



ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

This MD&A was prepared as of February 24, 2021, and should be read with the Company's audited consolidated financial statements (2020 Consolidated Financial Statements) for the year ended December 31, 2020. Additional information, including the Company's Annual Information Form (2020 AIF), is available on SEDAR at www.sedar.com.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (52.3 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and ASHCOR Technologies Ltd. (100 per cent ownership). The Company also has a non-controlling equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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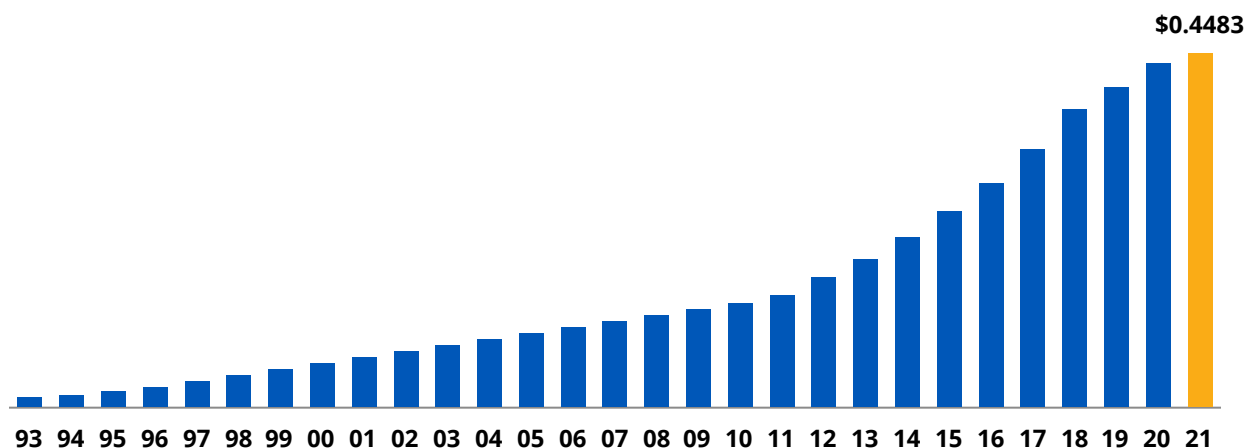
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ATCO: WHAT SETS US APART

TRACK RECORD OF DIVIDEND GROWTH

We have increased our common share dividend every year for the past 28 years, a track record of which we are very proud. On January 14, 2021, we declared a first quarter dividend of 44.83 cents per share or \$1.79 per share on an annualized basis. ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

Quarterly Dividend Rate 1993 - 2021
(dollars per share)



DIVERSIFIED ESSENTIAL SERVICES

ATCO's investments put us at the forefront of global trends. We strive to deliver growth within our portfolio with a focus on select opportunities in the essential global services of: shelter, logistics and transportation, agriculture, water, real estate, energy, and energy infrastructure.

GLOBAL GROWTH PLANS

In the years ahead, ATCO will continue to grow and expand our business in a disciplined and proactive manner.

COMMITMENT TO FINANCIAL STRENGTH

Financial strength is fundamental to our current and future success. It ensures we have the financial capacity to grow our existing business and seek future opportunities that will ensure sustainable long term intergenerational prosperity. We remain committed to maintaining our strong, investment grade credit ratings.



ATCO CORE VISION AND VALUES

EXCELLENCE: THE HEART & MIND OF ATCO

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

R.D. Southern, Founder, ATCO

CORE VISION

Delivering inspired solutions for a better world. Always there. Anywhere.

CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality. Our pursuit of excellence governs the way we act and make decisions.

ATCO STRATEGIES



"Making life easier for our customers by offering integrated solutions around the world."

ATCO's investments put us at the forefront of global trends. We deliver the enduring essentials required for a healthy global economy: shelter, logistics and transportation, agriculture, water, real estate, energy, and energy infrastructure.

Innovation, growth and financial strength provide the foundation from which we have built our Company. Our long-term success depends on our ability to continue offering our customers premier, comprehensive and integrated solutions to meet their needs and expand into new markets.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our customers, our people and the communities we are privileged to serve around the world.

INNOVATION

We seek to create a work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to applied research and development, we are able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

GROWTH

Our long-term strategy is focused on sustainable growth. We approach this strategy by: expanding geographically to meet the global needs of our customers; developing significant, value-creating greenfield projects; fostering continuous improvement; and delivering reliable, cleaner, and affordable energy for our customers.

We pursue the acquisition and development of complementary assets and businesses that have future growth potential and provide long-term value for share owners.

FINANCIAL STRENGTH

Financial strength is the bedrock of our current and future success. It ensures that we have the financial capacity to fund existing and future capital investments through a combination of predictable cash flows from operations, cash balances on hand, credit facilities and access to capital markets. It enables us to sustain our operations and to grow through economic cycles, thereby providing long-term financial benefits.

We continuously review our holdings to evaluate opportunities to sell mature assets and recycle the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

OPERATIONAL EXCELLENCE

We achieve operational excellence through high service, reliability, and product quality for our customers and the communities we serve. We are uncompromising about maintaining a safe work environment for employees and contractors, promoting public safety and striving to minimize our environmental impact. We ensure the timely supply of goods and services that are critical to our customers' ability to meet their core business objectives.

COMMUNITY INVOLVEMENT

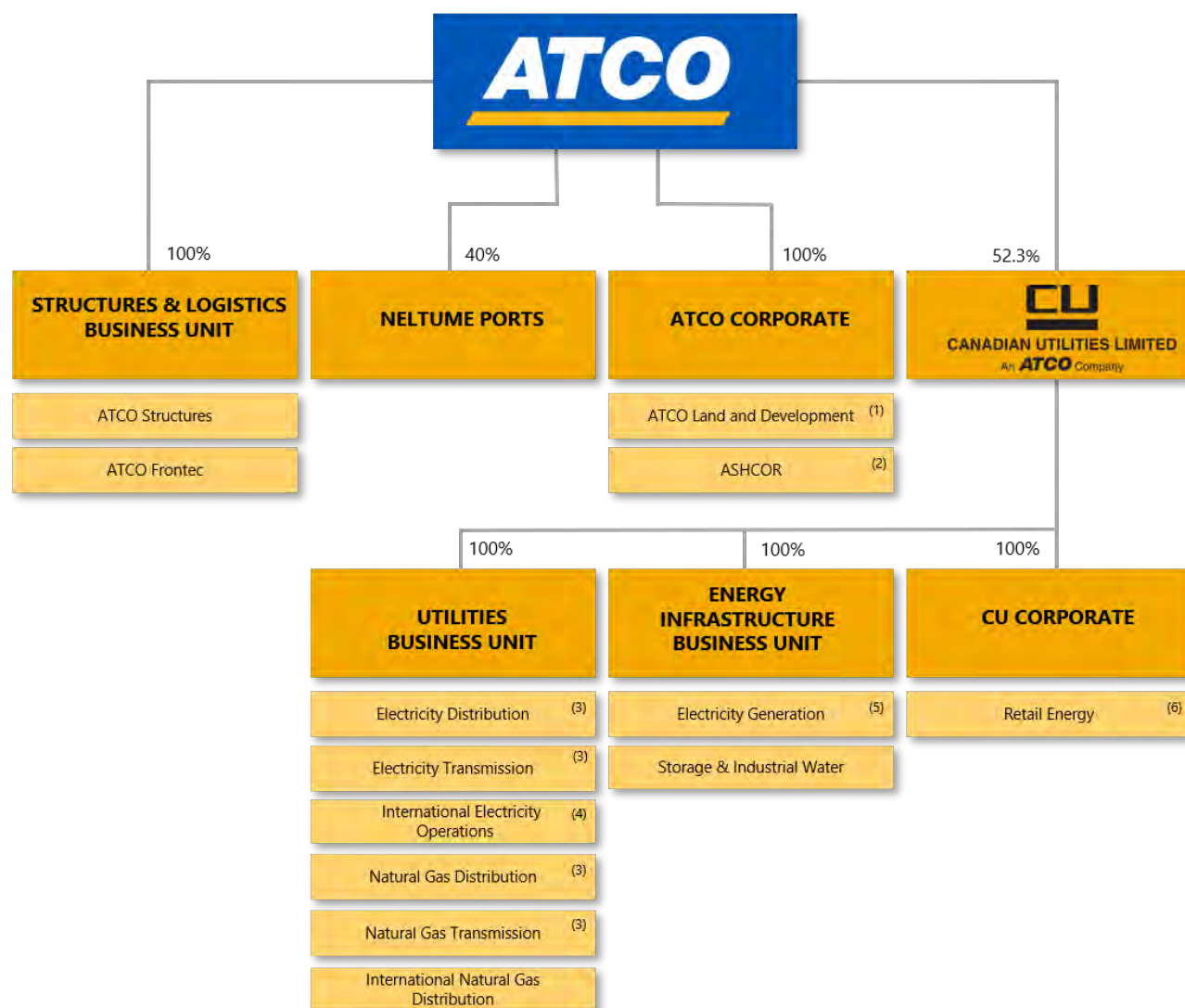
We are committed to a respectful and collaborative community approach, where meaningful partnerships and positive relationships are built with community leaders and groups that will enhance economic and social development. Community involvement creates the opportunity to develop partnerships with Indigenous and community groups and build ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. We also engage with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization. We encourage our employees to participate in community initiatives that will serve to benefit non-profit organizations through volunteer efforts, and the provision of products and services in-kind.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

Our financial and operational achievements in 2020 relative to the strategies outlined above are included in this MD&A, the 2020 Consolidated Financial Statements and 2020 AIF. Further commentary regarding strategies and commitments to growth, financial strength, innovation, operational excellence, and community involvement will be provided in the forthcoming 2020 Management Proxy Circular, Year in Review, and Sustainability Report. The 2020 Management Proxy Circular will also contain a discussion of the Company's corporate governance practices.

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.

ORGANIZATIONAL STRUCTURE



- (1) ATCO Land and Development Ltd. includes commercial real estate investments held for sale, lease or development.
- (2) ASHCOR Technologies Ltd. (ASHCOR) is an Alberta-based company engaged in the processing and marketing of ash, a waste byproduct of electricity generation.
- (3) Canadian Utilities' 100 per cent owned subsidiary CU Inc. includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.
- (4) International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, LLC (LUMA Energy), a company formed to transform, modernize and operate Puerto Rico's 30,000 km electricity transmission and distribution system under an Operations and Maintenance Agreement with a 15-year term after a one-year transition period which began on June 22, 2020.
- (5) Canadian Utilities owns 248-MW of non-regulated electricity generation assets in Australia, Mexico, Canada and Chile.
- (6) Retail Energy, through ATCO Energy Ltd. (ATCOenergy), provides retail electricity and natural gas service in Alberta.

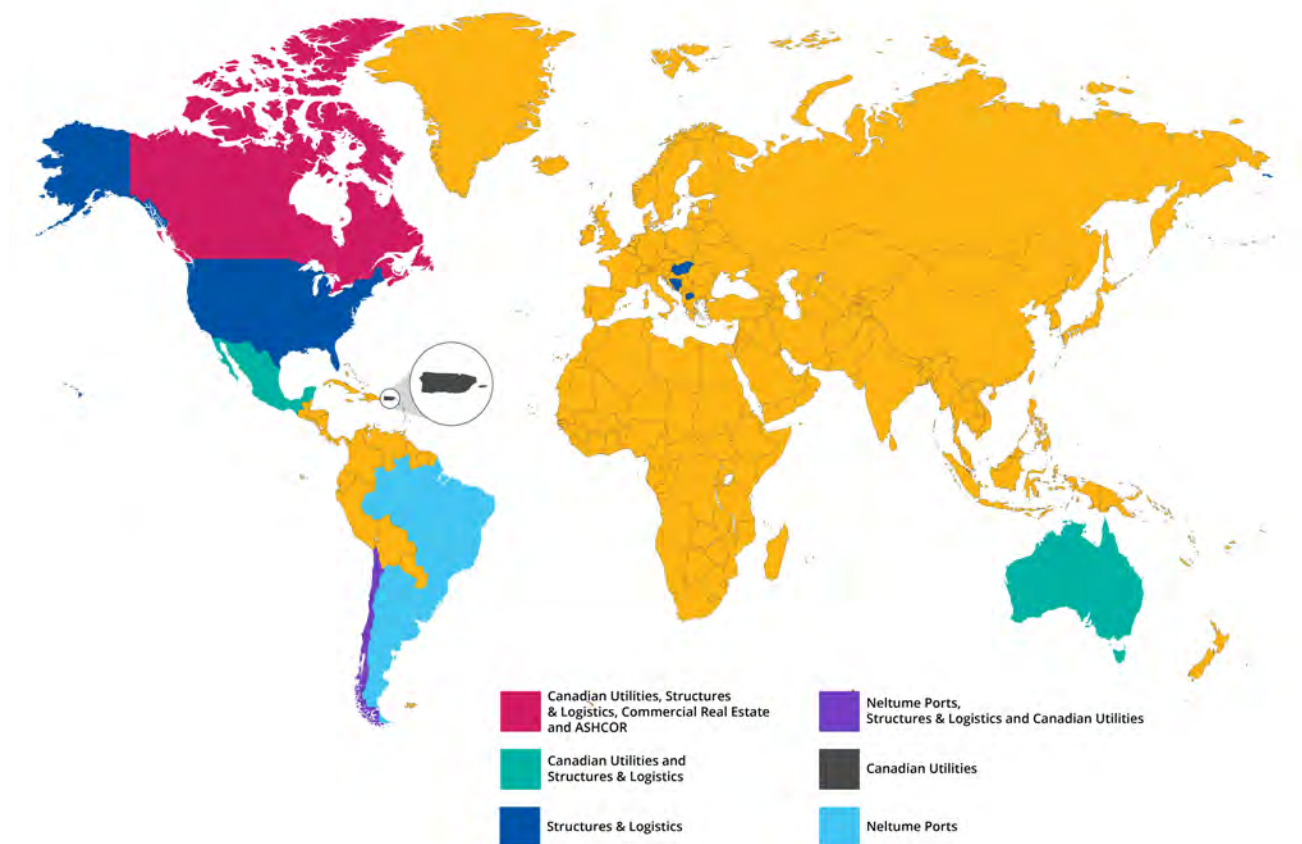
In the first quarter of 2020, the Company reorganized its reporting segments. These segments are reported in a manner consistent with the internal reporting provided to the Chair & Chief Executive Officer and other members of the Executive Committee of the Company. Comparative amounts for prior periods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

The 2020 Consolidated Financial Statements include the accounts of ATCO Ltd., including a proportionate share of joint venture (JV) investments and its equity-accounted investment in associate company (40 per cent of Neltume Ports). Principal subsidiaries are Canadian Utilities, of which ATCO Ltd. owns 52.3 per cent (38.3 per cent of the Class A non-voting shares and 90.3 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 100 per cent of the common shares. ATCO Ltd. also owns 100 per cent of the common shares of ATCO Land and Development Ltd. and ASHCOR Technologies Ltd.

The 2020 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.

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COMPANY OVERVIEW AND OPERATING ENVIRONMENT



With approximately 6,200 employees and assets of \$22 billion, ATCO is privileged to serve more than two million customers around the world, providing innovative, sustainable solutions in the sectors that are essential to global growth and prosperity: shelter, logistics and transportation, agriculture, water, real estate, energy, and energy infrastructure. From the delivery of efficient and reliable energy for homes, businesses and communities, to affordable temporary and permanent buildings, and transportation of products and services, we build communities, energize industries and deliver customer-focused infrastructure solutions.

At the heart of ATCO's strategy is the desire to be a unified provider of essential services for our customers, allowing them to avoid the challenges of utilizing a fragmented network of providers. Our unique market position, integrated capabilities, and exceptional customer care combine to create a competitive advantage that is difficult to replicate, and one that continues to deliver value to share owners through earnings and dividend growth.

Our growth strategy to diversify our mix of portfolio investments into new markets and business lines and prudently deploy capital underpins our ability to generate long-term growth and financial prosperity. Our steadfast commitment to our five strategic priorities of innovation, growth, financial strength, operational excellence, and community involvement has allowed ATCO to endure periods of macroeconomic instability while continuing to grow.

STRUCTURES & LOGISTICS

BUSINESS DESCRIPTION

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

ATCO Structures

BUSINESS STRATEGY

Our strategy generates sustainable earnings growth by creating a culture of continuous improvement and providing our customers with exceptional customer service. Our growth strategy in each geography is delivered through the expansion of our space rentals business line, which provides the infrastructure and skilled personnel to leverage our strategic offering of workforce housing and permanent modular construction capabilities, and manufacturing solutions. We aim to continue to grow our business strategically across the globe to meet the needs of our customers anywhere.

MARKET OPPORTUNITIES

We are expanding fleet in our existing space rental geographies and targeting new geographies while streamlining our manufacturing platform to scale quickly and profitably when needed to capture workforce housing contracts. We continue to pursue customer diversification opportunities outside of the natural resource sector. Public infrastructure spending will continue to be a source of opportunity for ATCO Structures. Non-traditional modular markets such as public education facilities, high density urban residential housing, hotels, hospitals and correctional facilities continue to offer development opportunities. We have recently expanded our operations in parts of the US and Latin America, particularly Chile and Mexico, where we see strategic value and opportunity for the future. We will continue to evaluate organic and acquisition growth opportunities.

MARKET CHALLENGES

The modular construction industry is significantly influenced by capital spending cycles in the natural resource and construction sectors. Slower global economic activity has resulted in delayed or redeployed funding by our existing and potential customers which may not change until current macroeconomic conditions stabilize. There is also a high level of competition in the markets in which we operate both from traditional competitors and new product developers looking to enter the market or diversify their business.



ATCO Sabinco, Manufacturing Facility, Santiago, Chile



BC Housing, Powell River, British Columbia

ATCO Frontec

BUSINESS STRATEGY

Our strategy is to enhance our competitive position through diversification of our existing workforce lodging and facility operations and maintenance service client base, expand into new geographies, and continuously refine our business practices.

MARKET OPPORTUNITIES

We see opportunity to expand our operations and maintenance services and workforce housing businesses in Canada and the US through our own business relationships and partnering with ATCO Structures. Opportunities for growth in our disaster and emergency management and defence operations services business will be pursued as we continue to build from our existing base of contracts.

MARKET CHALLENGES

Continued uncertainty in the natural resource sector in Canada may limit the demand for workforce housing and associated camp services. We are pursuing contracts with customers whose projects remain subject to comprehensive approval processes.



ATCO Frontec, facility operations and maintenance, NATO Flying Training, Moose Jaw, Saskatchewan

NELTUME PORTS

BUSINESS DESCRIPTION

ATCO has a 40 per cent interest in Neltume Ports. Neltume Ports is a port operator and developer with a diversified portfolio of multipurpose, bulk cargo and container terminals located primarily in Chile with additional operations in Uruguay, Argentina, and Brazil. Neltume Ports employs approximately 7,200 people and operates 16 port facilities and three port operation services businesses. A seventeenth port is under construction and is expected to be in service in 2021. In 2020, Neltume Ports handled 45 million tonnes of product, including copper, forestry products, consumer goods and agricultural products.

BUSINESS STRATEGY

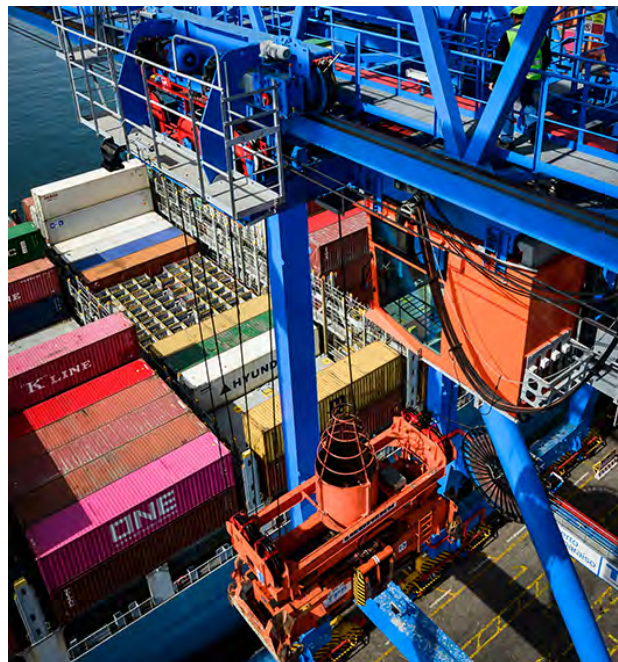
Neltume Ports' strategy is focused on continuous improvement initiatives to refine operational practices throughout all facets of its business. Sustained growth will continue to be achieved by improving margins, increasing volumes and ownership at existing ports, and investing in brownfield, greenfield and acquisition opportunities throughout the Americas. Most of Neltume's existing ports are underpinned by long-term contracts or concessions and are strategically located near major resource or agriculture hubs, as well as high density areas of economic importance. The business environment is also supported by key partnerships with shipping lines and cargo owners.

MARKET OPPORTUNITIES

Through Neltume Ports' exposure to global trade and transportation, the business is able to capitalize on increasing demand for resources, particularly copper, agriculture and forestry products, as well as on other macroeconomic factors. Neltume Ports continuously reviews opportunities to increase its ownership position in ports that are jointly owned. Brownfield expansion opportunities at ports also exist. Greenfield and acquisition expansion potential will continue to be evaluated.

MARKET CHALLENGES

The Latin American economy may experience a slow recovery from the COVID-19 pandemic. The ports industry by nature is sensitive to changes in international trade, commodity prices and foreign exchange and therefore prolonged economic recovery could impact Neltume Ports. There is exposure to certain countries with a higher possibility of political unrest.



Terminal Pacifico Sur, Valparaíso, Chile

CANADIAN UTILITIES

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

Utilities

BUSINESS DESCRIPTION

The Utilities' business unit's activities consist of four regulated utilities (Electricity Transmission and Distribution, and Natural Gas Transmission and Distribution) in Alberta, Saskatchewan and northern regions of Canada, that have delivered reliable electricity and cleaner-burning natural gas to customers for many decades, a regulated natural gas distribution business in Western Australia, and the newly formed International Electricity Operations business in Puerto Rico, which includes Canadian Utilities' 50 per cent ownership in LUMA Energy.

BUSINESS STRATEGY

Our strategy is to invest in regulated electricity and natural gas distribution and transmission assets, capitalize on opportunities to provide long-term contracted electricity and natural gas transmission and distribution services, and consistently deliver reliable, affordable and cleaner energy for our customers.

MARKET OPPORTUNITIES

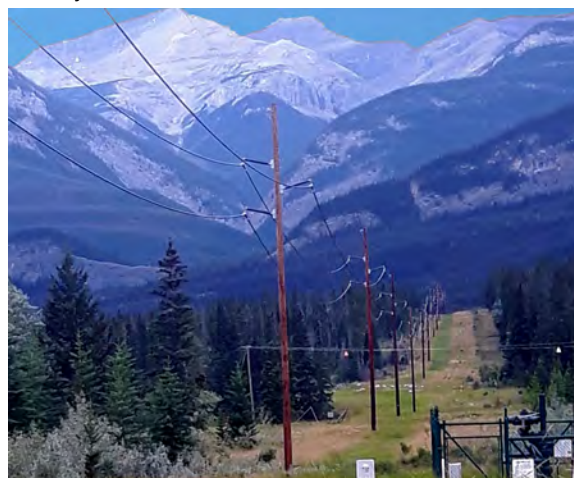
The utilities industry is changing with an increased focus on decarbonization, digitalization, decentralization, and evolving customer demand. Continuing climate change concerns, evolving regulations to encourage the advancement of new technologies, emission reduction targets, and government incentives present opportunities for utility companies. Our natural gas and electric utilities are well positioned to capitalize on these trends. Our strategic priorities remain focused on investments that provide lower emissions and cleaner energy solutions for our customers, while continuing to invest in our core business.

MARKET CHALLENGES

Traditional utility industry challenges include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on invested capital. The increasing move towards decarbonization, arrival of new smart-grid technologies, renewable energy generation, decentralized generation, energy storage and digital transformation has forced the traditional utility sector to reinvent itself and adapt to remain competitive. These new challenges present new policy and technology risks that could lead to disruption of the Company's existing business models and create new competitive market dynamics.



Electricity Distribution, Maintenance Work, Alberta



Jasper Interconnection Project, Alberta

Energy Infrastructure

BUSINESS DESCRIPTION

The Energy Infrastructure non-regulated businesses include: hydro, solar and natural gas electricity generation in western Canada, Australia, Mexico, and Chile, as well as non-regulated electricity transmission, natural gas storage and transmission, Natural Gas Liquids (NGL) storage, and industrial water services in Alberta.

BUSINESS STRATEGY

Renewable energy, particularly hydro and solar electricity generation, is the key growth platform of our energy infrastructure business. Cleaner fuels, such as hydrogen, represent another key platform for development that provides both defensive and offensive opportunities. Additionally, we continue to optimize and drive growth in our natural gas and liquids storage business.

Greenfield projects will be our preferred driver of value creation as it allows more opportunity to create value by taking managed risk and leveraging our extensive experience in developing energy infrastructure projects. We will continue to evaluate smaller scale acquisition opportunities to accelerate growth.

MARKET OPPORTUNITIES

In developed markets, the political and societal push to address climate change with decarbonization goals and the energy transition are driving the demand for cleaner energy, mainly supplied through renewables. Energy markets will be focused on providing firm, reliable and affordable energy supply as the share of renewables grows; this is likely to drive further investment into storage and grid balancing solutions to improve system reliability.

MARKET CHALLENGES

There is significant competition as financial, strategic and traditional fuel-based energy producers become increasingly interested in the renewables space. Macroeconomic conditions such as government policy, slowing global economic activity, and political uncertainty pose challenges for investment.



Natural gas storage facility, Carbon, Alberta



Hydroelectric power station, Veracruz, Mexico

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Year Ended December 31		
<i>(\$ millions, except per share data and outstanding shares)</i>	2020	2019	2018
Key Financial Metrics			
Revenues	3,944	4,706	4,888
Adjusted earnings ⁽¹⁾	352	365	355
Structures & Logistics	57	37	15
Neltume Ports	15	15	4
ATCO Corporate & Other	—	(6)	17
Canadian Utilities Limited			
Utilities	305	301	275
Energy Infrastructure	15	57	83
Canadian Utilities Corporate & Other	(40)	(39)	(39)
Adjusted earnings (\$ per share) ⁽¹⁾	3.08	3.19	3.10
Earnings attributable to Class I and Class II Shares	252	513	328
Earnings attributable to Class I and Class II Shares (\$ per share)	2.21	4.49	2.87
Long-term debt and non-recourse long-term debt	9,619	9,436	10,798
Class I and Class II Share owners' equity	4,052	4,000	3,755
Cash dividends declared per Class I and Class II Share (cents per share)	1.74	1.62	1.51
Funds generated by operations ⁽¹⁾	1,804	1,927	1,897
Capital investment ⁽¹⁾	1,069	1,324	2,518
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding (<i>thousands</i>):			
Basic	114,396	114,370	114,394
Diluted	114,713	114,746	114,788

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

REVENUES

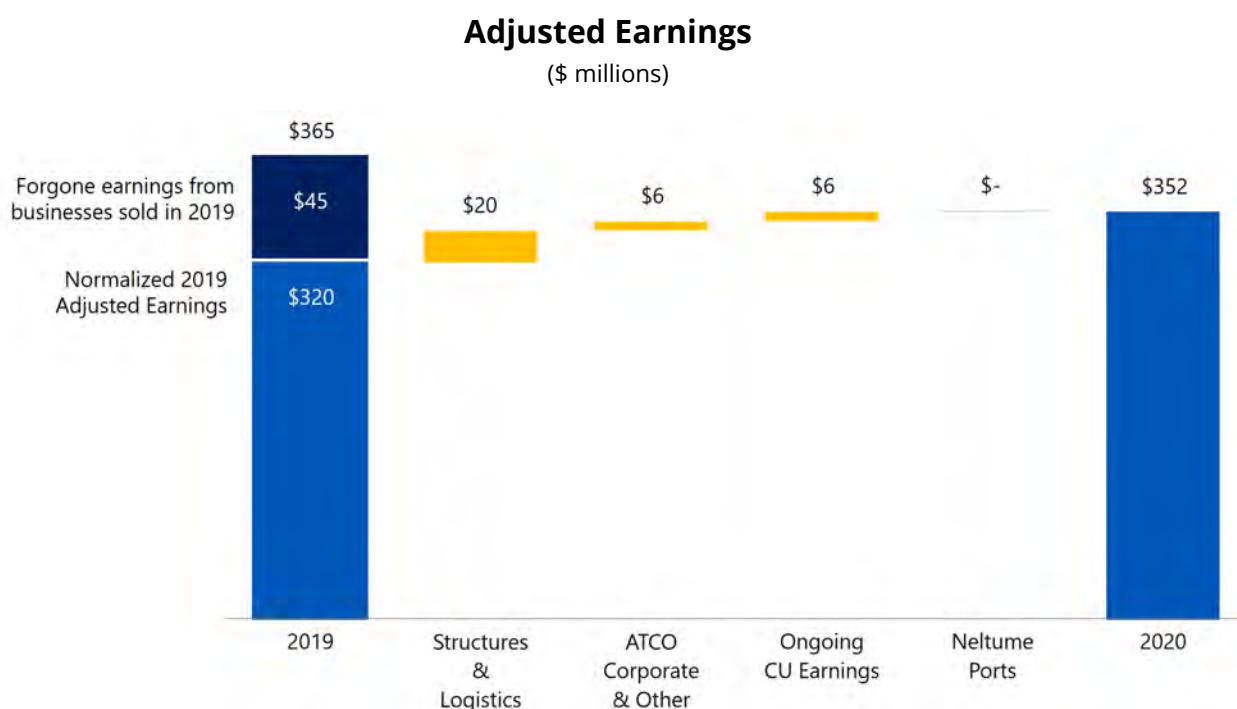
Revenues in 2020 were \$3,944 million, \$762 million lower than the same period in 2019. Lower revenues were mainly due to forgone revenue following Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business and Alberta PowerLine (APL) in 2019, and the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge in the second quarter of 2020. Lower revenues were partially offset by higher global space rental activity in ATCO Structures.

ADJUSTED EARNINGS

Our adjusted earnings in 2020 were \$352 million or \$3.08 per share, compared to \$365 million or \$3.19 per share for the same period in 2019.

Lower adjusted earnings in 2020 were mainly due to Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business and 80 per cent ownership interest in APL in 2019, which together contributed \$45 million in adjusted earnings in 2019.

Excluding the forgone earnings impact from the sale of these businesses in 2019, adjusted earnings in 2020 were \$32 million higher compared to the same period in 2019. Higher earnings were mainly due to ATCO Structures' higher workforce housing trade sale activity, and higher global space rental activity from growth in the rental fleet and higher rental rates and utilization across Canada, the US and Australia.



Additional detail on the financial performance of our business units is discussed in the Business Unit Performance section of this MD&A.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were \$252 million in 2020, \$261 million lower compared to 2019. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

In the fourth quarter of 2020, Canadian Utilities signed a Master Services Agreement (MSA) with IBM Canada Ltd. (IBM) to provide managed information technology services. These services are currently provided by Wipro Solutions Canada Limited (Wipro) under a ten-year MSA maturing in December 2024. ATCO has recognized costs of \$32 million (after-tax and non-controlling interests), which represents management's best estimate of the costs to exit the Wipro MSA. The actual costs are expected to be finalized later in 2021. As these costs are one-time in nature, they are excluded from adjusted earnings.

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

COMMON SHARE DIVIDENDS

Dividends paid to Class I and Class II share owners totaled \$200 million in 2020. On January 14, 2021, the Board of Directors declared a first quarter dividend of 44.83 cents per share.

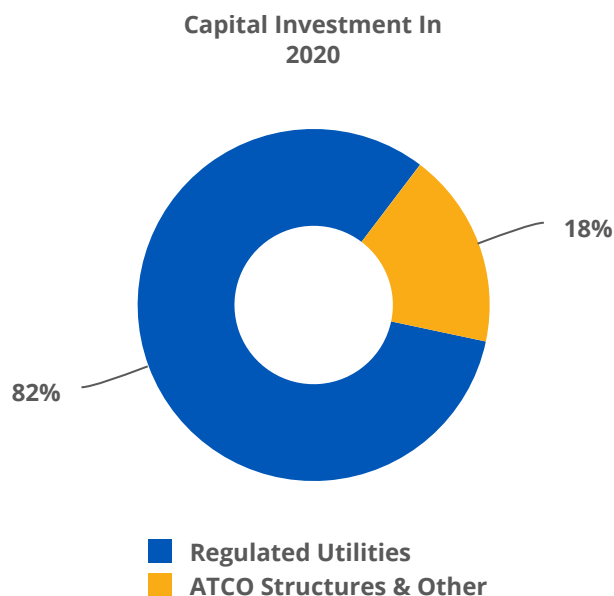
FUNDS GENERATED BY OPERATIONS

Funds generated by operations were \$1,804 million in 2020, \$123 million lower than in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Energy Infrastructure business as a result of the sale of APL and the Canadian fossil fuel-based electricity generation business in 2019, and in the Alberta Utilities as a result of the timing of certain revenues and expenses from regulatory decisions. These amounts were partially offset by higher funds generated in ATCO Structures due to higher workforce housing trade sale activity and higher space rental activity in Canada, the US, and Australia.

CAPITAL INVESTMENT

Total capital investment of \$1,069 million in 2020 was \$255 million lower than the previous year mainly due to lower capital investment in the Regulated Utilities in 2020, the completion of construction on Alberta PowerLine in 2019, and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business in 2019.




Capital spending in Canadian Utilities' Regulated Utilities accounted for 82 per cent of total capital invested in 2020. The remaining 18 per cent invested in 2020 included capital for ATCO Structures' acquisition of an additional 50 per cent in ATCO Sabinco S.V. and expansion of its global rental fleet.



ATCO SCORECARD

The following scorecard outlines our performance in 2020.



STRATEGIC PRIORITIES	2020 TARGET	2020 PERFORMANCE
INNOVATION		
New and existing products and services	Continue to expand permanent modular construction into hotels, schools, affordable housing and seniors' living centres.	<p> In 2020, ATCO Structures secured several projects with the Government of British Columbia's supportive housing program. ATCO Structures completed a \$9 Million, 44-unit apartment complex in Powell River, British Columbia (BC) in the first quarter. ATCO Structures completed a \$9 million, 44-unit apartment complex in New Westminster, BC in the third quarter. ATCO Structures has commenced work on a \$14 million, 61-unit apartment complex in Surrey, BC which is expected to be completed in June 2021.</p> <p>ATCO Structures was awarded multiple contracts with the Victoria Department of Education to design, manufacture and install 50 permanent modular classrooms in Melbourne, Australia.</p> <p>ATCO Espaciomovil delivered two modular health care facilities in Tijuana and Mexico City in the third quarter to support the fight against COVID-19.</p>
	Explore and test new products and methods of energy delivery to meet customers' future needs.	<p> Canadian Utilities is advancing a first-of-its kind hydrogen blending project in Fort Saskatchewan, Alberta. Once complete, the project will be Canada's largest hydrogen blending project.</p> <p>Canadian Utilities and Fortescue Metals Group Ltd. commenced research on an opportunity in Australia to refuel vehicles capable of utilizing hydrogen as the primary fuel source.</p> <p>Canadian Utilities completed the first 3-MW of solar generation capacity in Chile on the 9-MW El Resplandor (Cabrero Solar Project) in the second quarter of 2020.</p>
	<ul style="list-style-type: none"> Continue to expand the number of electric vehicle charging stations in Alberta. 	<p> Canadian Utilities installed a total of 10 electric vehicle (EV) charging stations in Alberta in 2020. Since 2019, Canadian Utilities has installed 25 electric vehicle fast charging stations in Alberta.</p>

STRATEGIC PRIORITIES

2020 TARGET

2020 PERFORMANCE

New and existing products and services

• Continue to reduce or replace diesel consumption with more energy efficient solutions for customers in remote communities.



Canadian Utilities installed Canada's largest off-grid 2,800-kW solar project in partnership with three Alberta Indigenous Nations in the remote northern Alberta community of Fort Chipewyan. Diesel consumption in this community has been reduced by 25 per cent as a result.

Demonstrate continuous improvement of existing products and services.



Canadian Utilities completed and placed in-service the \$230 million Pembina-Keephills transmission pipeline. The new line is a critical piece in Alberta's transition away from coal-fired power plants. Connecting into Capital Power's generating stations at Genesee, this pipeline will be a part of the phase-out of coal and will help reduce emissions with cleaner-burning natural gas.

Complete ATCO Park real estate land use amendments to improve value and future optionality.



Significant progress has been made with predevelopment work for ATCO Park. Calgary City Council approved a land use bylaw amendment which will allow ATCO to develop a variety of products including residential, hotel, industrial, retail, research and development, and office real estate.

GROWTH

Regulated and long-term contracted capital investment

Continue to invest across our Regulated Utilities and in long-term contracted assets.



Canadian Utilities invested \$876 million in its Regulated Utilities in 2020.

Canadian Utilities announced the acquisition of the Pioneer Pipeline for \$255 million. The 131-km natural gas pipeline located west of Edmonton, Alberta, facilitates the conversion of the Sundance and Keephills coal-fired electricity generating plants to cleaner-burning natural gas. The transaction is expected to close in 2021.

Global expansion

Continue expansion into select global markets including: Canada, Australia, and Latin America.



ATCO Structures acquired the remaining 50 per cent interest in the ATCO Sabinco S.A. joint venture partnership in Chile. The transaction closed on December 30, 2020.

In June, Canadian Utilities along with its partner, Quanta Services, Inc., announced their joint ownership interest in newly formed LUMA Energy. The company was selected by the Puerto Rico Public-Private Partnerships Authority (P3A) to transform, modernize and operate Puerto Rico's electricity transmission and distribution system over a term of 15 years after a one-year transition period.

Reposition ATCO Structures' rental fleet into growing regions and further expand space rental business in selected regions.



ATCO Structures' space rental fleet increased by 2,474 units in 2020 due to strategic expansion in the United States, central Canada, British Columbia, Mexico and Chile.

ATCO Structures commenced and completed manufacturing and construction of two workforce camps to house approximately 1,150 persons in total to support the Trans Mountain Expansion project.

STRATEGIC PRIORITIES

2020 TARGET

2020 PERFORMANCE

Global expansion

Expand ATCO Frontec's North American business and diversify the customer base.



ATCO Frontec was awarded two workforce lodging services contracts for approximately 1,150 persons in total to support the Trans Mountain Expansion project.

Seek opportunities with Neltume Ports' available cash in brownfield, greenfield and M&A opportunities.



Neltume Ports entered into a 50/50 joint venture partnership with Terminal Zarate in January 2020 to build and operate a roll-on roll-off terminal in Mobile, Alabama. Construction of this terminal is expected to be complete by the end of the first quarter and in service in the second quarter of 2021.

Increase number of customers for International Natural Gas Distribution in Australia.



International Natural Gas Distribution added 10,443 new residential connections in 2020.

FINANCIAL STRENGTH

Credit rating

Maintain investment grade credit rating.



Maintained 'A (low)' long-term credit rating with a stable trend with DBRS Limited.

Maintained 'A-' long-term issuer credit rating on ATCO and Canadian Utilities with outlooks revised from stable to negative in the third quarter of 2020 with Standard & Poors.

Access to capital markets

Access capital at attractive rates.



In 2020, CU Inc. raised \$150 million in 30-year debentures at a rate of 2.609 per cent, the lowest long-term coupon achieved in the company's history.

OPERATIONAL EXCELLENCE

Lost-time incident frequency: employees

Compare favourably to safety benchmarks.



Our lost-time incident frequency compares favourably to benchmarks such as Alberta Occupational Health and Safety, US private industry, and industry best practice rates. Our lost-time incident frequency in 2020 was 0.22/200,000 hours worked.

Total recordable incident frequency: employees

Our total recordable incident frequency in 2020 compares favourably to benchmarks such as US private industry and industry best practice rates. Our total recordable incident frequency in 2020 was 1.58 incidents/200,000 hours worked.

Customer satisfaction

Achieve high service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years.



Within Electricity and Natural Gas Distribution, more than 96 per cent of customers agreed that Canadian Utilities provides good service. Within our energy retail operations, 75 per cent of customers who interact with call centres are "very satisfied". These results compare favourably to industry averages and are consistent with previous years.

STRATEGIC PRIORITIES

2020 TARGET

2020 PERFORMANCE

Organizational transformation

Streamline and gain operational efficiencies.

- Improve processes and increase production automation for ATCO Structures' North American manufacturing facilities.
- Continue to improve global manufacturing and sourcing strategies to increase ATCO Structures' manufacturing competitive advantage.



ATCO Structures completed manufacturing for the LNG Canada Cedar Valley Lodge project in the second quarter of 2020, ahead of schedule and on budget. Improved production processes and an optimized workforce and asset management system in the facility provided the tools necessary for successful project execution. The LNG project is the largest workforce camp to be built in ATCO Structures' Canadian history.

ATCO Structures streamlined its North American manufacturing by closing a facility located in Pocatello, Idaho in the second quarter and relocating materials and equipment to manufacturing facilities in Calgary, Alberta and Diboll, Texas.

ATCO Structures developed and implemented a manufacturing planning, process management, and workforce visualization tool.

- Continue to optimize enterprise resource planning, workforce and asset management, and computerized maintenance management systems.



Canadian Utilities continued implementation of a Workforce and Asset Management program for its electricity and natural gas businesses to advance digitalization and data analytics. This technology will help to optimize resources, and digitize information and processes thereby providing a means to track, manage, and dispatch work to field-based employees more efficiently. The natural gas business is expected to complete implementation by 2022, followed by the electricity business in 2023.

ATCO Frontec implemented a computerized maintenance management platform as part of an internal process improvement initiative which has enhanced reporting for management and clients, provided near-real-time analytics and improved overall decision making.

COMMUNITY INVOLVEMENT

Indigenous relations

Continue to work together with Indigenous communities to contribute to economic and social development in their communities.



More than 5,000 students from 41 communities in Alberta participated in the Spirit North program. This program is designed to help Indigenous youth develop skills that improve their performance in the classroom and deepen their connection to their communities.

\$66,000 was awarded to 49 students across Canada, including the territories, through the ATCO Indigenous Education Awards Program.

A total of 617 employees participated in one of the many Indigenous training courses offered in 2020 through virtual classroom and online training platforms.

**STRATEGIC
PRIORITIES****2020 TARGET****2020 PERFORMANCE**

**Indigenous
relations**

Canadian Utilities was awarded a contract in July 2020 with a Montana First Nation to build a substation to support the Nation's 5-MW solar facility currently under construction. In addition, they have been awarded a contract with the Nation to provide infrastructure mapping services for their existing natural gas system.

ATCO was awarded the 2020 International Edison Award for Alberta PowerLine's Fort McMurray West 500-kilovolt (kV) Transmission Project which created a new business model that exemplified how the electric power industry and Indigenous Peoples can work together to develop innovative energy infrastructure that benefits both customers and communities.

**ATCO EPIC
(Employees
Participating
in Communities)**

Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work.



With the combined efforts of our employees around the world, ATCO pledged more than \$2.9 million to support hundreds of community charities through our annual ATCO EPIC campaign, taking the program's cumulative fundraising total to nearly \$47 million since its inception in 2006.

During the devastating bushfires of Australia, ATCO and its people donated over \$1.1 million to help residents and to support the rebuilding of the communities impacted by the fires.

ATCO provided 11,700 meals to seniors who were isolated during the pandemic.

STRATEGIC PRIORITIES FOR 2021

The following table outlines our strategic priorities for 2021.

INNOVATION	
New and existing products and services	<p>Continue to expand ATCO Structures' permanent modular construction into hotels, schools, hospitals, affordable housing, and senior's living centres.</p> <p>Complete master planning and land use work on the Edmonton "North Yard" redevelopment site in ATCO Land and Development Ltd.</p> <p>Continue to build and enhance ASHCOR's business model for the production and marketing of ash within the North American market.</p> <p>Explore and test new products and methods of energy delivery to meet customers' future needs.</p> <ul style="list-style-type: none"> • Continue to support communities and customers through the deployment of cleaner energy solutions. • Explore further opportunities to invest in clean fuel initiatives such as hydrogen and renewable natural gas within the Utilities and Energy Infrastructure businesses.
GROWTH	
Regulated and long-term contracted capital investment	<p>Continue to strategically invest in Canadian Utilities' technology and the modernization of both the natural gas and electricity networks to enhance sustainability and flexibility while reducing the long term need for additional utility infrastructure, resulting in lower costs and an improved experience for customers.</p> <p>Continue to advance replacement and improvement projects in Canadian Utilities to ensure that the safety and reliability of our gas and electricity systems are properly maintained and managed.</p>
Global expansion	<p>Continue expansion into select global markets including North America, Australia and Chile:</p> <ul style="list-style-type: none"> • Reposition ATCO Structures' rental fleet into growing regions and further expand the space rental business in the US and other select regions. • Continue to build sustainable growth in permanent modular construction and space rentals at ATCO Structures. • Continue retrofitting idle workforce housing fleet in Canada and the US and capitalize on opportunities as they arise. Invest in Australia's workforce housing fleet. • Continue to expand upon ATCO Frontec's North American camp business. • Continue to pursue ATCO Frontec facilities and maintenance contracts with commercial and government clients, including large scale defence contracts. • Seek opportunities with Neltume Ports' available cash in brownfield, greenfield and acquisition opportunities. • Continue to build upon Canadian Utilities' existing renewables generation platform in the Energy Infrastructure business.

FINANCIAL STRENGTH

Credit rating Maintain investment grade credit rating.

Access to capital markets Access capital at attractive rates.

OPERATIONAL EXCELLENCE

Lost-time incident frequency: employees Compare favourably to safety benchmarks.

Total recordable incident frequency: employees

Customer satisfaction Achieve high service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years.

Organizational transformation Streamline and gain operational efficiencies:

- Continue to develop a strategy for ATCO Structures' manufacturing facilities and capabilities in Canada and the US, to provide better competitive value for the business. Reduce costs in production and provide scalable capacity and improved performance while maintaining a low fixed cost structure through peak cycles of activity.
 - Continue to optimize enterprise resource planning, workforce and asset management, customer information systems and computerized maintenance management systems within Canadian Utilities.
-

COMMUNITY INVOLVEMENT

Indigenous relations Continue to work together with Indigenous communities to contribute to economic and social development in their communities.

ATCO EPIC (Employees Participating in Communities) Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work.

Community investment Invest in the health and safety of LUMA Energy's people and communities by opening a state-of-the-art electricity and distribution lineworkers college in Puerto Rico.

CORPORATE GOVERNANCE

Ensuring that our business operates in a transparent, ethical and accountable manner is at the core of creating strong and sustainable value for our share owners and in promoting the Company's well-being over the long term.

We do not believe in a one-size fits all approach to governance. Our Board of Directors has designed and implemented a unique and effective system of checks and balances that recognize the need to provide autonomy to our various business units, while prudently managing our financial resources.

This fit-for-purpose approach to governance has worked exceedingly well over the years, providing our Board of Directors and senior management team with the foundation to create long-term intergenerational value for our share owners.

Following are some of the highlights of our model for corporate governance. For a more complete picture, please see the Governance section of the 2020 Management Proxy Circular, which will be available in April 2021.



From left to right: Michael Rayfield, Denis Ellard, Robert Booth, Charles Wilson, Nancy Southern, Linda Southern-Heathcott, Roger Urwin, Susan Werth, Robert Routs

Our Board of Directors

The role of our Board of Directors has evolved alongside our business, providing oversight to an organization with a growing global footprint and a diverse, yet complementary suite of premier products and services. The Board strives to ensure that its corporate governance practices provide for the effective stewardship of the Company, and it regularly evaluates these practices to ensure they are in keeping with the highest standards.

Key elements of our corporate governance system include the oversight and diligence provided by the Board, the Lead Director, the Audit & Risk Committee and our Corporate Governance - Nomination, Compensation and Succession Committee (GOCOM). Although not required by securities laws, some of our governance tools, such as the use of Designated Audit Directors (DADs), also reinforce the effectiveness and rigor of our governance model.

Much like our business operations, the strength of our Board of Directors is due in no small part to the diverse nature of skills, talent and experience each member brings to Board deliberations.

In 1995, ATCO was among the first public companies in Canada to introduce the concept of a Lead Director.

Mr. Charles W. Wilson is the current Lead Director for ATCO, and was appointed to this position on April 1, 2003. The Lead Director provides the Board with the leadership necessary to ensure independent oversight of management. The Lead Director is an independent director and must be a member of GOCOM.

Designated Audit Directors

Distinctly unique to ATCO are Designated Audit Directors who are directors of either ATCO or Canadian Utilities. Each DAD is assigned to one of our business units to provide oversight based on their strengths and experience in various industry sectors.

Each DAD meets quarterly with the senior leadership of their business unit, and holds annual meetings with internal and external auditors. In addition, they review their respective businesses' financial statements and operating results, discuss risks with management, and report on both operating results and risks to our Audit & Risk Committee.

BUSINESS UNIT PERFORMANCE



REVENUES

Structures & Logistics revenues of \$171 million in the fourth quarter of 2020 were \$74 million lower than the same period in 2019 mainly due to the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in the second quarter of 2020.

Structures & Logistics revenues of \$714 million in 2020 were \$89 million lower than the same period in 2019 mainly due to the completion of the manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in the second quarter of 2020, and the completion of ATCO Frontec contracts in late 2019 and early 2020. Lower revenues were partially offset by higher space rental activity in Canada, the US, and Australia.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
ATCO Structures	13	13	—	52	32	20
ATCO Frontec	4	1	3	5	5	—
Total Structures & Logistics	17	14	3	57	37	20

Structures & Logistics adjusted earnings of \$17 million in the fourth quarter of 2020 were \$3 million higher compared to the same period in 2019. Higher earnings were mainly due to additional ATCO Frontec client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.

Structures & Logistics adjusted earnings of \$57 million in the full year of 2020 were \$20 million higher than the same period in 2019. Higher earnings were mainly due to higher workforce housing trade sale activity and higher space rental activity in Canada, the US and Australia. Higher earnings were partially offset by lower contributions from ATCO Structures' LNG Canada Cedar Valley Lodge project with the transition from manufacturing to installation work in the second quarter of 2020.

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

ATCO STRUCTURES

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

ATCO Structures adjusted earnings of \$13 million in the fourth quarter of 2020 were comparable to the same period in 2019.

ATCO Structures recorded adjusted earnings of \$52 million in 2020, \$20 million higher than the same period in 2019. Higher earnings were mainly due to higher workforce housing trade sale activity and higher space rental activity in Canada, the US, and Australia. Higher earnings were partially offset by lower contributions from the LNG Canada Cedar Valley Lodge project with the transition from manufacturing to installation work in the second quarter of 2020.

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

	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
North America						
Manufacturing hours (<i>thousands</i>)	91	252	(64%)	718	988	(27%)
Global Space Rentals						
Number of units ⁽¹⁾	18,827	16,353	15%	18,827	16,353	15%
Average utilization (%)	75	73	2%	73	72	1%
Average rental rate (<i>\$ per month</i>)	617	605	2%	615	568	8%
Global Workforce Housing						
Number of units ⁽¹⁾	2,679	2,866	(7%)	2,679	2,866	(7%)
Average utilization (%)	63	54	9%	52	48	4%
Average rental rate (<i>\$ per month</i>)	1,672	1,882	(11%)	1,554	1,872	(17%)

(1) Includes the acquisition of the remaining 50 per cent interest in ATCO Structures' joint venture partnership of ATCO Sabinco S.A., completed on December 30, 2020, which resulted in an increase of 1,776 global space rental units and 18 workforce housing units.

The decrease in manufacturing hours in the fourth quarter and full year of 2020 was mainly due to the completion of manufacturing on the LNG Canada Cedar Valley Lodge project in the second quarter.

ATCO Structures increased its global space rental fleet size by 2,474 units year-over-year. The increase in the number of space rental units was mainly due to the continued strategic expansion of the space rental fleet in targeted geographies including the acquisition of the remaining 50 per cent interest in ATCO Structures' joint venture partnership of ATCO Sabinco S.A., completed on December 30, 2020. In addition, ATCO Structures has experienced an increase in demand for space rentals on construction sites as a result of physical distancing protocols in response to the COVID-19 pandemic. The increase in the average rental rate was mainly due to improved rates in North America and Australia, driven by increased activity in the construction sector and an enhanced product mix.

The decrease in the size of the workforce housing fleet and increase in the annual utilization was mainly due to the sale of used and non-utilized fleet assets in the US and Australia. The increase in the utilization rate was also due to workforce housing fleet on rent for the Trans Mountain Expansion project in BC. The decrease in the average rental rate in 2020 was mainly due to the demobilization of a large workforce housing rental project in Chico, California in the first quarter of 2020.

ATCO STRUCTURES RECENT DEVELOPMENTS

Canada

Cedar Valley Lodge - LNG Canada

ATCO Structures, through its joint venture with Bird Construction and the Haisla Nation, continued work on the LNG Canada Cedar Valley Lodge project in 2020. The facility is being built to house workers involved in the construction of LNG Canada's natural gas liquefaction and export facility in Kitimat, BC and is one of the largest accommodation facilities ever built in Canada. Manufacturing of the modules for the accommodation facility was completed in the second quarter of 2020 and installation activity will continue into 2021.

Trans Mountain Expansion Project

ATCO Structures commenced manufacturing and construction in the second quarter of 2020 on the first of two workforce housing camp rental contracts awarded in 2020. The camps will accommodate approximately 1,150 persons in total to support the construction of the Trans Mountain Expansion project. In the third quarter, ATCO Structures completed and handed over the first camp and repurposed existing fleet to supply the second camp, which was completed and handed over to the client in the fourth quarter of 2020. Rental contracts for both camps will continue through 2023.



Trans Mountain Expansion Project Camp, Valemount, British Columbia

BC Hydro Site C Two Rivers Lodge – Phase 2 Expansion

In 2016, ATCO Structures commenced a supply and installation contract at the BC Hydro Site C Two Rivers Lodge for up to 1,750 workers.

In the second quarter of 2020, ATCO Structures achieved substantial completion and project handover of the phase 2 expansion and increased the total lodge capacity to 2,194 workers.

BC Housing - Government of British Columbia

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

Canada Emergency Wage Subsidy (CEWS)

The Government of Canada introduced the Canada Emergency Wage Subsidy (CEWS) program in April 2020 to provide financial support to businesses that experienced revenue loss in 2020 attributed to the COVID-19 pandemic.

ATCO Structures & Logistics qualified for this program and recognized \$5 million in adjusted earnings in the fourth quarter related to costs incurred in 2020. These funds were used to retain contract employees for a longer duration due to project delays resulting from the evolving pandemic, to offset additional costs incurred to implement appropriate safety protocols, and to continue to compensate employees that could not report to work due to COVID-19 or government mandated quarantine restrictions.

United States

China Lake Military Rebuild - Environmental Chemical Corporation

In the fourth quarter of 2020, ATCO Structures was awarded a \$12 million contract for phase I of the China Lake Military Rebuild project. The project will support the rebuild and expansion of the China Lake Military Base in southern California. The military base was damaged by two major earthquakes in July 2019. The 450-person camp for phase I will remain on rent for 31 months and is expected to commence in the first quarter of 2021.

Disaster and Emergency Response

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

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

Pocatello Idaho Manufacturing Facility

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

Australia

Permanent Classrooms - Victoria Department of Education

In the first half of 2020, ATCO Structures was awarded multiple contracts with the Victoria Department of Education to design, manufacture and install 50 permanent modular classrooms in Melbourne, Australia. Installation work for 30 classrooms was completed in 2020 and the remaining classrooms are expected to be complete in early 2021.

Permanent Classrooms - Islamic College of Melbourne

During the fourth quarter of 2020, installation activity commenced for an eight-year contract with the Islamic College of Melbourne. Manufacturing at ATCO Structures' Brisbane facility in Queensland commenced in the third quarter of 2020 and installation is expected to be complete in the first quarter of 2021.



Islamic College of Melbourne, Melbourne, Victoria, Australia

Bay Village - Multiplex

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

Mexico & Central America

Health Care Complexes - United Nations Office for Project Services (UNOPS)

In the fourth quarter of 2020, ATCO Structures commenced work on the previously awarded \$12 million contract with the United Nations Office for Project Services (UNOPS) to supply two healthcare complexes in Guatemala with 7,400 m² of clinic space for the treatment of patients with COVID-19. The facility will be complete in 2021.

Peñasquito Mine Camp - Newmont Corporation

In the fourth quarter of 2020, ATCO Structures was awarded a \$13 million contract with Newmont Corporation to supply a 600-person camp to house workers at the Peñasquito Mine in the state of Zacatecas, Mexico. The camp is expected to be complete in the fourth quarter of 2021.

Instituto Mexicano del Seguro Social (IMSS) - Grupo Modelo

In the second quarter of 2020, ATCO Structures was awarded a design, supply and installation contract for two modular hospital facilities in Mexico City and Tijuana to support the fight against COVID-19. These two facilities were installed in the third quarter of 2020.

Chile

ATCO Sabinco S.A. Acquisition

In the fourth quarter of 2020, ATCO Structures acquired the remaining 50 per cent interest in its ATCO Sabinco S.A. joint venture partnership. With this strategic investment, ATCO Structures gained full ownership and control of its Chilean business. This acquisition included a large-scale modular manufacturing facility in Santiago, Chile, 1,776 additional space rental units at 81 per cent utilization, and capabilities to deliver workforce housing projects throughout South America. The transaction closed on December 30, 2020.

ATCO FRONTEC

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

ATCO Frontec adjusted earnings of \$4 million in the fourth quarter of 2020 were \$3 million higher than the same period in 2019 mainly due to additional client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.

ATCO Frontec adjusted earnings of \$5 million in the full year of 2020 were comparable to the same period in 2019.

ATCO FRONTEC RECENT DEVELOPMENTS

Canada

Trans Mountain Expansion Project

In the second and third quarters of 2020, ATCO Frontec was awarded two workforce lodging services contracts for approximately 1,150 persons in total to support the construction of the Trans Mountain Expansion project. Work commenced for both contracts in the third and fourth quarters of 2020 and will continue through 2023.

United States

China Lake Military Rebuild

In the fourth quarter of 2020, ATCO Frontec was awarded a 31-month workforce lodging services contract for approximately 450 persons to support the phase I rebuild of the China Lake Military Base. The contract is expected to commence in the first quarter of 2021.



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

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Neltume Ports	7	4	3	15	15	—

Neltume Ports adjusted earnings of \$7 million in the fourth quarter were \$3 million higher than the same period in 2019. Higher earnings were mainly due to the timing of certain revenues and expenses, and higher cargo volumes and margins at select ports.

Neltume Ports adjusted earnings of \$15 million in the full year of 2020 were comparable to the same period in 2019.

While all of Neltume Ports' terminals remained operational in 2020, Neltume experienced lower volume throughput at some terminals due to the effects of the COVID-19 pandemic on global trade activity. These impacts were largely offset by stronger operational performance at unaffected terminals elsewhere in the portfolio.

Recent Developments

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



Construction Site of RoRo terminal, Mobile, Alabama



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

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
ATCO Corporate & Other	—	(9)	9	—	(6)	6

ATCO Corporate & Other adjusted earnings in the fourth quarter and full year of 2020 were \$9 million and \$6 million higher compared to the same periods in 2019. Higher earnings were mainly due to the timing of certain expenses, lower share-based compensation expenses, and earnings contributions from ASHCOR.



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

UTILITIES

REVENUES

Utilities revenues of \$784 million and \$2,932 million in the fourth quarter and full year of 2020 were \$33 million and \$24 million lower than the same periods in 2019. Lower revenues were mainly due to the timing of settlements related to regulatory decisions, and the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019, partially offset by increased revenue from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy and growth in the regulated rate base.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Electricity						
Electricity Distribution	20	16	4	69	66	3
Electricity Transmission	22	27	(5)	91	106	(15)
International Electricity Operations	3	—	3	6	—	6
Total Electricity	45	43	2	166	172	(6)
Natural Gas						
Natural Gas Distribution	41	32	9	76	62	14
Natural Gas Transmission	12	9	3	47	39	8
International Natural Gas Distribution	4	8	(4)	16	28	(12)
Total Natural Gas	57	49	8	139	129	10
Total Utilities Adjusted Earnings	102	92	10	305	301	4

Utilities adjusted earnings of \$102 million and \$305 million in the fourth quarter and full year of 2020 were \$10 million and \$4 million higher than the same periods in 2019. Higher earnings were mainly due to cost efficiencies, rate base growth, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy. Higher earnings were partially offset by the adverse earnings impact of the five-year Access Arrangement and adjustment for the impact of forecasted inflation rates in International Natural Gas Distribution, and Electricity Transmission's transition to APL operating activities in 2019.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of \$20 million and \$69 million in the fourth quarter and full year of 2020 were \$4 million and \$3 million higher compared to the same periods in 2019. Higher earnings were mainly due to cost efficiencies and continued growth in rate base. Higher earnings were partially offset by the completion of the Efficiency Carry-over Mechanism (ECM) funding in 2019.

Electricity Transmission

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

Electricity Transmission adjusted earnings of \$22 million in the fourth quarter of 2020 were \$5 million lower than the same period in 2019. Lower earnings were mainly due to the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019, and the timing of certain costs.

Electricity Transmission adjusted earnings of \$91 million in the full year of 2020 were \$15 million lower than the same period in 2019. Lower earnings were mainly due to the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019, and the positive earnings impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) decision received in 2019.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority for a 15-year term after a one-year transition period which commenced on June 22, 2020.

International Electricity Operations adjusted earnings in the fourth quarter and full year of 2020 were \$3 million and \$6 million due to operations and maintenance transition work.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of \$41 million and \$76 million in the fourth quarter and full year of 2020 were \$9 million and \$14 million higher than the same periods in 2019. Higher earnings were mainly due to ongoing cost efficiencies, the timing of certain operating costs, and growth in the regulated rate base. Higher earnings were partially offset by the completion of ECM funding in 2019.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of \$12 million and \$47 million in the fourth quarter and full year of 2020 were \$3 million and \$8 million higher than the same periods in 2019. Higher adjusted earnings were mainly due to growth in the regulated rate base, and ongoing cost efficiencies.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of \$4 million and \$16 million in the fourth quarter and full year of 2020 were \$4 million and \$12 million lower compared to the same periods in 2019. Lower earnings were mainly due to the five-year Access Arrangement which resulted in new rates commencing on January 1, 2020, with a

lower rate of return and rebasing of the demand forecast, financing, and operating allowances. Lower earnings were also due to an adjustment for the impact of forecasted inflation rates, partially offset by higher earnings from cost efficiencies and interest savings which became effective in January 2020.

UTILITIES RECENT DEVELOPMENTS

International Electricity Operations

LUMA Energy

On June 22, 2020, LUMA Energy, a newly-formed company owned 50 per cent by Canadian Utilities and 50 per cent by Quanta Services, Inc., was selected by the P3A to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system over a term of 15 years after a one-year transition period. The transition period commenced in the second quarter of 2020.

This innovative arrangement allows the Puerto Rico Electric Power Authority to retain ownership of all utility assets while benefiting from the expertise of a qualified operator. LUMA Energy combines Canadian Utilities' world-class utility operations and customer service expertise with Quanta's superior utility services and project execution capabilities.



LUMA Energy, Canóvanas, Puerto Rico

Key financial terms associated with the LUMA Energy contract are highlighted in the table below.

USD (millions)

	Front-End Service Fee ⁽¹⁾	Fixed Fee ^{(1) (2)} (paid monthly)	Potential Incentive Fee ^{(1) (2)}
Transition Period	60		
Contract Year 1		70	13
Contract Year 2		90	17
Contract Year 3		100	19
Contract Year 4+		105	20

(1) All compensation figures above are at the LUMA Energy level. Canadian Utilities Limited holds a 50 per cent interest in LUMA Energy.

(2) Fixed Fee and Incentive Fee are escalated annually at US CPI.

Natural Gas Transmission

Pembina Keephills

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

Pioneer Pipeline Acquisition

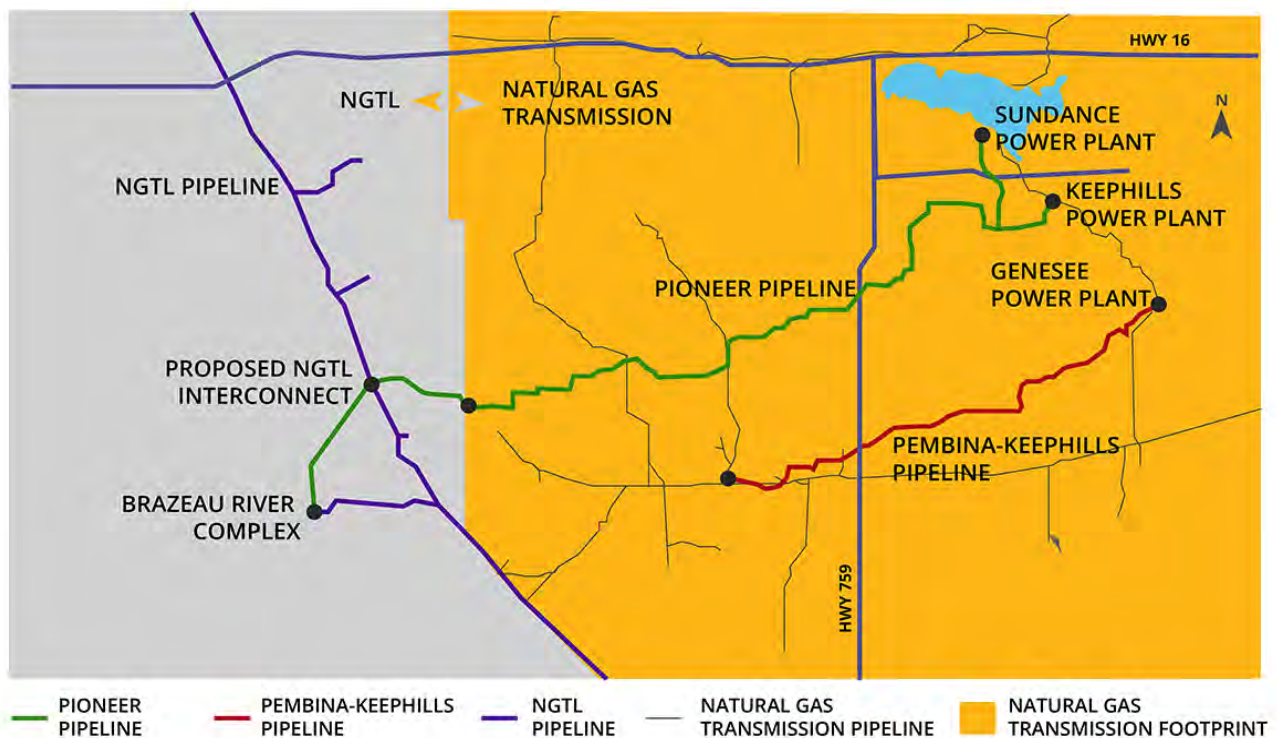
In the third quarter of 2020, Natural Gas Transmission entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. (Tidewater) and its partner TransAlta Corporation (TransAlta) for a purchase price of \$255 million. The 131-km natural gas pipeline runs from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

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

NGTL and Natural Gas Transmission agreed that, consistent with the geographic areas defined in their Integration Agreement, Natural Gas Transmission would transfer to NGTL the 30-km segment of the Pioneer Pipeline located in the NGTL footprint for approximately \$63 million. Natural Gas Transmission will retain ownership and continue to operate the portion of the Pioneer Pipeline located in the Natural Gas Transmission footprint. Upon completion of this transfer, and some additional investment to connect the pipeline to the existing system, the Pioneer Pipeline acquisition will add a net \$200 million to the Natural Gas Transmission asset base.

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

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



UTILITIES REGULATORY DEVELOPMENTS

Regulated Business Models

The business operations of Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission are regulated mainly by the Alberta Utilities Commission (AUC). The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural Gas Transmission and Electricity Transmission operate under cost of service (COS) regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as mid-year rate base. Growth in mid-year rate base is a leading indicator of the business' earnings trend, depending on changes in the approved equity component of the mid-year rate base and the rate of return on common equity.

Natural Gas Distribution and Electricity Distribution operate under performance based regulation (PBR). Under PBR, revenue is determined by a formula that adjusts customer rates for inflation less an estimated amount for productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To do these calculations, the AUC uses mid-year rate base. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based on approved going-in rates and on the formula that adjusts rates for inflation and productivity improvements.

International Natural Gas Distribution is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. International Natural Gas Distribution operates under incentive based regulation (IBR) under which the ERA establishes the prices for a five-year period to recover a return on forecasted rate base, including income taxes, depreciation on the forecasted rate base, and forecasted operating costs based on forecasted throughput. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved forecasts.

Generic Cost of Capital Proceeding (GCOC)

In August 2018, the AUC issued a decision approving a Return on Equity (ROE) of 8.5 per cent and capital structure of 37 per cent equity for the 2018, 2019 and 2020 periods for all Alberta utilities. In December 2019, the AUC initiated the 2021 GCOC proceeding. The main focus of the proceeding was to determine the rate of return for the years 2021 and 2022, and provide consideration for returning to a formula-based approach. Initial evidence was filed in January 2020 focusing on comparability to other investments, capital attraction and financial integrity. On October 13, 2020, the AUC issued a decision approving the extension of the current ROE of 8.5 per cent and capital structure of 37 per cent equity on a final basis for 2021. The AUC commenced a new GCOC process in December 2020 to address ROE and equity thickness for 2022 and beyond.

Performance Based Regulation

Under the 2018 to 2022 second generation PBR framework, electricity and natural gas distribution utility rates are adjusted by a formula that estimates annual inflation and assumes productivity improvements.

In February 2018, the AUC released a regulatory decision that provided determinations for the going-in rates and incremental capital funding for the second generation of PBR. While subsequent proceedings have occurred to review the setting of going-in rates, none of these proceedings have resulted in any changes for our Electricity Distribution and Natural Gas Distribution rates.

PBR Second Generation

Timeframe	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually
Productivity Adjuster (X Factor)	0.30%
O&M	Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Costs	<ul style="list-style-type: none">• Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual WACC• Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a "Type I" K Factor
ROE Used for Going-in Rates	<ul style="list-style-type: none">• 8.5%• + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	<ul style="list-style-type: none">• 2018: 8.5% excluding impact of ECM• 2019: 8.5% excluding impact of ECM• 2020: 8.5%• 2021: 8.5%• 2022: ROE pending future GCOC proceeding decisions

Access Arrangement - International Natural Gas Distribution

International Natural Gas Distribution's Access Arrangement period (AA4) was in place from July 2014 to December 2019. On November 15, 2019 the ERA published its final rate of return guidelines which outlined the parameters for the weighted average cost of capital (WACC) applicable to AA5.

The AA5 ROE is 5.02 per cent compared to 7.21 per cent in the previous Access Arrangement. The final decision also includes rebasing of revenues for the recovery of operating costs, the approved capital expenditure program, and the forecast of demand and throughput. The common equity ratio for AA5 is 45 per cent compared to 40 per cent in the previous Access Arrangement.

The tariffs included in the AA5 final decision are applicable for the period January 1, 2020 to December 31, 2024.

ALBERTA REGULATORY UPDATES

COMMON MATTERS

2021 Interim Rate Relief Request

In December 2020, the AUC approved the Electricity Distribution and Natural Gas Distribution requests to defer the compulsory distribution rate increases which would normally come into effect on January 1, 2021 for both businesses. The rate relief was requested to defer significant distribution rate increases which would be passed onto end use customers due to the formulaic approach of rate calculations under the AUC PBR mechanism. Electricity Distribution and Natural Gas Distribution cited the current economic situation in Alberta, including the hardships faced by some end use customers due to the COVID-19 pandemic, as rationale to proceed with these interim rates. Electricity Distribution and Natural Gas Distribution are to file an application by March 1, 2021, outlining the duration of the rate freeze and collection timelines, expected deferral values including carrying costs and anticipated impacts to customers.

ELECTRICITY TRANSMISSION

2020-2022 GENERAL TARIFF APPLICATION (GTA)

In October 2019, Electricity Transmission filed a GTA for the period 2020-2022. The application also requests the ability to advance an application to establish 2023 and 2024 revenue requirements by escalating the 2022 approved revenue requirement. This proceeding has concluded, and a decision is expected in the first quarter of 2021.

2015-2017 Direct Assigned Projects Deferral Application

In November 2020, Electricity Transmission received a decision regarding its 2019 application for the disposal of its 2015-2017 transmission deferral accounts and annual filing adjustment balances. Electricity Transmission's application included capital additions for 27 projects, most notably the Eastern Alberta Transmission Line (EATL), which represented \$1.8 billion of the \$2.2 billion of capital additions in this proceeding. The AUC approved the \$2.2 billion in capital additions to be added to rate base with minimal disallowance.

NATURAL GAS TRANSMISSION

Natural Gas Transmission 2021-2023 General Rate Application (GRA)

In June 2020, Natural Gas Transmission filed a GRA for the period 2021-2023. The application requests, among other things, additional revenues due to rate base growth driven by capital expenditures, such as the Pembina-Keephills Pipeline project and operations and maintenance costs. A decision from the AUC is expected in the first quarter of 2021.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of \$59 million in the fourth quarter were \$34 million lower than the same period in 2019 mainly due to the sale of Alberta PowerLine in the fourth quarter of 2019.

Energy Infrastructure revenues of \$195 million in the full year of 2020 were \$661 million lower than the same period in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation business and Alberta PowerLine in 2019.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Electricity Generation	2	2	—	7	4	3
Storage & Industrial Water	5	5	—	8	8	—
	7	7	—	15	12	3
Adjusted Earnings from Businesses Sold in 2019						
Canadian Fossil Fuel-Based Electricity Generation	—	—	—	—	32	(32)
Alberta PowerLine (APL)	—	1	(1)	—	13	(13)
	—	1	(1)	—	45	(45)
Total Energy Infrastructure Adjusted Earnings	7	8	(1)	15	57	(42)

Energy Infrastructure adjusted earnings of \$7 million and \$15 million in the fourth quarter and full year of 2020 were \$1 million and \$42 million lower than the same periods in 2019 mainly due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and sale of APL in the fourth quarter of 2019.

Excluding the earnings impact for the sale of these businesses in 2019, adjusted earnings in the fourth quarter were comparable to the same period in 2019.

Excluding the earnings impact from the sale of these businesses in 2019, adjusted earnings for the full year of 2020 were \$3 million higher than the same period in 2019 mainly due to cost efficiencies and recovered business development costs.

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

Electricity Generation

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

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

Electricity Generation adjusted earnings of \$7 million in the full year of 2020 were \$3 million higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies and recovered business development costs.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of \$5 million and \$8 million in the fourth quarter and full year of 2020 were comparable to the same periods in 2019.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Chile Solar Generation Facility

In the fourth quarter of 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the El Resplandor solar project. This project, located in Cabrero, Chile, will provide solar energy to the Chilean electricity grid. Construction on the first 3-MW of solar generation capacity was completed at the end of the second quarter of 2020 with the next 6-MW expected to be complete in 2021. The total investment for the 9-MW project is approximately \$13 million.



El Resplandor Solar Project, Cabrero, Chile

La Laguna Cogeneration Facility

In March 2018, Canadian Utilities entered into a commercial agreement with Chemours to build a 26-MW cogeneration facility, known as La Laguna Cogeneration, on the site of the Chemours Company Mexicana S. de R.L. de C.V.'s chemical facility near Gómez Palacio, Mexico.

Developed in partnership with RANMAN Energy, the La Laguna Cogeneration facility was expected to provide low-carbon and cost-effective heat and electricity under a long-term agreement. The total investment associated with the project was expected to be \$70 million. In February 2021, due to ongoing construction permitting delays, Canadian Utilities and Chemours mutually agreed to terminate the La Laguna Cogeneration facility contract. The contract provides for the recovery of Canadian Utilities' incurred costs on the project.

Industrial Water

In the fourth quarter of 2017, Canadian Utilities entered into a long-term commercial agreement with Inter Pipeline Ltd. to provide water services to Inter Pipeline's integrated propane dehydrogenation and polypropylene plant known as the Heartland Petrochemical Complex. Construction activities commenced in 2019 and construction of the pipeline is now complete. The pipeline is expected to be in service by the second quarter of 2021 in coordination with Inter Pipeline's facility needs.

Natural Gas Liquids Storage

In the fourth quarter of 2019, Canadian Utilities secured a long-term contract for the construction and operation of a fifth storage cavern at the ATCO Heartland Energy Centre, near Fort Saskatchewan, Alberta. This cavern will store hydrocarbon products for customers in the Alberta Industrial Heartland. Canadian Utilities also secured a long-term transportation contract for the construction and operation of a regional pipeline to connect the new cavern to existing facilities in the area, further strengthening the ATCO Heartland Energy Centre as a key storage hub in the largest hydrocarbon processing region in Canada. Construction began in the fourth quarter of 2019, with construction on track to be completed by the end of 2021.

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Canadian Utilities Corporate & Other	(11)	(8)	(3)	(40)	(39)	(1)

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the fourth quarter of 2020 were \$3 million lower than the same period in 2019 mainly due to the timing of certain expenses, partially offset by improved earnings from ATCOenergy.

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the full year of 2020 were \$1 million lower than the same period in 2019 mainly due to interest expenses that are no longer recoverable as a result of Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in 2019.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

SUSTAINABILITY REPORTING

In 2020, we completed a refresh of the material topics for our Sustainability Report, incorporating feedback from internal and external groups. Our 2020 Sustainability Report, which will be published in May 2021, focuses on the material topics listed below:

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

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

The 2019 Sustainability Report, Sustainability Framework Reference Document, more details of our materiality assessment and other disclosures are available on our website, at www.atco.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To contribute to a low carbon future, we continue to pursue initiatives looking at integrating cleaner fuels and renewable energy. We look to expand our ownership and development of clean energy solutions, as well as enable our customers to transition to lower emitting sources of energy.

We actively and constructively work with federal and provincial governments with the goal of finding the best long-term solutions. We participate in a wide number of discussions, and the following are examples of where we are focusing our efforts.

Carbon Pricing / Output-Based Pricing Systems

In Alberta, the Technology Innovation and Emissions Reduction (TIER) regulations came into effect on January 1, 2020. These regulations meet the Government of Canada's stringency requirements for carbon emitting pricing systems for Large Industrial Emitters.

In April 2020, the carbon price in Canada increased from \$20 to \$30 per tonne, and by 2022 it is expected to reach \$50 per tonne. In December 2020, the Government of Canada announced their plan on climate change, proposing to increase the carbon price by \$15 per tonne each year starting in 2023, rising to \$170 per tonne by 2030. The Company's exposure is mitigated for the Alberta Utilities as carbon charges are generally recovered in rates.

In Australia, under the National Greenhouse and Energy Reporting scheme, a safeguard mechanism applies to facilities with direct covered emissions of more than 100,000 tonnes of carbon dioxide equivalent per year. These facilities are required to keep their net emissions at or below emissions baselines set by the Clean Energy Regulator or surrender Australia Carbon Credit Units to offset their emissions and stay below their baseline. Canadian Utilities applied for an adjusted baseline which was approved in December 2020 by the Clean Energy Regulator.

Methane Reductions

In December 2020, Alberta reached equivalency with federal methane regulations to reduce methane emissions by 40 to 45 per cent from 2012 levels by 2025.

The methane regulations affect a portion of Canadian Utilities' fugitive and venting emissions from the Canadian natural gas pipeline-related operations. Canadian Utilities continues to implement programs to reduce or eliminate fugitive and venting emissions in our Natural Gas Distribution and Transmission businesses. Canadian Utilities' exposure is mitigated because requirements to upgrade equipment to further reduce methane emissions are expected to be included in rate base on a go-forward basis.

In January 2020, a new estimation method to report Unaccounted for Gas (UAFG) emissions resulting from natural gas distribution activities was introduced in Australia. This approach enables site/network specific UAFG values to be used, allowing Canadian Utilities to translate network maintenance and replacement activities into reportable reductions in UAFG emissions.

Clean Fuel Standards

In December 2020, the Government of Canada announced that the scope of the Clean Fuel Standards (CFS) had been narrowed to cover only liquid fossil fuels and will no longer include gaseous and solid fuels. The regulations for the liquid class include gasoline, diesel, and oil, which are mainly used in the transportation sector, and will come into effect in 2022.

CLEANER FUELS AND RENEWABLE ENERGY INITIATIVES

We continue to explore and implement opportunities for fuel switching to lower-emitting options for both ourselves and our customers.

Solar Electricity Generation

In the fourth quarter of 2020, Canadian Utilities completed Canada's largest off-grid solar and storage installation in the remote northern Alberta community of Fort Chipewyan. In partnership with Three Nations Energy (3NE), which is jointly owned by the Athabasca Chipewyan First Nation, Mikisew Cree First Nation and Fort Chipewyan Métis Association, Canadian Utilities designed and built the two-phased project that includes a 600-kW solar farm owned and operated by Canadian Utilities, and a 2,200-kW solar farm owned by 3NE and operated by Canadian Utilities. The project will provide about 25 per cent of Fort Chipewyan's electricity needs, reducing local diesel use by approximately 800,000 litres annually – equivalent to a decrease in greenhouse gas emissions of 2,145 tons annually.



Fort Chipewyan Solar Project, Fort Chipewyan, Alberta

In the fourth quarter of 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the El Resplandor solar project. This project, located in Cabrero, Chile, will provide solar energy to the Chilean electricity grid. Construction on the first 3-MW of solar generation capacity was completed at the end of the second quarter of 2020 with the next 6-MW expected to be complete in 2021.

Electric Vehicle Fast Charging Stations

In 2020, Canadian Utilities continued to expand its number of EV fast charging stations providing end-users an opportunity to replace liquid fuel with a low-carbon emitting energy. To date, Canadian Utilities has installed a total of 25 public EV fast charging stations in Alberta.

Hydrogen

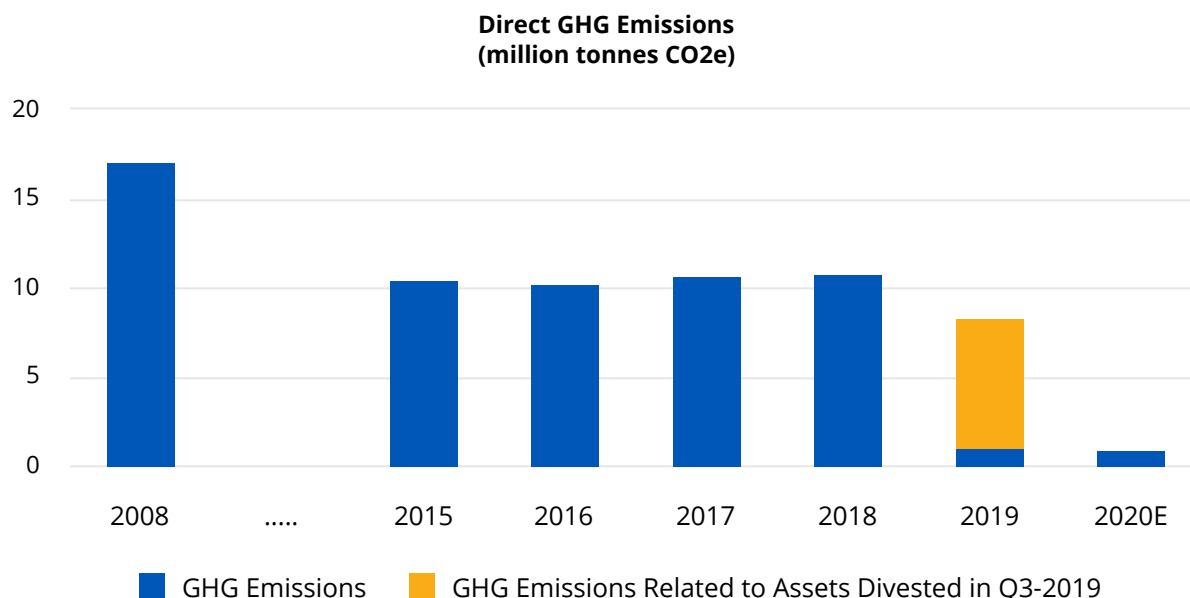
In July 2020, Canadian Utilities was awarded funding from Emission Reduction Alberta's Natural Gas Challenge to advance a first-of-its-kind hydrogen blending project in Fort Saskatchewan, Alberta. Once complete, the project will be Canada's largest hydrogen blending project, injecting an initial five per cent hydrogen by volume into a section of Fort Saskatchewan's residential natural gas distribution network.

In Australia, Canadian Utilities continues to build on its work at the Clean Energy Innovation Hub, a test bed for hybrid energy solutions integrating natural gas, solar photovoltaic, battery storage, and hydrogen production. In 2020, Canadian Utilities was able to successfully test a 10 per cent hydrogen blend injected into the natural gas supply at its major depot at Jandakot in Perth, Western Australia.

In August 2020, Canadian Utilities and Fortescue Metals Group Ltd. (FMG) were awarded \$1 million in funding from the Government of Western Australia's Renewable Hydrogen Fund to initiate an H2 Refueller project. This project will provide Canadian Utilities with an opportunity to refuel vehicles capable of utilizing hydrogen as a primary fuel source.

Our Performance

As our portfolio of assets evolves, so too does our environmental footprint. Our direct greenhouse gas (GHG) emissions are estimated to have been reduced by almost 90 per cent from 2019 to 2020, primarily as a result of Canadian Utilities' sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019, eliminating coal-fired generation from the portfolio. Since 2008, we have also reduced direct GHG emissions through the implementation of fuel-switching and other efficiency programs.



Our 2020 estimated direct GHG emissions are 0.87 million tonnes CO₂e. Final 2020 direct GHG emissions data will be available in our Sustainability Report, which will be released in May 2021.

CLIMATE CHANGE RESILIENCY

We carefully manage climate-related risks, including preparing for, and responding to, extreme weather events through activities such as proactive route selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes and continues to evaluate ways to create greater system reliability and resiliency. When planning for capital investment or acquiring assets we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

In Canadian Utilities' Electricity Transmission and Distribution operations, grid resiliency initiatives focus on prevention, protection, and reaction. Prevention includes minimizing operational risks and ensuring system adequacy through system planning and coordination. Protection is focused on improving grid resiliency through activities such as retrofitting and vegetation management to reduce incidents that result in outages. Wildfire Management Plans include requirements to conduct annual patrols of all transmission power lines in forest protection areas. Finally, we look to restore services in the shortest possible timeframe through grid modernization, adequate contingency planning and dispatch.

In Canadian Utilities' Natural Gas Transmission and Distribution businesses, the majority of the pipeline network is underground, making it less susceptible to extreme weather events. We work with regulators to increase resiliency where appropriate through asset improvement projects. We have also mapped and continue to regularly inspect pipeline water crossings.

In our Structures and Logistics activities, we look to leverage our expertise to produce high-efficiency structures in response to evolving building codes. Our modular housing units are built in factories, which reduces our emissions and environmental impact. In addition, the availability of deployable modular housing and logistical services can be an important asset when extreme weather events occur around the world.

We have streamlined our Crisis Response and Emergency Preparedness systems, and we continuously improve our ability to rapidly mobilize and effectively respond to crises globally. We incorporate learnings from responding to extreme weather events which enables us to continue to strengthen our emergency response capabilities.

CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

While climate-related challenges and opportunities are integrated throughout our strategy and risk management processes, we understand that specifically disclosing climate-related information aligned with the TCFD recommendations is also useful for the investment community.

In addition to the material risks described in the Business Risks and Risk Management section of this MD&A, the table below provides further information on how we address specific climate-related challenges and opportunities.

Category/Driver	Challenges	Opportunities	Mitigation Options/Measures
Policy/Regulatory	<p>Operations in several jurisdictions subject to emissions limiting regulations</p> <p>Aggressive shifts in policy which do not allow for transition in an effective, affordable manner</p>	<p>Continued fuel switching to lower-emitting options</p> <p>Coal-to-gas electricity generation conversions by other companies present opportunities for increased demand for natural gas transmission infrastructure investment in the near to medium term</p> <p>Electricity grid modernization</p> <p>Hydrogen economy development</p>	<p>Active participation in policy development, industry groups, and regulatory discussions</p> <p>Business diversification</p> <p>Removal of coal-fired electricity generation from our portfolio in 2019</p> <p>Hydrogen research projects</p>
Market	<p>Changes in carbon policy, costs of operations, and commodity prices</p> <p>Changing customer behaviour</p>	<p>Increasing demand for lower-emitting technologies</p> <p>Hydrogen market development</p> <p>Distributed energy solutions</p>	<p>Participation in carbon markets</p> <p>Business diversification</p> <p>Removal of coal-fired electricity generation from our portfolio in 2019</p>
Technology	<p>Replacement of current products/services with lower-emitting options</p> <p>Prosumer movement may affect energy load profiles in the future</p>	<p>A transition to lower-emitting energy systems provides opportunities to utilize expertise in: generation, integration and delivery of new energy sources including hydrogen, renewable natural gas, EV networks; and transmission and distribution infrastructure to ensure energy network reliability and security</p>	<p>Internal innovation teams to evaluate new technologies</p>
Reputational	<p>Public perception of carbon risk</p>	<p>Increase in demand for trusted long-term partners to deliver lower-emitting solutions</p>	<p>Transparent reporting</p> <p>Authentic engagement and collaboration</p>
Physical	<p>Extreme weather events</p> <p>Long-term changes in temperature and weather patterns</p>	<p>Climate change mitigation and adaptation</p> <p>Rapidly deployable structures and logistics services</p>	<p>Climate change resiliency efforts</p> <p>Emergency Responses & Preparedness plans and training</p>

OTHER EXPENSES AND INCOME

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

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Operating costs	631	663	(32)	2,254	2,598	(344)
Service concession arrangement costs	—	9	(9)	—	127	(127)
Depreciation, amortization and impairment	174	172	2	669	637	32
Gain on sale of operations	—	21	(21)	—	174	(174)
Earnings from investment in associate company	7	4	3	15	15	—
Earnings from investment in joint ventures	13	7	6	34	24	10
Net finance costs	104	115	(11)	407	484	(77)
Income tax expense	38	90	(52)	166	66	100

OPERATING COSTS

Operating costs, which are total costs and expenses less service concession arrangement costs and depreciation, amortization and impairment, were \$32 million lower in the fourth quarter of 2020 compared to the same period in 2019. Lower operating costs were mainly due to lower material costs in ATCO Structures resulting from the completion of manufacturing activities for ATCO Structures' LNG Canada Cedar Valley Lodge project in the second quarter and lower plant and equipment maintenance and contractor services expenses in the Alberta Utilities. These lower operating costs were partially offset by higher costs in 2020 due to the early termination of the Master Services Agreement with Wipro for managed IT services.

Operating costs of \$2,254 million for the full year of 2020 were \$344 million lower than the same period in 2019 mainly due to the sale of the Canadian fossil-fuel based electricity generation business in the third quarter of 2019, and the completion of manufacturing activities for ATCO Structures' LNG Canada Cedar Valley Lodge project.

SERVICE CONCESSION ARRANGEMENT COSTS

Service concession arrangement costs were recorded for third party construction and operation activities for Canadian Utilities' Alberta PowerLine Fort McMurray West-500-kV project. Service concession arrangement costs in the fourth quarter and full year of 2020 were \$9 million and \$127 million lower compared to the same periods in 2019 due to the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities at the end of the first quarter of 2019, and subsequent sale in the fourth quarter of 2019.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by \$2 million in the fourth quarter of 2020 compared to the same period in 2019 mainly due to an impairment of assets that no longer represent strategic value to the Company, and continued capital investment in the Regulated Utilities.

Depreciation, amortization and impairment increased by \$32 million in the full year of 2020 compared to the same period in 2019 mainly due to an impairment of assets that no longer represent strategic value to the Company, a rate change regulatory decision received in the third quarter of 2019 in Electricity Distribution which resulted in a one-time depreciation adjustment, continued capital investment in the Regulated Utilities, and higher depreciation at ATCO Structures due to the expansion of the global space rentals fleet.

GAIN ON SALE OF OPERATIONS

In the second, third and fourth quarters of 2019, the Company closed a series of transitions related to the sale of its Canadian fossil fuel-based electricity generation business and Alberta PowerLine. These sales resulted in an aggregate gain of \$174 million in 2019.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

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

Earnings from investment in associate company in the fourth quarter of 2020 were \$3 million higher than the same period in 2019 mainly due to the timing of certain revenue and expenses, and higher cargo volumes and margins at select ports.

Earnings from investment in associate company in the full year of 2020 were comparable to the same period in 2019.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures increased by \$6 million in the fourth quarter of 2020 compared to the same period in 2019 mainly due to earnings at LUMA Energy with the commencement of transition work under the Operations and Maintenance Agreement.

Earnings from investment in joint ventures increased by \$10 million in the full year of 2020 compared to the same period in 2019 mainly due to earnings at LUMA Energy with the commencement of transition work under the Operations and Maintenance Agreement. Higher earnings were partially offset by the 2019 sale of joint venture ownership positions included within the sale of the Canadian fossil fuel-based electricity generation business.

NET FINANCE COSTS

Net finance costs decreased by \$11 million in the fourth quarter of 2020 when compared to the same period in 2019 mainly due to lower interest expense under service concession arrangement accounting for APL.

Net finance costs decreased by \$77 million in the full year of 2020 when compared to the same period in 2019 mainly due to lower interest expense under service concession arrangement accounting for APL and lower interest expense on non-recourse long-term debt related to Canadian Utilities' 2019 sale of its the Canadian fossil fuel-based electricity generation business. Decreased net finance costs were also due to the positive impact of interest savings in Canadian Utilities' International Natural Gas Distribution business, which became effective in January, 2020.

INCOME TAX

Income taxes were lower by \$52 million in the fourth quarter of 2020 compared to the same period in 2019 mainly due to lower earnings before taxes in the fourth quarter of 2020 as a result of the 2019 sale of APL.

Income taxes were higher by \$100 million in the full year of 2020 compared to the same period in 2019 mainly due to the realization of the deferred tax benefit from the Alberta tax rate reduction in 2019, partially offset by lower earnings before taxes resulting from the sale of the Canadian fossil fuel-based electricity generation business and Alberta PowerLine in 2019.

In June 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent over four years, commencing with a one per cent decrease on July 1, 2019 followed by a one per cent reduction on January 1 of each of the next three years. On October 20, 2020, the Government of Alberta accelerated the date of the decrease in the provincial corporate income tax rate to 8 per cent effective July 1, 2020.

LIQUIDITY AND CAPITAL RESOURCES

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

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

CREDIT RATINGS

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

The following table shows the current credit ratings assigned to ATCO Ltd., Canadian Utilities Limited, CU Inc., and ATCO Gas Australia Pty Ltd.

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

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

On July 20, 2020, Dominion Bond Rating Service affirmed its 'A (high)' long-term corporate credit rating and stable trend on ATCO subsidiary CU Inc.

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

On August 28, 2020, Dominion Bond Rating Service affirmed its 'A (low)' long-term corporate credit rating and stable trend on ATCO Ltd.

On September 17, 2020, S&P Global Ratings affirmed its 'A-' long-term issuer credit ratings on ATCO Ltd. and Canadian Utilities with the outlooks revised from stable to negative.

On September 17, 2020, S&P Global Ratings affirmed ATCO subsidiary CU Inc.'s 'A-' long-term issuer credit rating and maintained a stable outlook, reflecting S&P's decision to insulate CU Inc.'s rating from ATCO's issuer credit rating.

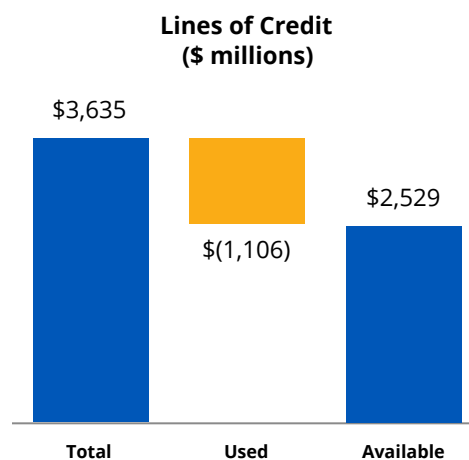
LINES OF CREDIT

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

<i>(\$ millions)</i>	Total	Used	Available
Long-term committed	2,914	814	2,100
Short-term committed	150	138	12
Uncommitted	571	154	417
Total	3,635	1,106	2,529

Of the \$3,635 million in total lines of credit, \$571 million was in the form of uncommitted credit facilities with no set maturity date. The other \$3,064 million in credit lines was committed, with maturities between 2021 and 2023, and may be extended at the option of the lenders.

Of the \$1,106 million in lines of credit used, \$661 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs. The majority of the remaining usage is for the issuance of Canadian Utilities' letters of credit and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.

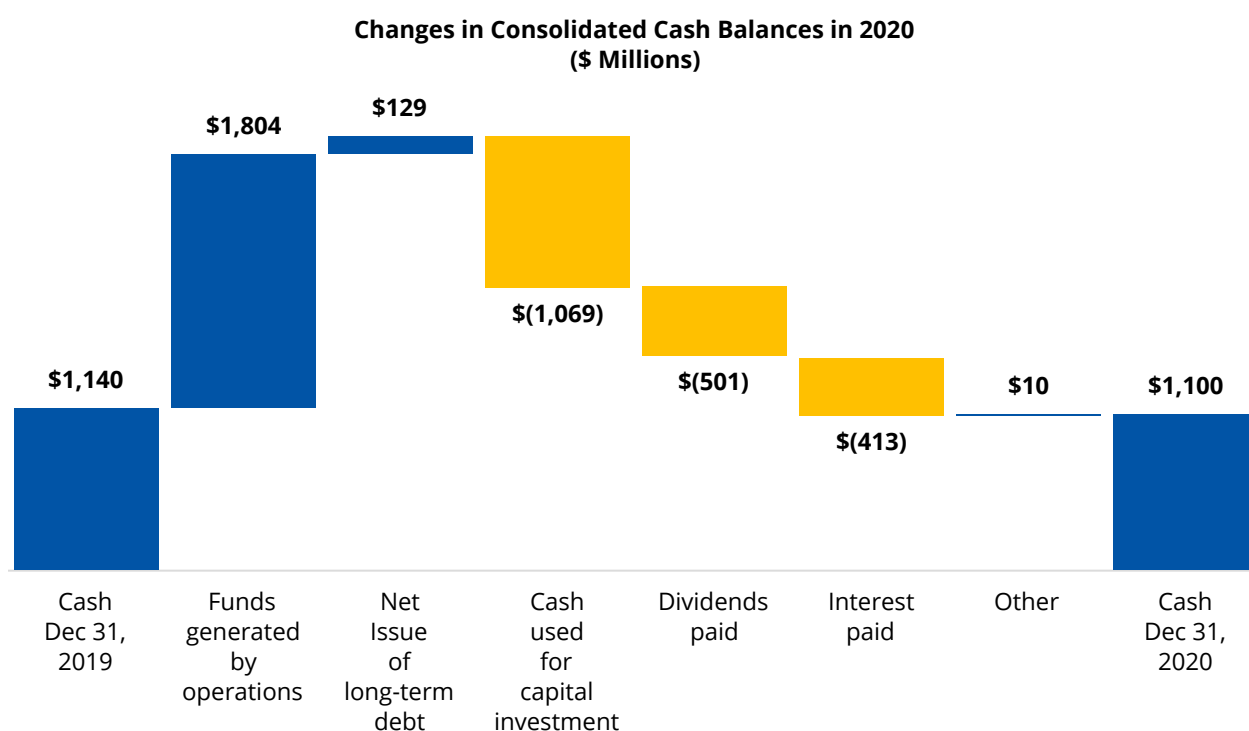


CONSOLIDATED CASH FLOW

At December 31, 2020, the Company's cash position was \$1,100 million, a decrease of \$40 million compared to December 31, 2019. Major movements are outlined in the following table:

(\$ millions)	Year Ended December 31		
	2020	2019	Change
Funds generated by operations ⁽¹⁾	1,804	1,927	(123)
Release of restricted project funds	—	329	(329)
Proceeds on sales of assets and operations	—	903	(903)
Net issue of long-term debt	129	78	51
Net repayment of short-term debt	—	(175)	175
Cash used for capital investment	(1,069)	(1,324)	255
Dividends paid to Class I and Class II Share owners	(200)	(186)	(14)
Dividends paid to non-controlling interests	(301)	(294)	(7)
Interest paid	(413)	(498)	85
Other	10	(311)	321
(Decrease) increase in cash position	(40)	449	(489)

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



Funds Generated by Operations

Funds generated by operations were \$516 million in the fourth quarter of 2020, \$47 million higher compared to the same period in 2019. The increase was mainly due to higher funds generated in the Regulated Utilities as a result of the timing of certain revenues and expenses from regulatory decisions in Canadian Utilities, and in ATCO Structures due to higher workforce housing trade sale activity and higher space rental activity in Canada, US and Australia.

Funds generated by operations were \$1,804 million in the full year of 2020, \$123 million lower compared to the same period in 2019. The decrease was mainly due to lower funds generated in Canadian Utilities' Energy Infrastructure business as a result of the sale of APL and the Canadian fossil fuel-based electricity generation

business in 2019, and in the Alberta Utilities as a result of the timing of certain revenues and expenses from regulatory decisions. These amounts were partially offset by higher funds generated in ATCO Structures due to higher workforce housing trade sale activity and higher space rental activity in Canada, the US, and Australia.

Cash Used for Capital Investment

Cash used for capital investment was \$298 million in the fourth quarter of 2020, \$84 million lower compared to the same period in 2019 mainly due to higher capital investment in 2019 on the Pembina-Kepphills transmission pipeline in Natural Gas Transmission. Lower spending was partially offset by ATCO Structures' additional 50 per cent acquisition of the ATCO Sabinco S.A. joint venture in December of 2020.

Cash used for capital investment was \$1,069 million in the full year of 2020, \$255 million lower than the same period in 2019 mainly due to lower overall capital investment in the Regulated Utilities in 2020, the completion of construction on APL in 2019, and lower capital investment in Electricity Generation due to the sale of the Canadian fossil fuel-based electricity generation business and APL in 2019. Lower spending was partially offset by ATCO Structures' additional 50 per cent acquisition of its ATCO Sabinco S.A. joint venture in December 2020 and expansion of its global rental fleet.

Capital investment for the fourth quarter and full year of 2020 and 2019 is shown in the table below.

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Structures & Logistics	43	25	18	144	105	39
Neltume Ports	—	—	—	—	9	(9)
ATCO Corporate & Other	2	3	(1)	13	4	9
Intersegment Eliminations	—	(20)	20	—	(20)	20
	45	8	37	157	98	59
Canadian Utilities						
Utilities						
Electricity Distribution	56	73	(17)	221	224	(3)
Electricity Transmission	39	26	13	145	165	(20)
Natural Gas Distribution	71	92	(21)	237	284	(47)
Natural Gas Transmission	49	130	(81)	203	293	(90)
International Natural Gas Distribution	28	19	9	70	69	1
	243	340	(97)	876	1,035	(159)
Energy Infrastructure						
Electricity Generation	3	2	1	7	6	1
Storage & Industrial Water	4	19	(15)	21	31	(10)
	7	21	(14)	28	37	(9)
Capital Investment from Businesses Sold in 2019⁽¹⁾						
Canadian Fossil Fuel-Based Electricity Generation	—	10	(10)	—	53	(53)
Alberta PowerLine	—	—	—	—	95	(95)
	—	10	(10)	—	148	(148)
CU Corporate & Other	3	3	—	8	6	2
Canadian Utilities Total Capital Investment	253	374	(121)	912	1,226	(314)
ATCO Total Capital Investment⁽²⁾⁽³⁾	298	382	(84)	1,069	1,324	(255)

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

(2) Includes capital expenditures in joint ventures of \$2 million and \$9 million (2019 - nil and \$2 million) for the fourth quarter and full year of 2020.

(3) Includes additions to property, plant and equipment, intangibles of \$3 million and \$13 million (2019 - \$2 million and \$16 million) of interest capitalized during construction for the fourth quarter and full year of 2020.

Debt Issuances and Repayments

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

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of \$1.2 billion of debentures over the 25-month life of the prospectus. As of February 24, 2021, aggregate issuances of debentures were \$150 million.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 28-year track record. Dividends paid to Class I and Class II Share owners totaled \$50 million in the fourth quarter and \$200 million in the full year of 2020.

On January 14, 2021, the Board of Directors declared a first quarter dividend of 44.83 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.



28 year
track record of
increasing
common
share dividends

Normal Course Issuer Bid

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

On March 9, 2020, we commenced a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. This bid will expire on March 8, 2021. From March 9, 2020 to February 24, 2021, 150,000 shares were purchased for \$6 million.

SHARE CAPITAL

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

At February 23, 2021, we had outstanding 101,347,899 Class I Shares, 13,196,129 Class II Shares, and options to purchase 1,115,200 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 1,994,950 Class I Shares were available for issuance at December 31, 2020. Options may be granted to our officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

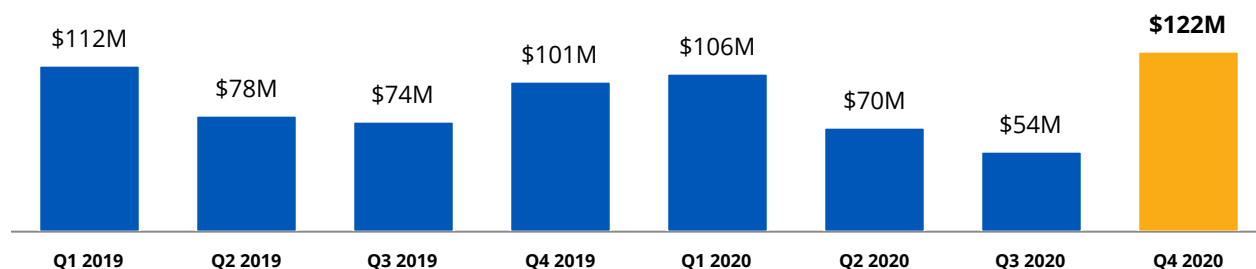
The following table shows financial information for the eight quarters ended March 31, 2019 through December 31, 2020.

<i>(\$ millions, except for per share data)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenues	1,056	938	897	1,053
Earnings attributable to Class I and Class II Shares	87	45	54	66
Earnings per Class I and Class II Share (\$)	0.76	0.39	0.48	0.58
Diluted earnings per Class I and Class II Share (\$)	0.76	0.39	0.47	0.58
Adjusted earnings per Class I and Class II Share (\$)	0.93	0.61	0.47	1.07
Adjusted earnings (loss)				
Structures & Logistics	7	21	12	17
Neltume Ports	3	2	3	7
ATCO Corporate & Other	1	(1)	—	—
Canadian Utilities				
Utilities	99	57	47	102
Energy Infrastructure	3	2	3	7
Canadian Utilities Corporate & Other	(7)	(11)	(11)	(11)
Total adjusted earnings	106	70	54	122

<i>(\$ millions, except for per share data)</i>	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Revenues	1,324	1,103	1,097	1,182
Earnings attributable to Class I and Class II Shares	112	158	160	83
Earnings per Class I and Class II Share (\$)	0.98	1.38	1.40	0.73
Diluted earnings per Class I and Class II Share (\$)	0.98	1.37	1.40	0.72
Adjusted earnings per Class I and Class II Share (\$)	0.98	0.68	0.65	0.88
Adjusted earnings (loss)				
Structures & Logistics	3	7	13	14
Neltume Ports	4	4	3	4
ATCO Corporate & Other	—	—	3	(9)
Canadian Utilities				
Utilities	93	68	48	92
Energy Infrastructure	19	10	20	8
Canadian Utilities Corporate & Other	(7)	(11)	(13)	(8)
Total adjusted earnings	112	78	74	101

ADJUSTED EARNINGS

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



STRUCTURES & LOGISTICS

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

In the second quarter of 2019, earnings were positively impacted by the continued progress of ATCO Structures' LNG Canada Cedar Valley Lodge project and higher space rental activity.

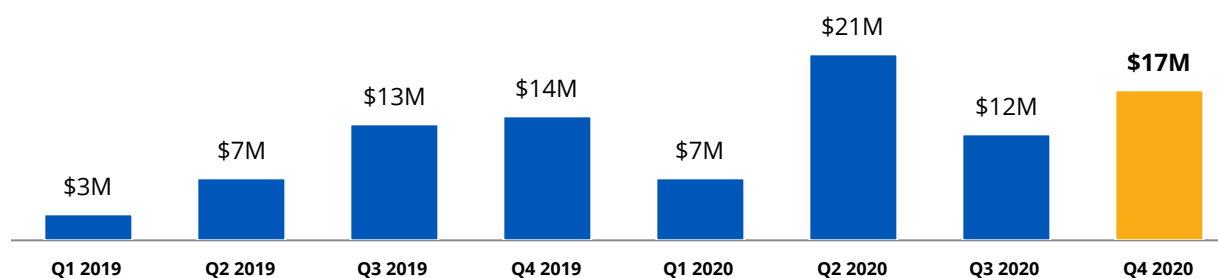
In the third and fourth quarters of 2019, earnings were positively impacted by continued progress on ATCO Structures' LNG Canada Cedar Valley Lodge project and incremental ATCO Frontec earnings from North American camp services and maintenance contracts.

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

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

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

In the fourth quarter of 2020, earnings increased compared to the same period in 2019, mainly due to additional ATCO Frontec client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.



NELTUME PORTS

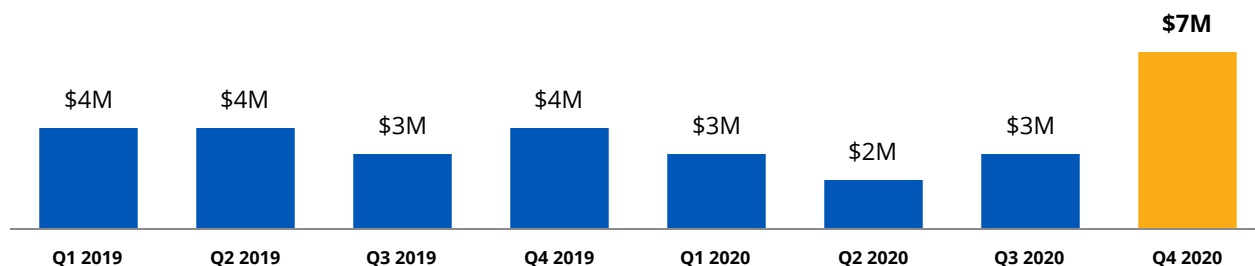
In the third quarter of 2018, ATCO invested in a 40 per cent interest in Neltume Ports. In 2019, Neltume Ports recorded consistent quarterly earnings of \$4 million, \$4 million, \$3 million and \$4 million, respectively.

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

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

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

In the fourth quarter of 2020, Neltume ports recorded adjusted earnings that were \$3 million higher than the same period in 2019. Higher earnings were mainly due to the timing of certain revenues and expenses, and higher cargo volumes and margins at select ports.



CANADIAN UTILITIES

Utilities

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

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

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

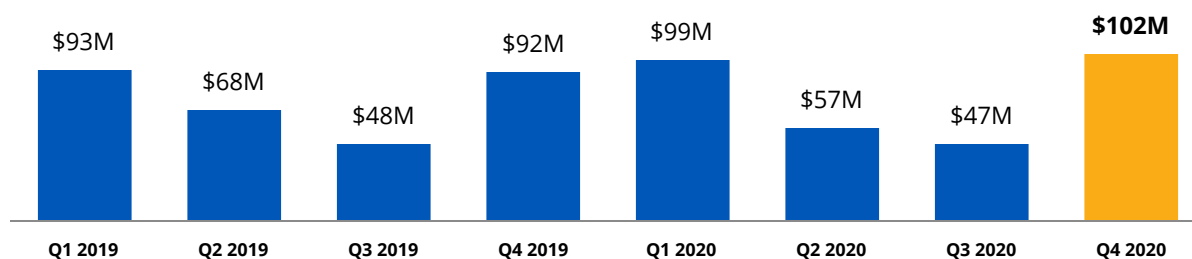
In the third and fourth quarters of 2019, Utilities earnings were positively impacted by the Electricity Transmission 2018-2019 GTA decision received in the second quarter of 2019, overall cost efficiencies and lower income taxes.

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

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

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

In the fourth quarter of 2020, adjusted earnings in the Utilities were higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies, rate base growth, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy.



Energy Infrastructure

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

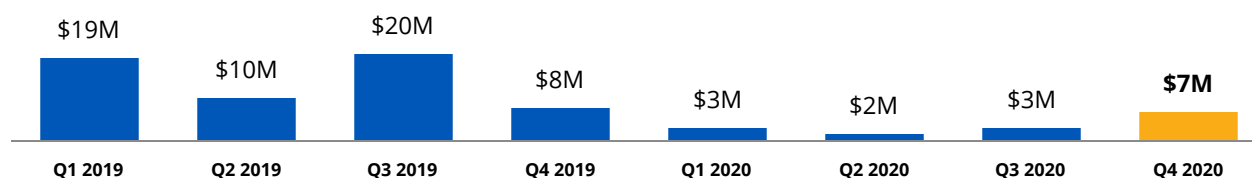
In the first quarter of 2019, earnings were positively impacted by increased Alberta power market prices.

In the second quarter of 2019, the adverse earnings impact of planned outages in Electricity Generation was offset by incremental earnings from two additional hydrocarbon storage caverns.

In the third quarter of 2019, Energy Infrastructure earnings were positively impacted by cost efficiencies and realized forward sales in Electricity Generation.

In the fourth quarter of 2019, Energy Infrastructure earnings were adversely impacted by forgone earnings from the sale of the Canadian fossil fuel-based electricity generation business.

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



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the second, third and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business and Alberta PowerLine resulting in a gain on sale of operations of \$65 million (after-tax and non-controlling interests). As these transactions are one-time in nature, they are excluded from adjusted earnings.
- In 2020, impairment and other costs not in the normal course of business of \$20 million (after-tax and non-controlling interests) were recorded. These costs mainly relate to certain assets that no longer represent strategic value for the Company. As these costs are one-time in nature, they are excluded from adjusted earnings.
- In the fourth quarter of 2020, Canadian Utilities signed a Master Services Agreement with IBM to provide managed information technology services. These services are currently provided by Wipro under a ten-year MSA maturing in December 2024. ATCO has recognized costs of \$32 million (after-tax and non-controlling interests) which represents management's best estimate of the costs to exit the Wipro MSA. As these costs are one-time in nature, they are excluded from adjusted earnings.

BUSINESS RISKS AND RISK MANAGEMENT

The Board of Directors is responsible for understanding the principal risks of the businesses in which the Company is engaged. The Board also must achieve a prudent balance between risks incurred and the potential return to share owners. It must confirm controls are in place that effectively monitor and manage those risks for the Company's long-term viability.

The Board has an Audit & Risk Committee, which reviews significant risks associated with future performance and growth. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

We have an established enterprise risk management process that allows us to identify and evaluate our risks by both severity of impact and probability of occurrence. Materiality thresholds are reviewed annually by the Audit & Risk Committee. Non-financial risks that may have an impact on the safety of our employees, customers or the general public and reputation risks are also evaluated. The following table outlines our current significant risks and associated mitigations.

Business Risk: Capital Investment		
Businesses Impacted:	Associated Strategies:	
<ul style="list-style-type: none"> All businesses 	<ul style="list-style-type: none"> Growth 	<ul style="list-style-type: none"> Financial Strength

Description & Context

The Company is subject to the normal risks associated with major capital projects, including cancellations, delays and cost increases.

Risk Management Approach

The Company attempts to reduce the risks of project delays and cost increases by careful planning, diligent procurement practices and entering into fixed price contracts when possible.

International Natural Gas Distribution's planned capital investment is approved by the regulator. Planned capital investments for the Alberta Utilities are based on the following significant assumptions: projects identified by the AESO will proceed as currently scheduled; the remaining planned capital investments are required to maintain safe and reliable service and meet planned growth in the Alberta Utilities' service areas; regulatory approval for capital projects can be obtained in a timely manner; and access to capital market financings can be maintained. The Company believes these assumptions are reasonable.

Business Risk: Climate Change		
Businesses Impacted:	Associated Strategies:	
<ul style="list-style-type: none"> All businesses 	<ul style="list-style-type: none"> Operational Excellence 	<ul style="list-style-type: none"> Innovation

Description & Context - Policy Risks

ATCO has operations in several jurisdictions subject to emission regulations, including carbon pricing, output-based performance standards, and other emission management policies. For example, in Alberta the output-based Technology Innovation and Emissions Reduction (TIER) Regulations replaced the federal output-based pricing system as of January 1, 2020.

ATCO Structures' rental fleet has historically played an important role in servicing large industries such as the oil and gas industry. Provincial and federal climate policies that adversely impact the economic viability of these operations present an under-utilized asset risk to rental fleet assets in the short to medium term.

Risk Management Approach - Policy Risks

The Company's exposure is mitigated for the Regulated Utilities because GHG emission charges are generally recovered in rates. In addition, future requirements, such as upgrading equipment to further reduce methane emissions in the natural gas utilities, are expected to be included in rate base on a go-forward basis.

ATCO Structures is further mitigating risk through the diversification of customers, geography, and end use of products, including the pursuit of three main business lines: space rentals, workforce housing, and permanent modular construction.

Description & Context - Physical Risks

Physical risks associated with climate change may include an increase in extreme weather events such as heavy rainfall, floods, wildfires, extreme winds and ice storms, or changing weather patterns that cause ongoing impacts to seasonal temperatures. Electricity transmission, distribution and pipeline assets above ground or on water crossings are exposed to extreme weather events.

Risk Management Approach - Physical Risks

The Company continues to carefully manage physical risks, including preparing for, and responding to, extreme weather events through activities such as proactive route selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes, continues to evaluate ways to create greater system reliability and resiliency and, where appropriate, submits regulatory applications for capital expenditures aimed at creating greater system reliability and resiliency within the code.

Prevention activities include Wildfire Management Plans and vegetation management at Electricity Transmission and Distribution operations. The majority of the Company's natural gas pipeline network is in the ground, making it less susceptible to extreme weather events.

The Company maintains in-depth emergency response measures for extreme weather events. When planning for capital investment or acquiring assets, we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

Business Risk: Credit Risk

Businesses Impacted:

- All businesses

Associated Strategies:

- Financial Strength

Description & Context

For cash and cash equivalents and accounts receivable and contract assets, credit risk represents the carrying amount on the consolidated balance sheet. Derivative and finance lease receivable credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. The maximum exposure to credit risk is the carrying value of loans and receivables and derivative financial instruments.

Risk Management Approach

Cash and cash equivalents credit risk is reduced by investing in instruments issued by credit-worthy financial institutions and in federal government issued short-term instruments.

The Company minimizes other credit risks by dealing with credit-worthy counterparties, following established credit-approval policies, and requiring credit security, such as letters of credit.

Geographically, a significant portion of loans and receivables are from the Company's operations in Alberta, followed by operations in Australia and Mexico. The largest credit risk concentration is from the Alberta Utilities, which are able to recover an estimate for doubtful accounts through approved customer rates and to request recovery through customer rates for any material losses from the retailers beyond the retailer security mandated by provincial regulations. The second largest concentration of credit risk is within the Structures & Logistics business. The counterparties' financial quality is monitored regularly to ensure appropriate mitigation of credit risk.

Business Risk: Cybersecurity**Businesses Impacted:**

- All businesses

Associated Strategies:

- Operational Excellence
- Innovation

Description & Context

The Company's reliance on technology, which supports its information and industrial control systems, is subject to potential cyber-attacks including unauthorized access of confidential information and outage of critical infrastructure.

Risk Management Approach

The Company has an enterprise wide cybersecurity program covering all technology assets. The cybersecurity program includes employee awareness, layered access controls, continuous monitoring, network threat detection, and coordinated incident response through a centralized Security Operations Centre. The Company's cybersecurity management is consolidated under a common, centralized organization structure to increase effectiveness and compliance across the entire enterprise.

Business Risk: Energy Commodity Price**Businesses Impacted:**

- Retail Energy
- Energy Infrastructure

Associated Strategies:

- Financial Strength

Description & Context

Retail Energy's earnings are affected by short-term price volatility.

Storage & Industrial Water's natural gas storage facility in Carbon, Alberta, is also exposed to storage price differentials.

Risk Management Approach

In conducting its business, the Company may use various instruments, including forward physical contracts, financial swaps, and storage service contracts to manage the risks arising from fluctuations in commodity prices. The Company enters into natural gas physical contracts and forward power swap contracts as the hedging instrument to manage the exposure to electricity and natural gas market price movements.

Under IFRS accounting, entering into hedging instruments may result in mark-to-market adjustments that are recorded as unrealized gains or losses on the income statement. Realized gains or losses are recognized in adjusted earnings and IFRS earnings when the commodity contracts are settled.

In addition, Retail Energy monitors forward curves in order to ensure it is not promoting product offerings that are unfavourable to the Company.

Business Risk: Financing**Businesses Impacted:**

- All businesses

Associated Strategies:

- Financial Strength

Description & Context

The Company's financing risk relates to the price volatility and availability of external financing to fund the capital expenditure program and refinance existing debt maturities. Financing risk is directly influenced by market factors. As financial market conditions change, these risk factors can affect the availability of capital and also the relevant financing costs.

Risk Management Approach

To address this risk, the Company manages its capital structure to maintain strong credit ratings which allow continued ease of access to the capital markets. The Company also considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. This liquidity is generated by cash flows from operations and supported by appropriate levels of cash and available committed credit facilities.

Business Risk: Foreign Currency Exchange Rate Risk

Businesses Impacted:

- All businesses

Associated Strategies:

- Financial Strength

Description & Context

The Company's earnings from, and carrying values of, its foreign operations are exposed to fluctuations in exchange rates. The Company is also exposed to transactional foreign exchange risk through transactions denominated in a foreign currency.

Risk Management Approach

In conducting its business, the Company may use forward contracts to manage the risks arising from fluctuations in exchange rates. Such instruments are used only to manage risk and not for trading purposes. This foreign exchange impact is partially offset by foreign denominated financing and by hedging activities. The Company manages this risk through its policy of matching revenues and expenses in the same currency. When matching is not possible, the Company may utilize foreign currency forward contracts to manage the risk.

Business Risk: Interest Rate

Businesses Impacted:

- All businesses

Associated Strategies:

- Financial Strength

Description & Context

The interest rate risk faced by the Company is largely a result of its long-term debt at variable rates as well as cash and cash equivalents. The Company also has exposure to interest rate movements that occur beyond the term of maturity of the fixed-rate investments.

Risk Management Approach

In conducting its business, the Company may use swap agreements to manage the risks arising from fluctuations in interest rates. All such instruments are used only to manage risk and not for trading purposes. The Company has converted certain variable rate long-term debt to fixed rate debt through interest rate swap agreements. At December 31, 2020, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 98 per cent (2019 - 98 per cent) of total long-term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to debt, from changes in market interest rates was limited. The Company's cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature.

Business Risk: Natural Gas Supply

Businesses Impacted:

- Energy Infrastructure

Associated Strategies:

- Financial Strength

Description & Context

All commercial natural gas storage in Alberta is subject to interruptible transport constraints. An Alberta natural gas transportation provider's curtailment protocol in 2017 related to maintenance and expansion work on their system contributed to ongoing low natural gas prices in Alberta and volatility in the market. Further natural gas

transportation maintenance is scheduled for the summer of 2021, which may result in transportation constraints. There are on going discussions at the Canadian Energy Regulator (CER) on the appropriate solution to enhance access to natural gas storage in Alberta during the summer of 2021.

Risk Management Approach

To reduce the impact to natural gas storage operations, Canadian Utilities structures its natural gas storage portfolio around the natural gas transportation provider's planned maintenance schedules to minimize the impact of natural gas supply curtailments. Further, Energy Infrastructure is an intervenor in the CER process providing input to help CER make the appropriate decisions. The Energy Infrastructure business is also an active participant in consultations with natural gas transportation and other natural gas service providers to further enhance access to storage.

Business Risk: Natural Resource Sector Business Cycles

Businesses Impacted:

- Structures & Logistics
- Neltume Ports

Associated Strategies:

- Growth
- Financial Strength
- Operational Excellence

Description & Context

Demand for Structures & Logistics' workforce housing products and services, and the services provided by Neltume Ports are directly related to capital spending cycles and levels of development activity in various industries, primarily in the natural resources sector. Several key external factors influence customers' decision-making on whether or not to purchase products and services offered by the Company and/or to utilize the services provided by Neltume Ports. These factors include expected commodity prices, global economic and political conditions, and access to debt financing and equity capital. Any adverse impact on these influential key decision factors for a prolonged period could affect demand for the Company's products and services.

Risk Management Approach

ATCO Structures' cost structure has a high variable cost component which provides flexibility in the Company's ability to reduce costs when the resource sector experiences a decline. In recent years, ATCO Structures has managed fluctuations in the natural resource sector through its diversification into permanent modular construction and facility operations and maintenance services, while expanding its global space rentals business. These businesses provide stable earnings and cash flows and greater geographic diversity thereby reducing ATCO Structures' risk exposure to any one particular industry sector or geography.

Neltume Ports has a diversified operational portfolio linked to a mix of economic activity in Chile, Uruguay, Argentina, and Brazil.

Business Risk: Pandemic Risk

Businesses Impacted:

- All businesses

Associated Strategies:

- Growth
- Financial Strength
- Operational Excellence
- Community Involvement

Description & Context

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

Any deterioration in general economic and market conditions resulting from a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk; any of which could have a negative impact on the Company's business.

Risk Management Approach

While ATCO's investments in essential services are largely focused on regulated utilities and long-term contracted businesses with strong counterparties, creating a resilient investment portfolio, the extent of the COVID-19 pandemic and its future impact on the Company remains uncertain. In response to the evolving situation, ATCO's Pandemic Plan was activated in February 2020. The plan included travel restrictions, limited access to facilities, a direction to work from home whenever possible, physical distancing measures and other protocols (including the use of personal protective equipment while at a work premise). Since then, the Company has been following recommendations by local and national public health authorities across the globe to adjust operational requirements as needed to ensure a coordinated approach across ATCO. As a result of these efforts and the Company's experience in crisis response, ATCO has been able to minimize the impact of the current COVID-19 pandemic on the Company's businesses and the essential services it provides to customers.

Business Risk: Pipeline Integrity

Businesses Impacted:

- Utilities

Associated Strategies:

- Operational Excellence
- Community Involvement

Description & Context

Natural Gas Transmission, Natural Gas Distribution and International Gas Distribution have significant pipeline infrastructure. Although the probability of a pipeline rupture is very low, the consequences of a failure can be severe.

Risk Management Approach

Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines or pipeline infrastructure as required to address safety, reliability, and future growth. These programs include Natural Gas Distribution and Natural Gas Transmission's Urban Pipeline Replacement and Integrity programs, and Natural Gas Distribution and International Natural Gas Distribution's Mains Replacement programs. The Company also carries property and liability insurance. The Company actively engages in damage prevention initiatives including proactive direct engagement with the building and excavation communities. The Company also promotes ground disturbance and excavation safety to homeowners and the excavation community.

Business Risk: Political

Businesses Impacted:

- All businesses

Associated Strategies:

- Growth
- Financial Strength
- Operational Excellence

Description & Context

Operations are exposed to a risk of change in the business environment due to political change. Legislative or policy changes may impact the financial performance of operations. This could negatively impact earnings, return on equity and assets, and credit metrics.

Risk Management Approach

Participation in policy consultations with governments and engagement of stakeholder groups ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company works with its peers and industry associations to develop common positions and strategies. Geographic diversification of assets by region and by country reduces the impact of political and legislative changes.

Business Risk: Regulated Operations**Businesses Impacted:**

- Utilities

Associated Strategies:

- Growth
- Financial Strength
- Operational Excellence

Description & Context

The Regulated Utilities are subject to the normal risks faced by regulated companies. These risks include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base. These risks also include the regulator's potential disallowance of costs incurred. Electricity Distribution and Natural Gas Distribution operate under performance based regulation (PBR). Under PBR, utility revenues are formula driven, which raises the uncertainty of cost recovery. In Australia, the ERA assesses appropriate returns, prudent levels of operating costs, capital expenditures and expected throughput on the network through an Access Arrangement proceeding.

Risk Management Approach

The Regulated Utilities file forecasts in the rate-setting process to recover the costs of providing services and earn a fair rate of return. The determination of a fair rate of return on the common equity component of rate base is determined in a generic cost of capital proceeding in Alberta and an Access Arrangement proceeding in Australia. The Regulated Utilities continuously monitor various regulatory decisions and cases to assess how they might impact the Company's regulatory applications for the recovery of costs. The Regulated Utilities are proactive in demonstrating prudence and continuously look for ways to lower operating costs while maintaining service levels.

Business Risk: Technological Transformation and Disruption**Businesses Impacted:**

- All businesses

Associated Strategies:

- Growth
- Financial Strength
- Operational Excellence
- Innovation

Description & Context

The introduction and rapid, widespread adoption of transformative technology could lead to disruption of the Company's existing business models and introduce new competitive market dynamics. Failure to effectively identify and manage disruptive technology and / or changing consumer attitudes and preferences may result in disruptions to the business and an inability to achieve strategic and financial objectives.

Risk Management Approach

The strategic plans of each business unit incorporate transformative technology into the evolution of their business and ensures that the best available technology is deployed to support current state operational efficiency and reliability. The business seeks opportunities to minimize costs by monitoring trends occurring in other jurisdictions that may be ahead of the technological curve.

Business Risk: Liquidity**Businesses Impacted:**

- All businesses

Associated Strategies:

- Financial Strength

Description & Context

Liquidity risk is the risk that the Company will not be able to meet its financial obligations.

Risk Management Approach

Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through bank borrowings and the issuance of long-term debt, non-recourse long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans under available credit lines are used to provide flexibility in the timing and amounts of long-term financing. The Company does not invest any of its cash balances in asset-backed securities. At December 31, 2020, the Company's cash position was approximately \$1 billion and there were available committed and uncommitted lines of credit of approximately 2.5 billion which can be utilized for general corporate purposes.

Liquidity risk includes contractual financial obligations which the Company will meet with cash flow from operations, existing cash balances and external financing, if necessary. These contractual financial obligations for the next five years and thereafter are shown below.

<i>(\$ millions)</i>	2021	2022	2023	2024	2025	2026 and thereafter
Financial Liabilities						
Accounts payable and accrued liabilities	695	—	—	—	—	—
Long-term debt:						
Principal	329	379	817	129	35	7,979
Interest expense ⁽¹⁾	398	384	364	343	342	6,986
Derivatives ⁽²⁾	13	5	2	—	—	—
	1,435	768	1,183	472	377	14,965
Commitments						
Purchase obligations:						
Operating and maintenance agreements	407	319	329	299	47	151
Capital expenditures	231	—	—	—	—	—
Other	14	—	—	—	—	—
	652	319	329	299	47	151
Total	2,087	1,087	1,512	771	424	15,116

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2020. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2020.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the 2020 Consolidated Financial Statements.

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

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

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

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

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

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

(\$ millions)				Three Months Ended December 31				
2020	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
2019				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	171	—	1	784	59	38	881	1,053
	245	—	8	817	93	19	929	1,182
Adjusted earnings (loss)	17	7	—	102	7	(11)	98	122
	14	4	(9)	92	8	(8)	92	101
Loss on sale of operations	—	—	—	—	—	—	—	—
	—	—	—	—	(7)	—	(7)	(7)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	—	—	—	—	—	(4)	(4)	(4)
	—	—	—	—	3	(1)	2	2
Rate-regulated activities	—	—	—	(16)	—	1	(15)	(15)
	—	—	2	(5)	—	(1)	(6)	(4)
IT Common Matters decision	—	—	—	(5)	—	—	(5)	(5)
	—	—	—	(3)	—	—	(3)	(3)
Early termination of the master service agreement for managed IT services	(3)	—	—	(26)	(1)	(2)	(29)	(32)
	—	—	—	—	—	—	—	—
Other	—	—	(1)	—	1	—	1	—
	—	—	1	—	(6)	(1)	(7)	(6)
Earnings (loss) attributable to Class I and Class II Shares	14	7	(1)	55	7	(16)	46	66
	14	4	(6)	84	(2)	(11)	71	83

								Year Ended December 31
2020	Structures & Logistics	Neltime Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
2019				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	714	—	(3)	2,932	195	106	3,233	3,944
	803	—	(2)	2,956	856	93	3,905	4,706
Adjusted earnings (loss)	57	15	—	305	15	(40)	280	352
	37	15	(6)	301	57	(39)	319	365
Gain on sale of operations	—	—	—	—	—	—	—	—
	—	—	—	—	65	—	65	65
Impairment and other costs	(5)	—	—	(4)	(2)	(9)	(15)	(20)
	—	—	—	—	—	—	—	—
Unrealized (losses) gains on mark-to- market forward and swap commodity	—	—	—	—	(2)	(2)	(4)	(4)
	—	—	—	—	(4)	7	3	3
Rate-regulated activities	—	—	—	(34)	—	2	(32)	(32)
	—	—	2	97	—	(1)	96	98
IT Common Matters decision	—	—	—	(10)	—	—	(10)	(10)
	—	—	—	(12)	—	—	(12)	(12)
Early termination of the master service agreement for managed IT services	(3)	—	—	(26)	(1)	(2)	(29)	(32)
	—	—	—	—	—	—	—	—
Other	—	—	(1)	—	(1)	—	(1)	(2)
	—	—	1	—	(6)	(1)	(7)	(6)
Earnings (loss) attributable to Class I and Class II Shares	49	15	(1)	231	9	(51)	189	252
	37	15	(3)	386	112	(34)	464	513

GAIN ON SALE OF OPERATIONS

In 2019, the Company closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business and Alberta PowerLine. These sales resulted in an aggregate gain of \$65 million (after-tax and non-controlling interests). As the gain was related to a series of one-time transactions, it was excluded from adjusted earnings.

IMPAIRMENT AND OTHER COSTS

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

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

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

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

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

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

Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment of Canadian Utilities Limited.

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

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

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

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

(\$ millions)	Three Months Ended December 31			Year Ended December 31		
	2020	2019	Change	2020	2019	Change
Additional revenues billed in current period						
Future removal and site restoration costs ⁽¹⁾	11	5	6	41	34	7
Impact of (warmer) colder temperatures ⁽²⁾	(3)	(1)	(2)	1	7	(6)
Revenues to be billed in future periods						
Deferred income taxes ⁽³⁾	(17)	(13)	(4)	(55)	(54)	(1)
Deferred income taxes due to decrease in provincial corporate income tax ⁽⁴⁾	—	—	—	—	106	(106)
Impact of inflation on rate base ⁽⁵⁾	(1)	(2)	1	(3)	(7)	4
Regulatory decisions received (see below)	—	2	(2)	—	3	(3)
Settlement of regulatory decisions and other items ⁽⁶⁾	(5)	5	(10)	(16)	9	(25)
	(15)	(4)	(11)	(32)	98	(130)

- (1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.
- (2) Natural Gas Distribution customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal in the current period are refunded to or recovered from customers in future periods.
- (3) Income taxes are billed to customers when paid by the Company.
- (4) In the second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments starting July 1, 2019. As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings in 2019 by \$106 million.
- (5) The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

(6) In 2020, Electricity Distribution recorded a decrease in earnings of \$14 million related to payments to customers for transmission costs and capital related items.

REGULATORY DECISIONS RECEIVED

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

Decision	Amount	Description
1. Information Technology (IT) Common Matters	12	<p>In August 2014, the Company sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT MSA effective January 1, 2015.</p> <p>In 2015, the Alberta Utilities Commission (AUC) commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13 per cent and to apply a glide path that reduces pricing by 4.61 per cent in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to December 31, 2019 was \$12 million.</p>
2. Electricity Transmission General Tariff Application (GTA)	(9)	<p>In June 2017, Electricity Transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of \$9 million was recorded in 2019.</p>

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the fourth quarter and year ended December 31, 2020 was \$5 million and \$10 million (2019 - \$3 million and \$12 million).

EARLY TERMINATION OF THE MASTER SERVICE AGREEMENT FOR MANAGED IT SERVICES

In the fourth quarter of 2020, Canadian Utilities signed a Master Services Agreement with IBM Canada Ltd. to provide managed information technology services. These services are currently provided by Wipro Ltd. (Wipro) under a ten-year MSA maturing in December 2024. The transition of the managed IT services from Wipro to IBM will be completed over a six-month period, which commenced February 1, 2021.

ATCO has recognized costs of \$32 million (after-tax and non-controlling interests), which represents management's best estimate of the costs to exit the Wipro MSA. The actual costs will be finalized later in 2021. As these costs are one-time in nature, they are excluded from adjusted earnings.

OTHER

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the year ended December 31, 2020, the Company recorded a foreign exchange loss of \$2 million (after tax and non-controlling interests) (2019 - nil) due to a difference between the tax base currency, which is the Mexican peso, and the US dollar functional currency.

In 2019, the Company recognized costs of \$6 million (after tax and non controlling interests) with regard to a number of disputes related to the Tula Pipeline project. The Company continues to work with the involved parties to achieve a resolution of these disputes. As these costs related to a significant non-recurring event, they were excluded from adjusted earnings.

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

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

(\$ millions)

2020	Three Months Ended December 31	Year Ended December 31
2019		
Funds generated by operations	516	1,804
	469	1,927
Changes in non-cash working capital	(38)	39
	2	(205)
Change in receivable under service concession arrangement	—	—
	(28)	(180)
Cash flows from operating activities	478	1,843
	443	1,542

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

(\$ millions)

Three Months Ended
December 31

2020	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
2019								
Capital Investment	43	—	2	243	7	3	253	298
	25	—	(17)	340	31	3	374	382
Capital expenditure in joint ventures	—	—	—	—	(2)	—	(2)	(2)
	—	—	—	—	—	—	—	—
Business combinations	(19)	—	—	—	—	—	—	(19)
	—	—	—	—	—	—	—	—
Capital Expenditures	24	—	2	243	5	3	251	277
	25	—	(17)	340	31	3	374	382

(\$ millions)

Year Ended
December 31

2020	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
2019								
Capital Investment	144	—	13	876	28	8	912	1,069
	105	9	(16)	1,035	185	6	1,226	1,324
Equity investment in associate company	—	—	—	—	—	—	—	—
	—	(9)	—	—	—	—	—	(9)
Capital expenditure in joint ventures	—	—	—	—	(9)	—	(9)	(9)
	—	—	—	—	(2)	—	(2)	(2)
Business combinations	(19)	—	—	—	—	—	—	(19)
	—	—	—	—	—	—	—	—
Service concession arrangement	—	—	—	—	—	—	—	—
	—	—	—	—	(95)	—	(95)	(95)
Capital Expenditures	125	—	13	876	19	8	903	1,041
	105	—	(16)	1,035	88	6	1,129	1,218

OTHER FINANCIAL INFORMATION

OFF BALANCE SHEET ARRANGEMENTS

ATCO does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

CONTINGENCIES

The Company is party to a number of disputes and lawsuits in the normal course of business. The Company believes the ultimate liability arising from these matters will have no material impact on its 2020 Consolidated Financial Statements.

SIGNIFICANT ACCOUNTING ESTIMATES

The Company's significant accounting estimates are described in Note 22 of the 2020 Consolidated Financial Statements, which are prepared in accordance with IFRS. Management makes judgments and estimates that could significantly affect how policies are applied, amounts in the consolidated financial statements are reported, and contingent assets and liabilities are disclosed. Most often these judgments and estimates concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an ongoing basis; changes to accounting estimates are recognized prospectively.

ACCOUNTING CHANGES

At December 31, 2020, there are no new or amended standards issued, or interpretations that need to be adopted in future periods, which will have a material effect on the 2021 Consolidated Financial Statements once adopted.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2020, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The controls also seek to assure this information is accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions on required disclosure.

Management, including the CEO and the CFO, does not expect the Company's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective at December 31, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As of December 31, 2020, management evaluated the effectiveness of the Company's internal control over financial reporting as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting was effective at December 31, 2020.

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

FORWARD-LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

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

GLOSSARY

AESO means the Alberta Electric System Operator.

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

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

AUC means the Alberta Utilities Commission.

Average weekly earnings (AWE) is an indicator of short-term employee earnings growth.

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

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

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

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

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

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

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

K Bar means the AUC allowance for capital additions under performance based regulation.

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

LNG means liquefied natural gas.

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

NCI means non controlling interest.

PBR means Performance Based Regulation.

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

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

APPENDIX 1

FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2020 and 2019 is shown below.

CONSOLIDATED STATEMENT OF EARNINGS

<i>(millions of Canadian Dollars except per share data)</i>	Three Months Ended December 31	
	2020	2019
Revenues	1,053	1,182
Costs and expenses		
Salaries, wages and benefits	(122)	(139)
Energy transmission and transportation	(57)	(49)
Plant and equipment maintenance	(44)	(66)
Fuel costs	(22)	(28)
Purchased power	(55)	(51)
Service concession arrangement costs	—	(9)
Materials and consumables	(93)	(151)
Depreciation and amortization	(174)	(172)
Franchise fees	(64)	(68)
Property and other taxes	(17)	(17)
Other	(157)	(94)
	(805)	(844)
Gain on Sale of Operations	—	21
Earnings from investment in associate company	7	4
Earnings from investment in joint ventures	13	7
Operating profit	268	370
Interest income	5	9
Interest expense	(109)	(124)
Net finance costs	(104)	(115)
Earnings before income taxes	164	255
Income taxes	(38)	(90)
Earnings for the period	126	165
Earnings attributable to:		
Class I and Class II Shares	66	83
Non-controlling interests	60	82
	126	165
Earnings per Class I and Class II Share	\$0.58	\$0.73
Diluted earnings per Class I and Class II Share	\$0.58	\$0.72

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31	
<i>(millions of Canadian Dollars)</i>	2020	2019
Operating activities		
Earnings for the period	126	165
Adjustments to reconcile earnings to cash flows from operating activities	390	304
Changes in non-cash working capital	(38)	2
Change in receivable under service concession arrangement	—	(28)
Cash flows from operating activities	478	443
Investing activities		
Additions to property, plant and equipment	(238)	(353)
Proceeds on disposal of property, plant and equipment	—	3
Additions to intangibles	(36)	(27)
Acquisition, net of cash acquired	—	(5)
Proceeds on sales of operations, net of cash disposed	—	222
Changes in non-cash working capital	(3)	30
Other	(14)	3
Cash flows used in investing activities	(291)	(127)
Financing activities		
Issue of long-term debt	19	13
Repayment of long-term debt	(128)	(10)
Release of projected restricted funds	—	146
Purchase of shares by subsidiary companies	(12)	—
Repayment of non-recourse long-term debt	—	(7)
Repayment of lease liabilities	(4)	(5)
Net purchase of Class I Shares	(5)	(5)
Dividends paid to Class I and Class II Share owners	(50)	(47)
Dividends paid to non-controlling interests	(75)	(73)
Interest paid	(126)	(143)
Other	(2)	(1)
Cash flows used in financing activities	(383)	(132)
(Decrease) increase in cash position	(196)	184
Foreign currency translation	(2)	(35)
Beginning of period	1,298	991
End of period	1,100	1,140