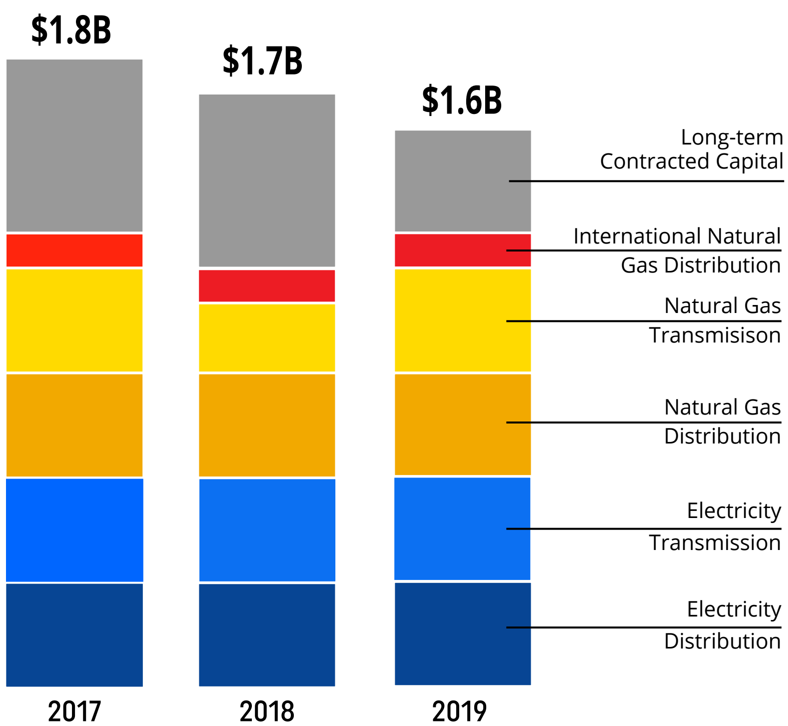


ATCO AT A GLANCE

70 year history in more than 100 countries	
"A-" rating by Standard & Poor's; "A" (low) rating by DBRS Limited	
Total Assets	$20 billion
Modular Building Manufacturing Locations	7 Globally (2 Canada, 2 United States, 2 Australia, 1 Chile)
Electric Powerlines	88,000 kms
Pipelines	65,000 kms
Power Plants	18 Globally
Power Generating Capacity Share	2,480 MW *
Water Infrastructure Capacity	85,200 m³/d **
Natural Gas Storage Capacity	52 PJ ***
Hydrocarbon Storage Capacity	200,000 m³ ****

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

FUTURE CAPITAL INVESTMENT



More than $5 billion in Regulated Utility and contracted capital growth projects expected in 2017 - 2019

ATCO SHARE INFORMATION

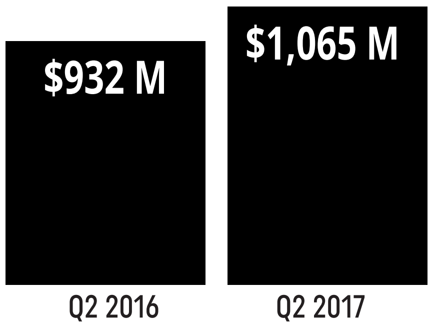
Common Shares (TSX): ACO.X, ACO.Y	
Market Capitalization	$6 billion
Weighted Average Common Shares Outstanding	114.3 million

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

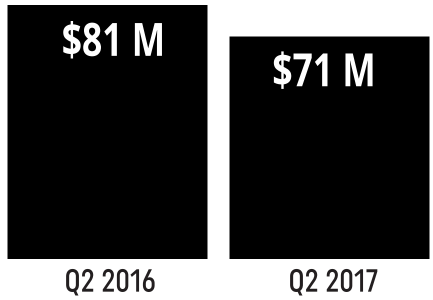
Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward commodity contracts. Adjusted earnings also exclude one-time gains and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

Q2 2017 RESULTS

ATCO REVENUES



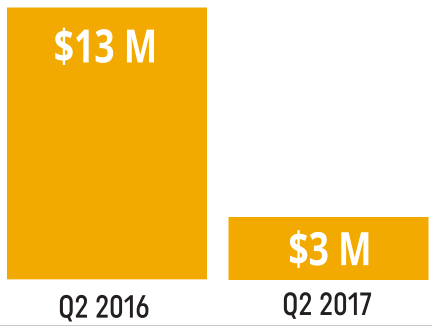
ATCO ADJUSTED EARNINGS



STRUCTURES & LOGISTICS GLOBAL BUSINESS UNIT

- Adjusted earnings in the second quarter of 2017 were lower than the same period in 2016 mainly due to lower Modular Structures major project activity.
- Structures & Logistics was awarded several Modular Structures projects and contracts for education, health and correctional facilities in the first half of 2017 that contributed to adjusted earnings beginning in the second quarter and will continue through the remainder of 2017.

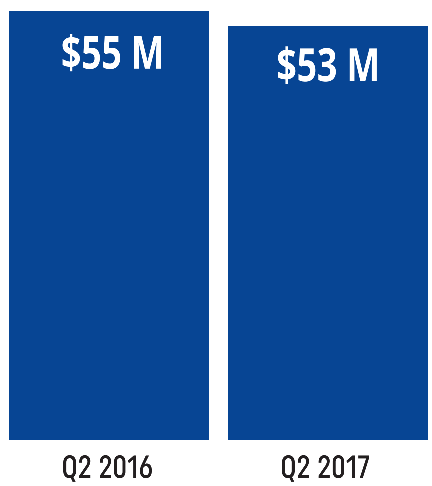
ADJUSTED EARNINGS



ELECTRICITY GLOBAL BUSINESS UNIT

- Earnings growth in the second quarter of 2017 was due to continued capital investment, growth in rate base, and earnings from Alberta PowerLine. This earnings growth was more than offset by the timing of operating costs in electric distribution and the prior period earnings impact of a regulatory decision in electric transmission. Without the one-time earnings impact from this decision related to 2016 and the first quarter of 2017, Electricity's earnings in the second quarter of 2017 were $56 million on a normalized basis.
- In the second quarter of 2017, the Company and its Mexican partner, Grupo Ranman, completed the installation of 7 MW of additional capacity at a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosí, Mexico. ATCO Power plans to expand this facility to up to 20 MW by December 2017.

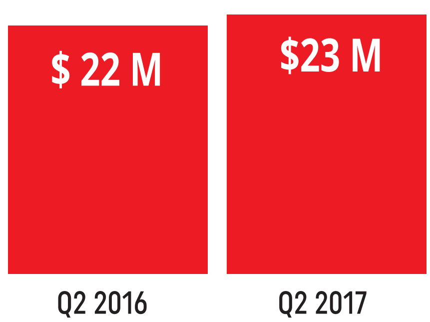
ADJUSTED EARNINGS



PIPELINES & LIQUIDS GLOBAL BUSINESS UNIT

- Adjusted earnings in the second quarter of 2017 were higher than the same period in 2016 mainly due to capital investment and growth in rate base.

ADJUSTED EARNINGS



Investor Relations, c/o ATCO Ltd.
1500, 909 - 11th Avenue SW, Calgary, Alberta, Canada T2R 1N6

InvestorRelations@ATCO.com
T: (403) 292-7500 | F: (403) 292-7532

ATCO

2017 SECOND QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2017

TABLE OF CONTENTS

ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2017

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 six months ended June 30, 2017.

This MD&A was prepared as of July 26, 2017, and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2017. Additional information, including the Company's prior MD&As, Annual Information Form (2016 AIF), and audited consolidated financial statements for the year ended December 31, 2016, is available on SEDAR at www.sedar.com. Information contained in the 2016 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 (52.8 per cent ownership) and in ATCO Structures & Logistics Ltd. (75.5 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.

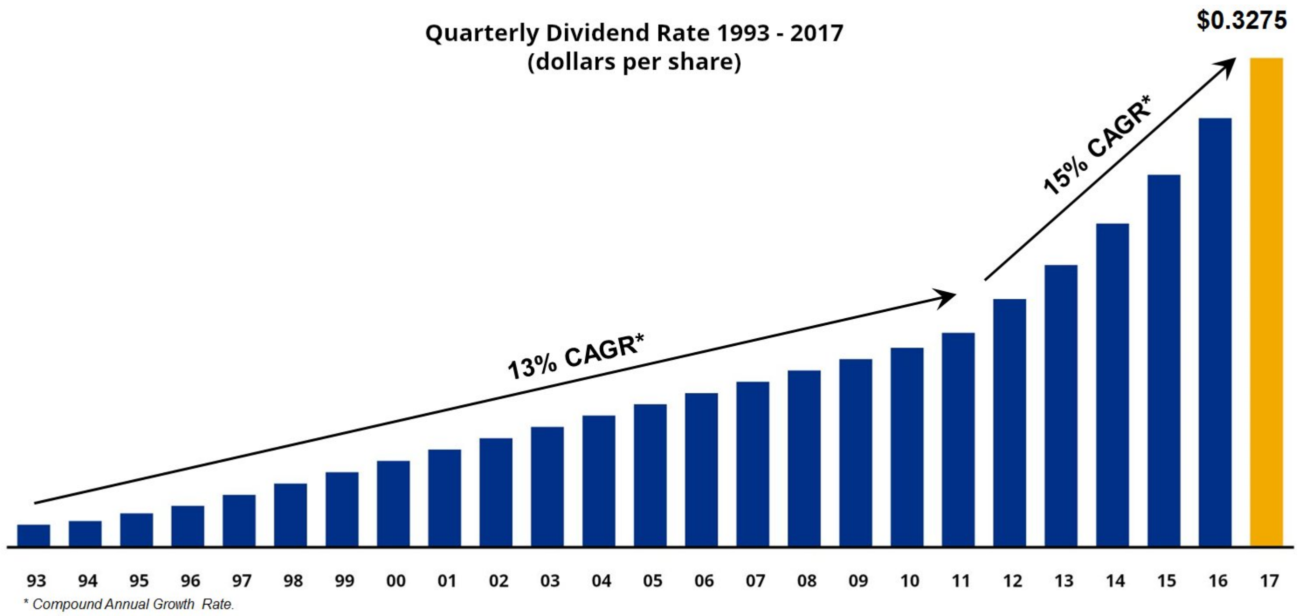
Terms used throughout this MD&A are defined in the Glossary at the end of this document.

TABLE OF CONTENTS

ATCO: WHAT SETS US APART

TRACK RECORD OF DIVIDEND GROWTH

We have increased our common share dividend every year for the past 24 years, a track record we are very proud of. On July 13, 2017, we declared a third quarter dividend of 32.75 cents per share or $1.31 per share on an annualized basis, a 15 per cent increase over the 2016 dividend.



GROWING A HIGH QUALITY EARNINGS BASE

Over the past five years, we have invested nearly $10 billion in Regulated Utility and long-term contracted operations. The Regulated Utility portion of our total adjusted earnings has grown from 39 per cent in 2011 to 81 per cent in 2016. Our highly contracted and regulated earnings base provides the foundation for continued dividend growth.

FUTURE CAPITAL INVESTMENT

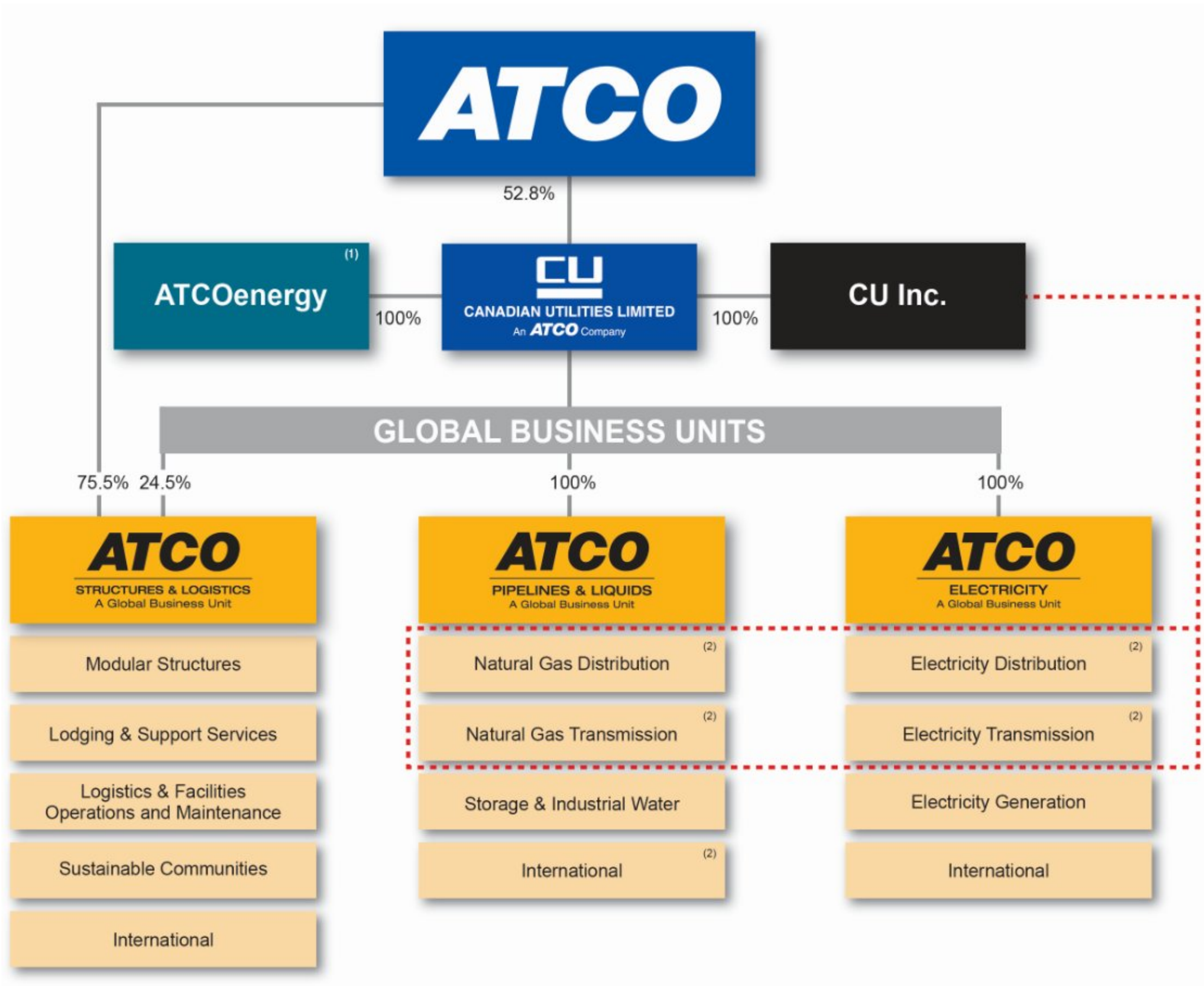
We will continue to grow our business in the years ahead. In the period 2017 to 2019, we expect to invest more than $5 billion in Regulated Utility and long-term contracted assets, which will continue to strengthen our high quality earnings base. Of the more than $5 billion planned spend, $3.8 billion is on Regulated Utilities, and $1.3 billion is on long-term contracted assets.

FINANCIAL STRENGTH

Financial strength is fundamental to our current and future success. It ensures we have the financial capacity to fund our existing and future capital investment. We are committed to maintaining our strong, investment grade credit ratings, which allow us to access capital at attractive rates.

15%	81%	$5B	A-
dividend CAGR 2012 - 2017	regulated earnings	3 year capital investment	credit rating

ORGANIZATIONAL STRUCTURE



(1) ATCOenergy was launched in January 2016 to provide retail, commercial and industrial electricity and natural gas service in Alberta.

(2) Regulated operations include ATCO Gas, ATCO Pipelines, ATCO Gas Australia, ATCO Electric Distribution, and ATCO Electric Transmission.

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments. Principal subsidiaries are Canadian Utilities Limited (Canadian Utilities), of which ATCO Ltd. owns 52.8 per cent (38.9 per cent of the Class A non-voting shares and 89.4 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 75.5 per cent of the Common Shares.

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

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	Three Months Ended June 30 2017	2016	Change	Six Months Ended June 30 2017	2016	Change
Key Financial Metrics						
Adjusted earnings (1)	**71**	81	(10)	**188**	202	(14)
Structures & Logistics	**3**	13	(10)	**3**	25	(22)
Electricity	**53**	55	(2)	**116**	109	7
Pipelines & Liquids	**23**	22	1	**82**	78	4
Corporate & Other	**(8)**	(9)	1	**(13)**	(11)	(2)
Intersegment Eliminations	**–**	–	–	**–**	1	(1)
Earnings attributable to Class I and Class II Shares	**44**	61	(17)	**145**	170	(25)
Revenues	**1,065**	932	133	**2,180**	1,990	190
Total assets	**20,119**	19,393	726	**20,119**	19,393	726
Cash dividends declared per Class I and Class II Share *(cents per share)*	**32.75**	28.50	4.25	**65.50**	57.00	8.50
Funds generated by operations (1)	**398**	401	(3)	**923**	885	38
Capital investment (1)	**419**	387	32	**717**	751	(34)
Other Financial Metrics						
Weighted average Class I and Class II Shares outstanding *(thousands):*						
Basic	**114,344**	114,281	63	**114,348**	114,477	(129)
Diluted	**114,848**	114,721	127	**114,819**	114,902	(83)

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

ADJUSTED EARNINGS

Our adjusted earnings for the second quarter and first half of 2017 were $71 million and $188 million, compared to $81 million and $202 million in the same periods in 2016. The primary drivers of earnings results were as follows:

- Structures & Logistics - Adjusted earnings in the second quarter of 2017 were lower than the same period in 2016 mainly due to lower Modular Structures major project activity.
- Electricity - Earnings growth in the second quarter of 2017 due to continued capital investment, growth in rate base, and earnings from Alberta PowerLine (APL) was more than offset by the timing of operating costs in electric distribution and the prior period earnings impact of the 2015 to 2017 General Tariff Application Compliance Filing (2015 to 2017 GTA Compliance) decision in electric transmission.
- Pipelines & Liquids - Adjusted earnings in the second quarter of 2017 were higher than the same period in 2016 mainly due to capital investment and growth in rate base.

Additional details on the financial performance of our Global Business Units is discussed in the Global Business Unit Performance section of this MD&A.

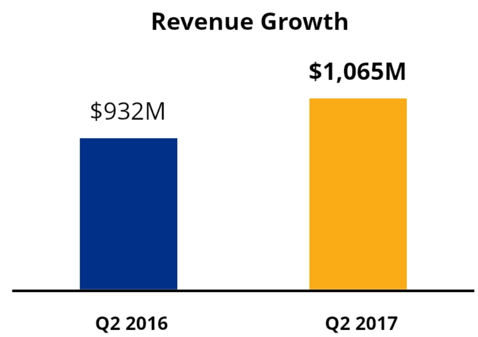
EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were $44 million in the second quarter of 2017, $17 million lower than the same period in 2016. Earnings attributable to Class I and Class II Shares includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward commodity contracts that 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.

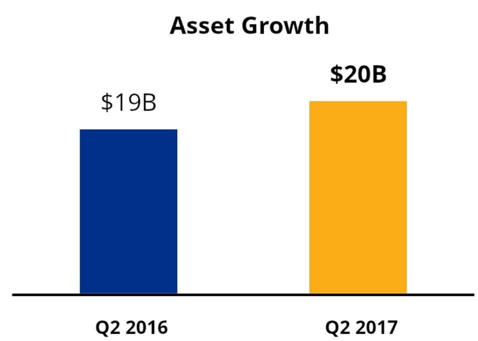
REVENUES

Revenues in the second quarter and first half of 2017 were $1,065 million and $2,180 million, $133 million and $190 million higher than the same periods in 2016, mainly due to revenue recorded for APL and rate base growth in our Regulated Utilities.



ASSETS

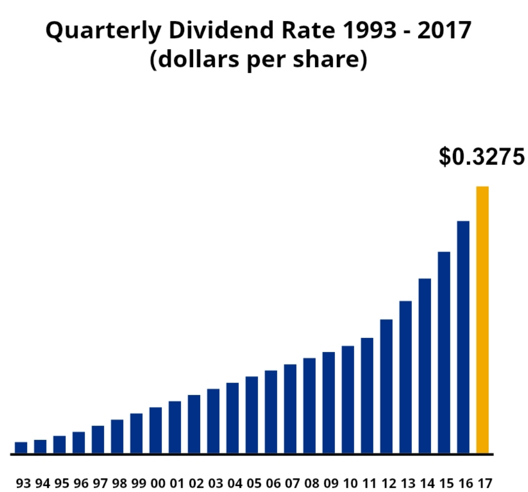
Our total assets grew from $19 billion in the second quarter of 2016 to $20 billion in the second quarter of 2017. Growth occurred mainly in our Alberta Utilities as a result of continued capital investment.



COMMON SHARE DIVIDENDS

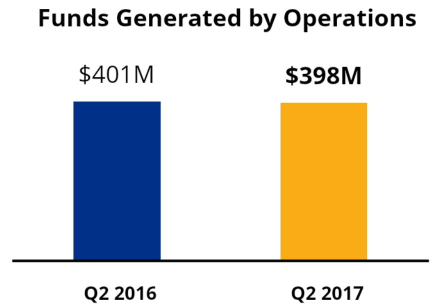
On July 13, 2017, the Board of Directors declared a third quarter dividend of 32.75 cents per share. This represents a 15 per cent increase over the quarterly dividends declared in 2016. Dividends paid to Class I and Class II Share owners totaled $37 million in the second quarter and $75 million in the first half of 2017.

We have increased our common share dividend each year since 1993. In each of the last six years, we have increased our quarterly dividend by 15 per cent.



FUNDS GENERATED BY OPERATIONS

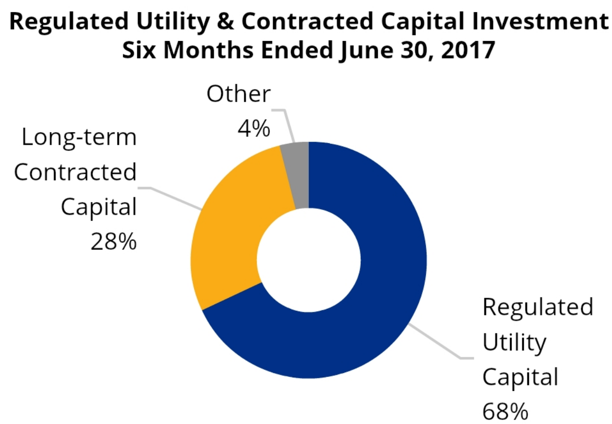
Funds generated by operations were $398 million in the second quarter of 2017, comparable to the same period in 2016.



CAPITAL INVESTMENT

Capital investment includes additions to property, plant and equipment, intangibles, capital expenditures in joint ventures and service concession arrangements. Total capital investment in the second quarter and first half of 2017 were $419 million and $717 million.

Capital spending in our Regulated Utilities and on long-term contracted capital assets accounted for $402 million of capital spending in the second quarter, and $686 million in the first half of 2017. These investments either earn a return under a regulatory business model or are under commercially secured long-term contracts.

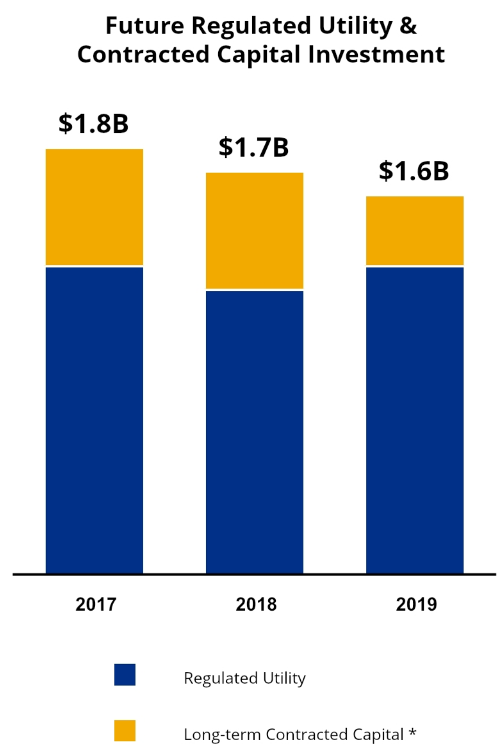


FUTURE CAPITAL INVESTMENT PLANS

In the period 2017 to 2019, we expect to invest more than $5 billion in Regulated Utility and commercially secured capital growth projects. This capital investment is expected to contribute significant earnings and cash flow and create long-term value for share owners.

This three year plan includes $3.8 billion of planned capital investment in our Regulated Utilities. Our electricity distribution and transmission businesses are planning to invest $1.8 billion, and our natural gas distribution and transmission businesses are planning to invest $2 billion.

In addition to capital investment in our Regulated Utilities, we intend to invest a further $1.3 billion in long-term contracted capital from 2017 to 2019 in the APL Fort McMurray 500 kV Electric Transmission Project (Fort McMurray 500 kV Project), contracted hydrocarbon storage and distributed generation. We also continue to pursue various business development opportunities with long-term potential, such as the Tula cogeneration power plant in Mexico, which is not included in these capital growth investment estimates.



** Includes the Company's proportionate share of investment in partnership interests and cash used for service concession arrangements.*

GLOBAL BUSINESS UNIT PERFORMANCE

REVENUES

Structures & Logistics revenues of $127 million in the second quarter and $246 million in the first half of 2017 were $49 million and $137 million lower than the same periods in 2016. Lower revenues were mainly due to decreased Modular Structures project activity due to the completion of the Wheatstone and BC Hydro Site C projects in the first and third quarters of 2016, partially offset by revenues from Modular Structures activity relating to education, health and correctional facilities in the second quarter of 2017.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Modular Structures	**5**	14	(9)	**7**	27	(20)
Logistics and Facility O&M Services	**1**	3	(2)	**3**	5	(2)
Lodging & Support Services	**1**	2	(1)	**2**	4	(2)
Other [(1)]	**(4)**	(6)	2	**(9)**	(11)	2
Total Structures & Logistics Adjusted Earnings	**3**	13	(10)	**3**	25	(22)

(1) Other includes financial results for Sustainable Communities and Structures & Logistics' corporate office.

Adjusted earnings achieved by Structures & Logistics in the second quarter and first half of 2017 were $10 million and $22 million lower than the same periods in 2016. The decreases were mainly due to the completion of Modular Structures major projects and lower profit margins in Logistics and Facility O&M Services and Lodging & Support Services.

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

MODULAR STRUCTURES

Modular Structures manufactures, sells and leases transportable workforce 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 camps, pre-fabricated and relocatable modular buildings.

Adjusted earnings achieved in the second quarter and first half of 2017 were $9 million and $20 million lower than the same periods in 2016. Lower adjusted earnings were mainly due to decreased major project activity due to the completion of the Wheatstone and BC Hydro Site C projects in the first and third quarters of 2016, partially offset by earnings from education, health and correctional facility project activity in the second quarter of 2017.

Project Updates

Structures & Logistics was awarded several Modular Structures projects and contracts for education, health and correctional facilities in the first half of 2017, which contributed to adjusted earnings beginning in the second quarter and that will continue through the remainder of 2017.

Rental Fleet Statistics

The following table compares Structures & Logistics' manufacturing hours and rental fleet for the second quarter and first half of 2017 and 2016.

	Three Months Ended June 30			Six Months Ended June 30		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
North America						
Manufacturing hours *(thousands)*	**78**	167	(53%)	**105**	460	(77%)
Global Space Rentals						
Number of units	**13,556**	14,018	(3%)	**13,556**	14,018	(3%)
Average utilization *(%)*	**70**	64	6%	**68**	64	4%
Average rental rate *($ per month)*	**458**	462	(1%)	**463**	477	(3%)
Global Workforce Housing						
Number of units	**4,402**	3,546	24%	**4,402**	3,546	24%
Average utilization *(%)*	**36**	46	(10%)	**35**	44	(9%)
Average rental rate *($ per month)*	**2,099**	1,614	30%	**2,095**	1,589	32%

Decreased manufacturing hours in the second quarter and first half of 2017 were mainly due to the completion of major project activity at the BC Hydro Site C and LNG Modular Structures projects.

The decrease in the Space Rental units was primarily due to increased sales of non-utilized Space Rental units in Canada and Australia. The increase in Space Rental utilization was due to higher construction activity in Australia.

The decrease in Workforce Housing utilization was mainly due to overall weakened demand from customers whose business activity is exposed to commodity price declines. The increase in the Workforce Housing units was mainly due to the LNG Modular Structures project and additions to the Australian rental fleet. The increase in the Workforce Housing rental rates was mainly due to the LNG Modular Structures project.

LOGISTICS AND FACILITY O&M SERVICES

The Logistics and Facility O&M Services division delivers facilities operations and maintenance services, including end-to-end supply chain management, to our clients in the resources, defense and telecommunications sectors.

Adjusted earnings for the second quarter and first half of 2017 were lower than the same periods in 2016 in each case by $2 million. These decreases were mainly due to a lower profit margin on the Alaska Radar System contract renewal effective October 1, 2016 and the completion of the Kandahar - First Responders contract with NATO Support Agency in the third quarter of 2016. We continue to pursue and bid on project opportunities to provide Logistics and Facility O&M Services.

LODGING & SUPPORT SERVICES

The Lodging & Support Services division provides lodging, catering, waste management, and maintenance services to meet the demands of major, remote resource projects.

Adjusted earnings for the second quarter and first half of 2017 were lower than the same periods in 2016 by $1 million and $2 million. Lower earnings were mainly due to lower profit margins at the BC Hydro Site C workforce housing camp and the lodging activity and food services provided in the second quarter of 2016 resulting from the 2016 Fort McMurray wildfires.

REVENUES

Electricity revenues of $569 million in the second quarter and $1,056 million in the first half of 2017 were $140 million and $179 million higher than the same periods in 2016, mainly due to revenue recorded for planning and design activities at Alberta PowerLine.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Regulated Electricity						
Electricity Distribution	**16**	19	(3)	**38**	39	(1)
Electricity Transmission	**27**	27	–	**56**	54	2
Total Regulated Electricity Adjusted Earnings	**43**	46	(3)	**94**	93	1
Non-regulated Electricity						
Independent Power Plants	–	3	(3)	**3**	3	–
Thermal PPA Plants	**7**	5	2	**11**	8	3
International Power Generation	**1**	1	–	**5**	5	–
Alberta PowerLine	**2**	–	2	**3**	–	3
Total Non-regulated Electricity Adjusted Earnings	**10**	9	1	**22**	16	6
Total Electricity Adjusted Earnings	**53**	55	(2)	**116**	109	7

In the second quarter of 2017 our Electricity business earned $53 million, $2 million less than the same period in 2016. Earnings growth in the second quarter of 2017 due to continued capital investment, growth in rate base within Regulated Electricity, and earnings from Alberta PowerLine, were more than offset by the timing of operating costs in electric distribution and the impact of the 2015 to 2017 GTA Compliance decision received in June, 2017 in electric transmission. The impact of this decision was a decrease to second quarter 2017 earnings of $4 million, of which $3 million relates to prior periods.

In the first half of 2017, Electricity earnings of $116 million were $7 million higher than the same period in 2016. Higher earnings were primarily due to continued capital investment, growth in rate base within Regulated Electricity, and earnings from APL, and were partially offset by the impact of the 2015 to 2017 GTA Compliance decision.

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

REGULATED ELECTRICITY

Our Regulated Electricity activities are conducted by ATCO Electric Distribution and ATCO Electric Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife). These businesses provide regulated electricity distribution, transmission and distributed generation mainly in northern and central east Alberta, the Yukon and the Northwest Territories.

Electricity Distribution

Our electricity distribution business earned $16 million in the second quarter of 2017, $3 million less than the same period in 2016. Lower earnings were primarily due to the timing of operating and other costs. Earnings in the first half of 2017 of $38 million were comparable to the same period in 2016.

Electricity Transmission

Our electricity transmission business earned $27 million in the second quarter of 2017, comparable to the same period in 2016. Higher earnings due to continued capital investment and growth in rate base were offset by the impact of the 2015 to 2017 GTA Compliance decision. Excluding the prior period impact of this decision, electricity transmission adjusted earnings in the second quarter of 2017 were $30 million on a normalized basis.

Earnings of $56 million in the first half of 2017 were $2 million higher than the same period in 2016. Higher earnings resulted mainly from growth in rate base.

NON-REGULATED ELECTRICITY

Our non-regulated electricity activities are conducted by ATCO Power, ATCO Power Australia and Alberta PowerLine. These businesses supply electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario, Australia and Mexico and non-regulated electricity transmission in Alberta.

Generating Plant Availability

Our generating availability for the second quarter and first half of 2017 and 2016 is shown in the table below. Generating plant capacity fluctuates with the timing and duration of outages.

Higher availability in our Independent Power Plants in the second quarter and first half of 2017 was mainly due to extended plant outages at the Joffre facility in the second quarter of 2016, and was partially offset by outages at Primrose and Rainbow Lake 4 in the second quarter of 2017.

Lower availability in our Thermal PPA Plants in the second quarter of 2017 was primarily due to outages at Battle River 5 and Sheerness during the quarter.

	Three Months Ended June 30			Six Months Ended June 30		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Independent Power Plants	**93%**	87%	6%	**94%**	92%	2%
Thermal PPA Plants	**93%**	98%	(5%)	**94%**	94%	–
International Power Generation	**97%**	100%	(3%)	**99%**	99%	–

Independent Power Plants

In the second quarter of 2017, earnings from our Independent Power Plants were $3 million less than the same period in 2016. Lower earnings were primarily due to reduced price volatility on merchant exposed plant capacity. In the first half of 2017, earnings were comparable to the same period in 2016.

Effective first quarter 2017, adjusted earnings do not include unrealized gains or losses on mark-to-market forward commodity contracts. Unrealized losses were $13 million in the second quarter, and $16 million in the first half of 2017. More information on this change to our definition of adjusted earnings is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the second quarter and first half of 2017 and 2016 are shown in the table below.

	Three Months Ended June 30			Six Months Ended June 30		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**19.29**	15.00	29%	**20.83**	16.55	26%
Average natural gas price *($/GJ)*	**2.64**	1.35	96%	**2.60**	1.54	69%
Average spark spread *($/MWh)*	**(0.51)**	4.91	(110%)	**1.36**	5.03	(73%)

The average Alberta Power Pool electricity price was higher in the second quarter and first half of 2017 when compared to the same periods in 2016. This was mainly due to increased carbon prices and higher natural gas prices which have affected overall variable price offers in the market.

Thermal PPA Plants

The electricity generated by the Battle River unit 5 and Sheerness plants is sold through PPAs. Under the PPAs, we must make the generating capacity for each generating unit available to the PPA purchaser of that unit. These arrangements entitle us to recover our forecast fixed and variable costs from the PPA purchaser. Under the terms of the PPAs, we are subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets.

Adjusted earnings from our Thermal PPA Plants of $7 million in the second quarter and $11 million in the first half of 2017 were $2 million and $3 million higher then the same periods in 2016. Higher earnings were primarily due to compensation for the early retirement of coal-fired generation and recognition of the remainder of the accumulated availability incentives.

International Power Generation

Our international power generation activities are conducted by ATCO Power Australia and ATCO Mexico. These businesses supply electricity from two natural gas-fired generation plants in Adelaide, South Australia, and Karratha, Western Australia and distributed generation facilities in San Luis Potosí, Mexico.

Our international power generation business earned $1 million in the second quarter and $5 million in the first half of 2017, comparable to the same periods in 2016.

Alberta PowerLine

APL's adjusted earnings were $2 million in the second quarter and $3 million in the first half of 2017. The earnings were due to planning and design activities which are accounted for as a service concession arrangement under IFRS. Under a service concession arrangement, earnings during the design, planning and construction phases are recorded on a percentage of completion basis.

Major Electricity Project Updates

Alberta PowerLine

On February 10, 2017, the AUC approved the final route for the Fort McMurray West 500 kV Project. On June 7, 2017, the AESO subsequently approved the updated total capital investment for the new route at $1.4 billion. These capital and associated inflation adjustments will be fully recovered through a payment adjustment mechanism in the project agreement.

Distributed Generation

In the second quarter of 2017, the Company and its Mexican partner, Grupo Ranman, completed the installation of 7 MW of additional capacity at a distributed generation facility located in the World Trade Centre industrial park in San Luis Potosí, Mexico. ATCO plans to expand this facility up to 20 MW by December 2017.

Strathcona Cogeneration Plant

During the second quarter of 2017, Inter Pipeline Ltd. elected to terminate its development agreement with ATCO Power for the construction and operation of the cogeneration plant. As a result of the termination, ATCO Power recovered from Inter Pipeline Ltd. its costs incurred on the project.

Alberta Capacity Market

On May 11, 2017, the AESO released its Alberta Market proposal for the design of a capacity market. It is meant to serve as a starting point for working groups that the AESO has established to help design the proposed capacity market. ATCO has been selected to sit on four of the five working groups which commenced in June 2017.

Thermal PPAs

The Balancing Pool continues to assess the commercial management of the five PPAs which it holds (Battle River 5, Genesee, Keephills, Sheerness and Sundance). On July 4, 2017, the Balancing Pool announced that it will begin engagement with consumer groups on the PPA termination for Sundance A, B, and C. The Balancing Pool has indicated that the Battle River 5 PPA cannot be terminated until the Government of Alberta's lawsuit with Enmax Corporation contesting the return of the PPA is resolved. ATCO has never been a buyer of a coal PPA and the lawsuit seeks no direct relief against ATCO.

REVENUES

Pipelines & Liquids revenues of $355 million in the second quarter and $853 million in the first half of 2017 were $35 million and $133 million higher than the same periods in 2016, mainly due to continued capital investment and growth in rate base and customers, and colder weather causing higher demand in natural gas distribution.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Regulated Pipelines & Liquids						
Natural Gas Distribution	**5**	5	–	**48**	46	2
Natural Gas Transmission	**9**	7	2	**18**	15	3
International Natural Gas Distribution	**9**	9	–	**15**	13	2
Total Regulated Pipelines & Liquids Adjusted Earnings	**23**	21	2	**81**	74	7
Non-regulated Pipelines & Liquids						
Storage & Industrial Water	–	1	(1)	**1**	4	(3)
Total Pipelines & Liquids Adjusted Earnings	**23**	22	1	**82**	78	4

Pipelines & Liquids earned $23 million in the second quarter and $82 million in the first half of 2017, $1 million and $4 million higher than the same periods in 2016, mainly due to growth in rate base.

Detailed information about the activities and financial results of Pipelines & Liquid's businesses is provided in the following sections.

REGULATED PIPELINES & LIQUIDS

Natural Gas Distribution

Our natural gas distribution activities throughout Alberta and in the Lloydminster area of Saskatchewan are conducted by ATCO Gas. It services municipal, residential, business and industrial customers.

Our natural gas distribution business earned $5 million in the second quarter of 2017, comparable to the same period in 2016. Higher earnings due to growth in rate base and customers were offset by the timing of operating costs.

Earnings of $48 million in the first half of 2017 were $2 million higher than the same period in 2016, mainly due to growth in both rate base and customers.

Natural Gas Transmission

Our natural gas transmission activities in Alberta are conducted by ATCO Pipelines. This business receives natural gas on its pipeline system at various gas processing plants as well as from other natural gas transmission systems and transports it to end users within the province or to other pipeline systems, primarily for export out of the province.

Our natural gas transmission business earned $9 million in the second quarter and $18 million in the first half of 2017, $2 million and $3 million higher than the same periods in 2016. Higher earnings were primarily due to growth in rate base.

International Natural Gas Distribution

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

Our international natural gas distribution business earned $9 million in the second quarter of 2017, comparable to the same period in 2016, and $15 million in the first half of 2017, $2 million higher than the same period in 2016. Higher earnings in the first half of 2017 were mainly due to an adjustment recorded in the first quarter related to the difference between 2016 actual inflation and the forecast inflation rates as well as growth in rate base.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Our industrial water services and non-regulated natural gas and hydrocarbon storage, processing and transmission activities are conducted by ATCO Energy Solutions.

Earnings from our storage & industrial water business in the second quarter and first half of 2017 were $1 million and $3 million less than the same periods in 2016. Lower earnings were mainly due to timing and demand of natural gas storage services in the second quarter of 2016 and lower costs in 2016 due to the sale of under-performing assets in late 2015 and early 2016.

Corporate & Other

Our Corporate & Other segment includes the 2016 launch of retail energy through ATCOenergy to provide retail electricity and natural gas services in Alberta, and the commercial real estate we own in Alberta. Corporate & Other also includes our global corporate head office in Calgary, Canada and our Australia corporate head office in Perth, Western Australia.

In the second quarter and first half of 2017, earnings from our Corporate & Other segment were comparable to the same periods in 2016.

REGULATORY DEVELOPMENTS

GENERIC COST OF CAPITAL (GCOC)

On July 5, 2017, the AUC established a full proceeding schedule for a 2018, 2019 and 2020 GCOC proceeding. Submissions are scheduled to be filed October 31, 2017 with a hearing set for March 2018. The AUC has indicated its intention to issue a decision prior to the end of 2018.

ATCO ELECTRIC TRANSMISSION 2015 TO 2017 GENERAL TARIFF APPLICATION (GTA) COMPLIANCE FILING

On June 19, 2017, the AUC issued a decision on ATCO Electric Transmission's Compliance Filing relating to its 2015 to 2017 GTA. The decision adjusted ATCO Electric Transmission's 2016 and 2017 forecast allocation of labour costs between operating and maintenance expense and capital, which resulted in a decrease to second quarter 2017 adjusted earnings of $4 million, of which $3 million relates to prior periods.

ATCO ELECTRIC TRANSMISSION 2018 TO 2019 GENERAL TARIFF APPLICATION (GTA)

On June 16, 2017, ATCO Electric Transmission filed a GTA for its operations for 2018 and 2019. The application requests, among other things, additional revenues to recover higher depreciation, operating costs and financing associated with increased rate base in Alberta. The application also requests approval to refund amounts collected from 2013-2016 for Construction Work in Progress (CWIP), which will result in a reduction in applied-for revenues for 2018 and 2019 as compared to 2017. This request, if approved, will also result in an increase to 2018 and 2019 rate base of approximately $130 million per year.

ATCO ELECTRIC TRANSMISSION ASSET UTILIZATION PROCEEDING

On June 20, 2017, the AUC publicly announced its intention to commence a proceeding to consider the issue of asset utilization for electric transmission infrastructure, and how the corporate and property law principles referenced in the 2013 Utility Asset Disposition decision may relate. The AUC has not yet commenced this proceeding.

SUSTAINABILITY, CLIMATE CHANGE AND THE ENVIRONMENT

We believe that reducing our environmental impact is integral to the pursuit of operational excellence and long-term sustainable growth. Our success depends on our ability to operate in a responsible and sustainable manner, today and in the future.

SUSTAINABILITY REPORTING

Our 2016 Sustainability Report, released June 23, 2017, focuses on key material topics including: Environmental Stewardship (climate change and energy use, and environmental compliance), Energy Stewardship (access and affordability, security and reliability, and customer satisfaction), Safety (employee health and safety, public safety, and emergency preparedness), and Community and Indigenous Relations. The 2016 Sustainability Report is available on our website, at www.ATCO.com.

CLIMATE CHANGE AND THE ENVIRONMENT

Government of Alberta's Provincial Climate Leadership Plan

In November 2015, the Government of Alberta announced Alberta's Climate Leadership Plan, a framework which includes the proposed phasing out of emissions from coal-fired generation by 2030, the accelerated phasing in of renewable energy, an economy wide tax on carbon emissions starting in 2017, and the reduction of methane emissions.

Phasing in of Renewable Electricity

As part of its Climate Leadership Plan, the Government of Alberta has published a firm target that 30 per cent of electricity used in Alberta will come from renewable sources such as wind, hydro and solar by 2030. The Government will support 5,000 MW of additional renewable energy capacity. Support will be provided to projects that are based in Alberta, are new or expanded, are greater than five MW in size, and meet the definition of renewable sources as defined by Natural Resources Canada.

On May 10, 2017, the Government of Alberta issued a Negotiated Request for Proposal (NRFP). This proposal aims to spur the development of approximately 75 MW of solar generation through the purchase of Renewable Energy Credits from new solar facilities. We will participate in the NRFP process.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the second quarter and first half of 2017 and 2016 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 June 30			Six Months Ended June 30		
($ millions)	2017	2016	Change	2017	2016	Change
Operating costs	**556**	528	28	**1,097**	1,078	19
Service concession arrangement costs	**129**	–	129	**178**	–	178
Gain on sale of joint operation	**–**	–	–	**–**	18	(18)
Earnings from investment in joint ventures	**3**	5	(2)	**11**	9	2
Depreciation and amortization	**159**	151	8	**318**	302	16
Net finance costs	**95**	94	1	**192**	188	4
Income taxes	**31**	42	(11)	**102**	117	(15)

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation and amortization, increased by $28 million in the second quarter and $19 million in the first half of 2017 when compared to the same periods in 2016. Increased costs were mainly due to higher unrealized losses on mark-to-market forward commodity contracts. Partially offsetting increased costs in the first half of 2017 were lower raw material costs resulting from lower manufacturing activity in Structures & Logistics.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs in the second quarter and first half of 2017 are costs APL has recorded on design and planning activities for the Fort McMurray 500 kV Project.

GAIN ON SALE OF JOINT OPERATION

In the first half of 2016, we sold our 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant, which resulted in gain of $18 million.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of our ownership position in several power generation plants, the Strathcona Storage Limited Partnership, ATCO-Sabinco S.A., and certain lodge assets in Structures & Logistics. Lower earnings in the second quarter of 2017 were mainly due to higher lodging activity and occupancy levels in the second quarter of 2016 resulting from the 2016 Fort McMurray wildfires. Earnings increased in the first half of 2017, mainly due to higher earnings contributions from the Strathcona Storage Limited Partnership's hydrocarbon storage facility.

DEPRECIATION AND AMORTIZATION

In the second quarter and first half of 2017, depreciation and amortization expense increased by $8 million and $16 million when compared to the same periods in 2016. The increased expense was mainly due to the ongoing capital investment program in our Regulated Utilities.

NET FINANCE COSTS

Net finance costs increased in the second quarter and first half of 2017 when compared to the same periods in 2016, mainly as a result of incremental debt issued to fund the ongoing capital investment program in our Regulated Utilities.

INCOME TAXES

Income taxes decreased in the second quarter and first half of 2017 when compared to the same periods in 2016, mainly due to lower earnings in the second quarter and first half of 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utility and long-term contracted operations. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and the debt and preferred share capital markets. An additional source of capital is the Class A non-voting shares Canadian Utilities issues under its Dividend Reinvestment Plan (DRIP).

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

CREDIT RATINGS

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

On July 13, 2017, Dominion Bond Rating Service affirmed its 'A (high)' long-term corporate credit rating and stable outlook on ATCO subsidiary CU Inc.

On July 25, 2017, Standard & Poor’s Ratings Service revised its long-term corporate credit rating from ‘A’ with a negative outlook to ‘A-‘ with a stable outlook on ATCO Ltd. and our subsidiaries Canadian Utilities Limited and CU Inc.

In its July 25, 2017 research update, Standard & Poor’s stated “*Overall, we believe that management will continue to operate the company in line with its conservative corporate strategy and consistent track record. However, we continue to forecast credit metrics at the mid-to-lower end of the significant financial risk category, with FFO-to-debt of 13%-14% for both 2017 and 2018.*”

On July 26, 2017, Standard & Poor's Ratings Service revised its long-term corporate credit rating from 'A-' to 'BBB+' with a stable outlook for Canadian Utilities Limited subsidiary ATCO Gas Australia LP.

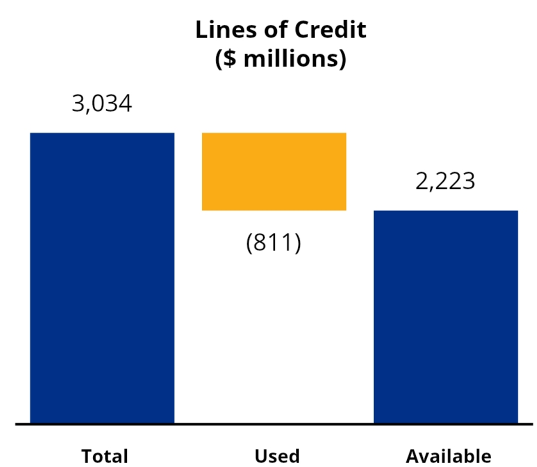
LINES OF CREDIT

At June 30, 2017, ATCO and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,713**	680	2,033
Uncommitted	**321**	131	190
Total	**3,034**	811	2,223

Of the $3,034 million in total credit lines, $321 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,713 million in credit lines were committed, with $765 million maturing in 2018. The remaining credit lines mature between 2019 and 2020 and may be extended at the option of the lenders.

The majority of the $811 million credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. Credit lines for ATCO Gas Australia are provided by Australian banks, with the majority of all other credit lines provided by Canadian banks.



CONSOLIDATED CASH FLOW

At June 30, 2017, our cash position was $632 million, an increase of $31 million from December 31, 2016. The increase is mainly due to earnings achieved during the first half of 2017, partially offset by cash used to fund our capital investment program.

Funds Generated by Operations

Funds generated by operations were $398 million in the second quarter of 2017, comparable to the second quarter of 2016. In the first half of 2017, funds generated by operations were $923 million, or $38 million higher compared to the first half of 2016. The increase was mainly as a result of continued capital investment and rate base growth in our Regulated Utilities.

Cash Used for Capital Investment

Cash used for capital investment was $419 million in the second quarter of 2017 compared to $387 million in the second quarter of 2016, mainly due to increased spending at APL. In the first half of 2017, cash used for capital investment was $717 million, compared to $751 million in the first half of 2016. Capital investment in the first half of 2016 included our purchase of the remaining 49 per cent interest in Barking Power Limited.

Capital investment for the second quarter and first half of 2017 and 2016 is shown in the table below.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Electricity						
Electricity Distribution	**50**	62	(12)	**106**	118	(12)
Electricity Transmission	**42**	64	(22)	**82**	113	(31)
Power Generation	**5**	10	(5)	**9**	76	(67)
Alberta PowerLine	**129**	8	121	**178**	19	159
Total Electricity	**226**	144	82	**375**	326	49
Pipelines & Liquids						
Natural Gas Distribution	**100**	95	5	**153**	155	(2)
Natural Gas Transmission	**43**	36	7	**100**	77	23
International Natural Gas Distribution	**23**	22	1	**43**	39	4
International Natural Gas Transmission and Storage & Industrial Water	**5**	33	(28)	**10**	75	(65)
Total Pipelines & Liquids	**171**	186	(15)	**306**	346	(40)
Structures & Logistics	**9**	39	(30)	**13**	44	(31)
Corporate & Other	**13**	18	(5)	**23**	35	(12)
Total (1) (2)	**419**	387	32	**717**	751	(34)

(1) Includes capital expenditures in joint ventures of $1 million and $2 million (2016 - $44 million and $63 million) for the second quarter and first half of 2017.

(2) Includes additions to property, plant and equipment, intangibles and $6 million and $10 million (2016 - $5 million and $9 million) of interest capitalized during construction for the second quarter and first half of 2017.

Base Shelf Prospectuses

CU Inc. Debentures

On May 16, 2016, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.5 billion of debentures over the 25-month life of the prospectus. As of July 25, 2017, aggregate issuances of debentures were $375 million, all of which were issued in 2016.

Canadian Utilities Debt Securities and Preferred Shares

On April 12, 2016, Canadian Utilities filed a base shelf prospectus that permits it to issue up to an aggregate of $2 billion of debt securities and preferred shares over the 25-month life of the prospectus. No debt securities or preferred shares have been issued to date under this base shelf prospectus.

On May 24, 2017 Canadian Utilities reset the quarterly dividend rate on its Series Y Preferred Shares for the five-year period from and including June 1, 2017 to but excluding June 1, 2022. The fixed dividend will be paid as and when declared by the Board of Directors of Canadian Utilities based on an annual dividend rate of 3.40 per cent.

Dividends and Common Shares

We have increased our common share dividend each year since 1993. In each of the last six years, we have increased our quarterly dividend by 15 per cent. Dividends paid to Class I and Class II Share owners totaled $37 million in the second quarter and $75 million in the first half of 2017.

On July 13, 2017 the Board of Directors declared a third quarter dividend of 32.75 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.

15% increase in quarterly dividend for the sixth consecutive year

Normal Course Issuer Bid

We believe that, from time to time, the market price of our Class I Shares may not fully reflect the value of our business, and that purchasing our own Class I Shares represents an attractive investment opportunity and desirable use of available funds.

On March 8, 2017, we commenced a normal course issuer bid to purchase up to 3,037,065 outstanding Class I Shares. This bid will expire on March 7, 2018. From March 8, 2017 to July 25, 2017, no shares were purchased.

Canadian Utilities Dividend Reinvestment Plan

In the second quarter of 2017, Canadian Utilities issued 788,627 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $31 million.

In the first half of 2017, Canadian Utilities issued 1,654,646 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $62 million.

SHARE CAPITAL

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

At July 25, 2017, we had outstanding 101,331,473 Class I Shares, 13,356,755 Class II Shares, and options to purchase 737,500 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 2,631,600 Class I Shares were available for issuance at June 30, 2017. Options may be granted to our officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

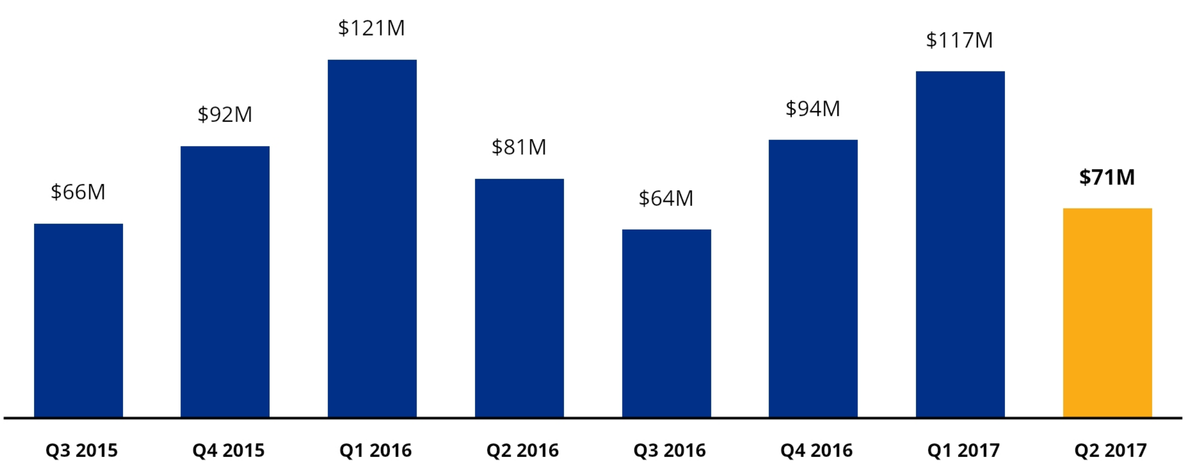
The following table shows financial information for the eight quarters ended September 30, 2015 through June 30, 2017.

($ millions, except for per share data)	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenues	923	1,132	1,115	**1,065**
Earnings attributable to Class I and Class II Shares	70	100	101	**44**
Earnings per Class I and Class II Share *($)*	0.61	0.88	0.88	**0.39**
Diluted earnings per Class I and Class II Share *($)*	0.61	0.87	0.87	**0.39**
Adjusted earnings				
Structures & Logistics	12	6	–	**3**
Electricity	46	58	63	**53**
Pipelines & Liquids	14	44	59	**23**
Corporate & Other and Intersegment Eliminations	(8)	(14)	(5)	**(8)**
Total adjusted earnings	64	94	117	**71**

($ millions, except for per share data)	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Revenues	985	1,127	1,058	932
Earnings attributable to Class I and Class II Shares	53	(1)	109	61
Earnings per Class I and Class II Share *($)*	0.46	(0.01)	0.95	0.53
Diluted earnings per Class I and Class II Share *($)*	0.46	(0.01)	0.95	0.53
Adjusted earnings				
Structures & Logistics	11	13	12	13
Electricity	51	33	54	55
Pipelines & Liquids	8	45	56	22
Corporate & Other and Intersegment Eliminations	(4)	1	(1)	(9)
Total adjusted earnings	66	92	121	81

Adjusted Earnings

Our financial results for the previous eight quarters reflect continued growth in our Regulated Utility operations as well as fluctuating commodity prices in electricity generation and sales, and natural gas storage operations. In addition, interim results will vary due to the seasonal nature of demand for electricity and natural gas, the timing of utility regulatory decisions and the cyclical demand for workforce housing and space rental products and services.



Structures & Logistics

Structures & Logistics' adjusted earnings are reflective of the cyclical nature of large natural resource project activity.

In 2015 and the first nine months of 2016, earnings reflected continued strong Modular Structures manufacturing activity and high occupancy levels in the Lodging business. Lower fourth quarter 2016 earnings were mainly due to the completion of major Modular Structures projects.

In 2017, earnings were lower in the first half of the year due to lower Modular Structures major project activity.

Electricity

Electricity's adjusted earnings reflect the large capital investment made by Regulated Electricity in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, and Alberta Power Pool pricing and spark spreads.

In 2015, fourth quarter earnings were lower mainly due to regulatory lag which required an update to the forecast costs as compared to prospective costs originally filed in electricity transmission's 2015 to 2017 GTA.

In 2016, higher earnings were primarily due to continued capital investment and rate base growth and business-wide cost reduction initiatives. Lower earnings in the third quarter were due to the financial impact of electricity transmission's GTA regulatory decision.

In 2017, higher first quarter earnings were mainly due to continued capital investment and rate base growth within Regulated Electricity and lower operating costs. Lower second quarter earnings were mainly due to the timing of operating and other costs in electric distribution, and the impact of the 2015 to 2017 GTA Compliance decision in electric transmission.

Pipelines & Liquids

Pipelines & Liquids' adjusted earnings reflect the large capital investment made by Regulated Pipelines & Liquids in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, seasonality, and commodity prices.

In 2015, low third quarter earnings were due to higher operations and maintenance costs and lower seasonal demand in our natural gas distribution business. Higher earnings in the fourth quarter of 2015 and first quarter of 2016 were mainly due to continued capital investment, growth in rate base and customers, and business-wide cost reduction initiatives.

In the second and third quarters of 2016, lower earnings were due to lower seasonal demand in our natural gas distribution business.

In the first quarter of 2017, earnings were higher mainly due to higher seasonal demand in our natural gas distribution business and continued capital investment and rate base growth.

Earnings attributable to Class I and Class II Shares

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

- in the second quarter of 2017 and the fourth quarter of 2016, the Company adjusted the deferred tax asset which was recognized as a result of the Tula Pipeline Project impairment. The second quarter adjustment of $2 million, and the fourth quarter adjustment of $5 million, were due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency;
- in the first quarter of 2016, we recorded a gain on sale of joint operations of $7 million for the sale of our 51.3 per cent interest in the Edmonton Ethane Extraction Plant;
- in the fourth quarter of 2015, we recorded gains on sales of operations and a gain on a revaluation of a joint venture of $28 million for the sale of the Emissions Management business, the sale of certain non-core natural gas gathering and processing assets, and the revaluation of our Barking investment;
- in the fourth quarter of 2015, impairment charges of $91 million were recorded relating to Structures & Logistics' workforce housing assets, the Battle River units 3 and 4 power generation assets, the Mexico Tula Pipeline, as well as certain gas gathering and processing facilities;
- in the fourth quarter of 2015, the Company recorded a restructuring charge of $44 million. These costs were primarily related to staff reductions and associated severance costs; and
- in the third quarter of 2015, the Company recognized a restructuring charge of $3 million.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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

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 commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2017 unaudited interim consolidated financial statements.

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

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 commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

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

($ millions) **Three Months Ended June 30**

2017 / **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**127**	**569**	**355**	**48**	**(34)**	**1,065**
	176	429	320	26	(19)	932
Adjusted earnings	**3**	**53**	**23**	**(8)**	**–**	**71**
	13	55	22	(9)	–	81
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(13)**	**–**	**–**	**–**	**(13)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(12)**	**(5)**	**–**	**1**	**(16)**
	–	(8)	(13)	–	1	(20)
Other	**–**	**–**	**2**	**–**	**–**	**2**
	–	–	–	–	–	–
Earnings attributable to Class I and Class II Shares	**3**	**28**	**20**	**(8)**	**1**	**44**
	13	47	9	(9)	1	61

($ millions) **Six Months Ended June 30**

2017 / **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**246**	**1,056**	**853**	**100**	**(75)**	**2,180**
	383	877	720	48	(38)	1,990
Adjusted earnings	**3**	**116**	**82**	**(13)**	**–**	**188**
	25	109	78	(11)	1	202
Gain on sale of joint operation	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	7	–	–	7
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(16)**	**–**	**–**	**–**	**(16)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(32)**	**1**	**–**	**2**	**(29)**
	–	(12)	(29)	–	2	(39)
Other	**–**	**–**	**2**	**–**	**–**	**2**
	–	–	–	–	–	–
Earnings attributable to Class I and Class II Shares	**3**	**68**	**85**	**(13)**	**2**	**145**
	25	97	56	(11)	3	170

OTHER

Pipelines & Liquids

In the second quarter of 2017, the Company adjusted for the deferred tax asset which was recognized as a result of the Tula Pipeline Project impairment. The adjustment of $2 million was due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency.

UNREALIZED GAINS/(LOSSES) ON MARK-TO-MARKET FORWARD COMMODITY CONTRACTS

In order to optimize the available merchant capacity and manage exposure to electricity market price movements for our Independent Power Plants, we enter into forward contracts. The MW capacity limits on forward commodity contracts were increased which heightens the potential for higher unrealized gains or losses in advance of the settlement of the contract. Removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of the operating results of the Independent Power Plants and more closely aligns us with our power and utility company peer disclosure. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

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

As a result, the Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of GAAP to account for rate-regulated activities in its internal reporting provided to the Chief Operating Decision Maker (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 regulators' decisions on revenues.

Earnings adjustments to reflect rate-regulated accounting are shown in the following table.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**10**	9	1	**20**	18	2
Revenues to be billed in future periods						
Deferred income taxes [2]	**(13)**	(13)	–	**(29)**	(28)	(1)
Impact of warmer temperatures [3]	**(2)**	(5)	3	**(2)**	(14)	12
Regulatory decisions received	**4**	(2)	6	**4**	(2)	6
Settlement of regulatory decisions and other items	**(15)**	(9)	(6)	**(22)**	(13)	(9)
	(16)	(20)	4	**(29)**	(39)	10

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

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

(3) *ATCO Gas' 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.*

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.	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 and impact of warmer temperatures.	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	For further details on regulatory decisions that caused a timing adjustment financial impact, refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in Note 3 of the 2017 unaudited interim consolidated financial statements.	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 further details on additional revenues billed in the current period, revenues to be billed in future periods, and settlement of regulatory decisions and other items, refer to the Segmented Information presented in Note 3 of the 2017 unaudited interim consolidated financial statements.

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

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

($ millions)

2017 **2016**	**Three Months Ended June 30**	**Six Months Ended June 30**
Funds generated by operations	**398**	**923**
	401	885
Changes in non-cash working capital	**13**	**109**
	(66)	(125)
Change in receivable under service concession arrangement	**(144)**	**(198)**
	–	–
Cash flows from operating activities	**267**	**834**
	335	760

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

There were no new or amended standards issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) in the second quarter of 2017 that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements or note disclosures.

CONTROLS AND PROCEDURES

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 April 1, 2017, and ended on June 30, 2017, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

ATCO has published its audited consolidated financial statements and its MD&A for the year ended December 31, 2016. Copies of these documents may be obtained upon request from Investor Relations at 1500, 909 -11th Avenue S.W., Calgary, Alberta, T2R 1N6, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means the Alberta Electric System Operator.

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

Alberta Utilities means ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas and ATCO Pipelines.

AUC means the Alberta Utilities Commission.

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

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, President and Chief Executive Officer, and five other senior executives.

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

DRIP means the dividend reinvestment plan of Canadian Utilities (refer to the Canadian Utilities Dividend Reinvestment Plan section of this MD&A).

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

GAAP means Canadian generally accepted accounting principles.

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

IFRS means International Financial Reporting Standards.

LNG means liquefied natural gas.

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

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

PBR means Performance Based Regulation.

PPA means Power Purchase Arrangements that became effective on January 1, 2001, as part of the process of restructuring the electric utility business in Alberta. PPA are legislatively mandated and approved by the AUC.

Regulated Utilities means ATCO Electric Distribution, ATCO Electric Transmission, ATCO Gas, ATCO Pipelines and ATCO Gas Australia.

Spark spread is the difference between the selling price of electricity and the marginal cost of producing electricity from natural gas. In this MD&A, spark spreads are based on an approximate industry heat rate of 7.5 GJ per MWh.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2017

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF EARNINGS

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars except per share data)	**Note**	**2017**	**2016**	**2017**	**2016**
Revenues		**1,065**	932	**2,180**	1,990
Costs and expenses					
Salaries, wages and benefits		**(126)**	(149)	**(244)**	(284)
Energy transmission and transportation		**(67)**	(56)	**(135)**	(110)
Plant and equipment maintenance		**(45)**	(53)	**(90)**	(109)
Fuel costs		**(33)**	(30)	**(66)**	(62)
Purchased power		**(21)**	(17)	**(48)**	(38)
Service concession arrangement costs		**(129)**	–	**(178)**	–
Materials and consumables		**(65)**	(91)	**(127)**	(208)
Depreciation and amortization		**(159)**	(151)	**(318)**	(302)
Franchise fees		**(52)**	(43)	**(135)**	(108)
Property and other taxes		**(33)**	(27)	**(65)**	(52)
Other		**(114)**	(62)	**(187)**	(107)
		(844)	(679)	**(1,593)**	(1,380)
Gain on sale of joint operation	4	**–**	–	**–**	18
Earnings from investment in joint ventures		**3**	5	**11**	9
Operating profit		**224**	258	**598**	637
Interest income		**5**	3	**11**	7
Interest expense		**(100)**	(97)	**(203)**	(195)
Net finance costs		**(95)**	(94)	**(192)**	(188)
Earnings before income taxes		**129**	164	**406**	449
Income taxes		**(31)**	(42)	**(102)**	(117)
Earnings for the period		**98**	122	**304**	332
Earnings attributable to:					
Class I and Class II Shares		**44**	61	**145**	170
Non-controlling interests		**54**	61	**159**	162
		98	122	**304**	332
Earnings per Class I and Class II Share	5	**$0.39**	$0.53	**$1.27**	$1.48
Diluted earnings per Class I and Class II Share	5	**$0.39**	$0.53	**$1.26**	$1.48

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**2017**	**2016**	**2017**	**2016**
Earnings for the period	**98**	122	**304**	332
Other comprehensive loss, net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits (1)	**(21)**	(35)	**(63)**	(105)
Items that are or may be reclassified subsequently to earnings:				
Cash flow hedges (2)	**(7)**	(5)	**(13)**	(10)
Cash flow hedges reclassified to earnings (3)	**(1)**	–	**(2)**	1
Foreign currency translation adjustment (3)	**(23)**	(29)	**10**	(60)
	(31)	(34)	**(5)**	(69)
Other comprehensive loss	**(52)**	(69)	**(68)**	(174)
Comprehensive income for the period	**46**	53	**236**	158
Comprehensive income attributable to:				
Class I and Class II Shares	**13**	22	**107**	69
Non-controlling interests	**33**	31	**129**	89
	46	53	**236**	158

(1) Net of income taxes of $7 million and $23 million for the three and six months ended June 30, 2017 (2016 - $13 million and $37 million).

(2) Net of income taxes of $3 million and $5 million for the three and six months ended June 30, 2017 (2016 - $2 million and $4 million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	June 30 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		**636**	606
Accounts receivable		**549**	603
Finance lease receivables		**12**	12
Inventories		**69**	56
Income taxes receivable		**83**	49
Prepaid expenses and other current assets		**70**	58
		1,419	1,384
Non-current assets			
Property, plant and equipment	6	**17,070**	16,941
Intangibles		**564**	546
Goodwill		**71**	71
Investment in joint ventures		**245**	239
Finance lease receivables		**308**	302
Deferred income tax assets		**71**	67
Receivable under service concession arrangement		**275**	77
Other assets		**96**	97
Total assets		**20,119**	19,724
LIABILITIES			
Current liabilities			
Bank indebtedness		**4**	5
Accounts payable and accrued liabilities		**693**	694
Asset retirement obligations and other provisions		**43**	48
Other current liabilities		**43**	18
Short-term debt	7	**175**	55
Long-term debt		**155**	155
Non-recourse long-term debt		**14**	14
		1,127	989
Non-current liabilities			
Deferred income tax liabilities		**1,242**	1,199
Asset retirement obligations and other provisions		**138**	134
Retirement benefit obligations		**423**	332
Deferred revenues		**1,698**	1,689
Other liabilities		**93**	33
Long-term debt		**8,083**	8,065
Non-recourse long-term debt		**76**	84
Total liabilities		**12,880**	12,525
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II Shares	8	**167**	167
Contributed surplus		**8**	11
Retained earnings		**3,393**	3,345
Accumulated other comprehensive income		**19**	23
		3,587	3,546
Non-controlling interests		**3,652**	3,653
Total equity		**7,239**	7,199
Total liabilities and equity		**20,119**	19,724

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
December 31, 2015		165	11	3,130	50	3,356	3,537	6,893
Earnings for the period		–	–	170	–	170	162	332
Other comprehensive loss		–	–	–	(101)	(101)	(73)	(174)
Losses on retirement benefits transferred to retained earnings		–	–	(58)	58	–	–	–
Shares issued, purchased and canceled	8,11	(1)	–	(17)	–	(18)	26	8
Dividends	8	–	–	(65)	–	(65)	(119)	(184)
Share-based compensation		2	(2)	(1)	–	(1)	1	–
Changes in ownership interest in subsidiary company [1]		–	–	15	–	15	(15)	–
Other		–	–	–	–	–	9	9
June 30, 2016		166	9	3,174	7	3,356	3,528	6,884
December 31, 2016		167	11	3,345	23	3,546	3,653	7,199
Earnings for the period		–	–	**145**	–	**145**	**159**	**304**
Other comprehensive loss		–	–	–	**(38)**	**(38)**	**(30)**	**(68)**
Losses on retirement benefits transferred to retained earnings		–	–	**(34)**	**34**	–	–	–
Shares issued	11	–	–	–	–	–	**30**	**30**
Dividends	8	–	–	**(75)**	–	**(75)**	**(128)**	**(203)**
Share-based compensation		–	**(3)**	**(2)**	–	**(5)**	**(2)**	**(7)**
Changes in ownership interest in subsidiary company [1]		–	–	**28**	–	**28**	**(28)**	–
Other		–	–	**(14)**	–	**(14)**	**(2)**	**(16)**
June 30, 2017		**167**	**8**	**3,393**	**19**	**3,587**	**3,652**	**7,239**

(1) The changes in ownership interest in subsidiary company are due to Canadian Utilities Limited's dividend reinvestment plan and share-based compensation plans.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOW

(millions of Canadian Dollars)	Note	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Operating activities					
Earnings for the period		**98**	122	**304**	332
Adjustments to reconcile earnings to cash flows from operating activities	9	**300**	279	**619**	553
Changes in non-cash working capital		**13**	(66)	**109**	(125)
Change in receivable under service concession arrangement		**(144)**	–	**(198)**	–
Cash flows from operating activities		**267**	335	**834**	760
Investing activities					
Additions to property, plant and equipment		**(255)**	(325)	**(482)**	(652)
Proceeds on disposal of property, plant and equipment		**37**	6	**37**	9
Additions to intangibles		**(28)**	(13)	**(45)**	(27)
Proceeds on sale of joint operation	4	**–**	–	**–**	21
Investment in joint ventures		**(5)**	(39)	**(14)**	(51)
Changes in non-cash working capital		**(43)**	(24)	**(63)**	(95)
Other		**1**	1	**12**	6
Cash flows used in investing activities		**(293)**	(394)	**(555)**	(789)
Financing activities					
Net issue of short-term debt	7	**140**	260	**120**	260
Issue of long-term debt		**–**	44	**–**	62
Repayment of long-term debt		**(3)**	(16)	**(3)**	(31)
Repayment of non-recourse long-term debt		**(3)**	(4)	**(7)**	(7)
Issue of shares by subsidiary companies		**4**	1	**4**	2
Issue (purchase) of Class I Shares		**–**	1	**–**	(17)
Dividends paid to Class I and Class II Share owners		**(37)**	(32)	**(75)**	(65)
Dividends paid to non-controlling interests		**(49)**	(46)	**(98)**	(93)
Interest paid		**(115)**	(106)	**(206)**	(196)
Other		**14**	3	**22**	5
Cash flows (used in) from financing activities		**(49)**	105	**(243)**	(80)
(Decrease) increase in cash position (1)		**(75)**	46	**36**	(109)
Foreign currency translation		**(7)**	4	**(5)**	(14)
Beginning of period		**714**	626	**601**	799
End of period	9	**632**	676	**632**	676

(1) Cash position includes $74 million which is not available for general use by the Company (2016 - $39 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2017

(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 700, 909 - 11th Avenue SW, Calgary, Alberta, T2R 1N6. The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

ATCO Ltd. is engaged in the following global business activities:

- Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management);
- Electricity (electricity generation, distributed generation, and electricity distribution, transmission and infrastructure development); and
- Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions).

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries (the Company). The statements also include the accounts of a proportionate share of the Company's investments in joint operations and its equity-accounted investments in joint ventures.

Principal operating subsidiaries are:

- ATCO Structures & Logistics (75.5 per cent owned) and its subsidiaries. On a consolidated basis, the Company owns 88.5 per cent of ATCO Structures & Logistics; and
- Canadian Utilities Limited (52.8 per cent owned), its subsidiaries, and its 24.5 per cent investment in ATCO Structures & Logistics.

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. 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, 2016, 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 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 July 26, 2017.

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, changes in electricity prices in Alberta, the timing and demand of natural gas storage capacity sold, changes in natural gas storage fees, the timing of maintenance outages at power generating plants, the timing of utility rate decisions and changes in market conditions for workforce housing and space rentals operations.

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2017 2016	Structures & Logistics	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**127**	**557**	**342**	**39**	**–**	**1,065**
	176	425	316	15	–	932
Revenues - intersegment	**–**	**12**	**13**	**9**	**(34)**	**–**
	–	4	4	11	(19)	–
Revenues	**127**	**569**	**355**	**48**	**(34)**	**1,065**
	176	429	320	26	(19)	932
Operating expenses [(1)]	**(111)**	**(343)**	**(214)**	**(50)**	**33**	**(685)**
	(146)	(162)	(205)	(33)	18	(528)
Depreciation and amortization	**(11)**	**(91)**	**(57)**	**(2)**	**2**	**(159)**
	(10)	(89)	(53)	(3)	4	(151)
Earnings from investment in joint ventures	**–**	**3**	**–**	**–**	**–**	**3**
	2	3	–	–	–	5
Net finance costs	**–**	**(63)**	**(36)**	**2**	**2**	**(95)**
	(1)	(61)	(35)	4	(1)	(94)
Earnings before income taxes	**5**	**75**	**48**	**(2)**	**3**	**129**
	21	120	27	(6)	2	164
Income taxes	**(2)**	**(21)**	**(9)**	**1**	**–**	**(31)**
	(6)	(32)	(7)	4	(1)	(42)
Earnings for the period	**3**	**54**	**39**	**(1)**	**3**	**98**
	15	88	20	(2)	1	122
Adjusted earnings	**3**	**53**	**23**	**(8)**	**–**	**71**
	13	55	22	(9)	–	81
Capital expenditures [(3)]	**9**	**97**	**170**	**13**	**–**	**289**
	14	144	167	18	–	343

Results by operating segment for the six months ended June 30 is shown below.

2017 2016	Structures & Logistics	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**245**	**1,030**	**823**	**82**	**–**	**2,180**
	383	868	712	27	–	1,990
Revenues - intersegment	**1**	**26**	**30**	**18**	**(75)**	**–**
	–	9	8	21	(38)	–
Revenues	**246**	**1,056**	**853**	**100**	**(75)**	**2,180**
	383	877	720	48	(38)	1,990
Operating expenses (1)	**(221)**	**(576)**	**(450)**	**(102)**	**74**	**(1,275)**
	(325)	(330)	(409)	(51)	37	(1,078)
Depreciation and amortization	**(21)**	**(183)**	**(114)**	**(5)**	**5**	**(318)**
	(20)	(178)	(108)	(5)	9	(302)
Gain on sale of joint operation	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	18	–	–	18
Earnings from investment in joint ventures	**1**	**9**	**1**	**–**	**–**	**11**
	2	7	–	–	–	9
Net finance costs	**–**	**(127)**	**(71)**	**5**	**1**	**(192)**
	(1)	(123)	(71)	8	(1)	(188)
Earnings before income taxes	**5**	**179**	**219**	**(2)**	**5**	**406**
	39	253	150	–	7	449
Income taxes	**(2)**	**(49)**	**(56)**	**6**	**(1)**	**(102)**
	(11)	(68)	(41)	5	(2)	(117)
Earnings for the period	**3**	**130**	**163**	**4**	**4**	**304**
	28	185	109	5	5	332
Adjusted earnings	**3**	**116**	**82**	**(13)**	**–**	**188**
	25	109	78	(11)	1	202
Total assets (2)	**698**	**11,750**	**7,110**	**713**	**(152)**	**20,119**
	790	11,506	6,919	600	(91)	19,724
Capital expenditures (3)	**13**	**197**	**304**	**23**	**–**	**537**
	19	326	308	35	–	688

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

(2) 2016 comparatives are at December 31, 2016.

(3) Includes additions to property, plant and equipment and intangibles and $6 million and $10 million of interest capitalized during construction for the three and six months ended June 30, 2017 (2016 - $5 million and $9 million).

ADJUSTED EARNINGS

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

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

Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the 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 June 30 is shown below.

2017 **2016**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**3**	**53**	**23**	**(8)**	**–**	**71**
	13	55	22	(9)	–	81
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(13)**	**–**	**–**	**–**	**(13)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(12)**	**(5)**	**–**	**1**	**(16)**
	–	(8)	(13)	–	1	(20)
Other	**–**	**–**	**2**	**–**	**–**	**2**
	–	–	–	–	–	–
Earnings attributable to Class I and Class II Shares	**3**	**28**	**20**	**(8)**	**1**	**44**
	13	47	9	(9)	1	61
Earnings attributable to non-controlling interests						**54**
						61
Earnings for the period						**98**
						122

The reconciliation of adjusted earnings and earnings for the six months ended June 30 is shown below.

2017 2016	Structures & Logistics	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Adjusted earnings	**3**	**116**	**82**	**(13)**	**–**	**188**
	25	109	78	(11)	1	202
Gain on sale of joint operation (*Note 4*)	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	7	–	–	7
Unrealized losses on mark-to-market forward commodity contracts	**–**	**(16)**	**–**	**–**	**–**	**(16)**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(32)**	**1**	**–**	**2**	**(29)**
	–	(12)	(29)	–	2	(39)
Other	**–**	**–**	**2**	**–**	**–**	**2**
	–	–	–	–	–	–
Earnings attributable to Class I and Class II Shares	**3**	**68**	**85**	**(13)**	**2**	**145**
	25	97	56	(11)	3	170
Earnings attributable to non-controlling interests						**159**
						162
Earnings for the period						**304**
						332

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

The Company enters into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power Plants. The MW capacity limits on forward commodity contracts were increased which heightens the potential for higher unrealized gains or losses. The forward contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts are recognized in earnings where hedge accounting is not applied. The CODM believes that removal of the unrealized gains or losses on mark-to-market forward commodity contracts provides a better representation of operating results for the Company's Independent Power Plants. Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

Rate-regulated activities

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

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

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company’s rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulators' 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.	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 and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3.	Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
4.	Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Additional revenues billed in current period				
Future removal and site restoration costs (1)	**10**	9	**20**	18
Revenues to be billed in future periods				
Deferred income taxes (2)	**(13)**	(13)	**(29)**	(28)
Impact of warmer temperatures (3)	**(2)**	(5)	**(2)**	(14)
Regulatory decisions received	**4**	(2)	**4**	(2)
Settlement of regulatory decisions and other items	**(15)**	(9)	**(22)**	(13)
	(16)	(20)	**(29)**	(39)

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

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

(3) ATCO Gas' 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.

Regulatory decisions received

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2017 and 2016 are provided below.

In June 2017, the Alberta Utilities Commission issued a decision on ATCO Electric's Compliance Filing relating to its 2015 to 2017 General Tariff Application. The decision adjusted ATCO Electric's 2016 and 2017 forecast allocation of labour costs between operating and maintenance expense and capital, which resulted in a decrease in adjusted earnings of $4 million.

In July 2016, ATCO Gas Australia received a decision from the Australian Competition Tribunal relating to the Access Arrangement period (AA4) from July 2014 to December 2019, which resulted in an increase in adjusted earnings of $2 million mainly due to an improvement in the recoverability of certain expenses.

Other

In June 2017, the Company adjusted the deferred tax asset which was recognized as a result of the Tula Pipeline Project impairment. The adjustment of $2 million is due to a difference between the tax base currency, which is Mexican pesos, and the U.S. dollar functional currency.

4. SALE OF JOINT OPERATION

On January 1, 2016, the Company sold its 51.3 per cent ownership interest in the Edmonton Ethane Extraction Plant for cash proceeds of $21 million, resulting in a gain of $18 million ($7 million after-tax and non-controlling interests). Commencing January 1, 2016, the Company no longer recognizes these assets in its financial position, results of operations and cash flows in the consolidated financial statements. These assets were previously reported in the Pipelines & Liquids segment.

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 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Average shares				
Weighted average shares outstanding	**114,343,660**	114,281,069	**114,347,761**	114,477,114
Effect of dilutive stock options	**176,948**	139,060	**156,811**	121,211
Effect of dilutive MTIP	**326,943**	300,935	**314,919**	303,962
Weighted average dilutive shares outstanding	**114,847,551**	114,721,064	**114,819,491**	114,902,287
Earnings for earnings per share calculation				
Earnings for the period	**98**	122	**304**	332
Non-controlling interests	**(54)**	(61)	**(159)**	(162)
	44	61	**145**	170
Earnings and diluted earnings per Class I and Class II Share				
Earnings per Class I and Class II Share	**$0.39**	$0.53	**$1.27**	$1.48
Diluted earnings per Class I and Class II Share	**$0.39**	$0.53	**$1.26**	$1.48

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	Power Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2016	17,525	2,051	920	781	1,661	22,938
Additions	**118**	**3**	**2**	**351**	**12**	**486**
Transfers	**295**	**–**	**4**	**(309)**	**10**	**–**
Retirements and disposals [1]	**(32)**	**–**	**(45)**	**(39)**	**(61)**	**(177)**
Foreign exchange rate adjustment	**33**	**–**	**3**	**(4)**	**3**	**35**
June 30, 2017	**17,939**	**2,054**	**884**	**780**	**1,625**	**23,282**
Accumulated depreciation and impairment						
December 31, 2016	3,729	1,312	180	82	694	5,997
Depreciation	**211**	**33**	**20**	**–**	**30**	**294**
Retirements and disposals	**(32)**	**–**	**(9)**	**–**	**(41)**	**(82)**
Foreign exchange rate adjustment	**4**	**–**	**–**	**(3)**	**2**	**3**
June 30, 2017	**3,912**	**1,345**	**191**	**79**	**685**	**6,212**
Net book value						
December 31, 2016	13,796	739	740	699	967	16,941
June 30, 2017	**14,027**	**709**	**693**	**701**	**940**	**17,070**

(1) Includes $13 million of land held for sale, which was reclassified to prepaid expenses and other current assets.

The additions to property, plant and equipment included $10 million of interest capitalized during construction for the six months ended June 30, 2017 (2016 - $9 million).

7. SHORT-TERM DEBT

At June 30, 2017, the Company had $175 million of commercial paper outstanding at a weighted average interest rate of 0.88 per cent, maturing in July and August 2017 (December 31, 2016 - $55 million). The commercial paper is supported by the Company's long-term committed credit facilities.

8. CLASS I AND CLASS II SHARES

There were 101,326,573 (2016 - 101,051,523) Class I Shares and 13,361,655 (2016 - 13,569,905) Class II Shares outstanding at June 30, 2017. In addition, there were 737,500 options to purchase Class I Shares outstanding at June 30, 2017, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.3275 and $0.6550 per Class I and Class II Share during the three and six months ended June 30, 2017 (2016 - $0.2850 and $0.5700). The Company’s policy is to pay dividends quarterly on its Class I and Class II Shares. Increases in the quarterly dividend are addressed by the Board in the first quarter of each year. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

NORMAL COURSE ISSUER BID

On March 8, 2017, ATCO Ltd. began a normal course issuer bid to purchase up to 3,037,065 outstanding Class I Shares. The bid expires on March 7, 2018. The prior year normal course issuer bid to purchase up to 3,043,884 outstanding Class I Non-Voting Shares began on March 1, 2016 and expired on February 28, 2017.

During the six months ended June 30, 2017, no shares were purchased (2016 - 460,000 shares were purchased for $18 million, resulting in a decrease to share capital and retained earnings of $1 million and $17 million, respectively).

9. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Depreciation and amortization	**159**	151	**318**	302
Gain on sale of joint operation	**–**	–	**–**	(18)
Earnings from investment in joint ventures, net of dividends and distributions received	**(2)**	(2)	**(1)**	3
Income taxes	**31**	42	**102**	117
Unearned availability incentives	**(6)**	(3)	**(8)**	(8)
Unrealized losses (gains) on derivative financial instruments	**35**	(6)	**42**	–
Contributions by customers for extensions to plant	**21**	23	**37**	52
Amortization of customer contributions	**(14)**	(15)	**(28)**	(30)
Net finance costs	**95**	94	**192**	188
Income taxes paid	**(33)**	(17)	**(65)**	(56)
Other	**14**	12	**30**	3
	300	279	**619**	553

CASH POSITION

Cash position in the consolidated statement of cash flow at June 30 is comprised of:

	2017	**2016**
Cash	**558**	653
Short-term investments	**4**	11
Restricted cash (1)	**74**	39
Cash and cash equivalents	**636**	703
Bank indebtedness	**(4)**	(27)
	632	676

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

10. 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, bank indebtedness, accounts payable and accrued liabilities and short-term debt	Assumed to approximate carrying value due to their short-term nature.
Lease receivables and receivable under service concession arrangement	Determined using a risk-adjusted, pre-tax interest rate to discount future cash receipts (Level 2).
Long-term debt and non-recourse 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, with inputs validated by publicly available market providers. The fair values were also determined using extrapolation formulas using readily observable inputs and implied volatility (Level 2).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

		June 30, 2017		December 31, 2016
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Lease receivables	**320**	**427**	314	433
Receivable under service concession arrangement	**275**	**275**	77	77
Financial Liabilities				
Long-term debt	**8,238**	**9,524**	8,220	9,139
Non-recourse long-term debt	**90**	**106**	98	114

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

	Subject to Hedge Accounting		Not Subject to Hedge Accounting		
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Foreign Currency Forward Contracts**	**Total Fair Value of Derivatives**
June 30, 2017					
Financial Assets					
Prepaid expenses and other current assets	**–**	**4**	**4**	**–**	**8**
Other assets	**–**	**7**	**2**	**–**	**9**
Financial Liabilities					
Other current liabilities	**4**	**3**	**14**	**4**	**25**
Other liabilities	**1**	**10**	**27**	**–**	**38**
December 31, 2016					
Financial Assets					
Prepaid expenses and other current assets	–	6	7	–	13
Other assets	–	17	6	–	23
Financial Liabilities					
Other current liabilities	–	–	2	–	2
Other liabilities	3	7	5	–	15

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)**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**
June 30, 2017						
Purchases (3)	**–**	**21,997,000**	**–**	**98,852,000**	**6,236,585**	**–**
Sales (3)	**–**	**–**	**1,930,130**	**29,742,300**	**13,623,279**	**–**
Currency						
Canadian dollars	**4**	**–**	**–**	**–**	**–**	**–**
Australian dollars	**752**	**–**	**–**	**–**	**–**	**–**
U.S. dollars	**–**	**–**	**–**	**–**	**–**	**66**
Maturity	**2019-2020**	**2017-2021**	**2017-2020**	**2017-2021**	**2017-2021**	**2017-2018**
December 31, 2016						
Purchases (3)	–	24,892,000	–	35,985,800	3,755,080	–
Sales (3)	–	–	3,027,960	20,421,000	4,055,037	–
Currency						
Canadian dollars	4	–	–	–	–	–
Australian dollars	754	–	–	–	–	–
U.S. dollars	–	–	–	–	–	35
Maturity	2019-2020	2017-2021	2017-2020	2017-2021	2017-2020	2017

(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.

11. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2017, Canadian Utilities Limited issued 788,627 and 1,654,646 Class A non-voting shares under its dividend reinvestment plan (DRIP) (2016 - 367,505 and 770,223), using re-invested dividends of $31 million and $62 million (2016 - $13 million and $26 million).

The Company participated in the DRIP during the three and six months ended June 30, 2017, by acquiring 431,926 and 862,822 Class A non-voting shares using re-invested dividends of $16 million and $32 million (2016 - nil).