CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED
FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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2023 SECOND QUARTER FINANCIAL INFORMATION

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UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company) during the six months ended June 30, 2023.

This MD&A was prepared as of July 26, 2023, and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2023. Additional information, including the Company's previous MD&As, Annual Information Form, and audited consolidated financial statements for the year ended December 31, 2022, is available on SEDAR+ at www.sedarplus.ca. Information contained in the MD&A for the year ended December 31, 2022 is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by ATCO Ltd. and its controlling share owner, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

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

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions, except per share data and outstanding shares)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Key Financial Metrics						
Revenues	**879**	933	(54)	**2,010**	2,043	(33)
Adjusted earnings (loss) (1)	**100**	136	(36)	**317**	355	(38)
Utilities (1)	**119**	156	(37)	**345**	390	(45)
Energy Infrastructure	**9**	10	(1)	**24**	18	6
Corporate & Other	**(28)**	(30)	2	**(52)**	(53)	1
Adjusted earnings ($ per share)	**0.37**	0.51	(0.14)	**1.18**	1.32	(0.14)
Earnings attributable to equity owners of the Company	**105**	151	(46)	**397**	378	19
Earnings attributable to Class A and Class B shares	**86**	134	(48)	**359**	343	16
Earnings attributable to Class A and Class B shares ($ per share)	**0.32**	0.50	(0.18)	**1.33**	1.28	0.05
Diluted earnings attributable to Class A and Class B shares ($ per share)	**0.32**	0.50	(0.18)	**1.33**	1.28	0.05
Total assets	**22,601**	21,377	1,224	**22,601**	21,377	1,224
Long-term debt	**10,179**	9,413	766	**10,179**	9,413	766
Equity attributable to equity owners of the Company	**6,949**	6,795	154	**6,949**	6,795	154
Cash dividends declared per Class A and Class B share (cents per share)	**44.86**	44.42	0.44	**89.72**	88.84	0.88
Cash flows from operating activities	**342**	513	(171)	**882**	1,152	(270)
Capital investment (2)	**336**	297	39	**1,332**	562	770
Capital expenditures	**332**	294	38	**636**	557	79
Other Financial Metrics						
Weighted average Class A and Class B shares outstanding *(thousands):*						
Basic	**269,899**	269,057	842	**269,713**	269,003	710
Diluted	**270,202**	269,631	571	**270,116**	269,537	579

(1) Additional information regarding these total of segments measures is provided under the headings “Other Financial and Non-GAAP Measures” and “Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company” in this MD&A.

(2) Additional information regarding this non-GAAP measure is provided under the headings “Other Financial and Non-GAAP Measures” and “Reconciliation of Capital Investment to Capital Expenditures” in this MD&A.

REVENUES

Revenues in the second quarter of 2023 were $879 million, $54 million lower than the same period in 2022. Lower revenues were mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Base Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. Lower revenues were partially offset by additional revenues from Energy Infrastructure's Forty Mile and Adelaide wind assets acquired in January 2023, and higher flow-through revenues in Electricity Distribution.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the second quarter of 2023 were $100 million or $0.37 per share, compared to $136 million or $0.51 per share for the same period in 2022.

Adjusted earnings in the second quarter of 2023 were $36 million lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

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 EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $105 million in the second quarter of 2023, $46 million lower compared to 2022. Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities, dividends on equity preferred shares of the Company, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company section of this MD&A.

Earnings attributable to equity owners of the Company are earnings attributable to Class A and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A and Class B shares is presented in Note 5 of the unaudited interim consolidated financial statements.

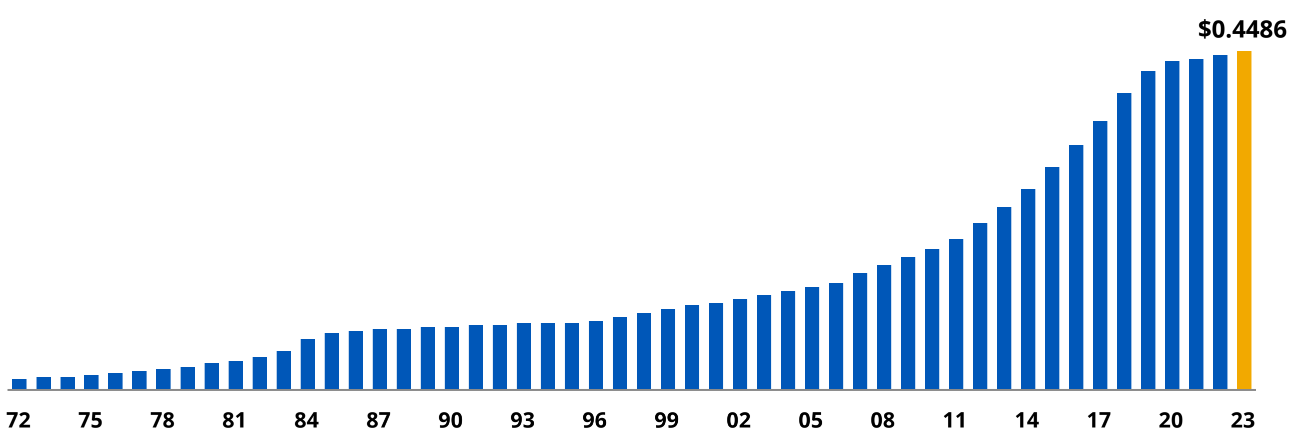
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $342 million in the second quarter of 2023, $171 million lower than the same period in 2022. These decreases were mainly due to lower cash flows from the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses, and the timing of payables.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners in the second quarter of 2023 totaled $116 million, net of $4 million of dividends reinvested. On July 12, 2023, the Board of Directors declared a third quarter dividend of 44.86 cents per share or $1.79 on an annualized basis. We aim to grow dividends in-line with our sustainable earnings growth, which is linked to growth from our regulated and long-term contracted investments.

Quarterly Dividend Rate 1972 - 2023
(dollars per share)

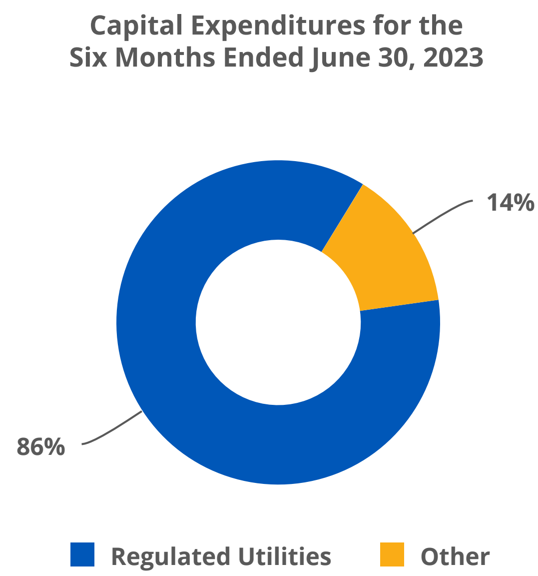


[1] *Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*

CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Total capital investment of $336 million and $1,332 million in the second quarter and first six months of 2023 were $39 million and $770 million higher compared to the same periods in 2022 mainly due to the first quarter acquisition of the renewable energy portfolio in the Energy Infrastructure segment, and ongoing capital investment in the Regulated Utilities.

Total capital expenditures of $332 million and $636 million in the second quarter and first six months of 2023 were $38 million and $79 million higher compared to the same periods in 2022 mainly due to the factors outlined above with the exception of the renewable energy portfolio acquisition within the Energy Infrastructure segment as this business combination is excluded from capital expenditures.



Capital expenditures in the Regulated Utilities accounted for 86 per cent of the total in the first six months of 2023. The remaining 14 per cent was primarily related to capital spending within the Energy Infrastructure segment, mainly related to the Barlow, Deerfoot and Empress solar projects.

[1] *Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $730 million and $1,663 million in the second quarter and first six months of 2023 were $67 million and $98 million lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. In addition, Electricity Transmission revenues were lower due to the approved negotiated settlement agreement which reflects ceased collection and a refund of previously collected federal deferred income taxes. These actions do not significantly impact adjusted earnings, however, they will reduce revenues and cash flows from 2023 to 2025, providing rate relief to customers. Lower revenues were partially offset by higher flow-through revenues in Electricity Distribution, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity						
Electricity Distribution (1)	**28**	40	(12)	**66**	87	(21)
Electricity Transmission (1)	**37**	44	(7)	**81**	87	(6)
International Electricity Operations (1)	**10**	11	(1)	**22**	22	—
Total Electricity	**75**	95	(20)	**169**	196	(27)
Natural Gas						
Natural Gas Distribution (1)	**—**	12	(12)	**88**	111	(23)
Natural Gas Transmission (1)	**23**	23	—	**48**	46	2
International Natural Gas Distribution (1)	**21**	26	(5)	**40**	37	3
Total Natural Gas	**44**	61	(17)	**176**	194	(18)
Total Utilities (2)	**119**	156	(37)	**345**	390	(45)

(1) Additional information regarding these non-GAAP measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Additional information regarding this total of segments measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings Attributable to Equity Owners of the Company" in this MD&A.

Utilities adjusted earnings of $119 million and $345 million in the second quarter and first six months of 2023 were $37 million and $45 million lower than the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, partially offset by increased system volumes. In the first six months of 2023, lower earnings were partially offset by growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution.

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

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in Northern and Central East Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan.

Electricity Distribution adjusted earnings of $28 million and $66 million in the second quarter and first six months of 2023 were $12 million and $21 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, partially offset by new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $37 million and $81 million in the second quarter and first six months of 2023 were $7 million and $6 million lower compared to the same periods in 2022 mainly due to the second quarter decision received from the AUC on the 2018-2021 Deferral Application which denied recovery of forgone return related to certain cancelled projects.

International Electricity Operations

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

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022 and will continue until such time that PREPA's bankruptcy is resolved. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance agreement.

International Electricity Operations adjusted earnings of $10 million in the second quarter of 2023 were $1 million lower than the same period in 2022 mainly due to non-recoverable costs.

International Electricity Operations adjusted earnings of $22 million in the first six months of 2023 were comparable to the same period in 2022.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings in the second quarter and first six months of 2023 were $12 million and $23 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by growth in rate base and new cost efficiencies realized in the first six months of 2023.

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 $23 million in the second quarter of 2023 were comparable to the same period in 2022.

Natural Gas Transmission adjusted earnings of $48 million in the first six months of 2023 were $2 million higher compared to the same period in 2022 mainly due to growth in rate base.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $21 million in the second quarter of 2023 were $5 million lower than the same period in 2022 mainly due to the impact of inflation indexing on rate base in 2022, partially offset by increased system volumes.

International Natural Gas Distribution adjusted earnings of $40 million in the first six months of 2023 were $3 million higher than the same period in 2022 mainly due to increased system volumes.

In the second quarter of 2022, Australia inflation indexing reflected a full year inflation assumption of 6 per cent (3 per cent in the first quarter of 2022) which increased to 8 per cent by the end of 2022. It is expected that inflation for 2023 will be in the range of 4 to 5 per cent.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

Performance Based Regulation Reopeners

On June 30, 2023, the AUC initiated a proceeding for Electricity Distribution and Natural Gas Distribution as the reopener clause was triggered by both utilities in 2022, the final year of the second generation PBR term. The PBR reopener thresholds are triggered if a utility's earnings are +/- 500 basis points from the approved Return on Equity (ROE) in one year or +/- 300 basis points from the approved ROE in two consecutive years. In this proceeding, the AUC will determine whether a reopener and any adjustment of Electricity Distribution and Natural Gas Distribution's 2018 to 2022 plans are required.

Similar to the first generation of PBR, the increase in earnings in the second generation of PBR was a direct result of management's response to the incentive to implement efficiency improvements and not due to a flaw in the PBR framework. Therefore, we do not anticipate any adjustment as a result of this proceeding.

ELECTRICITY TRANSMISSION

ATCO Electric Transmission 2018-2021 Deferral Application

On April 26, 2023, the AUC issued a decision regarding ATCO Electric's 2018–2021 Deferral Application for the disposal of its 2018–2021 transmission deferral accounts and annual filing adjustment balances. While the decision received from the AUC denied recovery of forgone return related to certain cancelled projects and some capital additions, it approved the majority of additions to rate base.

ATCO Electric Transmission 2023-2025 GTA

On May 19, 2022, ATCO Electric Transmission filed a GTA for its operations for 2023, 2024, and 2025. A comprehensive negotiated settlement was reached in December 2022 with all of the participating interveners and an application was filed with the AUC in January 2023. On May 5, 2023, the AUC approved the negotiated settlement agreement in its entirety. Certain items were excluded from the negotiated settlement, including a request to recover a one-time depreciation adjustment related to the Jasper Palisades plant. The AUC denied this recovery which resulted in an impairment of the asset.

REVENUES

Energy Infrastructure revenues of $70 million in the second quarter of 2023 were comparable to the same period in 2022.

Energy Infrastructure revenues of $201 million in the first six months of 2023 were $50 million higher than the same period in 2022 mainly due to revenues from the Forty Mile and Adelaide wind assets acquired in January 2023, and higher revenues at the Alberta Hub and Carbon natural gas storage facilities.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity Generation (1) (2)	**4**	4	—	**11**	6	5
Storage & Industrial Water (1) (2)	**5**	6	(1)	**13**	12	1
Total Energy Infrastructure (2)	**9**	10	(1)	**24**	18	6

(1) Considered to be non-GAAP financial measures.

(2) Additional information is provided under the headings “Other Financial and Non-GAAP Measures” and “Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company” in this MD&A.

Energy Infrastructure adjusted earnings of $9 million in the second quarter of 2023 were $1 million lower than the same period in 2022 mainly due to the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, the timing of project development costs, and lower demand of natural gas storage services, partially offset by earnings from the Forty Mile and Adelaide wind assets acquired in January 2023.

Energy Infrastructure adjusted earnings of $24 million in the first six months of 2023 were $6 million higher than the same period in 2022 mainly due to earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, and increased storage capacity at the Carbon natural gas storage facility, partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, and the timing of project 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 include the supply of electricity from solar, wind, hydroelectric, and natural gas generating plants in Canada, Australia, Mexico, and Chile.

Electricity Generation adjusted earnings of $4 million in the second quarter of 2023 were comparable to the same period in 2022.

Electricity Generation adjusted earnings of $11 million in the first six months of 2023 were $5 million higher compared to the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, and the timing of project development costs.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $5 million in the second quarter of 2023 were $1 million lower compared to the same period in 2022 mainly due to lower demand of natural gas storage services.

Storage & Industrial Water adjusted earnings of $13 million in the first six months of 2023 were $1 million higher compared to the same period in 2022 mainly due to increased storage capacity at the Carbon natural gas storage facility.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Calgary Solar Development Projects

In June 2023, the Barlow solar project achieved full commercial operations. The Deerfoot solar project is expected to commence energization in the third quarter of 2023, with full commercial operations expected in the fourth quarter of 2023. Once fully operational, the Barlow and Deerfoot solar projects will be the largest solar installations in a major urban centre in Western Canada.

Barlow solar site, Calgary, Alberta, Canada

SUBSEQUENT EVENT

Heartland Hydrogen Hub Project

We remain committed to our Hydrogen project within Alberta's Industrial Heartland and continue to move development of the project forward. The project has significant potential to supply hydrogen to domestic and international markets, including the Alberta gas grid, industrial, municipal, and commercial transport users.

We continue to work with supportive Federal and Provincial governments to establish policy and frameworks that facilitate investment in the Canadian hydrogen economy.

Subsequent to quarter-end, Suncor Energy provided notice of its intention to withdraw from the hydrogen production facility project. This has not changed our commitment to the project. We continue to work with other parties to further the development and commercial success of this project. Our expectation of a 2024 final investment decision remains unchanged.

CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Canadian Utilities Corporate & Other [(1)]	**(28)**	(30)	2	**(52)**	(53)	1

(1) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the second quarter and first six months of 2023 were $2 million and $1 million higher than the same periods in 2022 mainly due to the timing of certain expenses.

RECENT DEVELOPMENTS

Branding Initiative

We are in the process of launching two new brands. ATCO Energy Systems will be the new global brand for our gas and electrical utility services business. ATCO EnPower will be the new global brand for our non-regulated energy business, including renewables, clean fuels, and energy storage. These brands are expected to be fully launched and integrated into our marketing and communications as the year progresses.

The branding does not impact our reporting segments within our external documents in this quarter.

Executive Appointments

As the organization continues to look to the future, we are pleased to announce the following executive appointments, effective July 1, 2023:

- Wayne Stensby as Chief Operating Officer of ATCO Energy Systems, the newly branded gas and electrical utility services business which also oversees our interests in LUMA Energy; and
- Bob Myles as Chief Operating Officer of ATCO EnPower, the newly branded non-regulated energy business, including renewables, clean fuel, and energy storage.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

The following section outlines commitments made by ATCO, Canadian Utilities' parent company. Canadian Utilities is supportive of the commitments made by ATCO and will play a key part in achieving the ESG targets set by ATCO.

SUSTAINABILITY REPORTING AND ESG TARGETS

ATCO's 2022 Sustainability Report, published in April 2023, focuses on the following material topics:

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

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

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

The 2022 Sustainability Report, ESG Datasheet, Corporate Governance, materiality assessment, and additional details and other disclosures are available on our website at www.canadianutilities.com.

CLIMATE CHANGE AND ENERGY TRANSITION

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

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the second quarter and first six months of 2023 and 2022 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	2023	2022	Change	2023	2022	Change
Operating costs	**481**	500	(19)	**983**	1,068	(85)
Depreciation, amortization and impairment	**177**	156	21	**345**	313	32
Earnings from investment in joint ventures	**14**	15	(1)	**33**	33	—
Net finance costs	**101**	92	9	**198**	189	9
Income tax expense	**27**	47	(20)	**114**	124	(10)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by $19 million in the second quarter of 2023 compared to the same period in 2022. Lower operating costs were mainly due to higher unrealized and realized gains on derivative financial instruments and lower energy costs in ATCO Energy, and lower franchise fees within the Natural Gas Distribution business. Lower operating costs were partially offset by increased plant and equipment maintenance, technology costs, and increased flow-through costs.

Operating costs decreased by $85 million in the first six months of 2023 compared to the same period in 2022 mainly due to the factors outlined above, in addition to 2022 costs incurred related to the AUC enforcement proceeding. Lower operating costs were partially offset by legal and other costs related to the Wipro Ltd. (Wipro) Master Services Agreements (MSAs) matter that was concluded on February 26, 2023.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $21 million and $32 million in the second quarter and first six months of 2023 compared to the same periods in 2022 mainly due to the acquisition of the Forty Mile and Adelaide wind assets acquired in January 2023 in Energy Infrastructure, an $8 million impairment of certain electricity generation assets that had been removed from service and determined to have no remaining value in Electricity Transmission, and ongoing investment in the Regulated Utilities.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Northland Utilities Enterprises Ltd. (NUE) electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures in the second quarter of 2023 were $1 million lower than the same period in 2022 mainly due to non-recoverable costs.

Earnings from investment in joint ventures in the first six months of 2023 were comparable to the same period in 2022.

NET FINANCE COSTS

Net finance costs increased by $9 million in the second quarter and first six months of 2023 compared to the same periods in 2022 mainly due to higher interest expense as a result of external financing related to the acquisition of the renewable energy portfolio, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $20 million in the second quarter of 2023 compared to the same period in 2022 mainly due to lower IFRS earnings before income taxes, which is primarily driven by lower revenues.

Income taxes were lower by $10 million in the first six months of 2023 compared to the same period in 2022 mainly due to prior year non-deductible items, partially offset by higher IFRS earnings before income taxes primarily driven by higher unrealized and realized gains on derivative financial instruments.

LIQUIDITY AND CAPITAL RESOURCES

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

CREDIT RATINGS

The following table shows the credit ratings assigned to Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd at June 30, 2023.

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

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

At our request, on July 12, 2023, S&P Global Ratings withdrew its 'BBB+' long-term issuer credit ratings and all related debt issue ratings on Canadian Utilities Limited, and 'A-' issuer credit rating and all related debt issue ratings on CU Inc. At the time of the withdrawal, S&P confirmed issuer credit ratings and the stable outlook on all ratings. S&P will continue to rate ATCO Gas Australia on a standalone basis as an insulated subsidiary. Going forward, Fitch and DBRS will continue to rate Canadian Utilities and CU Inc.

LINES OF CREDIT

At June 30, 2023, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,689**	1,041	1,648
Uncommitted	**600**	216	384
Total	**3,289**	1,257	2,032

Of the $3,289 million in total lines of credit, $600 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,689 million in credit lines was committed with maturities between 2024 and 2026, and may be extended at the option of the lenders.

Of the $1,257 million in lines of credit used, $627 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 related to the funding of the renewable energy portfolio acquisition in Energy Infrastructure and the issuance of letters of credit.

CONSOLIDATED CASH FLOW

At June 30, 2023, the Company's cash position was $253 million, a decrease of $445 million compared to December 31, 2022 mainly due to cash used to fund the capital investment program including the acquisition of renewable energy assets in January 2023, investments in marketable securities, dividends paid, payments of debt and interest, partially offset by Canadian Utilities' first and second quarter debt issuances, and cash flows from operating activities achieved during the first six months of 2023.

Cash Flows from Operating Activities

Cash flows from operating activities were $342 million and $882 million in the second quarter and first six months of 2023, $171 million and $270 million lower than the same periods in 2022. These decreases were mainly due to lower cash flows from the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses, and the timing of payables.

Cash Used for Capital Investment [1] and Capital Expenditures

Total capital investment of $336 million and $1,332 million in the second quarter and first six months of 2023 were $39 million and $770 million higher compared to the same periods in 2022 mainly due to the first quarter acquisition of the renewable energy portfolio in the Energy Infrastructure segment and ongoing capital investment in the Regulated Utilities.

Total capital expenditures of $332 million and $636 million in the second quarter and first six months of 2023 were $38 million and $79 million higher compared to the same periods in 2022 mainly due to the factors outlined above with the exception of the renewable energy portfolio acquisition within the Energy Infrastructure segment as this business combination is excluded from capital expenditures.

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(1) *Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A*.

Capital investment and capital expenditures for the second quarter and first six months of 2023 and 2022 are shown in the following table.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Utilities						
Electricity	**149**	110	39	**294**	231	63
Natural Gas	**137**	133	4	**253**	229	24
	286	243	43	**547**	460	87
Energy Infrastructure	**41**	49	(8)	**83**	92	(9)
CU Corporate & Other	**5**	2	3	**6**	5	1
Canadian Utilities Total Capital Expenditures (1) (2)	**332**	294	38	**636**	557	79
Capital Expenditures in joint ventures						
Utilities						
Electricity	**1**	1	—	**2**	2	—
Energy Infrastructure	**3**	2	1	**3**	3	—
Business Combinations						
Energy Infrastructure	**—**	—	—	**691**	—	691
Canadian Utilities Total Capital Investment (3)	**336**	297	39	**1,332**	562	770

(1) Includes additions to property, plant and equipment, intangibles and $5 million and $11 million (2022 - $3 million and $5 million) of capitalized interest during construction for the second quarter and first six months of 2023.

(2) Includes $24 million and $80 million for the second quarter and first six months of 2023 (2022 - $63 million and $108 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.

(3) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Marketable Securities

In February 2023, the Company invested excess cash of $190 million in marketable securities primarily consisting of publicly traded investment grade corporate and government bonds, private fixed income investments, bank loans and commercial mortgage funds. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within 7 business days.

The marketable securities investments are initially measured at cost and are subsequently measured at fair value through profit or loss. For the three and six months ended June 30, 2023, realized gains of $2 million and $2 million, respectively, were recognized in interest income, and unrealized losses of $3 million and $2 million, respectively, were recognized in other costs and expenses in the unaudited interim consolidated financial statements.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 51-year track record. Dividends paid to Class A and Class B share owners totaled $116 million net of dividends reinvested in the second quarter of 2023 and $232 million in the first six months of 2023.

On July 12, 2023, the Board of Directors declared a third quarter dividend of 44.86 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.

Debt Issuance

On June 30, 2023, Canadian Utilities issued $268 million additional long-term debt from an existing unsecured extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2024, and bears an interest rate at Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

Other Debt Issuance

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities, entered into a limited recourse term loan of $90 million with a bank lender. The loan is secured by the assets of the borrower. The loan amortizes quarterly until final maturity on December 31, 2034, and bears interest at CDOR plus an applicable margin. To mitigate the variable interest rate risk, Canadian Utilities entered into an interest rate swap agreement to fix the interest rate at 4.88 per cent, including the applicable margin.

Debt Repayments

On May 1, 2023, Canadian Utilities' subsidiary, CU Inc. repaid $100 million of 9.4 per cent debentures upon maturity.

On June 30, 2023, the first $355 million tranche of the unsecured non-revolving credit facility entered into by Canadian Utilities in January 2023 was repaid. The second $355 million tranche will mature on July 3, 2024 and bears interest at CDOR plus an applicable margin.

Future Financing Alternatives

Significant opportunities for growth continue to be expected in connection with the energy transition, including existing and new opportunities within both ATCO Energy Systems and ATCO EnPower. To support this potential growth, Canadian Utilities intends to explore various financing alternatives including the possibility of creating ATCO EnPower as a separate entity.

Dividend Reinvestment Plan (DRIP)

On January 13, 2022, the Company reinstated its dividend reinvestment program (DRIP) for eligible Class A non-voting and Class B common share owners who are enrolled in the program. The DRIP was previously suspended effective January 10, 2019.

In the second quarter of 2023, Canadian Utilities issued 129,603 Class A shares under the DRIP using re-invested dividends of $4 million.

In the first six months of 2023, Canadian Utilities issued 287,421 Class A shares under the DRIP using re-invested dividends of $10 million.

Mid-Term Incentive Plan (MTIP)

In May 2023, the Company sold all of the 440,554 Class A shares that were held in trust for the MTIP for proceeds of $17 million.

SHARE CAPITAL

Canadian Utilities’ equity securities consist of Class A shares and Class B shares.

At July 25, 2023, we had outstanding 201,743,648 Class A shares, 68,465,765 Class B shares, and options to purchase 1,878,450 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B VOTING SHARES

Class A and Class B share owners are entitled to share equally, on a share for share basis, in all dividends the Company declares on either of such classes of shares as well as in the Company’s remaining property on dissolution. Class B share owners are entitled to vote and to exchange at any time each share held for one Class A share.

If a take-over bid is made for the Class B shares and if it would result in the offeror owning more than 50 per cent of the outstanding Class B shares (excluding any Class B shares acquired upon conversion of Class A shares), the Class A share owners are entitled, for the duration of the take-over bid, to exchange their Class A shares for Class B shares and to tender the newly exchanged Class B shares to the take-over bid. Such right of exchange and tender is conditional on completion of the applicable take-over bid.

In addition, Class A share owners are entitled to exchange their shares for Class B shares if ATCO Ltd., the Company’s controlling share owner, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B shares. In either case, each Class A share is exchangeable for one Class B share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering.

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 10,868,850 Class A shares were available for issuance at June 30, 2023. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended September 30, 2021 through June 30, 2023.

($ millions, except for per share data)	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Revenues	898	1,107	1,131	**879**
Earnings attributable to equity owners of the Company	109	145	292	**105**
Earnings attributable to Class A and B shares	89	125	273	**86**
Earnings per Class A and Class B share *($)*	0.33	0.46	1.01	**0.32**
Diluted earnings per Class A and Class B share *($)*	0.32	0.46	1.01	**0.32**
Adjusted earnings per Class A and Class B share *($)*	0.45	0.66	0.81	**0.37**
Adjusted earnings (loss)				
Utilities [(1)]	135	189	226	**119**
Energy Infrastructure	12	5	15	**9**
Corporate & Other and Intersegment Eliminations	(27)	(14)	(24)	**(28)**
Total adjusted earnings [(1)]	120	180	217	**100**
($ millions, except for per share data)	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**
Revenues	790	1,028	1,110	933
Earnings attributable to equity owners of the Company	71	176	227	151
Earnings attributable to Class A and Class B shares	55	160	209	134
Earnings per Class A and Class B share *($)*	0.20	0.59	0.78	0.50
Diluted earnings per Class A and Class B share *($)*	0.20	0.59	0.78	0.50
Adjusted earnings per Class A and Class B share *($)*	0.33	0.71	0.81	0.51
Adjusted earnings (loss)				
Utilities [(1)]	104	206	234	156
Energy Infrastructure	7	4	8	10
Corporate & Other and Intersegment Eliminations	(23)	(18)	(23)	(30)
Total adjusted earnings [(1)]	88	192	219	136

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Our financial results for the previous eight quarters reflect the timing of utility regulatory decisions, and the seasonal nature of demand for natural gas and electricity.

ADJUSTED EARNINGS

Adjusted earnings in the third quarter of 2022 were higher compared to the same period in 2021 mainly due to inflation indexing on rate base which positively impacted earnings in the International Natural Gas Distribution business, Energy Infrastructure's earnings from the Alberta Hub natural gas facility acquired in December 2021, and the timing of operating costs in the Natural Gas Distribution business.

Adjusted earnings in the fourth quarter of 2022 were lower compared to the same period in 2021 mainly due to timing of cost recoveries in International Electricity Operations, the timing of operating costs in Electricity Distribution, Natural Gas Distribution and International Electricity Operations, and increased financing costs from a new preferred dividend issuance in December 2021 at Canadian Utilities' Corporate. Earnings were partially offset by timing of certain expenses and higher interest income earned in Corporate and Other.

Adjusted earnings in the first quarter of 2023 were lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by Energy Infrastructure's acquisition of the Forty Mile and Adelaide wind assets in January 2023, new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and the timing of the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

Adjusted earnings in the second quarter of 2023 were lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

- Early Termination of the MSAs for Managed IT Services
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, the Company recognized transition costs of $38 million (after-tax).
    - In the first quarter of 2023, the Company recognized legal and other costs of $9 million (after-tax) related to the Wipro MSAs matter which was concluded on February 26, 2023.
- During the fourth quarter of 2021, the Company recorded earnings of $17 million (after-tax) following the conclusion of the Company's involvement in an international project.
- On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $14 million and $27 million (after-tax), respectively, related to the proceeding.
- To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In the first quarter of 2022, the Company incurred $8 million (after-tax) in severance and related costs associated with the Workplace COVID-19 vaccination standard.
- On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $5 million (after-tax). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.
- In the fourth quarter of 2022, a reversal of impairment of $4 million (after-tax) was recorded mainly related to Energy Infrastructure's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the second quarter of 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

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

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

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

Total of segments measures are most directly comparable to total earnings attributable to equity owners of the Company. Comparable total of segments measures for the same period in 2022 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings attributable to equity owners of the Company is presented in this MD&A.

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

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

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

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

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

2023 2022	**Utilities**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**730**	**70**	**105**	**(26)**	**879**
	797	70	70	(4)	933
Adjusted earnings (loss)	**119**	**9**	**(28)**	**—**	**100**
	156	10	(30)	—	136
Impairment	**(8)**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**7**	**—**	**7**
	—	—	(19)	—	(19)
Rate-regulated activities	**(11)**	**—**	**3**	**—**	**(8)**
	19	—	1	—	20
IT Common Matters decision	**(5)**	**—**	**—**	**—**	**(5)**
	(3)	—	—	—	(3)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**19**	**—**	**19**
	—	—	17	—	17
Earnings (loss) attributable to equity owners of the Company	**95**	**9**	**1**	**—**	**105**
	172	10	(31)	—	151

($ millions) 2023 / 2022	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated
					Six Months Ended June 30
Revenues	**1,663**	**201**	**220**	**(74)**	**2,010**
	1,761	151	172	(41)	2,043
Adjusted earnings (loss)	**345**	**24**	**(52)**	**—**	**317**
	390	18	(53)	—	355
Impairment	**(8)**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contract	**—**	**—**	**68**	**—**	**68**
	—	—	(31)	—	(31)
Rate-regulated activities	**(2)**	**—**	**3**	**—**	**1**
	55	—	1	—	56
IT Common Matters decision	**(10)**	**—**	**—**	**—**	**(10)**
	(7)	—	—	—	(7)
Transition of managed IT services	**(8)**	**—**	**(1)**	**—**	**(9)**
	—	—	—	—	—
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**38**	**—**	**38**
	—	—	35	—	35
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**
	(27)	—	—	—	(27)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**
	(8)	—	—	—	(8)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**
	5	—	—	—	5
Earnings (loss) attributable to equity owners of the Company	**317**	**24**	**56**	**—**	**397**
	408	18	(48)	—	378

IMPAIRMENT

In the second quarter of 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

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

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

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

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

For the three and six months ended June 30, 2023, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	2023	2022	Change	2023	2022	Change
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**36**	31	5	**66**	62	4
Impact of colder temperatures (2)	**—**	4	(4)	**—**	—	—
Revenues to be billed in future periods						
Deferred income taxes (3)	**(38)**	(25)	(13)	**(74)**	(47)	(27)
Impact of warmer temperatures (2)	**(9)**	—	(9)	**(7)**	(2)	(5)
Impact of inflation on rate base (4)	**(11)**	(15)	4	**(21)**	(21)	—
Settlement of regulatory decisions and other items						
Distribution rate relief (5)	**4**	30	(26)	**9**	65	(56)
Other (6)	**10**	(5)	15	**28**	(1)	29
	(8)	20	(28)	**1**	56	(55)

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

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

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

(5) In 2021, in response to the COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution had interim rate relief for customers approved by the AUC to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the three and six months ended June 30, 2023, $4 million and $9 million (after-tax) (2022 - $30 million and $65 million (after-tax)) was billed to customers.

(6) In the three and six months ended June 30, 2023, Electricity Distribution recorded an increase in earnings of $8 million and $24 million (after- tax) related to payments of electricity transmission costs.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three and six months ended June 30, 2023 was $5 million and $10 million (after-tax) (2022 - $3 million and $7 million (after-tax)).

TRANSITION OF MANAGED IT SERVICES

In the six months ended June 30, 2023, the Company recognized additional legal and other costs of $9 million (after tax) related to the Wipro Ltd. MSA matter that was concluded on February 26, 2023.

AUC ENFORCEMENT PROCEEDING

On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the first quarter of 2022, the Company recognized costs of $27 million (after-tax) related to the proceeding.

WORKPLACE COVID-19 VACCINATION STANDARD

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In the first quarter of 2022, the Company incurred $8 million (after-tax) in severance and related costs associated with the Workplace COVID-19 vaccination standard.

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

On March 31, 2022, the Company and DII entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $5 million (after-tax). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

UTILITIES

The following tables reconcile adjusted earnings for the Utilities business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

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

2023 / 2022	Canadian Utilities Limited								
	Electricity				Natural Gas				
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	Utilities
Adjusted earnings	**28**	**37**	**10**	**75**	**—**	**23**	**21**	**44**	**119**
	40	44	11	95	12	23	26	61	156
Impairment	**—**	**(8)**	**—**	**(8)**	**—**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**1**	**11**	**—**	**12**	**(8)**	**(3)**	**(12)**	**(23)**	**(11)**
	—	8	—	8	30	(3)	(16)	11	19
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(2)**	**(1)**	**—**	**(3)**	**(5)**
	(1)	(1)	—	(2)	(1)	—	—	(1)	(3)
Earnings (loss) attributable to equity owners of the Company	**28**	**39**	**10**	**77**	**(10)**	**19**	**9**	**18**	**95**
	39	51	11	101	41	20	10	71	172

($ millions)	Canadian Utilities Limited								Six Months Ended June 30
2023 / 2022	Electricity				Natural Gas				Utilities
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**66**	**81**	**22**	**169**	**88**	**48**	**40**	**176**	**345**
	87	87	22	196	111	46	37	194	390
Impairment	**—**	**(8)**	**—**	**(8)**	**—**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**11**	**5**	**—**	**16**	**10**	**(5)**	**(23)**	**(18)**	**(2)**
	1	21	—	22	57	(1)	(23)	33	55
IT Common Matters decision	**(3)**	**(2)**	**—**	**(5)**	**(4)**	**(1)**	**—**	**(5)**	**(10)**
	(2)	(2)	—	(4)	(2)	(1)	—	(3)	(7)
Transition of managed IT services	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**(6)**	**(7)**	**(8)**
	—	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(27)	—	(27)	—	—	—	—	(27)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(2)	(1)	—	(3)	(3)	(2)	—	(5)	(8)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	5	—	—	5	—	—	—	—	5
Earnings attributable to equity owners of the Company	**73**	**76**	**22**	**171**	**93**	**42**	**11**	**146**	**317**
	89	78	22	189	163	42	14	219	408

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions)				Three Months Ended June 30
2023 2022	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated
Capital Investment	**287**	**44**	**5**	**336**
	244	51	2	297
Capital Expenditure in joint ventures	**(1)**	**(3)**	**—**	**(4)**
	(1)	(2)	—	(3)
Capital Expenditures	**286**	**41**	**5**	**332**
	243	49	2	294

($ millions)				Six Months Ended June 30
2023 2022	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated
Capital Investment	**549**	**777**	**6**	**1,332**
	462	95	5	562
Capital Expenditure in joint ventures	**(2)**	**(3)**	**—**	**(5)**
	(2)	(3)	—	(5)
Business Combination [(1)]	**—**	**(691)**	**—**	**(691)**
	—	—	—	—
Capital Expenditures	**547**	**83**	**6**	**636**
	460	92	5	557

(1) Business combination refers to the acquisition of the renewable energy portfolio in the Energy Infrastructure segment in 2023.

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of interim filings for the interim period ended June 30, 2023, requires that the Company disclose in the interim MD&A any changes in the Company's internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company confirms that no such changes were identified in the Company's ICFR during the three months beginning on April 1, 2023 and ending on June 30, 2023.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the commitment to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; the expected timing of the commencement or completion of activities and contracts; the expected term of contracts; the impact or benefits of contracts, including contract value or fees to be received; expected inflation; the payment of dividends; expected dividend growth; the expected timing of energization and full commercial operations for the Deerfoot solar project; our hydrogen production facility project within Alberta's Industrial Heartland, including the project's potential and our continued commitment to the project; re-branding plans; expected growth opportunities; and potential financing alternatives, including the possibility of creating ATCO EnPower as a separate entity.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to meet its initial set of 2030 ESG targets and successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, and infrastructure; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; potential termination or breach of contract by contract counterparties; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see “Business Risks and Risk Management” in the Company's Management's Discussion and Analysis for the year ended December 31, 2022.

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

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

ADDITIONAL INFORMATION

Canadian Utilities has published its unaudited interim consolidated financial statements and MD&A for the six months ended June 30, 2023. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

AUC means the Alberta Utilities Commission.

Class A shares means Class A non-voting common shares of the Company.

Class B shares means Class B voting common 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 Canadian Utilities Limited and, unless the context otherwise requires, includes its subsidiaries and joint arrangements.

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

DRIP means Dividend Reinvestment Plan.

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

GTA means general tariff application.

IFRS means International Financial Reporting Standards.

PBR means Performance Based Regulation.

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

USD means United States dollars.

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Three Months Ended June 30 2023	Three Months Ended June 30 2022	Six Months Ended June 30 2023	Six Months Ended June 30 2022
Revenues	4	**879**	933	**2,010**	2,043
Costs and expenses					
Salaries, wages and benefits		**(93)**	(86)	**(188)**	(184)
Energy transmission and transportation		**(74)**	(68)	**(149)**	(134)
Plant and equipment maintenance		**(57)**	(46)	**(116)**	(89)
Fuel costs		**(19)**	(37)	**(81)**	(95)
Purchased power		**(65)**	(57)	**(135)**	(134)
Depreciation, amortization and impairment		**(177)**	(156)	**(345)**	(313)
Franchise fees		**(63)**	(78)	**(171)**	(189)
Property and other taxes		**(20)**	(18)	**(38)**	(36)
Other		**(90)**	(110)	**(105)**	(207)
		(658)	(656)	**(1,328)**	(1,381)
Earnings from investment in joint ventures		**14**	15	**33**	33
Operating profit		**235**	292	**715**	695
Interest income		**12**	6	**28**	9
Interest expense		**(113)**	(98)	**(226)**	(198)
Net finance costs		**(101)**	(92)	**(198)**	(189)
Earnings before income taxes		**134**	200	**517**	506
Income tax expense		**(27)**	(47)	**(114)**	(124)
Earnings for the period		**107**	153	**403**	382
Earnings attributable to:					
Equity owners of the Company		**105**	151	**397**	378
Non-controlling interests		**2**	2	**6**	4
		107	153	**403**	382
Earnings per Class A and Class B share	5	**$0.32**	$0.50	**$1.33**	$1.28
Diluted earnings per Class A and Class B share	5	**$0.32**	$0.50	**$1.33**	$1.28

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**2023**	**2022**	**2023**	**2022**
Earnings for the period	**107**	153	**403**	382
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits (1)	**31**	(5)	**28**	6
Items that are or may be reclassified subsequently to earnings:				
Cash flow hedges (2)	**(6)**	32	**(85)**	60
Foreign currency translation adjustment (3)	**(21)**	(28)	**(21)**	(17)
Share of other comprehensive income of joint ventures (3)	**1**	–	**3**	–
	(26)	4	**(103)**	43
Other comprehensive income (loss)	**5**	(1)	**(75)**	49
Comprehensive income for the period	**112**	152	**328**	431
Comprehensive income attributable to:				
Equity owners of the Company	**110**	150	**322**	427
Non-controlling interests	**2**	2	**6**	4
	112	152	**328**	431

(1) Net of income taxes of $(9) million and $(8) million for the three and six months ended June 30, 2023 (2022 - $2 million and $(1) million).

(2) Net of income taxes of $4 million and $25 million for the three and six months ended June 30, 2023 (2022 - $(10) million and $(21) million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	June 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents	13	**253**	698
Marketable securities	6	**190**	–
Accounts receivable and contract assets	13	**542**	873
Finance lease receivables		**11**	11
Inventories		**53**	24
Prepaid expenses and other current assets		**263**	261
		1,312	1,867
Non-current assets			
Property, plant and equipment	7, 13	**19,501**	18,596
Intangibles	13	**914**	819
Retirement benefit asset		**72**	21
Right-of-use assets	13	**51**	50
Goodwill	13	**145**	–
Investment in joint ventures		**241**	237
Finance lease receivables		**130**	138
Deferred income tax assets		**29**	26
Other assets	13	**206**	220
Total assets		**22,601**	21,974
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	**652**	989
Lease liabilities		**7**	7
Provisions and other current liabilities		**130**	215
Long-term debt	8	**126**	106
		915	1,317
Non-current liabilities			
Deferred income tax liabilities	13	**2,025**	1,788
Retirement benefit obligations		**214**	204
Customer contributions		**2,035**	1,989
Lease liabilities	13	**46**	44
Other liabilities		**151**	132
Long-term debt	8, 13	**10,053**	9,434
Total liabilities		**15,439**	14,908
EQUITY			
Equity preferred shares		**1,571**	1,571
Class A and Class B share owners' equity			
Class A and Class B shares	10	**1,262**	1,237
Contributed surplus		**12**	9
Retained earnings		**4,081**	3,936
Accumulated other comprehensive income		**23**	126
Total equity attributable to equity owners of the Company		**6,949**	6,879
Non-controlling interests	13	**213**	187
Total equity		**7,162**	7,066
Total liabilities and equity		**22,601**	21,974

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Attributable to Equity Owners of the Company: Class A and Class B Shares	Equity Preferred Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 2021		1,216	1,571	8	3,862	(22)	6,635	187	6,822
Earnings for the period		–	–	–	378	–	378	4	382
Other comprehensive income		–	–	–	–	49	49	–	49
Gains on retirement benefits transferred to retained earnings		–	–	–	6	(6)	–	–	–
Shares issued	10	8	–	–	–	–	8	–	8
Dividends [(1)]	9, 10	–	–	–	(275)	–	(275)	(4)	(279)
Share-based compensation		1	–	1	–	–	2	–	2
Other		(1)	–	–	(1)	–	(2)	–	(2)
June 30, 2022		1,224	1,571	9	3,970	21	6,795	187	6,982
December 31, 2022		1,237	1,571	9	3,936	126	6,879	187	7,066
Earnings for the period		**–**	**–**	**–**	**397**	**–**	**397**	**6**	**403**
Other comprehensive loss		**–**	**–**	**–**	**–**	**(75)**	**(75)**	**–**	**(75)**
Gains on retirement benefits transferred to retained earnings		**–**	**–**	**–**	**28**	**(28)**	**–**	**–**	**–**
Shares issued	10	**11**	**–**	**–**	**–**	**–**	**11**	**–**	**11**
Sale of shares from MTIP Trust	10	**14**	**–**	**2**	**–**	**–**	**16**	**–**	**16**
Acquisition	13	**–**	**–**	**–**	**–**	**–**	**–**	**27**	**27**
Dividends [(1)]	9, 10	**–**	**–**	**–**	**(280)**	**–**	**(280)**	**(6)**	**(286)**
Share-based compensation		**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Other		**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
June 30, 2023		**1,262**	**1,571**	**12**	**4,081**	**23**	**6,949**	**213**	**7,162**

(1) For the six months ended June 30, 2023, dividends attributable to equity owners of the Company of $280 million (2022 - $275 million) includes $10 million (2022 - $8 million) of dividends paid to Class A and Class B share owners by issuing 287,421 (2022 - 210,872) Class A shares under the Company's dividend reinvestment program (see note 10).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**Note**	**2023**	**2022**	**2023**	**2022**
Operating activities					
Earnings for the period		**107**	153	**403**	382
Adjustments to reconcile earnings to cash flows from operating activities	11	**303**	382	**612**	731
Changes in non-cash working capital		**(68)**	(22)	**(133)**	39
Cash flows from operating activities		**342**	513	**882**	1,152
Investing activities					
Additions to property, plant and equipment		**(292)**	(255)	**(564)**	(485)
Proceeds on disposal of property, plant and equipment		**–**	–	**2**	–
Additions to intangibles		**(35)**	(36)	**(61)**	(67)
Acquisition, net of cash acquired	13	**(16)**	–	**(691)**	–
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	–	**–**	8
Investment in joint ventures		**(2)**	–	**(4)**	(4)
Investment in marketable securities	6	**–**	–	**(190)**	–
Changes in non-cash working capital		**(58)**	(14)	**(28)**	4
Other	7	**2**	(6)	**3**	58
Cash flows used in investing activities		**(401)**	(311)	**(1,533)**	(486)
Financing activities					
Net issue of short-term debt		**–**	183	**–**	29
Issue of long-term debt	8	**429**	250	**1,149**	250
Repayment of long-term debt	8	**(465)**	(128)	**(483)**	(128)
Repayment of lease liabilities		**(2)**	(2)	**(4)**	(4)
Issue of Class A shares		**–**	1	**–**	1
Proceeds from sale of Class A shares from MTIP Trust	10	**17**	–	**17**	–
Dividends paid on equity preferred shares	9	**(19)**	(17)	**(38)**	(35)
Dividends paid to non-controlling interests		**(4)**	(2)	**(6)**	(4)
Dividends paid to Class A and Class B share owners	10	**(116)**	(116)	**(232)**	(232)
Interest paid		**(89)**	(108)	**(200)**	(194)
Other		**3**	(3)	**3**	(3)
Cash flows (used in) from financing activities		**(246)**	58	**206**	(320)
(Decrease) increase in cash position (1)		**(305)**	260	**(445)**	346
Foreign currency translation		**1**	(1)	**–**	–
Beginning of period		**557**	837	**698**	750
End of period	11	**253**	1,096	**253**	1,096

(1) Cash position includes $5 million which is not available for general use by the Company (2022 - $7 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2023

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

1. THE COMPANY AND ITS OPERATIONS

Canadian Utilities Limited was incorporated under the laws of Canada and is listed on the Toronto Stock Exchange. Its head office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4 and its registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6. The Company is controlled by ATCO Ltd. and its controlling share owner, the Southern family.

Canadian Utilities Limited is engaged in the following business activities:

- Utilities (electricity and natural gas transmission and distribution, and international electricity operations);
- Energy Infrastructure (energy storage, electricity generation, industrial water solutions, and clean fuels); and
- Retail Energy (electricity and natural gas retail sales, and whole-home solutions) (included in the Corporate & Other segment).

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities Limited, its subsidiaries, and the accounts of a proportionate share of the Company's investments in joint ventures. In these financial statements, "the Company" means Canadian Utilities Limited, its subsidiaries and joint ventures.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on July 26, 2023.

BASIS OF MEASUREMENT

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

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company’s operations, the timing of utility rate decisions, the timing and demand of natural gas storage capacity sold and changes in natural gas storage fees and the amount of sunlight, wind and water available to produce renewable energy.

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2023	Utilities							
2022	**Electricity**	**Natural Gas**	**Eliminations**	**Total**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment eliminations**	**Consolidated**
Revenues - external	**358**	**372**	**–**	**730**	**57**	**92**	**–**	**879**
	360	433	–	793	55	85	–	933
Revenues - intersegment	**2**	**1**	**(3)**	**–**	**13**	**13**	**(26)**	**–**
	3	2	(1)	4	15	(15)	(4)	–
Revenues	**360**	**373**	**(3)**	**730**	**70**	**105**	**(26)**	**879**
	363	435	(1)	797	70	70	(4)	933
Operating expenses [1]	**(134)**	**(239)**	**3**	**(370)**	**(41)**	**(96)**	**26**	**(481)**
	(114)	(232)	1	(345)	(53)	(106)	4	(500)
Depreciation, amortization and impairment	**(88)**	**(73)**	**–**	**(161)**	**(12)**	**(4)**	**–**	**(177)**
	(78)	(71)	–	(149)	(4)	(3)	–	(156)
Earnings from investment in joint ventures	**11**	**–**	**–**	**11**	**3**	**–**	**–**	**14**
	12	–	–	12	3	–	–	15
Net finance costs	**(55)**	**(36)**	**–**	**(91)**	**(7)**	**(3)**	**–**	**(101)**
	(55)	(35)	–	(90)	(2)	–	–	(92)
Earnings (loss) before income taxes	**94**	**25**	**–**	**119**	**13**	**2**	**–**	**134**
	128	97	–	225	14	(39)	–	200
Income tax (expense) recovery	**(16)**	**(6)**	**–**	**(22)**	**(4)**	**(1)**	**–**	**(27)**
	(26)	(25)	–	(51)	(4)	8	–	(47)
Earnings (loss) for the period	**78**	**19**	**–**	**97**	**9**	**1**	**–**	**107**
	102	72	–	174	10	(31)	–	153
Adjusted earnings (loss)	**75**	**44**	**–**	**119**	**9**	**(28)**	**–**	**100**
	95	61	–	156	10	(30)	–	136
Capital expenditures [3]	**149**	**137**	**–**	**286**	**41**	**5**	**–**	**332**
	110	133	–	243	49	2	–	294

Results by operating segment for the six months ended June 30 are shown below:

2023 2022	Utilities Electricity	Natural Gas	Eliminations	Total	Energy Infrastructure	Corporate & Other	Intersegment eliminations	Consolidated
Revenues - external	**735**	**928**	**–**	**1,663**	**152**	**195**	**–**	**2,010**
	759	996	–	1,755	109	179	–	2,043
Revenues - intersegment	**3**	**2**	**(5)**	**–**	**49**	**25**	**(74)**	**–**
	5	3	(2)	6	42	(7)	(41)	–
Revenues	**738**	**930**	**(5)**	**1,663**	**201**	**220**	**(74)**	**2,010**
	764	999	(2)	1,761	151	172	(41)	2,043
Operating expenses (1)	**(270)**	**(519)**	**5**	**(784)**	**(140)**	**(133)**	**74**	**(983)**
	(269)	(494)	2	(761)	(124)	(224)	41	(1,068)
Depreciation, amortization and impairment	**(167)**	**(147)**	**–**	**(314)**	**(24)**	**(7)**	**–**	**(345)**
	(157)	(142)	–	(299)	(8)	(6)	–	(313)
Earnings from investment in joint ventures	**24**	**–**	**–**	**24**	**9**	**–**	**–**	**33**
	24	–	–	24	9	–	–	33
Net finance costs	**(110)**	**(71)**	**–**	**(181)**	**(13)**	**(4)**	**–**	**(198)**
	(112)	(72)	–	(184)	(4)	(1)	–	(189)
Earnings (loss) before income taxes	**215**	**193**	**–**	**408**	**33**	**76**	**–**	**517**
	250	291	–	541	24	(59)	–	506
Income tax (expense) recovery	**(42)**	**(45)**	**–**	**(87)**	**(7)**	**(20)**	**–**	**(114)**
	(59)	(70)	–	(129)	(6)	11	–	(124)
Earnings (loss) for the period	**173**	**148**	**–**	**321**	**26**	**56**	**–**	**403**
	191	221	–	412	18	(48)	–	382
Adjusted earnings (loss)	**169**	**176**	**–**	**345**	**24**	**(52)**	**–**	**317**
	196	194	–	390	18	(53)	–	355
Total assets (2)	**10,778**	**8,681**	**(70)**	**19,389**	**2,424**	**1,154**	**(366)**	**22,601**
	10,644	8,865	(2)	19,507	1,342	1,350	(225)	21,974
Capital expenditures (3)	**294**	**253**	**–**	**547**	**83**	**6**	**–**	**636**
	231	229	–	460	92	5	–	557

(1) Includes total costs and expenses, excluding depreciation, amortization and impairment expense.
(2) 2022 comparatives are at December 31, 2022.
(3) Includes additions to property, plant and equipment, intangibles and $5 million and $11 million of interest capitalized during construction for the three and six months ended June 30, 2023 (2022 - $3 million and $5 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for:

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

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

The reconciliation of adjusted earnings and earnings for the three months ended June 30 is shown below:

2023 2022	Utilities Electricity	 Natural Gas	 Total	Energy Infrastructure	Corporate & Other	Consolidated
Adjusted earnings (loss)	**75**	**44**	**119**	**9**	**(28)**	**100**
	95	61	156	10	(30)	136
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**7**	**7**
	–	–	–	–	(19)	(19)
Rate-regulated activities	**12**	**(23)**	**(11)**	**–**	**3**	**(8)**
	8	11	19	–	1	20
IT Common Matters decision	**(2)**	**(3)**	**(5)**	**–**	**–**	**(5)**
	(2)	(1)	(3)	–	–	(3)
Impairment	**(8)**	**–**	**(8)**	**–**	**–**	**(8)**
	–	–	–	–	–	–
Dividends on equity preferred shares of Canadian Utilities Limited	**–**	**–**	**–**	**–**	**19**	**19**
	–	–	–	–	17	17
Earnings (loss) attributable to equity owners of the Company	**77**	**18**	**95**	**9**	**1**	**105**
	101	71	172	10	(31)	151
Earnings attributable to non-controlling interests						**2**
						2
Earnings for the period						**107**
						153

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

2023 **2022**	**Utilities** **Electricity**	 **Natural Gas**	 **Total**	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**
Adjusted earnings (loss)	**169**	**176**	**345**	**24**	**(52)**	**317**
	196	194	390	18	(53)	355
Transition of managed IT services	**(1)**	**(7)**	**(8)**	**–**	**(1)**	**(9)**
	–	–	–	–	–	–
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**68**	**68**
	–	–	–	–	(31)	(31)
Rate-regulated activities	**16**	**(18)**	**(2)**	**–**	**3**	**1**
	22	33	55	–	1	56
IT Common Matters decision	**(5)**	**(5)**	**(10)**	**–**	**–**	**(10)**
	(4)	(3)	(7)	–	–	(7)
Impairment	**(8)**	**–**	**(8)**	**–**	**–**	**(8)**
	–	–	–	–	–	–
AUC enforcement proceeding	**–**	**–**	**–**	**–**	**–**	**–**
	(27)	–	(27)	–	–	(27)
Workplace COVID-19 vaccination standard	**–**	**–**	**–**	**–**	**–**	**–**
	(3)	(5)	(8)	–	–	(8)
Gain on sale of ownership interest in a subsidiary company	**–**	**–**	**–**	**–**	**–**	**–**
	5	–	5	–	–	5
Dividends on equity preferred shares of Canadian Utilities Limited	**–**	**–**	**–**	**–**	**38**	**38**
	–	–	–	–	35	35
Earnings (loss) attributable to equity owners of the Company	**171**	**146**	**317**	**24**	**56**	**397**
	189	219	408	18	(48)	378
Earnings attributable to non-controlling interests						**6**
						4
Earnings for the period						**403**
						382

Transition of managed IT services

In the six months ended June 30, 2023, the Company recognized additional legal and other costs of $9 million (after-tax) related to the Wipro Ltd. master services agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the consolidated statements of earnings, provisions and other current liabilities in the unaudited interim consolidated balance sheets, and in changes in non-cash working capital (operating activities) in the unaudited interim consolidated statements of cash flows. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

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

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

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

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

Rate-regulated activities

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

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

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

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

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**36**	31	**66**	62
Impact of colder temperatures [(2)]	**–**	4	**–**	–
Revenues to be billed in future periods				
Deferred income taxes [(3)]	**(38)**	(25)	**(74)**	(47)
Impact of warmer temperatures [(2)]	**(9)**	–	**(7)**	(2)
Impact of inflation on rate base [(4)]	**(11)**	(15)	**(21)**	(21)
Settlement of regulatory decisions and other items				
Distribution rate relief [(5)]	**4**	30	**9**	65
Other [(6)]	**10**	(5)	**28**	(1)
	(8)	20	**1**	56

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

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

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

(4) *The inflation-indexed portion of ATCO Gas Australia's (part of Natural Gas Distribution) 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 asset.*

(5) *In 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. This was approved by the AUC in 2021. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three and six months ended June 30, 2023, $4 million (after-tax) and $9 million (after-tax) (2022 - $30 million (after-tax) and $65 million (after-tax)) was billed to customers.*

(6) *For the three and six months ended June 30, 2023, ATCO Electric Distribution recorded an increase in earnings $8 million (after-tax) and $24 million (after-tax) related to payments of electricity transmission costs.*

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and six months ended June 30, 2023 was $5 million (after-tax) and $10 million (after-tax) (2022 - $3 million (after-tax) and $7 million (after-tax)).

Impairment of electric utility assets

In the three and six months ended June 30, 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in ATCO Electric Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value. The impairment was recognized in depreciation, amortization and impairment expense in the unaudited interim consolidated statements of earnings. As the impairment is not in the normal course of business, the charge was excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

For the six months ended June 30, 2022, the Company recognized costs of $27 million (after-tax) related to the AUC enforcement proceeding. As this proceeding was not in the normal course of business, these costs have been excluded from adjusted earnings.

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the six months ended June 30, 2022, the Company incurred $8 million (after-tax) related to amounts paid and accrued. As these costs were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Gain on sale of ownership interest in a subsidiary company

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and was a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction resulted in the Company and DII each having a 50 per cent ownership interest in NUE. The sale of ownership interest resulted in a gain on sale of $5 million (after-tax). As the gain on sale was not in the normal course of business, it was excluded from adjusted earnings.

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended June 30 is shown below:

2023 2022	Utilities Electricity (1)	 Natural Gas (1)	 Total	Energy Infrastructure	Corporate & Other (2)	Consolidated
Revenue Streams						
Rendering of Services						
Distribution services	**144**	**218**	**362**	**–**	**–**	**362**
	146	264	410	–	–	410
Transmission services	**176**	**86**	**262**	**–**	**–**	**262**
	175	84	259	–	–	259
Customer contributions	**9**	**7**	**16**	**–**	**–**	**16**
	8	5	13	–	–	13
Franchise fees	**9**	**54**	**63**	**–**	**–**	**63**
	9	69	78	–	–	78
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**85**	**85**
	–	–	–	–	80	80
Storage and industrial water	**–**	**–**	**–**	**18**	**–**	**18**
	–	–	–	15	–	15
Total rendering of services	**338**	**365**	**703**	**18**	**85**	**806**
	338	422	760	15	80	855
Sale of Goods						
Electricity generation and delivery	**–**	**–**	**–**	**19**	**–**	**19**
	–	–	–	10	–	10
Commodity sales	**–**	**–**	**–**	**8**	**–**	**8**
	–	–	–	19	–	19
Total sale of goods	**–**	**–**	**–**	**27**	**–**	**27**
	–	–	–	29	–	29
Lease income						
Finance lease	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	3	–	3
Other	**20**	**7**	**27**	**8**	**7**	**42**
	22	11	33	8	5	46
Total	**358**	**372**	**730**	**57**	**92**	**879**
	360	433	793	55	85	933

(1) *For the three months ended June 30, 2023, Electricity and Natural Gas segments include $105 million of unbilled revenue (2022 - $115 million).*

(2) *For the three months ended June 30, 2023, Corporate & Other segment includes $34 million of unbilled revenue (2022 - $19 million) from retail electricity and natural gas energy services.*

The disaggregation of revenues by each operating segment for the six months ended June 30 is shown below:

2023 / 2022	Utilities			Energy Infrastructure	Corporate & Other [2]	Consolidated
	Electricity [1]	Natural Gas [1]	Total			
Revenue Streams						
Rendering of Services						
Distribution services	**311**	**572**	**883**	**–**	**–**	**883**
	322	628	950	–	–	950
Transmission services	**343**	**173**	**516**	**–**	**–**	**516**
	359	171	530	–	–	530
Customer contributions	**18**	**12**	**30**	**–**	**–**	**30**
	16	11	27	–	–	27
Franchise fees	**19**	**152**	**171**	**–**	**–**	**171**
	19	170	189	–	–	189
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**186**	**186**
	–	–	–	–	169	169
Storage and industrial water	**–**	**–**	**–**	**37**	**–**	**37**
	–	–	–	26	–	26
Total rendering of services	**691**	**909**	**1,600**	**37**	**186**	**1,823**
	716	980	1,696	26	169	1,891
Sale of Goods						
Electricity generation and delivery	**–**	**–**	**–**	**47**	**–**	**47**
	–	–	–	17	–	17
Commodity sales	**–**	**–**	**–**	**38**	**–**	**38**
	–	–	–	45	–	45
Total sale of goods	**–**	**–**	**–**	**85**	**–**	**85**
	–	–	–	62	–	62
Lease income						
Finance lease	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	7	–	7
Other	**44**	**19**	**63**	**23**	**9**	**95**
	43	16	59	14	10	83
Total	**735**	**928**	**1,663**	**152**	**195**	**2,010**
	759	996	1,755	109	179	2,043

(1) For the six months ended June 30, 2023, Electricity and Natural Gas segments include $105 million of unbilled revenue (2022 - $115 million). At June 30, 2023, $105 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $115 million).

(2) For the six months ended June 30, 2023, Corporate & Other segment includes $34 million of unbilled revenue (2022 - $19 million) from retail electricity and natural gas energy services. At June 30, 2023, $34 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $19 million).

5. EARNINGS PER SHARE

Earnings per Class A non-voting common (Class A) and Class B voting common (Class B) share are calculated by dividing the earnings attributable to Class A and Class B shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and the shares held in the mid-term incentive plan (MTIP) Trust on the weighted average Class A and Class B Shares outstanding. In May 2023, all of the shares held in the MTIP Trust were sold (see Note 10).

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Average shares				
Weighted average shares outstanding	**269,898,937**	269,056,531	**269,712,964**	269,002,521
Effect of dilutive stock options	**84,863**	132,386	**75,794**	94,234
Effect of dilutive shares held in MTIP Trust	**218,156**	442,496	**326,841**	440,032
Weighted average dilutive shares outstanding	**270,201,956**	269,631,413	**270,115,599**	269,536,787
Earnings for earnings per share calculation				
Earnings for the period	**107**	153	**403**	382
Dividends on equity preferred shares of the Company	**(19)**	(17)	**(38)**	(35)
Non-controlling interests	**(2)**	(2)	**(6)**	(4)
Earnings attributable to Class A and B shares	**86**	134	**359**	343
Earnings and diluted earnings per Class A and Class B share				
Earnings per Class A and Class B share	**$0.32**	$0.50	**$1.33**	$1.28
Diluted earnings per Class A and Class B share	**$0.32**	$0.50	**$1.33**	$1.28

6. MARKETABLE SECURITIES

In February 2023, the Company invested $190 million in marketable securities primarily consisting of publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds. The Company's marketable securities are actively managed by an external investment manager.

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three and six months ended June 30, 2023, realized gains of $2 million and $2 million, respectively, were recognized in interest income and unrealized losses of $3 million and $2 million, respectively, were recognized in other costs and expenses in the unaudited interim consolidated statements of earnings.

7. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Energy Infrastructure	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2022	22,292	613	760	752	825	25,242
Additions	**22**	–	–	**598**	**2**	**622**
Transfers	**402**	**2**	**3**	**(412)**	**5**	–
Retirements and disposals	**(39)**	–	**(7)**	**(2)**	**(24)**	**(72)**
Acquisition *(Note 13)*	–	**641**	–	–	–	**641**
Foreign exchange rate adjustment	**(69)**	**10**	**(2)**	**(2)**	**(3)**	**(66)**
Changes to asset retirement costs	–	**12**	–	–	–	**12**
June 30, 2023	**22,608**	**1,278**	**754**	**934**	**805**	**26,379**
Accumulated depreciation						
December 31, 2022	5,816	197	195	–	438	6,646
Depreciation and impairment	**262**	**20**	**9**	–	**25**	**316**
Retirements and disposals	**(37)**	–	**(7)**	–	**(24)**	**(68)**
Foreign exchange rate adjustment	**(17)**	**3**	–	–	**(2)**	**(16)**
June 30, 2023	**6,024**	**220**	**197**	–	**437**	**6,878**
Net book value						
December 31, 2022	16,476	416	565	752	387	18,596
June 30, 2023	**16,584**	**1,058**	**557**	**934**	**368**	**19,501**

The additions to property, plant and equipment included $7 million of interest capitalized during construction for the six months ended June 30, 2023 (2022 - $5 million).

PIONEER NATURAL GAS PIPELINE

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

8. LONG-TERM DEBT

ACQUISITION FINANCING

On January 3, 2023, the Company entered into an unsecured non-revolving credit facility with a syndicate of lenders consisting of two $355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects (see Note 13). The first tranche was repaid on June 30, 2023 and the second tranche will mature on July 3, 2024. The unsecured non-revolving credit facility bears an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

PROJECT FINANCING

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of the Company entered into a limited recourse term loan of $90 million with a bank lender. The loan is secured by the assets of the borrower. The loan amortizes quarterly until final maturity on December 31, 2034 and bears interest at CDOR plus an applicable margin. To mitigate the variable interest rate risk, the Company entered into an interest rate swap agreement to fix the interest rate at 4.88 per cent, including the applicable margin (see Note 12).

OTHER

On May 1, 2023, the CU Inc., a wholly owned subsidiary, repaid $100 million of 9.4 per cent debentures (2022 - On April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures).

On June 30, 2023, the Company issued $268 million additional long-term debt from an existing unsecured extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2024 and bears an interest rate of CDOR plus an applicable margin.

9. EQUITY PREFERRED SHARES

DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(dollars per share)	**2023**	**2022**	**2023**	**2022**
Cumulative Redeemable Second Preferred Shares				
5.196% Series Y [1]	**0.3248**	0.2127	**0.6495**	0.4254
4.90% Series AA	**0.3063**	0.3063	**0.6125**	0.6125
4.90% Series BB	**0.3063**	0.3063	**0.6125**	0.6125
4.50% Series CC	**0.2813**	0.2813	**0.5625**	0.5625
4.50% Series DD	**0.2813**	0.2813	**0.5625**	0.5625
5.25% Series EE	**0.3281**	0.3281	**0.6563**	0.6563
4.50% Series FF	**0.2813**	0.2813	**0.5625**	0.5625
4.75% Series HH	**0.2969**	0.2969	**0.5938**	0.5637

(1) *Effective June 1, 2022, the annual dividend rate for the Series Y Preferred Shares was reset to 5.196 per cent for the next five years. Prior to June 1, 2022, the annual dividend rate was 3.403 per cent.*

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On July 12, 2023, the Company declared third quarter eligible dividends of $0.32475 per Series Y Preferred Share, $0.30625 per Series AA and Series BB Preferred Share, $0.28125 per Series CC, Series DD, and Series FF Preferred Share, $0.328125 per Series EE Preferred Share and $0.296875 per Series HH Preferred Share, payable on September 1, 2023 to share owners of record as of August 3, 2023.

10. CLASS A AND CLASS B SHARES

At June 30, 2023, there were 201,743,648 (December 31, 2022 - 201,356,327) Class A shares and 68,465,765 (December 31, 2022 - 68,548,665) Class B shares outstanding. In addition, there were 1,887,250 options to purchase Class A shares outstanding at June 30, 2023, under the Company's stock option plan (December 31, 2022 - 1,998,600).

DIVIDENDS

The Company declared and paid cash dividends of $0.4486 and $0.8972 per Class A and Class B share during the three and six months ended June 30, 2023 (2022 - $0.4442 and 0.8884). The Company’s policy is to pay dividends quarterly on its Class A and Class B shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On July 12, 2023, the Company declared a third quarter dividend of $0.4486 per Class A and Class B share, payable on September 1, 2023 to share owners of record as of August 3, 2023.

DIVIDEND REINVESTMENT PROGRAM

During the three and six months ended June 30, 2023, 129,603 and 287,421 Class A shares were issued under the Company's dividend reinvestment plan (2022 - 111,958 and 210,872), using re-invested dividends of $4 million and

$10 million (2022 - $5 million and $8 million). The shares were priced at an average of $35.72 per share and $35.52 per share (2022 - $39.32 per share and $37.01 per share).

MID-TERM INCENTIVE PLAN

In May 2023, the Company sold all of the 440,554 Class A shares that were held in trust for the MTIP for proceeds of $17 million. In the unaudited interim consolidated balance sheets, the cost of the Class A shares sold of $14 million was recorded as an increase to Class A and Class B shares and the after tax gain of $2 million was recorded as an increase to contributed surplus. In the unaudited interim consolidated statements of cash flows, the proceeds from the sale of $17 million were recorded in financing activities.

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Depreciation, amortization and impairment	**177**	156	**345**	313
Dividends and distributions received from investment in joint ventures	**20**	34	**37**	37
Earnings from investment in joint ventures	**(14)**	(15)	**(33)**	(33)
Income tax expense	**27**	47	**114**	124
Unrealized (gains) losses on derivative financial instruments	**(10)**	25	**(89)**	40
Contributions by customers for extensions to plant	**24**	63	**80**	108
Amortization of customer contributions	**(16)**	(13)	**(30)**	(27)
Net finance costs	**101**	92	**198**	189
Income taxes paid	**(13)**	(10)	**(20)**	(22)
Other	**7**	3	**10**	2
	303	382	**612**	731

CASH POSITION

Cash position at June 30 is comprised of:

	2023	**2022**
Cash	**245**	1,087
Short-term investments	**3**	2
Restricted cash [1]	**5**	7
Cash and cash equivalents	**253**	1,096

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	June 30, 2023		December 31, 2022	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**141**	**160**	149	185
Financial Liabilities				
Long-term debt	**10,179**	**9,568**	9,540	8,565

(1) Long-term advances due from joint venture are recorded in other assets on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable Securities

At June 30, 2023, the Company's marketable securities measured at fair value include publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds (see Note 6).

Derivatives Financial Instruments

The Company's derivative instruments are measured at fair value. At June 30, 2023 and December 31, 2022, the following derivative instruments were outstanding:

- interest rate swaps for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt;
- foreign currency forward contracts for the purpose of limiting exposure to exchange rate fluctuations; and
- natural gas and forward power sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

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

	Level 2		Level 3		
	Subject to Hedge Accounting		Subject to Hedge Accounting (1)	Not Subject to Hedge Accounting (2)	
Recurring Measurements	Interest Rate Swaps	Commodities (2)	Commodities		Total Fair Value of Derivatives
June 30, 2023					
Financial Assets					
Prepaid expenses and other current assets	**5**	**144**	–	**20**	**169**
Other assets	**39**	**36**	–	**51**	**126**
Financial Liabilities					
Provisions and other current liabilities	–	**33**	–	**79**	**112**
Other liabilities	**3**	**26**	**23**	**3**	**55**
December 31, 2022					
Financial Assets					
Prepaid expenses and other current assets	5	184	–	4	193
Other assets	45	91	–	14	150
Financial Liabilities					
Provisions and other current liabilities	1	36	–	98	135
Other liabilities	2	15	18	21	56

(1) Derivative financial instruments related to renewable power purchase agreements in the Company's electricity generation business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value include electricity generation forecast volumes and extrapolated forward power prices.

(2) Derivative financial instruments related to customer contracts in the Company's retail electricity and natural gas business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value of derivatives include electricity and natural gas forecast consumption volumes.

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2022 [1]	(18)	(101)	(119)
Settlement of derivative contracts	–	**29**	**29**
Gains recognized in earnings	–	**61**	**61**
Gains recognized in other comprehensive income	**(5)**	–	**(5)**
June 30, 2023 [1]	**(23)**	**(11)**	**(34)**

(1) Net financial (liabilities) assets classified as Level 3 at end of the period.

For the three months ended June 30, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(4)**	–	**(4)**	(4)	–	(4)
Fuel costs	**(3)**	–	**(3)**	4	–	4
Purchased power	**28**	–	**28**	14	–	14
Other costs and expenses	**5**	**(18)**	**(13)**	4	(13)	(9)
	26	**(18)**	**8**	18	(13)	5
Unrealized gains (losses)						
Other costs and expenses	–	**10**	**10**	(1)	(24)	(25)
Total	**26**	**(8)**	**18**	17	(37)	(20)

For the six months ended June 30, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(9)**	–	**(9)**	(7)	–	(7)
Fuel costs	**(7)**	–	**(7)**	9	–	9
Purchased power	**52**	–	**52**	22	–	22
Other costs and expenses	**9**	**(29)**	**(20)**	10	(21)	(11)
	45	**(29)**	**16**	34	(21)	13
Unrealized gains (losses)						
Other costs and expenses	**(1)**	**90**	**89**	(4)	(36)	(40)
Total	**44**	**61**	**105**	30	(57)	(27)

Notional and maturity summary

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

Notional value and maturity	Subject to Hedge Accounting: Interest Rate Swaps	Subject to Hedge Accounting: Natural Gas (1)	Subject to Hedge Accounting: Power (2)	Not Subject to Hedge Accounting: Natural Gas (1)	Not Subject to Hedge Accounting: Power (2)	Not Subject to Hedge Accounting: Foreign Currency Forward Contracts
June 30, 2023						
Purchases (3)	–	**41,956,725**	**4,214,832**	–	–	–
Sales (3)	–	**684,771**	**9,506,216**	**25,290,837**	**2,663,072**	–
Currency						
Canadian dollars	**352**	–	–	–	–	–
Australian dollars	**722**	–	–	–	–	–
Mexican pesos	–	–	–	–	–	**23**
Maturity	**2023-2045**	**2023-2027**	**2023-2038**	**2023-2028**	**2023-2028**	**2023**
December 31, 2022						
Purchases (3)	–	35,272,100	4,234,062	–	–	–
Sales (3)	–	1,227,947	10,451,215	24,050,972	2,181,310	–
Currency						
Australian dollars	355	–	–	–	–	–
Mexican pesos	725	–	–	–	–	23
Maturity	2023-2045	2023-2026	2023-2038	2023-2027	2023-2027	2023

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

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

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

13. BUSINESS COMBINATION

On January 3, 2023, ATCO Power (2010) Ltd., a wholly owned subsidiary of the Company, acquired from Suncor Energy Inc. (Suncor) a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was $713 million, which included cash acquired of $38 million. The finalized working capital adjustment, which resulted in an additional payment of $16 million to Suncor, was recorded in the three months ended June 30, 2023. Identifiable assets acquired and liabilities assumed are $691 million.

The transaction was financed primarily by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 8). The acquisition was accounted for as a business acquisition and its results are included in the Energy Infrastructure operating segment.

The fair value calculation of the major classes of assets acquired and liabilities assumed is shown below.

Assets	
Accounts receivable and contract assets	**10**
Property, plant and equipment	**641**
Construction work-in-progress	**46**
Intangible assets	**61**
Other assets	**9**
Right-of-use assets	**3**
Goodwill	**145**
Total assets	**915**
Liabilities and non-controlling interest	
Accounts payable and accrued liabilities	**(37)**
Deferred income tax liabilities	**(150)**
Lease liabilities	**(3)**
Other liabilities	**(7)**
Non-controlling interest	**(27)**
Total liabilities and non-controlling interest	**(224)**
Total identifiable net assets acquired	**691**

Revenues and other income of $21 million and $48 million, and earnings attributable to equity owners of the Company of $9 million and $18 million were included in the unaudited interim consolidated statements of earnings for the three and six months ended June 30, 2023. Transaction costs of $2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.