DISCLAIMER

Due to uncertainty surrounding the application of recent amendments to the Competition Act (Canada), these documents are provided for historical information purposes only and do not constitute active or current representations of Canadian Utilities Limited or any of its related parties. The purpose of these documents is to comply with disclosure requirements that were in effect on the date these documents were filed; Canadian Utilities undertakes no obligation to update such information except as required by applicable law. Canadian Utilities remains committed to taking steps to address climate change and continuing to engage in sustainability initiatives.

CANADIAN UTILITIES LIMITED

An ATCO Company

CANADIAN UTILITIES LIMITED
FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

CORPORATE OFFICE: 5302 FORAND ST SW, CALGARY, ALBERTA, CANADA T3E 8B4
TEL: 403-292-7500 WWW.CANADIANUTILITIES.COM

Q2 2021 INVESTOR FACT SHEET

canadianutilities.com

UTILITIES | ENERGY INFRASTRUCTURE

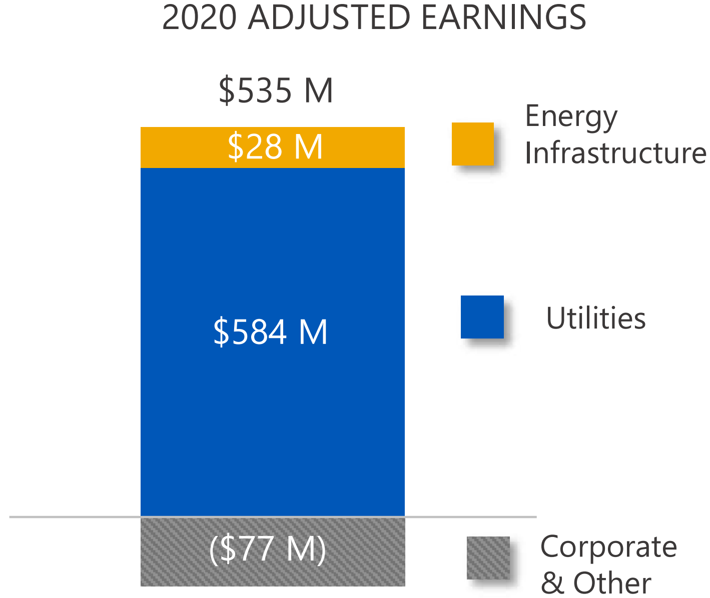
CANADIAN UTILITIES LIMITED An ATCO Company

Canadian Utilities is an ATCO company with approximately 4,500 employees and assets of $20 billion. As a diversified global energy infrastructure corporation, Canadian Utilities offers comprehensive solutions and operational excellence in Utilities (electricity and natural gas transmission and distribution, international electricity operations, and international natural gas distribution); Energy Infrastructure (electricity generation, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

TRACK RECORD OF DIVIDEND GROWTH

* On July 21, 2021, Canadian Utilities declared a third quarter dividend of 43.98 cents per share, or $1.76 per share annualized.

HIGH QUALITY EARNINGS BASE



CANADIAN UTILITIES AT A GLANCE

“A-” rating by Standard & Poor’s; “A” rating by DBRS Limited

Total Assets	$20 Billion
Electric Powerlines	75,000 kms
Pipelines	64,000 kms
Power Generation Operated Power Generation Owned	398 MW * 294 MW *
Water Infrastructure Capacity	85,200 m3/d **
Natural Gas Storage Capacity	52 PJ ***
Natural Gas Liquids Capacity	400,000 m^3 ****

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

CANADIAN UTILITIES SHARE INFORMATION

Common Shares (TSX): CU, CU.X

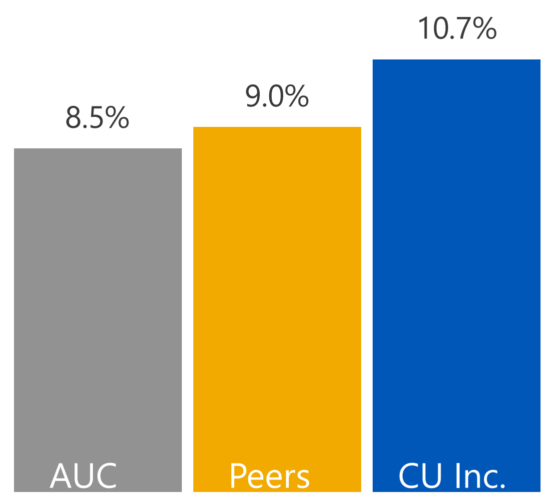
Market Capitalization	$9 billion *
Weighted Average Common Shares Outstanding	270 million *

*As of June 30, 2021

It is important for prospective owners of Canadian Utilities shares to understand that Canadian Utilities Limited is a diversified group of companies principally controlled by ATCO Ltd., which in turn is principally controlled by Sentgraf, a Southern family holding company. It is also important for present and prospective share owners to understand that the Canadian Utilities share registry has both Class A non-voting (CU) and Class B common (CU.X) shares.

TOP TIER RETURNS ON EQUITY

CU Inc.’s average ROE is +2.2 per cent above average AUC approved over last 10 years



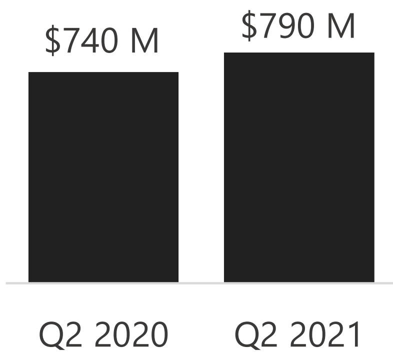
10-year Average (2011–2020)

Alberta Utility Average (excluding CU Inc.) is a simple average and includes AltaGas, AltaLink, Enmax Distribution, Enmax Transmission, EPCOR Distribution, EPCOR Transmission, and Fortis Alberta. CU Inc.’s average is a simple average and includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution, and Natural Gas Transmission.

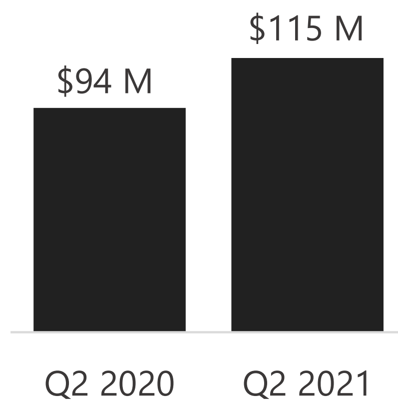
Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity 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. Certain statements in this document contain forward-looking information. Please refer to our forward-looking information disclaimer in Canadian Utilities’ management’s discussion and analysis for more information.

Q2 2021 RESULTS

CONSOLIDATED REVENUES



CONSOLIDATED ADJUSTED EARNINGS



UTILITIES

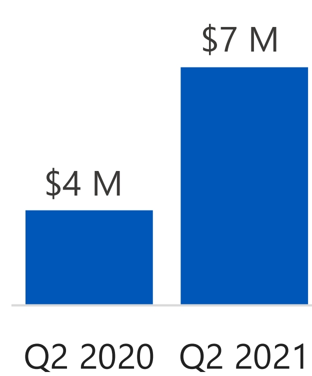
- Higher earnings were mainly due to contributions from International Electricity Operations, a higher inflation rate in International Natural Gas Distribution, and cost efficiencies, partially offset by the impact of the Electricity Transmission 2018-2019 General Tariff Application Compliance Filing decision received in the second quarter of 2021, which relates to prior periods.
- Invested $412 million in capital projects in the Utilities.
- Received a decision from the Alberta Utilities Commission approving the acquisition of the 131-km Pioneer Pipeline for the purchase price and associated integration costs of $265 million.
- LUMA Energy commenced operations on June 1, 2021 under the Supplemental Agreement to its 15-year contract to modernize and operate Puerto Rico's electricity transmission and distribution system after successful completion of the one-year transition period.

ADJUSTED EARNINGS

ENERGY INFRASTRUCTURE

- Higher adjusted earnings were mainly due to recovered business development costs, partially offset by lower demand for natural gas storage services.
- Announced a partnership with Suncor Energy in May 2021 to collaborate on early-stage design and engineering of a clean hydrogen project near Fort Saskatchewan, Alberta. A sanctioning decision for the project is expected in 2024.
- Received notification of $29 million AUD in conditional funding from the Australian Renewable Energy Agency (ARENA) to kick start the production of hydrogen through a large-scale project at the proposed Clean Energy Innovation Park (CEIP) in Western Australia. A final investment decision is expected in the first quarter of 2022.

ADJUSTED EARNINGS



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CANADIAN UTILITIES LIMITED
An ATCO Company

2021 SECOND QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2021.

This MD&A was prepared as of July 28, 2021, and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 2021. Additional information, including the Company's previous MD&As, Annual Information Form (2020 AIF), and audited consolidated financial statements for the year ended December 31, 2020, is available on SEDAR at www.sedar.com. Information contained in the 2020 MD&A 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.

($ millions, except per share data and outstanding shares)	Three Months Ended June 30 2021	2020	Change	Six Months Ended June 30 2021	2020	Change
Key Financial Metrics						
Revenues	**790**	740	50	**1,697**	1,625	72
Adjusted earnings (loss) (1)	**115**	94	21	**306**	273	33
Utilities	**124**	111	13	**325**	300	25
Energy Infrastructure	**7**	4	3	**17**	9	8
Corporate & Other	**(16)**	(21)	5	**(36)**	(36)	—
Adjusted earnings ($ per share) (1)	**0.43**	0.34	0.09	**1.13**	1.00	0.13
Earnings (loss) attributable to equity owners of the Company	**5**	72	(67)	**146**	232	(86)
(Loss) earnings attributable to Class A and Class B shares	**(11)**	56	(67)	**113**	199	(86)
(Loss) earnings attributable to Class A and Class B shares ($ per share)	**(0.04)**	0.21	(0.25)	**0.42**	0.73	(0.31)
Cash dividends declared per Class A and Class B share (cents per share)	**43.98**	43.54	0.44	**87.96**	87.08	0.88
Funds generated by operations (1)	**362**	343	19	**805**	809	(4)
Capital investment (1)	**430**	190	240	**660**	449	211
Other Financial Metrics						
Weighted average Class A and Class B shares outstanding *(thousands):*						
Basic	**269,695**	272,794	(3,099)	**270,848**	272,738	(1,890)
Diluted	**270,167**	273,265	(3,098)	**271,304**	273,273	(1,969)

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

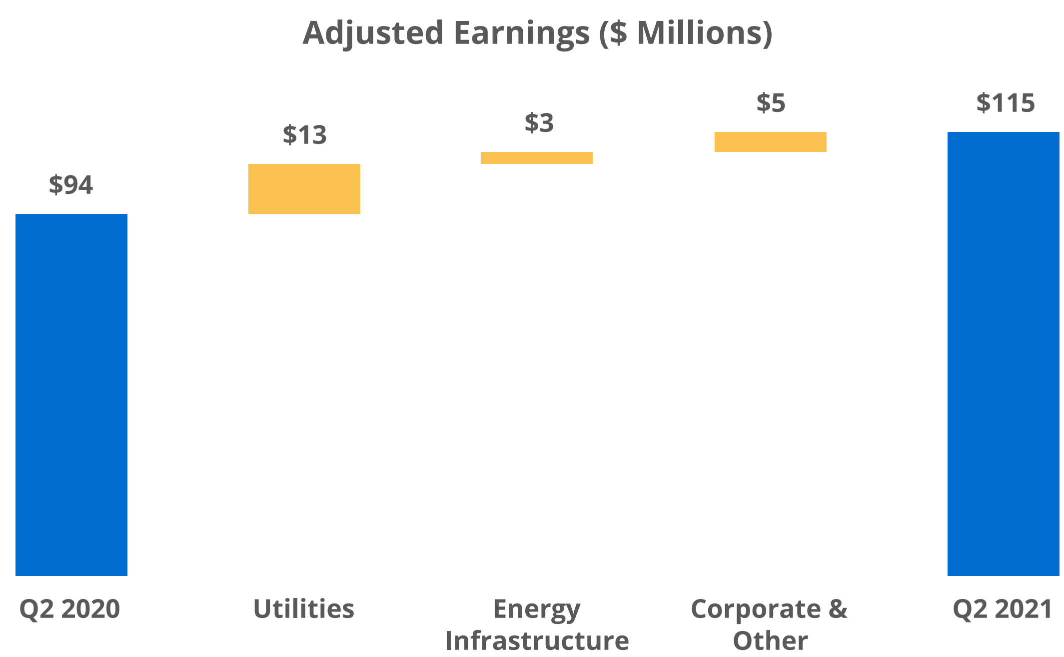
REVENUES

Revenues for the second quarter of 2021 were $790 million, $50 million higher than the same period in 2020. Higher revenues were mainly due to improved performance at ATCOenergy resulting from higher electricity and natural gas commodity prices associated with floating rate energy contracts.

ADJUSTED EARNINGS

Our adjusted earnings in the second quarter of 2021 were $115 million or $0.43 per share, compared to $94 million or $0.34 per share for the same period in 2020.

Higher adjusted earnings in the second quarter of 2021 were mainly due to earnings from International Electricity Operations related to ongoing transition work and the commencement on June 1, 2021 under the Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity transmission and distribution (T&D) system. Higher earnings were also due to a return to more stable levels of inflation in Australia, which positively impacted earnings 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 $5 million in the second quarter of 2021, $67 million lower compared to 2020. 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.

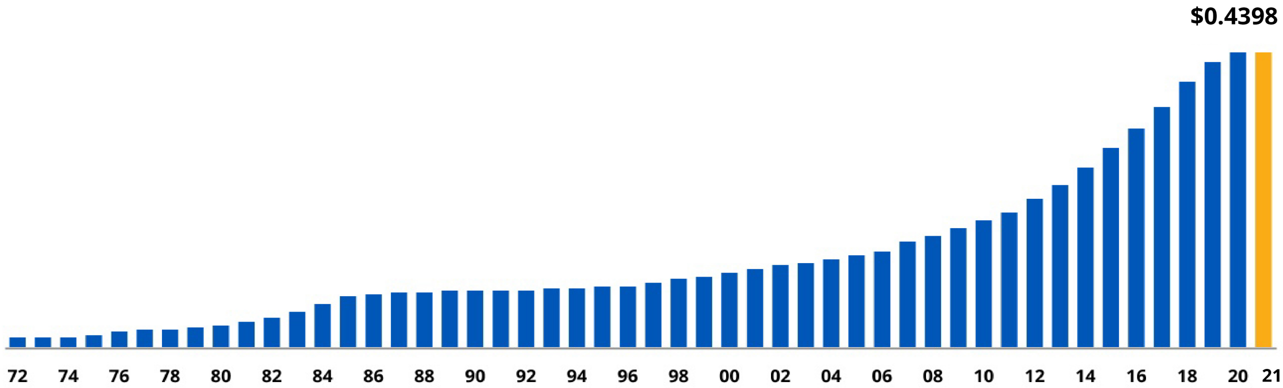
FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $362 million in the second quarter of 2021, $19 million higher compared to the same period in 2020. The increase was mainly due to higher customer contributions for Electricity Transmission and International Natural Gas Distribution capital investments, partially offset by the timing of certain revenues and expenses.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners totaled $120 million in the second quarter of 2021. On July 21, 2021, the Board of Directors declared a third quarter dividend of 43.98 cents per share.

Quarterly Dividend Rate 1972 - 2021
(dollars per share)

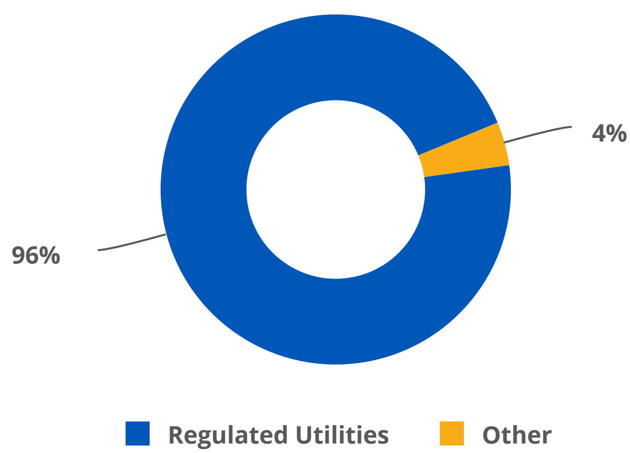


CAPITAL INVESTMENT

Total capital investment of $430 million and $660 million in the second quarter and first six months of 2021 was $240 million and $211 million higher compared to the same periods in 2020 mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business.

Capital spending in the Regulated Utilities accounted for 96 per cent of total capital invested in the first six months of 2021. The remaining 4 per cent invested included the construction of Storage & Industrial Water's long-term contracted hydrocarbon storage cavern in Fort Saskatchewan, Alberta.

Capital Investment for the Six Months Ended June 30, 2021



BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $688 million and $1,478 million in the second quarter and first six months of 2021 were comparable to the same periods in 2020.

Revenue growth for Electricity and Natural Gas Distribution in the second quarter and first six months of 2021 has been deferred to be recognized and collected in a future period as a result of our decision to provide rate relief to customers in light of the current COVID-19 global pandemic and the economic situation in Alberta.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity						
Electricity Distribution	**37**	32	5	**79**	67	12
Electricity Transmission	**36**	46	(10)	**79**	89	(10)
International Electricity Operations	**9**	—	9	**14**	—	14
Total Electricity	**82**	78	4	**172**	156	16
Natural Gas						
Natural Gas Distribution	**7**	2	5	**88**	84	4
Natural Gas Transmission	**21**	24	(3)	**40**	46	(6)
International Natural Gas Distribution	**14**	7	7	**25**	14	11
Total Natural Gas	**42**	33	9	**153**	144	9
Total Utilities Adjusted Earnings	**124**	111	13	**325**	300	25

Utilities adjusted earnings of $124 million and $325 million in the second quarter and first six months of 2021 were $13 million and $25 million higher than the same periods in 2020. Higher earnings were mainly due to contributions from International Electricity Operations, a higher inflation rate in International Natural Gas Distribution, and cost efficiencies, partially offset by the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing decision received in the second quarter of 2021.

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 $37 million and $79 million in the second quarter and first six months of 2021 were $5 million and $12 million higher compared to the same periods in 2020. Higher earnings were mainly due to cost efficiencies.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $36 million and $79 million in the second quarter and first six months of 2021 were $10 million lower than the same periods in 2020. Lower earnings were mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received from the AUC in the second quarter of 2021, which decreased earnings by $8 million, all of which related to prior periods.

International Electricity Operations

International Electricity Operations includes a 50 per cent ownership in LUMA Energy, a company formed in June of 2020 to transform, modernize and operate Puerto Rico's 30,000-km electricity T&D 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 has assumed operations under terms of a Supplemental Agreement as PREPA remains in bankruptcy. This Agreement can span up to 18 months and allows LUMA to collect an annualized fixed fee equivalent of $115 million USD. Should PREPA emerge from bankruptcy during this period, LUMA will transition to year one of the previously outlined Operations and Maintenance Agreement.

International Electricity Operations adjusted earnings in the second quarter and first six months of 2021 were $9 million and $14 million higher than the same periods in 2020 due to ongoing transition work and the commencement on June 1, 2021 under the Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity T&D system.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $7 million and $88 million in the second quarter and first six months of 2021 were $5 million and $4 million higher than the same periods in 2020. Higher earnings were mainly due to the timing of operating costs.

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 $21 million and $40 million in the second quarter and first six months of 2021 were $3 million and $6 million lower than the same periods in 2020. Lower adjusted earnings were mainly due to the impact of the 2021-2023 General Rate Application decision which included operating cost efficiencies implemented in prior periods that are being passed on to customers.

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 $14 million and $25 million in the second quarter and first six months of 2021 were $7 million and $11 million higher compared to the same periods in 2020. Higher earnings were mainly due to the impact of a higher forecasted inflation rate and a settlement relating to the 2011 acquisition of ATCO Gas Australia.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

2021 Rate Relief Application

On March 1, 2021, Canadian Utilities filed a 2021 Rate Relief Application for Electricity Distribution and Natural Gas Distribution to postpone rate increases for the full year 2021 and collect the deferred amounts commencing in 2023 for no more than a 5-year period. On June 18, 2021, the AUC issued a decision directing Canadian Utilities to collect the 2021 deferred amounts commencing January 1, 2022, over a short duration, without exceeding a prescribed maximum increase in any year during the collection process. The majority of the deferred amounts are expected to be collected in 2022, with the remainder to be collected in 2023.

Distribution Regulatory Framework - Post 2022

On June 18, 2021, the AUC issued a decision providing direction regarding the 2023 cost of service application process. Each distribution utility is to present its application using an AUC-developed template with a prescribed minimum level of detail. Electricity Distribution is required to file its application by November 15, 2021, and Natural Gas Distribution is required to file its application by December 15, 2021.

On June 30, 2021, the AUC issued a decision relating to the Evaluation of Performance-Based Regulation in Alberta. The Commission determined that PBR has achieved many of the set principle objectives and that a third PBR term (PBR3) will commence in 2024 after a one year cost of service rebasing in 2023. A future generic proceeding will be initiated in the third quarter of 2022 to determine the parameters of PBR3, including a review of incremental capital funding provisions, the inflation (I) and productivity (X) factors, and consideration of an earnings sharing mechanism.

ELECTRICITY TRANSMISSION

2018-2019 General Tariff Application

On June 29, 2021, the AUC issued a decision on the 2018-2019 GTA Compliance Filing which determined Electricity Transmission’s final revenue requirement for 2018 and 2019. The impact of this decision is a decrease to second quarter 2021 adjusted earnings of $8 million, all of which relates to prior periods.

NATURAL GAS TRANSMISSION

Pioneer Pipeline Acquisition

In the third quarter of 2020, Natural Gas Transmission entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation, subject to customary conditions including regulatory approvals by the AUC and Alberta Energy Regulator.

The 131-km natural gas pipeline runs from the Drayton Valley area to the Wabamum area west of Edmonton. On June 15, 2021, the AUC issued a decision approving the acquisition of the pipeline and associated integration costs, totaling $265 million, and the corresponding revenue requirement for 2021 to be included in Natural Gas Transmission's rates.

Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission will transfer to Nova Gas Transmission Ltd. (NGTL) the 30-km segment of pipeline that is located in the NGTL footprint for approximately $65 million. The pipeline has been integrated but is subject to approval from the Canada Energy Regulator and is expected to close in the fourth quarter of 2021.

With the close of the transaction on June 30, 2021, the Pioneer Pipeline has been incorporated into NGTL's and Canadian Utilities' Alberta regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas.

REVENUES

Energy Infrastructure revenues of $39 million in the second quarter of 2021 were $5 million lower than the same period in 2020 mainly due to demand for natural gas storage services.

Energy Infrastructure revenues of $91 million in the first six months of 2021 were $1 million higher than the same period in 2020 mainly due to demand for natural gas storage services.

ADJUSTED EARNINGS

		Three Months Ended June 30			Six Months Ended June 30	
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity Generation	**2**	2	—	**8**	6	2
Storage & Industrial Water	**5**	2	3	**9**	3	6
Total Energy Infrastructure Adjusted Earnings	**7**	4	3	**17**	9	8

Energy Infrastructure adjusted earnings of $7 million in the second quarter of 2021 were $3 million higher than the same period in 2020 mainly due to recovered business development costs, partially offset by lower demand for natural gas storage services.

Energy Infrastructure adjusted earnings of $17 million in the first six months of 2021 were $8 million higher than the same period in 2020 mainly due to recovered business development costs and demand for natural gas storage services.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $2 million in the second quarter of 2021 were comparable to the same period in 2020.

Electricity Generation adjusted earnings of $8 million in the first six months of 2021 were $2 million higher than the same period in 2020. Higher earnings were mainly due to recovered business development costs.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of$5 million and $9 million in the second quarter and first six months of 2021 were $3 million and $6 million higher than the same periods in 2020 mainly due to demand for natural gas storage services and recovered business development costs.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

CANADIAN UTILITIES - SUNCOR Clean Hydrogen Project

In May 2021, Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tons per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, reducing Alberta's carbon dioxide emissions by more than two million tons per year. The hydrogen production facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and is expected to be operational as early as 2028. Although several provincial and federal policies, fiscal programs and regulations have already been put in place to support significant decarbonization and the development of a leading low-carbon fuels industry, further regulatory certainty and fiscal support is required for the project to progress to a sanctioning decision. In addition to supplying clean hydrogen to Suncor and the Alberta gas grid, the project will make hydrogen volumes available for Alberta's other industrial, municipal and commercial transport users.

Clean Energy Innovation Park

In May 2021, Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of $29 million AUD in conditional funding from the Australian Renewable Energy Agency (ARENA) to kick start the production of hydrogen through a large scale project at the proposed Clean Energy Innovation Park (CEIP) in Western Australia.

The proposed project will leverage learnings from our Clean Energy Innovation Hub, a pilot project which saw our Company become the first in Australia to generate and use green hydrogen.

The CEIP will include a 10-MW electrolyser and plant capable of producing up to four tonnes of hydrogen per day, along with storage and delivery to gas network injection points. The facility is planned to be co-located with a 180-MW wind farm in Western Australia, which will provide the renewable energy to power the electrolyser.

A final investment decision for this project is expected in the first quarter of 2022.

Chile Solar Generation Facility

In the fourth quarter of 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the El Resplandor solar project. This project, located in Cabrero, Chile, provides solar energy to the Chilean electricity grid. The 3-MW of solar generation capacity was completed at the end of the second quarter of 2020 for a total investment of $4 million. Despite plans to expand the facility, Canadian Utilities has cancelled the remaining planned 6-MW of the project due to land zoning concerns.

CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Rümi and Retail Energy through ATCOenergy which provides retail electricity and natural gas services in Alberta. Corporate & Other also includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia and the Mexico corporate head office in Mexico City, Mexico. 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)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Canadian Utilities Corporate & Other	**(16)**	(21)	5	**(36)**	(36)	—

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the second quarter of 2021 were $5 million higher than the same period in 2020 mainly due to improved earnings in ATCOenergy and the timing of certain expenses.

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the first six months of 2021 were comparable to the same period in 2020.

CANADIAN UTILITIES CORPORATE & OTHER RECENT DEVELOPMENTS

Rümi Launch

On June 3, 2021, Canadian Utilities launched Rümi, a solutions provider for home and business owners, offering lifestyle products, home maintenance services and professional advice for homeowners.

Rümi is expected to create more than 200 jobs in Alberta over the next 3 years, while simultaneously supporting Alberta businesses. Rümi currently offers approximately 60 services in Edmonton and Calgary, and more than 750 products for purchase online.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

Sustainability Reporting

In 2021, we completed a refresh of the material topics for ATCO's Sustainability Report, incorporating feedback from internal and external groups. ATCO's 2020 Sustainability Report, published in May 2021, focused 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, and emergency preparedness and response;
- People - occupational health and safety, public safety, and diversity, inclusion and equity; and
- Community and Indigenous Relations - Indigenous engagement, economic opportunity and reconciliation, and community engagement and investment.

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

The 2020 Sustainability Report, Sustainability Framework Reference Document, and more details of our materiality assessment, and other disclosures are available on our website at www.canadianutilities.com

Climate Change and Energy Transition

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

In May 2021, Canadian Utilities was able to advance two large scale hydrogen projects. In Australia, Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of $29 million AUD in conditional funding from ARENA to kick start the production of hydrogen through a large scale project at the Company's proposed Clean Energy Innovation Park. This project builds on Canadian Utilities' pilot project, the Clean Energy Innovation Hub, and will produce hydrogen along with storage and delivery to gas network injection points. In Canada, Canadian Utilities and Suncor Energy announced the decision to collaborate on early-stage design and engineering for a potential hydrogen project near Fort Saskatchewan, Alberta.

As our portfolio of assets evolves, so too does our environmental footprint. Our direct (Scope 1) GHG emissions were reduced by 90 per cent from 2019 to 2020, primarily as a result of Canadian Utilities' sale of its Canadian fossil fuel-based electricity generation, eliminating coal-fired generation from our portfolio. Our direct GHG emissions from retained assets have been reduced by 17 per cent since 2019.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the second quarter and first six months of 2021 and 2020 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)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Operating costs	**480**	380	100	**961**	809	152
Depreciation, amortization and impairment	**208**	162	46	**362**	305	57
Earnings from investment in joint ventures	**5**	3	2	**18**	9	9
Net finance costs	**96**	97	(1)	**193**	191	2
Income tax expense	**5**	31	(26)	**50**	94	(44)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $100 million and $152 million in the second quarter and first six months of 2021 compared to the same periods in 2020. Higher operating costs were mainly due to higher flow-through electricity costs in ATCOenergy, higher flow-through Alberta-system natural gas transmission costs, higher unrealized and realized losses on derivative financial instruments in 2021, and the recognition of termination and transition costs related to the early termination of the Master Services Agreements (MSA) with Wipro Ltd. (Wipro) for managed information technology (IT) services.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $46 million and $57 million in the second quarter and first six months of 2021 compared to the same periods in 2020 mainly due to the impairment of assets in the Energy Infrastructure segment as part of the continued assessment of our investment portfolio.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures increased by $2 million and $9 million in the second quarter and first six months of 2021 compared to the same periods in 2020 mainly due to earnings from LUMA Energy due to the ongoing transition work during the period, and commencement on June 1, 2021 of the Supplemental Agreement, partially offset by an impairment of an investment in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our investment portfolio.

NET FINANCE COSTS

Net finance costs decreased by $1 million in the second quarter of 2021 when compared to the same period in 2020 mainly due to lower interest expense as a result of increased capitalization of interest during construction on capital projects in 2021.

Net finance costs increased by $2 million in the first six months of 2021 when compared to the same period in 2020 mainly due to lower interest income resulting from lower interest rates received on bank balances.

INCOME TAX EXPENSE

Income taxes were lower by $26 million and $44 million in the second quarter and first six months of 2021 compared to the same periods in 2020 mainly due to lower earnings before income taxes and a reduction in deferred income tax assets in 2020.

LIQUIDITY AND CAPITAL RESOURCES

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

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

LINES OF CREDIT

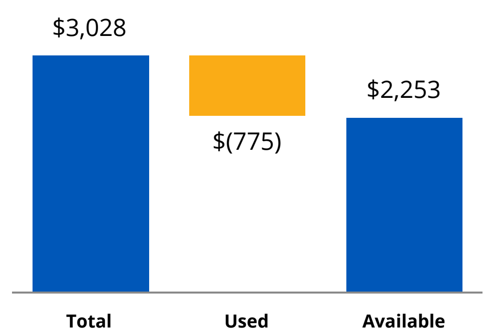
At June 30, 2021, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,475**	633	1,842
Uncommitted	**553**	142	411
Total	**3,028**	775	2,253

Of the $3,028 million in total lines of credit, $553 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,475 million in credit lines was committed, with maturities between 2022 and 2024, and may be extended at the option of the lenders.

Of the $775 million in lines of credit used, $633 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 pertains to the issuance of letters of credit.

Lines of Credit
($ millions)



CONSOLIDATED CASH FLOW

At June 30, 2021, the Company's cash position was $365 million, a decrease of $413 million compared to December 31, 2020. Funds generated by operations achieved during the quarter were partially offset by cash used to fund the capital investment program, dividends paid, financing costs and share repurchases.

Funds Generated by Operations

Funds generated by operations were $362 million in the second quarter of 2021, $19 million higher compared to the same period in 2020. The increase was mainly due to higher customer contributions for Electricity Transmission and International Natural Gas Distribution capital investments, partially offset by the timing of certain revenues and expenses.

Funds generated by operations of $805 million in the first six months of 2021 were comparable to the same period in 2020.

Funds generated by operations in 2021 are adversely impacted as a result of Canadian Utilities' decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution which will be collected from customers starting in 2022.

Cash Used for Capital Investment

Cash used for capital investment was $430 million and $660 million in the second quarter and first six months of 2021, $240 million and $211 million higher compared to the same periods in 2020, mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business.

Capital investment for the second quarter and first six months of 2021 and 2020 is shown in the table below.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Utilities						
Electricity Distribution	**57**	50	7	**111**	116	(5)
Electricity Transmission	**28**	29	(1)	**62**	71	(9)
Natural Gas Distribution	**72**	45	27	**128**	102	26
Natural Gas Transmission	**231**	41	190	**291**	114	177
International Electricity Operations	**1**	—	1	**1**	—	1
International Natural Gas Distribution	**23**	15	8	**39**	26	13
	412	**180**	**232**	**632**	**429**	**203**
Energy Infrastructure						
Electricity Generation	**2**	1	1	**2**	3	(1)
Storage & Industrial Water	**13**	7	6	**21**	13	8
	15	**8**	**7**	**23**	**16**	**7**
CU Corporate & Other	**3**	2	1	**5**	4	1
Canadian Utilities Total Capital Investment (1) (2) (3)	**430**	190	240	**660**	449	211

(1) Includes capital expenditures in joint ventures of $9 million and $14 million(2020 - $3 million and $5 million) for the second quarter and first six months of 2021.

(2) Includes additions to property, plant and equipment, intangibles, and $3 million and $6 million (2020 - $2 million and $7 million) of capitalized interest during construction for the second quarter and first six months of 2021.

(3) Includes $51 million and $107 million for the second quarter and first six months of 2021 (2020 - $21 million and $47 million) of capital investment, mainly in the Utilities, that were funded with the assistance of customer contributions.

Base Shelf Prospectus - CU Inc. Debentures and Preferred Shares

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of June 30, 2021, aggregate issuances of debentures were $150 million.

Effective June 1, 2021, the annual dividend rate on CU Inc.'s Cumulative Redeemable Preferred Shares Series 4 was reset from 2.24 per cent to 2.29 per cent for the next five-year period.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 49-year track record. Dividends paid to Class A and Class B share owners totaled $120 million in the second quarter of 2021 and $240 million in the first six months of 2021.

On July 21, 2021, the Board of Directors declared a third quarter dividend of 43.98 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid

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

On July 22, 2020, we commenced a normal course issuer bid to purchase up to 3,996,004 outstanding Class A shares. This bid expired on July 21, 2021. During this period, 3,996,004 shares were purchased for $132 million, of which 1,730,404 shares for $61 million were purchased in the second quarter of 2021.

On July 29, 2021, we commenced a normal course issuer bid to purchase up to 3,930,623 outstanding Class A shares. The bid will expire on July 28, 2022. To date, no shares have been purchased.

SHARE CAPITAL

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

At July 27, 2021, we had outstanding 196,532,097 Class A shares, 72,763,274 Class B shares, and options to purchase 1,739,100 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON 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, 4,055,100 Class A shares were available for issuance at June 30, 2021. 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

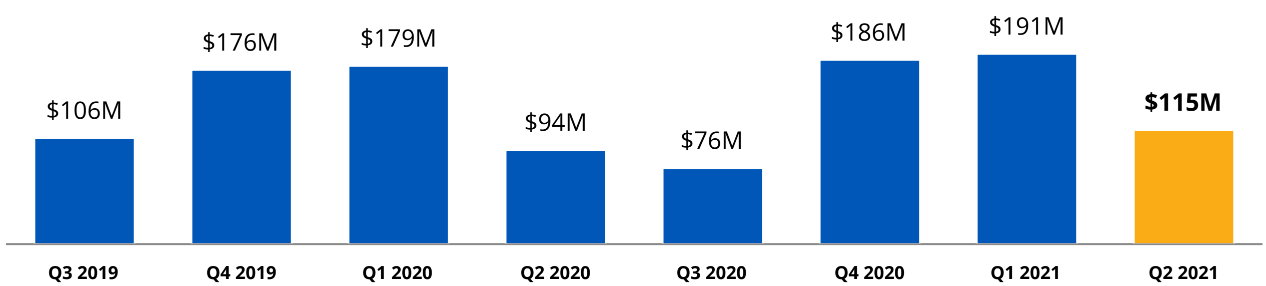
The following table shows financial information for the eight quarters ended September 30, 2019 through June 30, 2021.

($ millions, except for per share data)	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Revenues	727	881	907	**790**
Earnings attributable to equity owners of the Company	91	104	141	**5**
Earnings (loss) attributable to Class A and B shares	74	87	124	**(11)**
Earnings (loss) per Class A and Class B share *($)*	0.27	0.32	0.46	**(0.04)**
Diluted earnings (loss) per Class A and Class B share *($)*	0.27	0.32	0.46	**(0.04)**
Adjusted earnings per Class A and Class B share *($)*	0.28	0.68	0.70	**0.43**
Adjusted earnings (loss)				
Utilities	89	195	201	**124**
Energy Infrastructure	7	12	10	**7**
Corporate & Other and Intersegment Eliminations	(20)	(21)	(20)	**(16)**
Total adjusted earnings	76	186	191	**115**

($ millions, except for per share data)	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenues	885	929	885	740
Earnings attributable to equity owners of the Company	284	151	160	72
Earnings attributable to Class A and Class B shares	267	134	143	56
Earnings per Class A and Class B share *($)*	0.99	0.49	0.52	0.21
Diluted earnings per Class A and Class B share *($)*	0.99	0.49	0.52	0.21
Adjusted earnings per Class A and Class B share *($)*	0.39	0.65	0.66	0.34
Adjusted earnings (loss)				
Utilities	91	176	189	111
Energy Infrastructure	40	16	5	4
Corporate & Other and Intersegment Eliminations	(25)	(16)	(15)	(21)
Total adjusted earnings	106	176	179	94

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 second and third quarters of each year are impacted by lower seasonal demand in the Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 were higher compared to the same periods in 2019 and 2020 mainly due to continued cost efficiencies, rate base growth, and earnings from International Electricity Operations.

Adjusted earnings in the second quarter of 2021 were higher compared to the same period in 2020 mainly due to earnings from International Electricity Operations and a return to more stable levels of inflation in Australia, which positively impacted earnings in the International Natural Gas Distribution business.

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:

- In the third and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business and Alberta PowerLine resulting in a gain on sale of operations of $125 million (after-tax).
- In the second quarter of 2020, impairment and other costs not in the normal course of business of $30 million (after-tax) were recorded. These costs mainly related to certain assets that no longer represent strategic value for the Company.
- Early Termination of the Master Service Agreements for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed information technology services. These services are currently provided by Wipro under a ten-year MSA expiring in December 2024. The Company recognized termination costs of $55 million and $4 million (after-tax) in the fourth quarter of 2020 and first quarter of 2021, respectively, which represents managements' best estimate of the costs to exit the Wipro MSA. The actual costs will be finalized later in 2021.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is expected to be completed by the third quarter of 2021. In the first and second quarters of 2021, the Company recognized transition costs of $7 million and $16 million (after-tax), respectively.
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to equity owners of the Company is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the unaudited interim consolidated financial statements.

Adjusted earnings per Class A and Class B share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

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

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

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

2021 2020	**Utilities**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**688**	**39**	**76**	**(13)**	**790**
	685	44	36	(25)	740
Adjusted earnings (loss)	**124**	**7**	**(16)**	**—**	**115**
	111	4	(21)	—	94
Impairment and other costs	**—**	**(64)**	**(1)**	**—**	**(65)**
	(8)	(3)	(19)	—	(30)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**(13)**	**—**	**(13)**
	—	(2)	5	—	3
Rate-regulated activities	**(29)**	**—**	**—**	**—**	**(29)**
	(13)	—	1	3	(9)
IT Common Matters decision	**(3)**	**—**	**—**	**—**	**(3)**
	(3)	—	—	—	(3)
Transition of managed IT services	**(14)**	**(1)**	**(1)**	**—**	**(16)**
	—	—	—	—	—
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**16**	**—**	**16**
	1	—	15	—	16
Other	**—**	**—**	**—**	**—**	**—**
	—	1	—	—	1
Earnings (loss) attributable to equity owners of the Company	**78**	**(58)**	**(15)**	**—**	**5**
	88	—	(19)	3	72

($ millions) **2021** 2020	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Six Months Ended June 30 Consolidated
Revenues	**1,478**	**91**	**169**	**(41)**	**1,697**
	1,478	90	109	(52)	1,625
Adjusted earnings (loss)	**325**	**17**	**(36)**	**—**	**306**
	300	9	(36)	—	273
Impairment and other costs	**—**	**(64)**	**(1)**	**—**	**(65)**
	(8)	(3)	(19)	—	(30)
Unrealized (losses) gains on mark-to-market forward and swap commodity contract	**—**	**—**	**(12)**	**—**	**(12)**
	—	(2)	11	—	9
Rate-regulated activities	**(81)**	**—**	**—**	**—**	**(81)**
	(44)	—	1	3	(40)
IT Common Matters decision	**(7)**	**—**	**—**	**—**	**(7)**
	(7)	—	—	—	(7)
Transition of managed IT services	**(24)**	**(1)**	**(2)**	**—**	**(27)**
	—	—	—	—	—
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**—**	**31**	**—**	**33**
	2	—	31	—	33
Other	**—**	**(1)**	**—**	**—**	**(1)**
	—	(6)	—	—	(6)
Earnings (loss) attributable to equity owners of the Company	**215**	**(49)**	**(20)**	**—**	**146**
	243	(2)	(12)	3	232

IMPAIRMENT AND OTHER COSTS

In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

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

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

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

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

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)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**29**	17	12	**58**	39	19
Impact of colder temperatures (2)	**1**	4	(3)	**—**	9	(9)
Revenues to be billed in future periods						
Deferred income taxes (3)	**(30)**	(22)	(8)	**(55)**	(56)	1
Distribution rate relief (4)	**(34)**	—	(34)	**(75)**	—	(75)
Impact of warmer temperatures (2)	**—**	—	—	**(1)**	—	(1)
Impact of inflation on rate base (5)	**(3)**	(1)	(2)	**(10)**	(4)	(6)
Settlement of regulatory decisions and other items (6)	**8**	(7)	15	**2**	(28)	30
	(29)	(9)	(20)	**(81)**	(40)	(41)

(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 the normal in the current period are refunded to or recovered from customers in future periods.

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

(4) During the three and six months ended June 30, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $34 million and $75 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. This will be recovered from customers in 2022 and 2023.

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

(6) In the first six months of 2020, Electricity Distribution recorded a decrease in earnings of $22 million related to the payment of transmission costs. Substantially all of these costs were recovered from customers in the second half of 2020.

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, 2021 was $3 million and $7 million (after-tax) (2020 - $3 million and $7 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed IT services. These services are currently provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is expected to be completed by the third quarter of 2021.

In the second quarter and first six months of 2021,the Company recognized termination and transition costs of $16 million and $27 million (after-tax).

OTHER

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. In the second quarter and first six months of 2021, the Company recorded a foreign exchange loss of nil and $1 million (after-tax) (2020 - a foreign exchange gain of $1 million and foreign exchange loss of $6 million), due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

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

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

($ millions)

2021 2020	**Three Months Ended June 30**	**Six Months Ended June 30**
Funds generated by operations	**362**	**805**
	343	809
Changes in non-cash working capital	**15**	**83**
	84	107
Cash flows from operating activities	**377**	**888**
	427	916

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions)				**Three Months Ended June 30**
2021 2020	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**412**	**15**	**3**	**430**
	180	8	2	190
Capital Expenditure in joint ventures	**—**	**(9)**	**—**	**(9)**
	—	(3)	—	(3)
Capital Expenditures	**412**	**6**	**3**	**421**
	180	5	2	187

($ millions)				**Six Months Ended June 30**
2021 2020	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**632**	**23**	**5**	**660**
	429	16	4	449
Capital Expenditure in joint ventures	**—**	**(14)**	**—**	**(14)**
	—	(5)	—	(5)
Capital Expenditures	**632**	**9**	**5**	**646**
	429	11	4	444

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2021, and ended on June 30, 2021, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

FORWARD-LOOKING INFORMATION

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

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

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

ADDITIONAL INFORMATION

Canadian Utilities has published its unaudited interim consolidated financial statements and MD&A for the six months ended June 30, 2021. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

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

Class B shares means Class B 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.

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

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

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

PBR means Performance Based Regulation.

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

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars except per share data)	**Note**	**2021**	**2020**	**2021**	**2020**
Revenues	4	**790**	740	**1,697**	1,625
Costs and expenses					
Salaries, wages and benefits		**(90)**	(99)	**(176)**	(179)
Energy transmission and transportation		**(66)**	(55)	**(130)**	(108)
Plant and equipment maintenance		**(44)**	(48)	**(81)**	(93)
Fuel costs		**(21)**	(21)	**(50)**	(47)
Purchased power		**(69)**	(46)	**(146)**	(111)
Depreciation, amortization and impairment	3, 6	**(208)**	(162)	**(362)**	(305)
Franchise fees		**(58)**	(55)	**(139)**	(136)
Property and other taxes		**(18)**	(20)	**(35)**	(37)
Other		**(114)**	(36)	**(204)**	(98)
		(688)	(542)	**(1,323)**	(1,114)
Earnings from investment in joint ventures		**5**	3	**18**	9
Operating profit		**107**	201	**392**	520
Interest income		**3**	3	**6**	8
Interest expense		**(99)**	(100)	**(199)**	(199)
Net finance costs		**(96)**	(97)	**(193)**	(191)
Earnings before income taxes		**11**	104	**199**	329
Income tax expense		**(5)**	(31)	**(50)**	(94)
Earnings for the period		**6**	73	**149**	235
Earnings attributable to:					
Equity owners of the Company		**5**	72	**146**	232
Non-controlling interests		**1**	1	**3**	3
		6	73	**149**	235
(Loss) earnings per Class A and Class B share	5	**($0.04)**	$0.21	**$0.42**	$0.73
Diluted (loss) earnings per Class A and Class B share	5	**($0.04)**	$0.21	**$0.42**	$0.73

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)	**Note**	**2021**	**2020**	**2021**	**2020**
Earnings for the period		**6**	73	**149**	235
Other comprehensive income (loss), net of income taxes					
Items that will not be reclassified to earnings:					
Re-measurement of retirement benefits (1)	10	**25**	(214)	**166**	(17)
Items that are or may be reclassified subsequently to earnings:					
Cash flow hedges (2)		**18**	(6)	**26**	(18)
Foreign currency translation adjustment (3)		**(30)**	56	**(44)**	(1)
		(12)	50	**(18)**	(19)
Other comprehensive income (loss)		**13**	(164)	**148**	(36)
Comprehensive income (loss) for the period		**19**	(91)	**297**	199
Comprehensive income (loss) attributable to:					
Equity owners of the Company		**18**	(92)	**294**	196
Non-controlling interests		**1**	1	**3**	3
		19	(91)	**297**	199

(1) Net of income taxes of $(8) million and $(50) million for the three and six months ended June 30, 2021 (2020 - $64 million and $5 million).

(2) Net of income taxes of $(5) million and $(8) million for the three and six months ended June 30, 2021 (2020 - $3 million and $8 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 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents	11	**368**	781
Accounts receivable and contract assets		**523**	649
Finance lease receivables		**9**	9
Inventories		**25**	28
Prepaid expenses and other current assets		**180**	92
		1,105	1,559
Non-current assets			
Property, plant and equipment	6	**17,748**	17,563
Intangibles		**670**	656
Retirement benefit asset	10	**76**	–
Right-of-use assets		**52**	56
Investment in joint ventures		**182**	165
Finance lease receivables		**155**	164
Deferred income tax assets		**62**	72
Other assets		**61**	61
Total assets		**20,111**	20,296
LIABILITIES			
Current liabilities			
Bank indebtedness	11	**3**	3
Accounts payable and accrued liabilities		**498**	549
Lease liabilities		**8**	9
Provisions and other current liabilities		**113**	129
Long-term debt		**291**	166
		913	856
Non-current liabilities			
Deferred income tax liabilities		**1,502**	1,416
Retirement benefit obligations	10	**275**	411
Customer contributions		**1,836**	1,756
Lease liabilities		**45**	47
Other liabilities		**99**	115
Long-term debt		**8,728**	8,887
Total liabilities		**13,398**	13,488
EQUITY			
Equity preferred shares		**1,483**	1,483
Class A and Class B share owners' equity			
Class A and Class B shares	9	**1,214**	1,232
Contributed surplus		**8**	8
Retained earnings		**3,869**	3,928
Accumulated other comprehensive loss		**(48)**	(30)
Total equity attributable to equity owners of the Company		**6,526**	6,621
Non-controlling interests		**187**	187
Total equity		**6,713**	6,808
Total liabilities and equity		**20,111**	20,296

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to Equity Owners of the Company							
(millions of Canadian Dollars)	**Note**	**Class A and Class B Shares**	**Equity Preferred Shares**	**Contributed Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Total**	**Non-Controlling Interests**	**Total Equity**
December 31, 2019		1,228	1,483	16	4,054	(47)	6,734	187	6,921
Earnings for the period		–	–	–	232	–	232	3	235
Other comprehensive loss		–	–	–	–	(36)	(36)	–	(36)
Losses on retirement benefits transferred to retained earnings		–	–	–	(17)	17	–	–	–
Dividends	8, 9	–	–	–	(272)	–	(272)	(3)	(275)
Share-based compensation		6	–	(2)	–	–	4	–	4
Other		–	–	–	–	1	1	–	1
June 30, 2020		1,234	1,483	14	3,997	(65)	6,663	187	6,850
December 31, 2020		1,232	1,483	8	3,928	(30)	6,621	187	6,808
Earnings for the period		–	–	–	**146**	–	**146**	**3**	**149**
Other comprehensive income		–	–	–	–	**148**	**148**	–	**148**
Gains on retirement benefits transferred to retained earnings	10	–	–	–	**166**	**(166)**	–	–	–
Shares redeemed	9	**(20)**	–	–	**(99)**	–	**(119)**	–	**(119)**
Dividends	8,9	–	–	–	**(273)**	–	**(273)**	**(3)**	**(276)**
Share-based compensation		**2**	–	–	–	–	**2**	–	**2**
Other		–	–	–	**1**	–	**1**	–	**1**
June 30, 2021		**1,214**	**1,483**	**8**	**3,869**	**(48)**	**6,526**	**187**	**6,713**

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**	**2021**	**2020**	**2021**	**2020**
Operating activities					
Earnings for the period		**6**	73	**149**	235
Adjustments to reconcile earnings to cash flows from operating activities	11	**356**	270	**656**	574
Changes in non-cash working capital		**15**	84	**83**	107
Cash flows from operating activities		**377**	427	**888**	916
Investing activities					
Additions to property, plant and equipment		**(381)**	(179)	**(575)**	(413)
Proceeds on disposal of property, plant and equipment		**1**	1	**30**	1
Additions to intangibles		**(37)**	(6)	**(65)**	(24)
Investment in joint ventures		**(8)**	(3)	**(12)**	(8)
Changes in non-cash working capital		**(32)**	(44)	**(10)**	(25)
Other	6	**(67)**	(2)	**(68)**	(2)
Cash flows used in investing activities		**(524)**	(233)	**(700)**	(471)
Financing activities					
Issue of long-term debt		**–**	–	**–**	55
Repayment of long-term debt		**(3)**	(3)	**(4)**	(58)
Repayment of lease liabilities		**(2)**	(2)	**(5)**	(5)
Purchase of Class A shares		**(61)**	–	**(119)**	–
Dividends paid on equity preferred shares		**(16)**	(16)	**(33)**	(33)
Dividends paid to non-controlling interests		**(1)**	(1)	**(3)**	(3)
Dividends paid to Class A and Class B share owners		**(120)**	(120)	**(240)**	(239)
Interest paid		**(111)**	(118)	**(192)**	(197)
Other		**(1)**	(1)	**–**	(1)
Cash flows used in financing activities		**(315)**	(261)	**(596)**	(481)
Decrease in cash position [(1)]		**(462)**	(67)	**(408)**	(36)
Foreign currency translation		**(3)**	5	**(5)**	(3)
Beginning of period		**830**	1,000	**778**	977
End of period	11	**365**	938	**365**	938

(1) Cash position includes $5 million which is not available for general use by the Company (2020 - $4 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 2021

(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 (electricity generation, energy storage, and industrial water solutions); and
- Retail Energy (electricity and natural gas retail sales) (included in the Corporate & Other segment).

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

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, 2020, 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 28, 2021.

BASIS OF MEASUREMENT

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

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

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

SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of judgments and estimates around the COVID-19 pandemic

For the three and six months ended June 30, 2021, the Company performed an assessment of the impacts of uncertainties around the COVID-19 pandemic on its consolidated financial position, financial performance and cash flows. The assessment required use of judgments and estimates and resulted in no material impacts.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2021	Utilities							
2020	**Electricity**	**Natural Gas**	**Eliminations**	**Total**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment eliminations**	**Consolidated**
Revenues - external	**335**	**350**	**–**	**685**	**36**	**69**	**–**	**790**
	340	338	–	678	34	28	–	740
Revenues - intersegment	**3**	**1**	**(1)**	**3**	**3**	**7**	**(13)**	**–**
	7	1	(1)	7	10	8	(25)	–
Revenues	**338**	**351**	**(1)**	**688**	**39**	**76**	**(13)**	**790**
	347	339	(1)	685	44	36	(25)	740
Operating expenses [1]	**(132)**	**(225)**	**1**	**(356)**	**(47)**	**(90)**	**13**	**(480)**
	(130)	(206)	1	(335)	(42)	(31)	28	(380)
Depreciation, amortization and impairment	**(78)**	**(69)**	**–**	**(147)**	**(58)**	**(3)**	**–**	**(208)**
	(75)	(64)	–	(139)	(2)	(22)	1	(162)
Earnings from investment in joint ventures	**9**	**–**	**–**	**9**	**(4)**	**–**	**–**	**5**
	–	–	–	–	3	–	–	3
Net finance costs	**(56)**	**(37)**	**–**	**(93)**	**(2)**	**(1)**	**–**	**(96)**
	(57)	(36)	–	(93)	(3)	(1)	–	(97)
Earnings (loss) before income taxes	**81**	**20**	**–**	**101**	**(72)**	**(18)**	**–**	**11**
	85	33	–	118	–	(18)	4	104
Income tax (expense) recovery	**(17)**	**(5)**	**–**	**(22)**	**14**	**3**	**–**	**(5)**
	(20)	(9)	–	(29)	–	(1)	(1)	(31)
Earnings (loss) for the period	**64**	**15**	**–**	**79**	**(58)**	**(15)**	**–**	**6**
	65	24	–	89	–	(19)	3	73
Adjusted earnings (loss)	**82**	**42**	**–**	**124**	**7**	**(16)**	**–**	**115**
	78	33	–	111	4	(21)	–	94
Capital expenditures [3]	**86**	**326**	**–**	**412**	**6**	**3**	**–**	**421**
	79	101	–	**180**	5	2	–	187

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

2021 2020	Utilities Electricity	Natural Gas	Eliminations	Total	Energy Infrastructure	Corporate & Other	Intersegment eliminations	Consolidated
Revenues - external	**672**	**800**	**_**	**1,472**	**70**	**155**	**_**	**1,697**
	661	807	_	1,468	64	93	_	1,625
Revenues - intersegment	**6**	**2**	**(2)**	**6**	**21**	**14**	**(41)**	**_**
	10	2	(2)	10	26	16	(52)	_
Revenues	**678**	**802**	**(2)**	**1,478**	**91**	**169**	**(41)**	**1,697**
	671	809	(2)	1,478	90	109	(52)	1,625
Operating expenses (1)	**(263)**	**(472)**	**2**	**(733)**	**(85)**	**(184)**	**41**	**(961)**
	(256)	(435)	2	(689)	(80)	(93)	53	(809)
Depreciation, amortization and impairment	**(157)**	**(137)**	**_**	**(294)**	**(62)**	**(6)**	**_**	**(362)**
	(152)	(126)	_	(278)	(6)	(25)	4	(305)
Earnings from investment in joint ventures	**16**	**_**	**_**	**16**	**2**	**_**	**_**	**18**
	_	_	_	_	9	_	_	9
Net finance costs	**(112)**	**(74)**	**_**	**(186)**	**(5)**	**(2)**	**_**	**(193)**
	(115)	(70)	_	(185)	(6)	1	(1)	(191)
Earnings (loss) before income taxes	**162**	**119**	**_**	**281**	**(59)**	**(23)**	**_**	**199**
	148	178	_	326	7	(8)	4	329
Income tax (expense) recovery	**(35)**	**(28)**	**_**	**(63)**	**10**	**3**	**_**	**(50)**
	(35)	(45)	_	(80)	(9)	(4)	(1)	(94)
Earnings (loss) for the period	**127**	**91**	**_**	**218**	**(49)**	**(20)**	**_**	**149**
	113	133	_	246	(2)	(12)	3	235
Adjusted earnings (loss)	**172**	**153**	**_**	**325**	**17**	**(36)**	**_**	**306**
	156	144	_	300	9	(36)	_	273
Total assets (2)	**10,425**	**8,246**	**(2)**	**18,669**	**942**	**765**	**(265)**	**20,111**
	10,326	7,985	(1)	18,310	993	1,090	(97)	20,296
Capital expenditures (3)	**174**	**458**	**_**	**632**	**9**	**5**	**_**	**646**
	187	242	_	429	11	4	_	444

(1) Includes total costs and expenses, excluding depreciation, amortization, and impairment expense.
(2) 2020 comparatives are at December 31, 2020.
(3) Includes additions to property, plant and equipment, intangibles and $3 million and $6 million of interest capitalized during construction for the three and six months ended June 30, 2021 (2020 - $2 million and $7 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.

2021 **2020**	**Utilities**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings (loss)	**124**	**7**	**(16)**	**–**	**115**
	111	4	(21)	–	94
Transition of managed IT services	**(14)**	**(1)**	**(1)**	**–**	**(16)**
	–	–	–	–	–
Impairment and other costs	**–**	**(64)**	**(1)**	**–**	**(65)**
	(8)	(3)	(19)	–	(30)
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**–**	**–**	**(13)**	**–**	**(13)**
	–	(2)	5	–	3
Rate-regulated activities	**(29)**	**–**	**–**	**–**	**(29)**
	(13)	–	1	3	(9)
IT Common Matters decision	**(3)**	**–**	**–**	**–**	**(3)**
	(3)	–	–	–	(3)
Dividends on equity preferred shares of Canadian Utilities Limited	**–**	**–**	**16**	**–**	**16**
	1	–	15	–	16
Other	**–**	**–**	**–**	**–**	**–**
	–	1	–	–	1
Earnings (loss) attributable to equity owners of the Company	**78**	**(58)**	**(15)**	**–**	**5**
	88	–	(19)	3	72
Earnings attributable to non-controlling interests					**1**
					1
Earnings for the period					**6**
					73

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

2021 2020	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated
Adjusted earnings (loss)	**325**	**17**	**(36)**	**–**	**306**
	300	9	(36)	–	273
Transition of managed IT services	**(24)**	**(1)**	**(2)**	**–**	**(27)**
	–	–	–	–	–
Impairment and other costs	**–**	**(64)**	**(1)**	**–**	**(65)**
	(8)	(3)	(19)	–	(30)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**(12)**	**–**	**(12)**
	–	(2)	11	–	9
Rate-regulated activities	**(81)**	**–**	**–**	**–**	**(81)**
	(44)	–	1	3	(40)
IT Common Matters decision	**(7)**	**–**	**–**	**–**	**(7)**
	(7)	–	–	–	(7)
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**–**	**31**	**–**	**33**
	2	–	31	–	33
Other	**–**	**(1)**	**–**	**–**	**(1)**
	–	(6)	–	–	(6)
Earnings (loss) attributable to equity owners of the Company	**215**	**(49)**	**(20)**	**–**	**146**
	243	(2)	(12)	3	232
Earnings attributable to non-controlling interests					**3**
					3
Earnings for the period					**149**
					235

Transition of managed IT services

In 2020, and in the first quarter of 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services are currently provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is expected to be completed by the third quarter of 2021.

In 2020, and during the first quarter of 2021, the Company recognized onerous contract provisions of $71 million ($55 million after-tax) and $6 million ($4 million after-tax), respectively, which represents management's best estimate of the costs to exit the Wipro MSAs. The provisions are included in provisions and other current liabilities in the consolidated balance sheets. The provision of $6 million was recorded in the first quarter of 2021 and is included in other expenses in the consolidated statements of earnings for the six months ended June 30, 2021. The actual costs are expected to be finalized later in 2021. The onerous contract provision is not in the normal course of business and has been excluded from Adjusted Earnings.

In addition, for the three and six months ended June 30, 2021, the Company recognized transition costs of $21 million and $29 million ($16 million and $23 million after-tax). The transition costs relate to activities to transfer the managed IT services from Wipro to IBM. As these costs are not in the normal course of business, they have been excluded from Adjusted Earnings.

Impairment and other costs recorded in the second quarter of 2021

In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million after tax were recorded, mainly in Mexico, related to Energy Infrastructure's Veracruz hydro facility in the amount of $54 million after tax. Other costs recorded were individually immaterial.

The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and challenging operating environment, resulting in an impairment of the carrying value of the assets.

The recoverable amount of Energy Infrastructure's Veracruz hydro facility was determined based on fair value less costs of disposal. The expected future cash flows were estimated under an assumption of 43 years of operations, representing the useful life of the Veracruz hydro facility, and were discounted at an after-tax rate of approximately 10 per cent. The fair value measurement is categorized as level 3 on the fair value hierarchy. As at June 30, 2021, the recoverable amount of Energy Infrastructure's Veracruz hydro facility was estimated to be $22 million.

As the charges relate to impairments, they have been excluded from Adjusted Earnings.

Impairment and other costs recorded in the second quarter of 2020

In the second quarter of 2020, impairment and other costs not in the normal course of business of $30 million after-tax were recorded. These costs mainly related to certain assets that no longer represent strategic value to the Company.

The Company's subsidiary ATCO Oil & Gas Ltd. holds a 5 per cent working interest in oil and gas assets in Northern Canada. With continued low oil prices and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $18 million was recorded during the three and six months ended June 30, 2020, reflecting the reduced likelihood of future recovery of these costs.

The remaining costs related to the continued transformation and realignment of certain functions in the Company.

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

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

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

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

Rate-regulated activities

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

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

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

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

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Additional revenues billed in current period				
Future removal and site restoration costs (1)	**29**	17	**58**	39
Impact of colder temperatures (2)	**1**	4	**–**	9
Revenues to be billed in future periods				
Deferred income taxes (3)	**(30)**	(22)	**(55)**	(56)
Distribution rate relief (4)	**(34)**	–	**(75)**	–
Impact of warmer temperatures (2)	**–**	–	**(1)**	–
Impact of inflation on rate base (5)	**(3)**	(1)	**(10)**	(4)
Settlement of regulatory decisions and other items (6)	**8**	(7)	**2**	(28)
	(29)	(9)	**(81)**	(40)

(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 the normal in the current period are refunded to or recovered from customers in future periods.

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

(4) During the three and six months ended June 30, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $34 million and $75 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. This will be recovered from customers in 2022 and 2023.

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

(6) In the first six months of 2020, Electricity Distribution recorded a decrease in earnings of $22 million related to the payment of transmission costs. Substantially all of these costs were recovered from customers in the second half of 2020.

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, 2021 was \$3 million and \$7 million (2020 - \$3 million and \$7 million).

Other

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three and six months ended June 30, 2021, the Company recorded a foreign exchange loss of nil and \$1 million (2020 - a foreign exchange gain of \$1 million and foreign exchange loss of \$6 million), due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

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:

2021	**Utilities**			**Energy Infrastructure**	**Corporate & Other**	**Consolidated**
2020	**Electricity [1]**	**Natural Gas [1]**	**Total**			
Revenue Streams						
Rendering of Services						
Distribution services	**122**	**211**	**333**	**–**	**–**	**333**
	131	202	333	–	–	333
Transmission services	**174**	**76**	**250**	**–**	**–**	**250**
	173	73	246	–	–	246
Customer contributions	**7**	**6**	**13**	**–**	**–**	**13**
	7	5	12	–	–	12
Franchise fees	**8**	**50**	**58**	**–**	**–**	**58**
	7	48	55	–	–	55
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**57**	**57**
	–	–	–	–	25	25
Storage and industrial water	**–**	**–**	**–**	**3**	**–**	**3**
	–	–	–	5	–	5
Total rendering of services	**311**	**343**	**654**	**3**	**57**	**714**
	318	328	646	5	25	676
Sale of Goods						
Electricity generation and delivery	**–**	**–**	**–**	**9**	**–**	**9**
	–	–	–	7	–	7
Commodity sales	**–**	**–**	**–**	**12**	**–**	**12**
	–	–	–	8	–	8
Total sale of goods	**–**	**–**	**–**	**21**	**–**	**21**
	–	–	–	15	–	15
Lease income						
Finance lease	**–**	**–**	**–**	**5**	**–**	**5**
	–	–	–	2	–	2
Other	**24**	**7**	**31**	**7**	**12**	**50**
	26	10	36	8	3	47
Total	**335**	**350**	**685**	**36**	**69**	**790**
	344	338	682	30	28	740

(1) For the three months ended June 30, 2021, Electricity and Natural Gas segments include \$103 million of unbilled revenue (2020 - \$97 million).

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

2021 2020	Utilities Electricity (1)	Utilities Natural Gas (1)	Utilities Total	Energy Infrastructure	Corporate & Other	Consolidated
Revenue Streams						
Rendering of Services						
Distribution services	**252**	**502**	**754**	–	–	**754**
	250	509	759	–	–	759
Transmission services	**347**	**152**	**499**	–	–	**499**
	346	145	491	–	–	491
Customer contributions	**16**	**11**	**27**	–	–	**27**
	15	11	26	–	–	26
Franchise fees	**17**	**122**	**139**	–	–	**139**
	15	121	136	–	–	136
Retail electricity and natural gas services	–	–	–	–	**140**	**140**
	–	–	–	–	85	85
Storage and industrial water	–	–	–	**9**	–	**9**
	–	–	–	7	–	7
Total rendering of services	**632**	**787**	**1,419**	**9**	**140**	**1,568**
	626	786	1,412	7	85	1,504
Sale of Goods						
Electricity generation and delivery	–	–	–	**16**	–	**16**
	–	–	–	14	–	14
Commodity sales	–	–	–	**20**	–	**20**
	–	–	–	15	–	15
Total sale of goods	–	–	–	**36**	–	**36**
	–	–	–	29	–	29
Lease income						
Finance lease	–	–	–	**8**	–	**8**
	–	–	–	5	–	5
Other	**40**	**13**	**53**	**17**	**15**	**85**
	35	21	56	23	8	87
Total	**672**	**800**	**1,472**	**70**	**155**	**1,697**
	661	807	1,468	64	93	1,625

(1) For the six months ended June 30, 2021, Electricity and Natural Gas segments include $103 million of unbilled revenue (2020 - $97 million). At June 30, 2021, $103 million of the unbilled trade accounts receivables are included in trade accounts receivable and contract assets (December 31, 2020 - $132 million).

5. EARNINGS PER SHARE

Earnings per Class A non-voting (Class A) and Class B 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 vesting of shares under the Company's mid-term incentive plan (MTIP) on the weighted average Class A and Class B shares outstanding.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Average shares				
Weighted average shares outstanding	**269,695,385**	272,794,153	**270,847,650**	272,737,979
Effect of dilutive stock options	**46,386**	8,936	**21,475**	19,960
Effect of dilutive MTIP	**425,338**	461,572	**434,932**	514,687
Weighted average dilutive shares outstanding	**270,167,109**	273,264,661	**271,304,057**	273,272,626
(Loss) earnings for earnings per share calculation				
Earnings for the period	**6**	73	**149**	235
Dividends on equity preferred shares of the Company	**(16)**	(16)	**(33)**	(33)
Dividends to non-controlling interests	**(1)**	(1)	**(3)**	(3)
(Loss) earnings attributable to Class A and B shares	**(11)**	56	**113**	199
Loss (earnings) and diluted (loss) earnings per Class A and Class B share				
(Loss) earnings per Class A and Class B share	**$(0.04)**	$0.21	**$0.42**	$0.73
Diluted (loss) earnings per Class A and Class B share	**$(0.04)**	$0.21	**$0.42**	$0.73

6. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Electricity Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2020	21,004	140	700	566	1,053	23,463
Additions	**13**	–	–	**576**	**2**	**591**
Transfers	**493**	–	**4**	**(515)**	**18**	–
Retirements and disposals	**(32)**	–	**(3)**	**(29)**	**(12)**	**(76)**
Changes to asset retirement costs	–	**(2)**	–	–	**(5)**	**(7)**
Foreign exchange rate adjustment	**(64)**	**(6)**	**(2)**	**(7)**	**(1)**	**(80)**
June 30, 2021	**21,414**	**132**	**699**	**591**	**1,055**	**23,891**
Accumulated depreciation						
December 31, 2020	5,119	18	164	79	520	5,900
Depreciation and impairment	**247**	**25**	**10**	–	**28**	**310**
Retirements and disposals	**(32)**	–	**(3)**	–	**(12)**	**(47)**
Foreign exchange rate adjustment	**(15)**	**(1)**	–	**(3)**	**(1)**	**(20)**
June 30, 2021	**5,319**	**42**	**171**	**76**	**535**	**6,143**
Net book value						
December 31, 2020	15,885	122	536	487	533	17,563
June 30, 2021	**16,095**	**90**	**528**	**515**	**520**	**17,748**

The additions to property, plant and equipment included $6 million of interest capitalized during construction for the six months ended June 30, 2021 (2020 - $7 million).

PIONEER NATURAL GAS PIPELINE ACQUISITION

Utilities Segment

In the third quarter of 2020, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation, subject to customary conditions including regulatory approvals by the Alberta Utilities Commission (AUC) and Alberta Energy Regulator.

The 131 km natural gas pipeline runs from the Drayton Valley area to the Wabamum area west of Edmonton. On June 15, 2021, the AUC issued a decision approving the acquisition of the Pioneer Pipeline and associated costs, totaling $265 million.

Consistent with the geographic areas defined in the Integration Agreement, ATCO Gas and Pipelines Ltd. will transfer to Nova Gas Transmission Ltd. (NGTL) the 30 km segment of pipeline that is located in the NGTL footprint for approximately $65 million. The transfer to NGTL is subject to approval from the Canada Energy Regulator and is expected to close in the fourth quarter of 2021.

The transaction to acquire the Pioneer Pipeline closed during the second quarter of 2021. As a result, $197 million was recorded in additions to property, plant and equipment in the consolidated balance sheets and the consolidated statements of cash flows. The costs incurred to date for the segment of the pipeline that will be sold to NGTL, amounting to $63 million, were recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets, and were included in other investing activities in the consolidated statements of cash flows. The remaining $5 million relates to pipeline integration costs that are expected to be incurred in the second half of 2021.

ATCO Gas and Pipelines Ltd. applied the optional IFRS 3 *Business combinations* concentration test to the acquisition of the Pioneer Pipeline, which has resulted in the acquired asset being accounted for as an asset acquisition.

7. LONG-TERM DEBT

In the first quarter of 2020, ATCO Power Australia, the Company's subsidiary, refinanced its $63 million Australian dollars (equivalent of $55 million Canadian dollars) credit facility with a new lender at Bank Bill Swap Benchmark Rate (BBSY) plus margin fee, extending the credit facility's maturity from February 2020 to June 2025. The floating BBSY interest rate is hedged to June 23, 2025 with an interest rate swap agreement which fixes the interest rate at 1.68 per cent.

8. EQUITY PREFERRED SHARES

Cash dividends declared and paid per share are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(dollars per share)	**2021**	**2020**	**2021**	**2020**
Perpetual Cumulative Second Preferred Shares				
4.60% Series V	**0.2875**	0.2875	**0.5750**	0.5750
Cumulative Redeemable Second Preferred Shares				
3.403% Series Y	**0.2127**	0.2127	**0.4254**	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

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

9. CLASS A AND CLASS B SHARES

At June 30, 2021, there were 196,531,197 (December 31, 2020 - 199,410,836) Class A shares and 72,763,274 (December 31, 2020 - 73,449,889) Class B shares outstanding. In addition, there were 1,740,000 options to purchase Class A shares outstanding at June 30, 2021, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4398 and $0.8796 per Class A and Class B share during the three and six months ended June 30, 2021 (2020 - $0.4354 and $0.8708). 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 21, 2021, the Company declared a third quarter dividend of $0.4398 per Class A and Class B share.

NORMAL COURSE ISSUER BID

On July 27, 2021, the Company announced it will begin a new normal course issuer bid on July 29, 2021, to purchase up to 3,930,623 outstanding Class A Shares. The bid will expire on July 28, 2022. The prior normal course issuer bid to purchase up to 3,996,004 outstanding Class A Shares began on July 22, 2020 and expired on July 21, 2021.

During the six months ended June 30, 3,576,004 Class A shares were purchased for $119 million, resulting in a decrease to share capital of $20 million and a decrease to retained earnings of $99 million.

10. RETIREMENT BENEFITS

At June 30, 2021, the discount rate assumption which is used to measure the accrued benefit obligations increased to 3.19 per cent from 2.58 per cent at December 31, 2020. The discount rate assumption was based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) increased from a net deficit of $411 million at December 31, 2020 to a net deficit of $199 million at June 30, 2021. The deficit of $199 million is net of a retirement benefit asset of $76 million related to Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU Plan).

At June 30, 2021, the Company has recognized a retirement benefit asset of $76 million and retirement benefit obligations of $275 million.

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	
	2021	**2020**	**2021**	**2020**
Depreciation, amortization and impairment	**208**	162	**362**	305
Dividends and distributions received from investment in joint ventures	**7**	8	**12**	12
Earnings from investment in joint ventures	**(5)**	(3)	**(18)**	(9)
Income tax expense	**5**	31	**50**	94
Unrealized losses (gains) on derivative financial instruments	**14**	(5)	**15**	(12)
Contributions by customers for extensions to plant	**51**	21	**107**	47
Amortization of customer contributions	**(13)**	(12)	**(27)**	(26)
Net finance costs	**96**	97	**193**	191
Income taxes paid	**(8)**	(7)	**(40)**	(15)
Other	**1**	(22)	**2**	(13)
	356	270	**656**	574

CASH POSITION

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

	2021	**2020**
Cash	**362**	932
Short-term investments	**1**	4
Restricted cash (1)	**5**	4
Cash and cash equivalents	**368**	940
Bank indebtedness	**(3)**	(2)
	365	938

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

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	June 30, 2021		December 31, 2020	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**164**	**230**	173	251
Financial Liabilities				
Long-term debt	**9,019**	**10,392**	9,053	11,396

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At June 30, 2021, the following derivative instruments were outstanding:

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

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

	Subject to Hedge Accounting		Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Total Fair Value of Derivatives**
June 30, 2021				
Financial Assets				
Prepaid expenses and other current assets	**–**	**48**	**2**	**50**
Other assets (1)	**–**	**18**	**4**	**22**
Financial Liabilities				
Provisions and other current liabilities	**1**	**15**	**14**	**30**
Other liabilities (1)	**8**	**8**	**2**	**18**
December 31, 2020				
Financial Assets				
Prepaid expenses and other current assets	–	25	5	30
Other assets (1)	–	12	4	16
Financial Liabilities				
Provisions and other current liabilities	1	6	8	15
Other liabilities (1)	20	4	3	27

(1) At June 30, 2021, financial liabilities and financial assets include $14 million and $3 million, respectively, of Level 3 derivative financial instruments (December 31, 2020 - financial liabilities and financial assets include $9 million and $8 million, respectively, of Level 3 derivative financial instruments).

Notional and maturity summary

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

	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas** [1]	**Power** [2]	**Natural Gas** [1]	**Power** [2]	**Foreign Currency Forward Contracts**
June 30, 2021						
Purchases [3]	–	**17,823,200**	**3,186,818**	–	–	–
Sales [3]	–	**2,646,652**	**594,020**	**6,444,382**	**905,971**	–
Currency						
Australian dollars	**735**	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	**100**
Maturity	**2023-2025**	**2021-2025**	**2021-2026**	**2021-2024**	**2021-2024**	**2021**
December 31, 2020						
Purchases [3]	–	10,593,800	2,203,836	–	–	–
Sales [3]	–	3,238,242	759,246	7,867,560	1,089,495	–
Currency						
Australian dollars	738	–	–	–	–	–
Mexican pesos	570	–	–	–	–	100
Maturity	2023-2025	2021-2025	2021-2025	2021-2024	2021-2024	2021

(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.