ATCO LTD.

FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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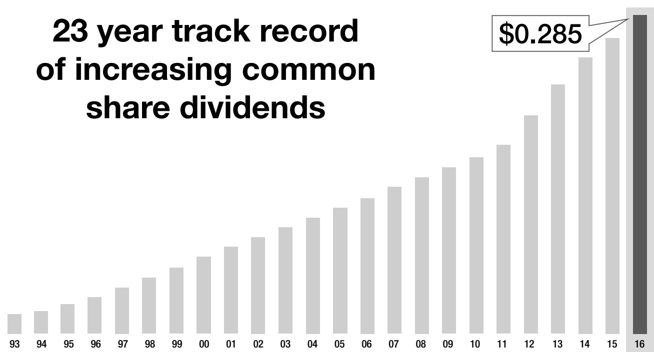
Q1 2016 INVESTOR FACT SHEET

With nearly 8,000 employees and assets of approximately $19 billion, ATCO is a diversified global corporation delivering service excellence and innovative business solutions in Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management); Electricity (power generation, distributed generation, and electricity distribution, transmission and infrastructure development); Pipelines & Liquids (natural gas transmission, distribution and infrastructure development, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

DIVIDEND GROWTH

23 year track record of increasing common share dividends



** ATCO 2016 quarterly dividend is $1.14 annualized*

ATCO SHARE INFORMATION

Common Shares (TSX): ACO.X, ACO.Y	
Market Capitalization	$5 billion
Weighted Average Common Shares Outstanding	114.7 million

ATCO AT A GLANCE

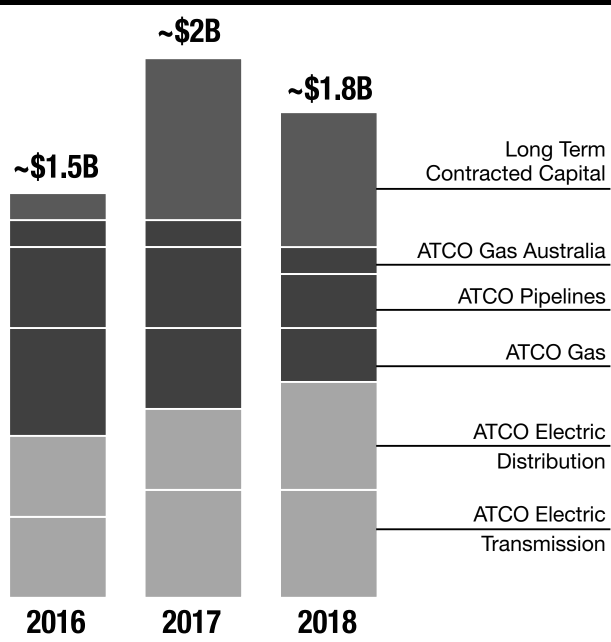
69 year history in more than 100 countries worldwide

“A” rating by Standard & Poor’s; “A” (low) rating by DBRS Limited

Total Assets	$19 billion
Modular Building Manufacturing Locations	7 Globally (2 Canada, 3 United States, 2 Australia)
Electric Powerlines	87,000 kms
Pipelines	63,300 kms
Power Plants	15 plants globally
Power Generating Capacity	3,857 MW*
Water Infrastructure Capacity	60,000 m³/d**
Natural Gas Storage Capacity	52 PJ***

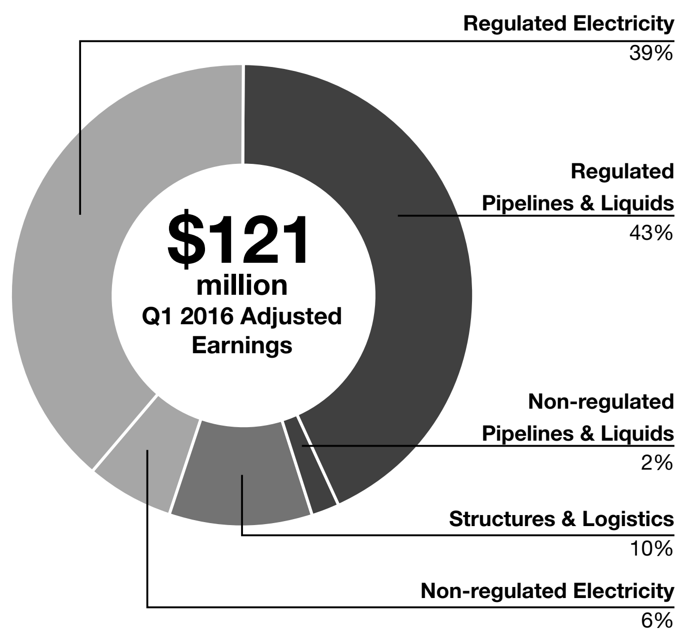
**megawatts **cubic metres per day ***petajoules*

VISIBLE GROWTH



~ $5.3 billion in Regulated Utility and contracted capital growth projects expected in 2016 - 2018

DIVERSIFIED EARNINGS

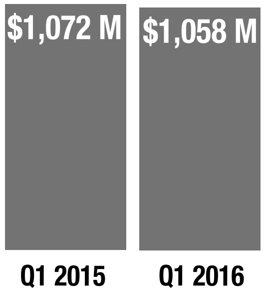


** Excludes Corporate & Other segment*

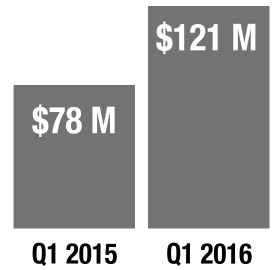
Adjusted earnings are defined as earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities. Adjusted earnings also exclude one-time gains and losses, significant impairments and items that are not in the normal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

Q1 2016 RESULTS

ATCO REVENUES



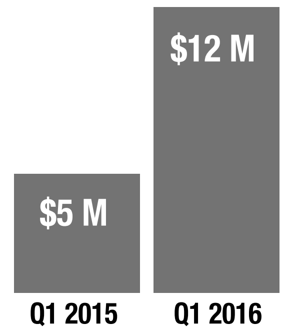
ATCO ADJUSTED EARNINGS



STRUCTURES & LOGISTICS

- Higher earnings were mainly as a result of higher occupancy levels in the Lodging business and higher Modular Structures project activity, as well as business-wide cost reduction initiatives. Partially offsetting this increase were reduced profit margins and lower Space Rentals and Workforce Housing utilizations and rental rates.
- In April 2016, ATCO announced that it is expanding its international modular structures business by acquiring 50 per cent ownership of Sabinco Soluciones Modulares S.A. from Sitrans Servicios Integrados de Tranportes Ltda. Sitrans will retain 50 per cent ownership of the company, which will now operate under the name ATCO-Sabinco S.A. The transaction included the purchase of a land position and the provision of funds for a future manufacturing facility.

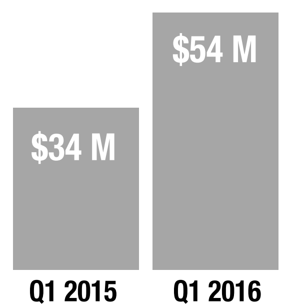
ADJUSTED EARNINGS



ELECTRICITY

- Higher earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity and business-wide cost reduction initiatives. In the first quarter of 2015, Regulated Electricity earnings were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter; and Non-regulated Electricity included the positive earnings impact from the amortization of accumulated incentives associated with the Thermal PPAs.
- From 2016 to 2018, ATCO Electric Distribution and ATCO Electric Transmission plan to invest $2.1 billion in the Regulated Utilities from 2016 to 2018 and $1.1 billion of capital investment is planned for the Fort McMurray 500 kV Project.

ADJUSTED EARNINGS



PIPELINES & LIQUIDS

- Higher earnings were primarily due to continued capital investment and growth in rate base and business-wide cost reduction initiatives. In the first quarter of 2015, Regulated Pipelines & Liquids earnings were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.
- The Company continuously reviews opportunities to divest non-core assets. In January 2016, ATCO Energy Solutions sold its share of the Edmonton Ethane Extraction Plant. The $21 million of proceeds will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta’s Industrial Heartland region.
- From 2016 to 2018, Pipelines & Liquids plans to invest $2 billion to modernize Alberta’s and Australia’s natural gas transmission and distribution networks and add the capacity needed to meet the growing demand for natural gas and $100 million in capital investment for hydrocarbon storage projects and a natural gas pipeline in Mexico, both secured under long-term contracts.

ADJUSTED EARNINGS

2016 FIRST QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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ATCO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (the Company) during the three months ended March 31, 2016.

This MD&A was prepared as of April 26, 2016, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2016. Additional information, including the Company's previous MD&A (2015 MD&A), Annual Information Form (2015 AIF) and audited consolidated financial statements for the year ended December 31, 2015, is available on SEDAR at www.sedar.com. Information contained in the 2015 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (53.1 per cent ownership) and in ATCO Structures & Logistics Ltd. (75.5 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

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

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COMPANY OVERVIEW

ATCO Ltd. is a $19 billion diversified global enterprise with nearly 8,000 employees engaged in Structures & Logistics, Electricity, Pipelines & Liquids, and Retail Energy.

The Structures & Logistics Business Unit includes Modular Structures, Logistics and Facility Operations & Maintenance Services, Lodging & Support Services and Sustainable Communities. Together these businesses offer workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management.

The Electricity Business Unit includes ATCO Electric Distribution, ATCO Electric Transmission, ATCO Power and ATCO Power Australia. Together these companies provide power generation, electricity distribution and transmission, and related infrastructure services.

The Pipelines & Liquids Business Unit includes ATCO Gas, ATCO Pipelines, ATCO Energy Solutions and ATCO Gas Australia. These companies offer complementary products and services that enable them to deliver comprehensive natural gas transmission and distribution services, energy storage, and industrial water solutions to existing and new customers.

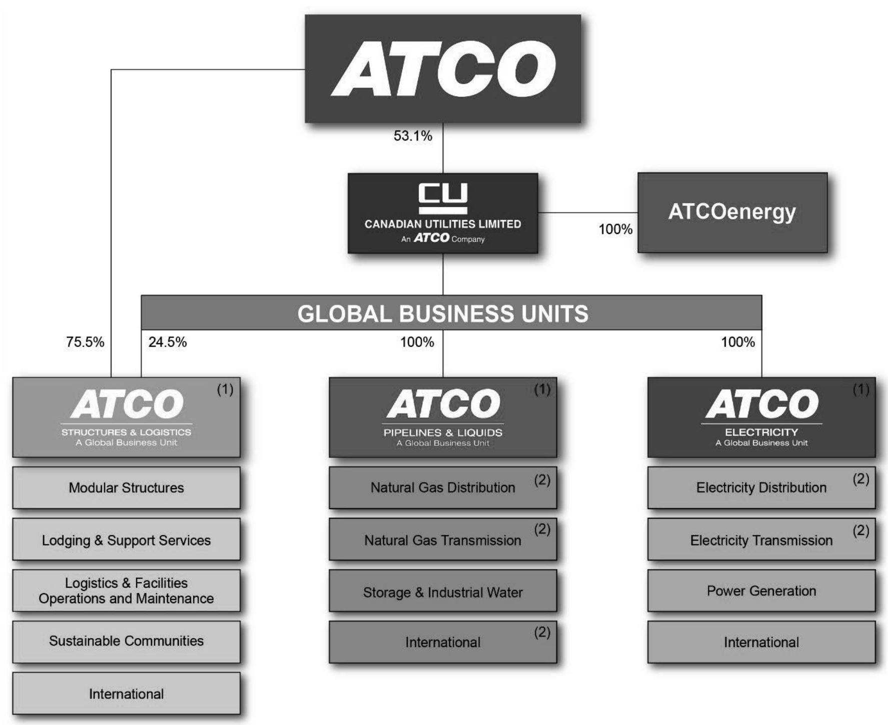
ATCOenergy was launched in January 2016 to provide retail, and commercial and industrial electricity and natural gas service in Alberta.

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd., including a proportionate share of joint venture investments. Principal subsidiaries are Canadian Utilities Limited (Canadian Utilities), of which ATCO Ltd. owns 53.1 per cent (39.2 per cent of the Class A non-voting shares and 88.6 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 75.5 per cent of the Class A non-voting shares and Class B common shares.

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

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

SIMPLIFIED ORGANIZATIONAL STRUCTURE



(1) Descriptions of business unit activities are provided in the Global Business Unit Information section of this MD&A.

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

PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with the Company’s financial performance.

	Three Months Ended March 31		
($ millions, except per share data and outstanding shares)	**2016**	**2015**	**Change**
Key Financial Metrics			
Adjusted earnings[1]	**121**	78	43
Structures & Logistics	**12**	5	7
Electricity	**54**	34	20
Pipelines & Liquids	**56**	42	14
Corporate & Other	**(2)**	(2)	–
Intersegment Eliminations	**1**	(1)	2
Earnings attributable to Class I and Class II Shares	**109**	94	15
Revenues	**1,058**	1,072	(14)
Total assets	**19,103**	17,955	1,148
Cash dividends declared per Class I and Class II Share (*cents per share*)	**28.50**	24.75	3.75
Capital investment[1]	**364**	423	(59)
Funds generated by operations[1]	**484**	464	20
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,673**	114,826	(153)
Diluted	**115,098**	115,427	(329)

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

ADJUSTED EARNINGS

The Company's adjusted earnings for the three months ended March 31, 2016 were $121 million compared to $78 million in the same period last year. The primary drivers of higher earnings results were as follows:

- Structures & Logistics - Higher adjusted earnings in the first quarter of 2016 were mainly as a result of higher occupancy levels in the Lodging business and higher Modular Structures project activity, as well as business-wide cost reduction initiatives. Partially offsetting this increase were reduced profit margins and lower Space Rentals and Workforce Housing utilizations and rental rates.
- Electricity - Higher adjusted earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity and business-wide cost reduction initiatives. Earnings in the first quarter of 2015 were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.
- Pipelines & Liquids - Higher adjusted earnings were primarily attributable to continued capital investment and growth in rate base within the Regulated Pipelines & Liquids businesses and business-wide cost reduction initiatives. Earnings in the first quarter of 2015 were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.

Additional details on the financial performance of the Company's Business Units are discussed in the Global Business Unit Information section.

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were $109 million in the first quarter of 2016, $15 million higher compared to the same period in 2015. Earnings attributable to Class I and Class II Shares included a gain on sale of joint operation and timing adjustments related to rate-regulated activities that were not included in first quarter 2016 adjusted earnings of $121 million. ATCO recorded a gain on sale of joint operation of $7 million in the first quarter of 2016 for the sale of its 51.3 per cent interest in the Edmonton Ethane Extraction Plant. Timing adjustments made in rate-regulated accounting lowered earnings attributable to Class I and Class II shares by $19 million.

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

REVENUES

Revenues in the first quarter of 2016 of $1.1 billion were comparable to the same period in 2015. Higher revenues in ATCO Structures & Logistics, primarily attributable to increased Modular Structures project activity in North America, were offset by lower revenues in ATCO Power due to lower Alberta Power Pool prices, and lower revenues in ATCO Energy Solutions due to reduced flow-through gas sales, which are passed on to customers by the Company and do not impact adjusted earnings.

ASSETS

The Company’s total assets grew from $18 billion in the first quarter of 2015 to $19 billion in the first quarter of 2016. Growth occurred mainly in the Alberta Utilities as a result of continued capital investment.

COMMON SHARE DIVIDENDS

On April 7, 2016, the Board of Directors declared a second quarter dividend of 28.50 cents per share. This represents a 15 per cent increase on the dividends declared in the same period last year. Dividends paid to Class I and Class II Share owners in the first quarter of 2016 totaled $33 million.

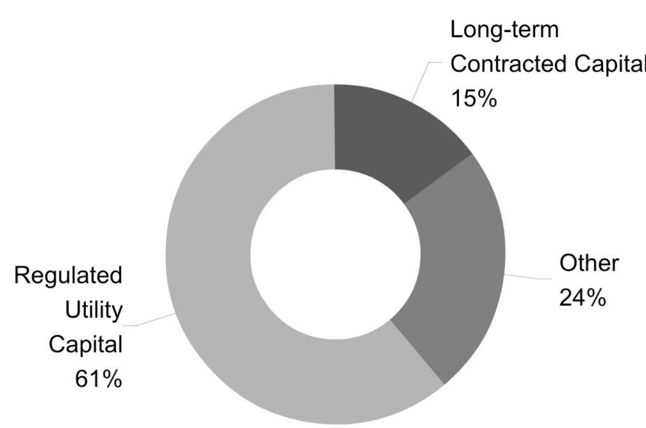
CAPITAL INVESTMENT

Capital investment includes additions to property, plant and equipment, intangibles and capital expenditure in joint ventures. Total capital investment was $364 million in the first quarter of 2016.

Capital spending in the Company's Regulated Utilities and on long-term contracted capital assets accounted for $276 million of capital spending in the first quarter of 2016. These investments either earn a return under a regulatory business model or are under commercially secured long-term contracts.

The remaining expenditures are mainly related to the Company's purchase of the remaining 49 per cent interest in Barking Power Limited. This transaction was completed to strategically position ATCO Power for future opportunities in the U.K. market, including the potential re-powering of the existing Barking site if economically feasible in future years.

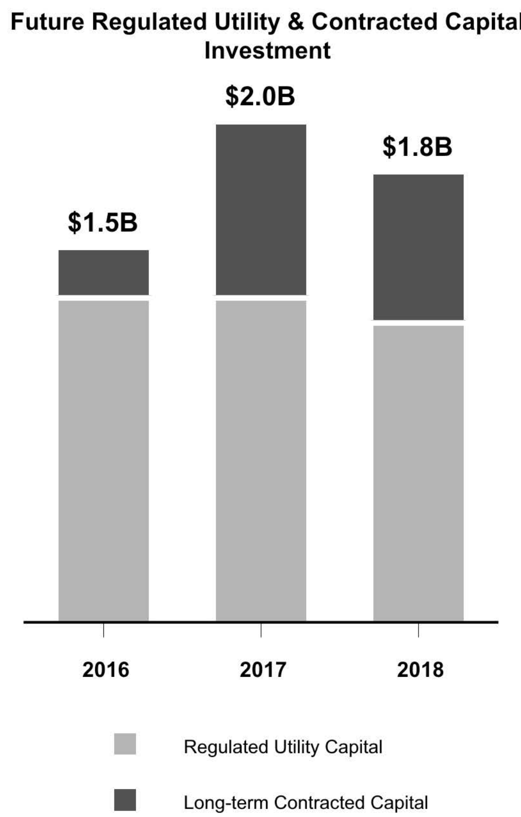
Regulated Utility & Contracted Capital Investment



In the 2016 to 2018 period, ATCO expects to invest an additional $5.3 billion in Regulated Utility and commercially secured capital growth projects. This capital investment is expected to contribute significant earnings and cash flow and create long-term value for share owners.

This three year plan includes $4.1 billion of planned capital investment in the Regulated Utilities. ATCO Electric Distribution and ATCO Electric Transmission are planning to invest $2.1 billion, and ATCO Gas, ATCO Pipelines and ATCO Gas Australia are planning to invest $2 billion from 2016 to 2018.

In addition to capital investment in the Regulated Utilities, the Company intends to invest a further $1.2 billion in long-term contracted capital from 2016 to 2018. Of this $1.2 billion, $1.1 billion is planned capital investment in the Alberta PowerLine (APL) Fort McMurray 500 kV Project and approximately $100 million is planned capital investment in contracted hydrocarbon storage and distributed generation in Alberta and a natural gas pipeline in Mexico. ATCO also continues to pursue various business development opportunities with long-term potential, such as the Tula cogeneration power plant in Mexico and the Strathcona cogeneration power plant in Alberta, which are not included in these capital growth investment estimates.



* *Includes the Company's proportionate share of investments in partnership interests.*

GLOBAL BUSINESS UNIT INFORMATION

Structures & Logistics

Structures & Logistics is made up of four diversified, complementary businesses to meet the needs of its customers and communities around the world: Modular Structures, Logistics and Facility Operations & Maintenance (O&M) Services, Lodging & Support Services, and Sustainable Communities.

REVENUES

Revenues in Structures & Logistics of $207 million in the first quarter of 2016 were $53 million higher than the $154 million recorded in the same quarter in 2015. This increase was primarily due to Modular Structures major project activity. This increase was partially offset by lower Space Rentals and Workforce Housing utilizations and rental rates and forgone revenues due to the sale of the Emissions Management business in the fourth quarter of 2015.

ADJUSTED EARNINGS

Adjusted earnings for ATCO Structures & Logistics are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2016**	**2015**	**Change**
Modular Structures	**13**	12	1
Logistics and Facility O&M Services	**2**	2	–
Lodging & Support Services	**2**	(2)	4
Other [(1)]	**(5)**	(7)	2
Total Structures & Logistics	**12**	5	7

(1) Other includes first quarter 2016 results for Sustainable Communities and ATCO Structures & Logistics' corporate office. Emissions Management was included in the first quarter 2015 results.

Adjusted earnings achieved by Structures & Logistics in the first quarter of 2016 were higher than the same period in 2015 mainly as a result of increased occupancy levels in the Lodging business and higher Modular Structures project activity, as well as business-wide cost reduction initiatives. Partially offsetting this increase were reduced profit margins and lower Space Rentals and Workforce Housing utilizations and rental rates.

MODULAR STRUCTURES

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

Adjusted earnings achieved for the quarter ended March 31, 2016 were $13 million, an increase of $1 million over the same period in 2015. Higher adjusted earnings were primarily attributable to the Wheatstone project in Western Australia which was completed in the first quarter of 2016, continued work at the BC Hydro Site C Clean Energy project which commenced in the third quarter of 2015, and cost reduction initiatives. Partially offsetting this increase were reduced profit margins and lower Space Rental and Workforce Housing fleet utilizations and rental rates.

Major Projects

Chile Acquisition

In April 2016, ATCO announced that it is expanding its international modular structures business by acquiring 50 per cent ownership of Sabinco Soluciones Modulares S.A. (Sabinco) from Sitrans Servicios Integrados de Tranportes Ltda. (Sitrans). Sitrans will retain 50 per cent ownership of the company, which will now operate under the name ATCO-Sabinco S.A. The transaction included the purchase of a land position and the provision of funds for a future manufacturing facility.

Headquartered in Santiago, Chile, Sabinco’s fleet of nearly 2,500 space rental and workforce housing units accounts for approximately 10 per cent of the Chilean market. Sabinco’s established presence in Chile also provides a strong foundation upon which the partnership can expand, with potential growth opportunities identified in other South American markets.

Site C Clean Energy Workforce Housing Project

In April 2015, ATCO Structures & Logistics was chosen as the preferred proponent by BC Hydro to manufacture, install and operate a 1,600-bed workforce housing facility for workers constructing the Site C Clean Energy Project on the Peace River in northeast British Columbia. ATCO Structures & Logistics is also providing a full suite of lodge-related services including catering, janitorial, maintenance, medical and fire protection until 2022. A definitive project agreement valued at $470 million was completed in late September 2015. At the end of February 2016, phase I of the project was completed and service at the main camp commenced. ATCO Structures & Logistics will continue to execute the project with the manufacture and install phase expected to be completed in mid-2016.

Wheatstone Project

In March 2016, ATCO Structures & Logistics completed the Chevron-operated Wheatstone Project in Western Australia. The total value for ATCO Structures & Logistics' scope of work was $384 million Australian.

Rental Fleet Statistics

The following table compares ATCO Structures & Logistics' manufacturing hours and rental fleet for the first quarter of 2016 and 2015.

	Three Months Ended March 31		
	2016	**2015**	**Change**
North America			
Manufacturing hours *(thousands)*	**293**	137	114%
Global Space Rentals			
Number of units	**13,101**	13,460	(3%)
Average utilization *(%)*	**63**	70	(7%)
Average rental rate *($ per month)*	**531**	583	(9%)
Global Workforce Housing			
Number of units	**3,463**	3,372	3%
Average utilization *(%)*	**31**	68	(37%)
Average rental rate *($ per month)*	**2,153**	2,148	–

Increased manufacturing hours are mainly attributable to major project activity at the Site C and Wheatstone projects in the first quarter of 2016.

The decrease in the utilization of the Space Rental and Workforce Housing fleets was due to overall weakened demand from customers whose business activity is exposed to commodity price declines. This reduced demand has also resulted in lower space rental rates.

LOGISTICS AND FACILITY O&M SERVICES

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

Adjusted earnings for this division in the first quarter of 2016 were comparable to the same period of 2015. The Company continues to pursue and bid on project opportunities to provide Logistics and Facility O&M Services.

LODGING & SUPPORT SERVICES

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

Adjusted earnings in the first quarter of 2016 were $4 million higher than the same period in 2015. This increase is primarily attributable to higher occupancy levels at the Company's contracted lodges, mobilization of the main camp at the BC Hydro Site C Clean Energy Workforce Housing project, and cost reduction initiatives.

Electricity

Electricity's activities are conducted through two regulated businesses, ATCO Electric Distribution and ATCO Electric Transmission (Regulated Electricity), and two non-regulated businesses, ATCO Power and ATCO Power Australia (Non-regulated Electricity).

REVENUES	Electricity revenues of $448 million in the first quarter of 2016 were comparable to the same period of 2015. Higher revenues in Regulated Electricity attributable to growth in rate base were offset by lower Alberta Power Pool prices in ATCO Power and the closure of ATCO Power Australia's Bulwer Island power plant.
ADJUSTED EARNINGS	Adjusted earnings for ATCO Electric Distribution, ATCO Electric Transmission, ATCO Power and ATCO Power Australia are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2016**	**2015**	**Change**
Regulated Electricity			
ATCO Electric Distribution	**20**	9	11
ATCO Electric Transmission	**27**	14	13
Total Regulated Electricity	**47**	23	24
Non-regulated Electricity			
ATCO Power			
Independent Power Plants	**–**	–	–
Thermal PPAs	**3**	7	(4)
ATCO Power Australia	**4**	4	–
Total Non-regulated Electricity	**7**	11	(4)
Total Electricity	**54**	34	20

Electricity generated $54 million of adjusted earnings in the first quarter of 2016, $20 million higher than the same period in 2015. Higher earnings were primarily due to continued capital investment and growth in rate base within Regulated Electricity and business-wide cost reduction initiatives. In the first quarter of 2015, Regulated Electricity earnings were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter; and Non-regulated Electricity included the positive earnings impact from the amortization of accumulated incentives associated with the Thermal PPAs.

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

REGULATED ELECTRICITY

Our Regulated Electricity activities are conducted by ATCO Electric Distribution and ATCO Electric Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife). These businesses provide regulated electricity distribution, transmission and distributed generation mainly in northern and central east Alberta, the Yukon and the Northwest Territories. The service territory includes the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River.

Electricity Distribution

ATCO Electric Distribution's adjusted earnings of $20 million in the first quarter of 2016 were $11 million higher than the same period of 2015. Higher earnings for the period resulted primarily from growth in rate base, business-wide cost reduction initiatives, and the adverse earnings impact associated with the 2013 General Cost of Capital (GCOC) and Capital Tracker regulatory decisions received in the first quarter of 2015.

Electricity Transmission

ATCO Electric Transmission's adjusted earnings of $27 million in the first quarter of 2016 were $13 million higher than the same period of 2015. Higher earnings for the period resulted primarily from growth in rate base, business-wide cost reduction initiatives, and the adverse earnings impact associated with the GCOC regulatory decision received in the first quarter of 2015.

NON-REGULATED ELECTRICITY

Our power generation activities are conducted by ATCO Power and ATCO Power Australia. These businesses supply electricity from natural gas, coal-fired and hydroelectric generating plants in western Canada, Ontario and Australia.

Generating Plant Availability

Generating availability for the first quarter of 2016 and 2015 is shown below. Generating plant capacity fluctuates with the timing and duration of outages. Lower availability in Independent Power Plants in the first quarter of 2016 was mainly due to a planned outage at the Joffre facility in March 2016. Thermal PPA plant availability was higher in the first quarter of 2016 compared to the prior period mainly due to planned maintenance outages in the first quarter of 2015. ATCO Power Australia availability remained strong in the first quarter of 2016 with minimal planned or unplanned outages.

	Three Months Ended March 31		
	2016	**2015**	**Change**
Independent Power Plants (1)	**96%**	98%	(2%)
Thermal PPA Plants (2) (3)	**89%**	81%	8%
ATCO Power Australia	**98%**	97%	1%

(1) The Joffre generating plant commenced a major planned maintenance outage in the first quarter of 2016. The outage will continue into the second quarter of 2016.

(2) The Battle River 5 generating plant commenced a major planned maintenance outage in the first quarter of 2015 which was completed in the second quarter of 2015.

(3) The Sheerness 1 generating plant completed a major planned maintenance outage in the first quarter of 2015.

Independent Power Plants

Adjusted earnings in the first quarter of 2016 from Independent Power Plants were comparable to the same period in 2015.

Average Alberta Power Pool and natural gas prices and the resulting spark spreads for the quarter ended March 31, 2016 and 2015 are shown in the table below.

	Three Months Ended March 31		
	2016	**2015**	**Change**
Average Alberta Power Pool electricity price *($/MWh)*	**18.11**	29.03	(38%)
Average natural gas price *($/GJ)*	**1.74**	2.62	(34%)
Average spark spread *($/MWh)*	**5.06**	9.38	(46%)

Lower Alberta Power Pool prices and reduced price volatility in the first quarter of 2016 were primarily attributable to an increased supply of electricity and lower demand in the Alberta market compared to the same period in 2015.

Thermal PPAs

The electricity generated by the Battle River unit 5 and Sheerness plants is sold through PPAs. Under the PPAs, ATCO Power must make the generating capacity for each generating unit available to the PPA purchaser of that unit. These arrangements entitle ATCO Power to recover its forecast fixed and variable costs from the PPA purchaser. Under the terms of the PPAs, ATCO Power is subject to an incentive related to the generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets. These amounts are amortized based on estimates of future generating unit availability and future electricity prices over the term of the PPAs.

First quarter 2016 adjusted earnings from the Thermal PPAs were $4 million lower than the same period of 2015 primarily due to higher earnings in the first quarter of 2015 from the amortization of accumulated incentives associated with PPAs.

International Power Generation

The Company's international power generation activities are conducted by ATCO Power Australia. This business supplies electricity from two natural gas-fired generation plants in Adelaide, South Australia, and Karratha, Western Australia. Additionally, the Bulwer Island plant in Brisbane formerly provided co-generation steam. As a result of British Petroleum's (BP) announcement to close its Brisbane oil refinery in mid-2015, the Bulwer Island plant was closed on June 23, 2015.

Adjusted earnings for ATCO Power Australia in the first quarter of 2016 were comparable to the same period in 2015.

Major Electricity Project Updates

Fort McMurray 500 kV Project

In December 2014, APL, a partnership between ATCO and Quanta Capital, was awarded a 35-year, $1.4 billion contract by the AESO to design, build, own, and operate the Fort McMurray 500 kV Project. This project will increase the capacity of the electricity system in northeast Alberta and help to ensure that this economically vital area of the province has the power it needs.

In December 2015, APL submitted the Facilities Application for the project to the AUC. APL is now focused on preparing for the public hearing that has been scheduled by the AUC for June 2016. If the Facilities Application is approved, construction is expected to commence in 2017 and the project is anticipated to be in service in 2019.

Distributed Generation

Distributed generation aligns with the Company's strategy of taking a creative and innovative approach to meeting our customers' needs by building a fleet of portable natural gas-fired units that can be deployed for temporary or permanent projects.

In the first quarter of 2016, ATCO Power signed a 10-year contract to build and operate a two unit, 3 MW natural-gas fired power facility located southeast of Grande Prairie, Alberta. With a capital investment of $8 million, this project is under construction and will be operational in the second quarter of 2016.

Pipelines & Liquids

Pipelines & Liquids activities are conducted through three regulated businesses, ATCO Gas, ATCO Pipelines, and ATCO Gas Australia, and one non-regulated business, ATCO Energy Solutions.

REVENUES	Pipelines & Liquids revenues of $400 million in the first quarter of 2016 were lower compared to the first quarter of 2015. Lower revenues are primarily attributable to lower flow-through gas sales in ATCO Energy Solutions which are passed on to customers by the Company and do not impact adjusted earnings.
ADJUSTED EARNINGS	Adjusted earnings for ATCO Gas, ATCO Pipelines, ATCO Gas Australia, and ATCO Energy Solutions are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2016**	**2015**	**Change**
Regulated Pipelines & Liquids			
ATCO Gas	**41**	35	6
ATCO Pipelines	**8**	4	4
ATCO Gas Australia	**4**	4	–
Total Regulated Pipelines & Liquids	**53**	43	10
Non-regulated Pipelines & Liquids			
ATCO Energy Solutions	**3**	(1)	4
Total Non-regulated Pipelines & Liquids	**3**	(1)	4
Total Pipelines & Liquids	**56**	42	14

Pipelines & Liquids generated $56 million of adjusted earnings in the first quarter of 2016, $14 million higher than the same period of 2015. Higher adjusted earnings were primarily attributable to continued capital investment and growth in rate base and business-wide cost reduction initiatives within the Pipelines & Liquids businesses. In the first quarter of 2015, Regulated Pipelines & Liquids earnings were reduced by the one-time earnings impact resulting from several retroactive regulatory decisions that were received in that quarter.

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

REGULATED PIPELINES & LIQUIDS

Natural Gas Distribution

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

ATCO Gas' adjusted earnings of $41 million in the first quarter of 2016 were $6 million higher than the same period of 2015. Increased earnings for the period resulted primarily from growth in both rate base and customers, business-wide cost reduction initiatives and the adverse earnings impact associated with the GCOC and Capital Tracker regulatory decisions received in the first quarter of 2015.

Natural Gas Transmission

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

ATCO Pipeline's adjusted earnings of $8 million in the first quarter of 2016 were $4 million higher than the same period of 2015. Increased earnings for the period resulted primarily from growth in rate base and the adverse earnings impact associated with the GCOC regulatory decision received in the first quarter of 2015.

International Natural Gas Distribution

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

ATCO Gas Australia's adjusted earnings of $4 million in the first quarter of 2016 were comparable to the same period of 2015.

NON-REGULATED PIPELINES & LIQUIDS

Storage & Industrial Water

Our industrial water services and non-regulated natural gas storage, processing and transmission activities and electricity transmission are conducted by ATCO Energy Solutions. ATCO Energy Solutions sold certain non-core natural gas gathering and processing assets in the first quarter of 2016. ATCO Energy Solutions strategic focus in 2016 is on expanding the natural gas and hydrocarbon storage along with the water infrastructure businesses.

Adjusted earnings of $3 million in the first quarter of 2016 were higher when compared to the same period of 2015. Higher earnings were primarily attributable to lower costs due to the sale of under-performing assets in late 2015 and early 2016 and earnings contributions from the commencement of additional industrial water projects in late 2015.

Capital Redeployment

In the first quarter of 2016, ATCO Energy Solutions sold its 51.3 per cent ownership in the Edmonton Ethane Extraction Plant. Proceeds of the sale totaled $21 million, resulting in a one-time, after-tax gain of $7 million. The gain was excluded from adjusted earnings, but increased earnings attributable to Class I and II Shares. The proceeds from the sale will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

Corporate & Other

The Corporate & Other segment includes the commercial real estate owned by the Company in Alberta and business development activities associated with the Company's expansion into Mexico. In the first quarter, ATCO announced the launch of ATCOenergy, a new electricity and natural gas retail company that promises Albertans outstanding service and lower costs for their homes and businesses.

Corporate & Other adjusted earnings in the three months ended March 31, 2016 were comparable to the same period in 2015.

REGULATORY DEVELOPMENTS

Generic Cost of Capital (GCOC)

In March 2015, the Company received the AUC 2013 GCOC decision. The decision established the return on equity (ROE) and deemed common equity ratios for the Alberta Utilities for 2013 to 2015. The ROE was set at 8.30 per cent for each of 2013, 2014 and 2015, which is a reduction from the 8.75 per cent previously approved. The GCOC decision also reduced the deemed common equity ratios by one per cent from what was previously approved. These rates will remain in place on an interim basis for 2016 until such time as the AUC issues a decision on final rates as part of the 2016 GCOC proceeding. The 2016 GCOC hearing is scheduled to start May 31 and end June 16, 2016 with a decision expected by the end of this year.

PBR Capital Tracker (K Factor) Applications

The K Factor is a mechanism included in the PBR regulatory model to allow the Company to recover capital investments that meet certain criteria and are not recoverable through the base PBR formula. The decisions for the 2014 K Factor true-up and the 2016-2017 Capital Tracker applications were received by ATCO Electric Distribution in March 2016 and ATCO Gas in April 2016. These decisions included approval of incremental funding for the majority of the Company's applied-for forecast Capital Tracker programs for 2016 and 2017.

ATCO Electric Transmission 2015 to 2017 General Tariff Application

In March 2015, ATCO Electric Transmission filed a General Tariff Application for its operations for 2015, 2016 and 2017. The application requests, among other things, additional revenues to recover higher depreciation, operating costs and financing associated with increased rate base in Alberta. ATCO Electric Transmission updated its 2015 to 2017 General Tariff Application in December 2015 and February 2016, modifying its application requests with updated forecast costs as compared to prospective costs originally filed in the 2015 to 2017 General Tariff Application. A decision is expected from the AUC in the third quarter of 2016.

ATCO Australia Access Arrangement Decision

In July 2015, the Economic Regulation Authority (ERA) released its Final Decision for ATCO Gas Australia's next Access Arrangement period (AA4) from July 2014 to December 2019. The decision resulted in a reduced ROE from 10.41 per cent to 7.28 per cent.

ATCO Gas Australia lodged an Appeal Application with the Australian Competition Tribunal (ACT) on October 1, 2015. On December 1, 2015, the ACT granted leave for ATCO Gas Australia to proceed with its merits review. The review is underway and will conclude in April 2016, with a final decision expected late in the second quarter of 2016.

CLIMATE CHANGE AND THE ENVIRONMENT

Alberta's Climate Leadership Plan

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

Coal Phase-out

In March 2016, the Government of Alberta appointed Mr. Terry Boston as the Coal Phase-Out Facilitator to help navigate the province's transition from coal to cleaner sources of power. The Coal Phase-Out Facilitator is working with coal-fired electricity generators, the AESO, and the Government of Alberta to develop options to phase out emissions from coal-fired generation by 2030, with the objective of maintaining the reliability of Alberta's electricity grid, maintaining price stability for consumers, ensuring that affected companies and employees are treated fairly and not unnecessarily stranding capital. ATCO is actively engaged in this process to protect its interests.

Carbon Pricing Replacing Specified Gas Emitters Regulations

The Alberta power market participants and PPA buyers across the industry are currently reviewing the climate and environmental regulations and market pricing to determine the profitability of the active PPA's.

ENMAX Corporation (Enmax) and TransCanada Energy Limited (TransCanada) have served notice to Alberta's Balancing Pool of their plans to terminate the PPAs on ATCO Power's Battle River unit 5 and Sheerness units 1 and 2. Enmax and TransCanada have claimed to exercise a termination right under the PPAs associated with a change in law, stating that the changes to the Specified Gas Emitters Regulations have made the PPAs unprofitable or more unprofitable. The Balancing Pool has advised that they are reviewing these notices and will be conducting an assessment to review and analyze the potential impacts. These facilities continue to be dispatched by Enmax and TransCanada. In the event the Balancing Pool becomes the buyer under the PPAs, it will be responsible for offering the capacity into the Alberta Power Pool and making the applicable PPA payments to ATCO Power. Should the Balancing Pool decide to terminate the PPAs prior to their expiry on December 31, 2020, the associated rights to the generating units would return to ATCO Power and the Balancing Pool would be required under the legislation to make applicable payments to ATCO Power. ATCO Power is actively engaged in this process to protect its interests under the PPAs and the related legislation.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the three months ended March 31, 2016 and 2015 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended March 31		
($ millions)	**2016**	**2015**	**Change**
Operating costs	**550**	627	(77)
Earnings from investment in joint ventures	**4**	6	(2)
Depreciation and amortization	**151**	136	15
Net finance costs	**94**	71	23
Income taxes	**75**	60	15

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased by $77 million in the first quarter of 2016 compared to the same period in 2015, primarily due to reduced flow-through gas purchases at ATCO Energy Solutions, which are passed on to customers by the Company and do not impact adjusted earnings, as well as the Company's business-wide cost reduction initiatives in response to challenging market conditions.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures in the first quarter of 2016 were comparable to the same period of 2015.

DEPRECIATION AND AMORTIZATION

In the first quarter of 2016, depreciation and amortization expense increased by $15 million compared to the same period in 2015. The increased expense was mainly due to the ongoing significant capital investment program in the Regulated Utilities.

NET FINANCE COSTS

Net finance costs increased in the first quarter of 2016 compared to the same period in 2015, primarily due to interest costs previously capitalized now being recorded as interest expense, as a result of the completion of the Eastern Alberta Transmission Line (EATL) Project during the fourth quarter of 2015. Higher interest expense is also the result of incremental debt issued to fund the Regulated Utilities' significant capital investment program.

INCOME TAXES

Income taxes increased in the first quarter of 2016 when compared to the same period of 2015. The increase is primarily due to higher earnings before income taxes and higher taxes as a result of an increase in Alberta's corporate income tax rate from 10 per cent to 12 per cent effective July 1, 2015.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company considers 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 March 31, 2016, the Company and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,001**	591	2,410
Uncommitted	**322**	127	195
Total	**3,323**	718	2,605

Of the $3,323 million in total credit lines, $322 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,001 million in credit lines were committed, with $680 million maturing in late 2017. The remaining lines of credit mature between 2018 and 2019 and may be extended at the option of the lenders.

The majority of the $718 million credit line usage was associated with ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. Credit lines for ATCO Gas Australia are provided by Australian banks, with the majority of all other credit lines provided by Canadian banks.

CONSOLIDATED CASH FLOW

At March 31, 2016, the Company's cash position was $626 million, a decrease of $173 million since December 31, 2015. The main drivers for the decrease are cash used for capital expenditures and interest paid, partly offset by earnings achieved in the period.

Funds generated by operations

Funds generated by operations in the first quarter of 2016 of $484 million were $20 million higher than the same period in 2015. The increase was mainly as a result of higher earnings generated in the business units and business-wide cost reduction initiatives.

Cash used for capital investment

Cash used for capital investment in the first quarter was $364 million, compared to $423 million in the same period of 2015. The decreases were primarily due to previously disclosed and planned lower capital spending in ATCO Electric Distribution and ATCO Electric Transmission.

Capital investment for the three months ended March 31, 2016 and 2015 is shown in the following table.

	Three Months Ended March 31		
($ millions)	**2016**	**2015**	**Change**
Electricity			
ATCO Electric Distribution	**56**	91	(35)
ATCO Electric Transmission	**49**	133	(84)
Alberta PowerLine	**11**	4	7
ATCO Power	**66**	14	52
Total Electricity	**182**	242	(60)
Pipelines & Liquids			
ATCO Gas	**60**	57	3
ATCO Pipelines	**41**	30	11
ATCO Gas Australia	**17**	16	1
Non-regulated Capital Investment (1) (3)	**42**	56	(14)
Total Pipelines & Liquids	**160**	159	1
Structures & Logistics	**5**	20	(15)
Corporate & Other	**17**	2	15
Total (1) (2)	**364**	423	(59)

(1) Includes capital expenditures in joint ventures of $19 million (2015 - $13 million) for the quarter end March 31, 2016.

(2) Includes additions to property, plant and equipment, intangibles and $4 million (2015 - $24 million) of interest capitalized during construction for the quarter ended March 31, 2016.

(3) Non-regulated Capital Investment includes ATCO Pipelines Mexico and ATCO Energy Solutions.

Base Shelf Prospectuses

CU Inc. Debentures

On July 24, 2014, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $2.6 billion of debentures over the 25-month life of the prospectus. As of April 25, 2016, aggregate issuances of debentures were $1.9 billion.

Canadian Utilities Debt Securities and Preferred Shares

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

Dividends and Common Shares

The Company has increased its common share dividend each year since 1993. In each of the last five years, the Company has increased its quarterly dividend by 15 per cent. Dividends paid to Class I and Class II Share owners in the first quarter totaled $33 million. On April 7, 2016, the Board of Directors declared a second quarter dividend of 28.50 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on the Company's financial condition and other factors.

15% increase in quarterly dividend for the fifth consecutive year

Normal Course Issuer Bid

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

ATCO's normal course issuer bid for the purchase of up to 2,030,168 outstanding Class I Shares that commenced on March 2, 2015 expired on February 29, 2016. During this period, 275,800 shares were purchased, all in 2015.

On March 1, 2016, ATCO began a new normal course issuer bid to purchase up to 3,043,884 outstanding Class I Shares. The bid will expire on February 28, 2017. From March 1, 2016 to April 25, 2016, 460,000 shares were purchased.

Canadian Utilities Dividend Reinvestment Plan

In the first quarter of 2016, Canadian Utilities issued 402,718 Class A non-voting shares under its DRIP in lieu of cash dividend payments of $13 million.

SHARE CAPITAL

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

At April 25, 2016, the Company had outstanding 101,005,323 Class I Shares, 13,571,705 Class II Shares, and options to purchase 748,400 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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

Of the 10,200,000 Class I Shares authorized for grant of options under ATCO's stock option plan, 2,733,900 Class I Shares were available for issuance at March 31, 2016. Options may be granted to the Company's officers and key employees at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2014 through March 31, 2016.

($ millions except for per share data)	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Revenues	947	985	1,127	**1,058**
Earnings attributable to Class I and Class II Shares	8	53	(1)	**109**
Earnings per Class I and Class II Share *($)*	0.07	0.46	(0.01)	**0.95**
Diluted earnings per Class I and Class II Share *($)*	0.06	0.46	(0.01)	**0.95**
Adjusted earnings				
Structures & Logistics	(2)	11	13	**12**
Electricity	53	51	33	**54**
Pipelines & Liquids	6	8	45	**56**
Corporate & Other and Intersegment Eliminations	—	(4)	1	**(1)**
Total adjusted earnings	57	66	92	**121**

($ millions except for per share data)	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Revenues	1,114	1,038	1,176	**1,072**
Earnings attributable to Class I and Class II Shares	66	133	94	**94**
Earnings per Class I and Class II Share *($)*	0.57	1.16	0.82	**0.82**
Diluted earnings per Class I and Class II Share *($)*	0.57	1.15	0.82	**0.82**
Adjusted earnings				
Structures & Logistics	8	17	26	**5**
Electricity	37	58	45	**34**
Pipelines & Liquids	3	13	47	**42**
Corporate & Other and Intersegment Eliminations	9	(3)	(1)	**(3)**
Total adjusted earnings	57	85	117	**78**

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

Adjusted Earnings

Adjusted earnings in the Structures & Logistics Business Unit are reflective of the cyclical nature of large natural resource project activity in 2015 and 2016. Lower manufacturing activity and profit margins in the second quarter of 2014 resulted in decreased earnings. Increased earnings in the third and fourth quarters of 2014 were related to activity associated with the completion of the BHP Billiton Jansen Potash and initial Wheatstone projects which were completed at the end of the fourth quarter of 2014. Reduced lodging occupancy levels and room rates along with lower manufacturing activity and profit margins contributed to lower earnings in the first half of 2015. Improved earnings in the second half of 2015 and the first quarter of 2016 are associated with Modular Structures manufacturing activity and business-wide cost reduction initiatives. Earnings in the first quarter of 2016 also benefited from increased Lodging and Support Services utilization.

Adjusted earnings in the Electricity Business Unit reflect the large capital investment made by Regulated Electricity in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, and Alberta Power Pool pricing and spark spreads. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision and lower realized Alberta Power Pool prices. The positive impact of the 2014 Interim Rates Decision on distribution operations in Regulated Electricity is reflected in earnings in the third quarter of 2014. Lower adjusted earnings in the first quarter of 2015 reflect the financial impact of the GCOC and Capital Tracker decisions in Regulated Electricity. Lower earnings in the fourth quarter of 2015 were mainly due to regulatory lag which required an update to the forecast costs as compared to prospective costs originally filed in ATCO Electric Transmission's 2015 to 2017 General Tariff Application. Higher first quarter 2016 earnings are reflective of continued capital investment and rate base growth and business-wide cost reduction initiatives.
Adjusted earnings in the Pipelines & Liquids Business Unit reflect the large capital investments made by Regulated Pipelines & Liquids in the previous eight quarters. These investments, which earn a return under a regulated business model, drive growth in adjusted earnings. Adjusted earnings have also been affected by the timing of certain major regulatory decisions, seasonality, and commodity prices. Lower adjusted earnings in the second quarter of 2014 reflected the financial impact of the 2010 Evergreen Decision on ATCO Gas and ATCO Pipelines. Continued lower earnings in the third quarter of 2014 reflect the seasonal demand of ATCO Gas, partially offset by the positive impact of the 2014 Interim Rates Decision. Lower adjusted earnings in the first quarter of 2015 reflect the financial impact of the GCOC and Capital Tracker decisions in Regulated Pipelines & Liquids. Earnings in the second quarter of 2015 reflect lower seasonal demand in ATCO Gas, the impact of the Access Arrangement decision on ATCO Gas Australia, and lower frac spreads and storage fees in ATCO Energy Solutions. Higher operations and maintenance costs and lower seasonal demand in ATCO Gas are reflected in third quarter earnings. Higher first quarter 2016 earnings are reflective of continued capital investment and rate base growth and business-wide cost reduction initiatives.

Earnings attributable to Class I and Class II Shares

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

- in the first quarter of 2016, ATCO recorded a gain on sale of joint operation of $7 million for the sale of the ATCO Energy Solution's 51.3 per cent interest in the Edmonton Ethane Extraction Plant;
- in the fourth quarter of 2015, ATCO recorded gains on sales of operations and a gain on a revaluation of a joint venture of $28 million for: the sale of the Emissions Management business, the sale of certain non-core natural gas gathering and processing assets, and the revaluation of the Company's Barking Power investment;
- in the fourth quarter of 2015, impairment charges of $91 million were recorded relating to Structures & Logistics' workforce housing assets, the Battle River units 3 and 4 power generation assets, the Mexico Tula Pipeline, as well as certain gas gathering and processing facilities;
- in the fourth quarter of 2015, the Company recorded a restructuring charge of $44 million. These costs were primarily related to staff reductions and associated severance costs;
- in the third quarter of 2015, the Company recognized a restructuring charge of $3 million;
- in the second quarter of 2015, the Company recognized a restructuring charge of $3 million and an impairment of Structures & Logistics open lodge assets of $13 million;
- in the second quarter of 2015, the Company made an adjustment of $37 million to current and deferred income taxes associated with the Government of Alberta corporate income tax rate increase from 10 to 12 per cent. $34 million of this adjustment related to deferred income taxes recorded by the Alberta Utilities that were excluded from adjusted earnings;
- in the fourth quarter of 2014, the Company recognized an impairment of certain gas gathering, processing and liquids extraction facilities of $7 million and a $2 million impairment related to its joint venture power generation assets in the U.K.;
- in the third quarter of 2014, ATCO recognized a gain on sale of ATCO I-Tek of $74 million; and
- in the second quarter of 2014, the Company recognized an impairment for the Bulwer Island power station in Australia of $6 million.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital. 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 without changes in non-cash working capital. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

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

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings attributable to Class I and Class II Shares is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 to the 2016 unaudited interim consolidated financial statements.

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

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

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

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

($ millions) — **Three Months Ended March 31**

2016 **2015 (Restated)** [1]	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**207**	**448**	**400**	**22**	**(19)**	**1,058**
	154	463	458	11	(14)	1,072
Adjusted earnings	**12**	**54**	**56**	**(2)**	**1**	**121**
	5	34	42	(2)	(1)	78
Gain on sale of joint operation	**–**	**–**	**7**	**–**	**–**	**7**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(4)**	**(16)**	**–**	**1**	**(19)**
	–	16	(1)	–	1	16
Earnings attributable to Class I and Class II Shares	**12**	**50**	**47**	**(2)**	**2**	**109**
	5	50	41	(2)	–	94

(1) During the fourth quarter of 2015, the Company reorganized its operating subsidiaries into the segments above. Comparative amounts for prior periods have been restated to reflect the realigned segments.

GAIN ON SALE OF JOINT OPERATION

Pipelines & Liquids

As a result of an ongoing review of economic conditions and prospects, the Company sold its 51.3 per cent interest in the Edmonton Ethane Extraction Plant. Proceeds from the sale totaled $21 million, resulting in a one-time, after-tax gain of $7 million. The proceeds will be deployed for continued capital growth in industrial water infrastructure and hydrocarbon storage in Alberta's Industrial Heartland region.

RATE-REGULATED ACTIVITIES

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Prior to adopting IFRS, the Company used standards for rate-regulated operations issued by the Financial Accounting Standards Board (FASB) in the United States as a source of generally accepted accounting principles. The Company continues to use these FASB standards to fairly present the operating results of its rate-regulated activities.

Rate-regulated accounting reduces earnings volatility as the Company defers the recognition of revenue when cash is received in advance of future expenditures and it recognizes revenue for recoverable costs incurred in advance of future billings to customers. Under IFRS, the Company records revenues when amounts are billed to customers and recognizes costs when they are incurred. The Company does not recognize their recovery until changes to customer rates are reflected in future customer billings.

Under rate-regulated accounting, the Company recognizes revenues from regulatory decisions that relate to current and prior periods when the decisions are received. Under IFRS, the Company recognizes those revenues when customer rates are changed and customers are billed.

Finally, under rate-regulated accounting, amounts relating to intercompany profits recognized in rate base by a regulator are not eliminated on consolidation. Under IFRS, however, intercompany profits are eliminated on consolidation. The Company then recognizes those profits in earnings when amounts are billed to customers over the life of the asset.

Timing adjustments made in rate-regulated accounting are shown in the following table.

	Three Months Ended March 31		
($ millions)	**2016**	**2015**	**Change**
Additional revenues billed in current period [(1)]	**13**	14	(1)
Revenues to be billed in future period [(2)]	**(27)**	(29)	2
Regulatory decisions related to current and prior periods [(3)]	**(6)**	30	(36)
Elimination of intercompany profits related to the construction of property, plant and equipment and intangible assets	**1**	1	–
Total adjustments	**(19)**	16	(35)

Notes:

(1) Additional revenues billed in current period

These adjustments are primarily comprised of future removal and site restoration costs, where customers are billed over the life of the associated assets in advance of future expenditures, and finance costs incurred by ATCO Electric during construction of major transmission capital projects are billed to customers when incurred. Under rate-regulated accounting, the finance costs billed to customers are deferred. The deferred revenues will be recognized in adjusted earnings over the service life of the related assets.

(2) Revenues to be billed in future period

Deferred income taxes are the most significant adjustment item in this category. Deferred income taxes are not recovered from customers until income taxes are paid. Deferred income taxes are a non-cash expense resulting from temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Under rate-regulated accounting, revenues are recognized in the current period for the deferred income taxes to be billed to customers in future periods. The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.

The impact of warmer temperatures in the first quarter of 2016 also had an impact on revenues in this category. ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.

(3) Regulatory decisions related to current and prior periods

Refer to the Regulatory Developments section in this MD&A as well as the Segmented Information presented in Note 3 of the unaudited interim consolidated financial statements for the three months ended March 31, 2016.

OTHER FINANCIAL INFORMATION

ACCOUNTING CHANGES

Certain new or amended standards or interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) do not have to be adopted in the current period. These standards remain substantially unchanged from the 2015 MD&A.

There were no new or amended standards issued by the IASB or IFRIC in the first quarter of 2016 that the Company anticipates will have a material effect on the unaudited interim consolidated financial statements or note disclosures.

CONTROLS AND PROCEDURES

Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2016, and ended on March 31, 2016, 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 this forward-looking MD&A as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Company.

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

ADDITIONAL INFORMATION

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

GLOSSARY

AESO means the Alberta Electric System Operator.

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

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

AUC means the Alberta Utilities Commission.

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

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

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

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

DRIP means the dividend reinvestment plan of Canadian Utilities (refer to the "Canadian Utilities Dividend Reinvestment Plan" section).

Frac spread means the premium or discount between the purchase price of natural gas and the selling price of extracted natural gas liquids on a heat content equivalent basis.

GAAP means Canadian generally accepted accounting principles.

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

IFRS means International Financial Reporting Standards.

Km means kilometre.

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

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

PBR means Performance Based Regulation.

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

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

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

U.K. means United Kingdom.

U.S. means United States of America.

ATCO LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2016

ATCO LTD.
CONSOLIDATED STATEMENT OF EARNINGS

		Three Months Ended March 31	
(millions of Canadian Dollars except per share data)	**Note**	**2016**	**2015**
Revenues		**1,058**	1,072
Costs and expenses			
Salaries, wages and benefits		**(135)**	(156)
Energy transmission and transportation		**(54)**	(48)
Plant and equipment maintenance		**(56)**	(70)
Fuel costs		**(32)**	(87)
Purchased power		**(21)**	(21)
Manufacturing raw materials and consumables		**(117)**	(82)
Depreciation and amortization		**(151)**	(136)
Franchise fees		**(65)**	(68)
Property and other taxes		**(25)**	(25)
Other		**(45)**	(70)
		(701)	(763)
Gain on sale of joint operation	3	**18**	–
Earnings from investment in joint ventures		**4**	6
Operating profit		**379**	315
Interest income		**4**	3
Interest expense		**(98)**	(74)
Net finance costs		**(94)**	(71)
Earnings before income taxes		**285**	244
Income taxes		**(75)**	(60)
Earnings for the period		**210**	184
Earnings attributable to:			
Class I and Class II Shares		**109**	94
Non-controlling interests		**101**	90
		210	184
Earnings per Class I and Class II Share	6	**$0.95**	$0.82
Diluted earnings per Class I and Class II Share	6	**$0.95**	$0.82

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
(millions of Canadian Dollars)	**2016**	**2015**
Earnings for the period	**210**	184
Other comprehensive loss, net of income taxes		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits (1)	**(70)**	(10)
Share of other comprehensive income of joint ventures (2)	**–**	(3)
	(70)	(13)
Items that are or may be reclassified subsequently to earnings:		
Cash flow hedges (3)	**(5)**	(3)
Cash flow hedges reclassified to earnings (4)	**1**	(1)
Foreign currency translation adjustment (4)	**(31)**	33
	(35)	29
Other comprehensive (loss) income	**(105)**	16
Comprehensive income for the period	**105**	200
Comprehensive income attributable to:		
Class I and Class II Shares	**47**	109
Non-controlling interests	**58**	91
	105	200

(1) Net of income taxes of $24 million for the three months ended March 31, 2016 (2015 - $3 million).

(2) Net of income taxes of nil for the three months ended March 31, 2016 (2015 - $1 million).

(3) Net of income taxes of $2 million for the three months ended March 31, 2016 (2015 - $1 million).

(4) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED BALANCE SHEET

(millions of Canadian Dollars)	Note	March 31 2016	December 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		**630**	800
Accounts receivable		**627**	624
Finance lease receivables		**9**	9
Inventories		**92**	87
Income taxes receivable		**60**	33
Prepaid expenses and other current assets		**47**	58
		1,465	1,611
Non-current assets			
Property, plant and equipment	4	**16,449**	16,230
Intangibles		**507**	502
Goodwill		**71**	71
Investment in joint ventures		**157**	194
Finance lease receivables		**310**	302
Deferred income tax assets		**78**	82
Other assets		**66**	63
Total assets		**19,103**	19,055
LIABILITIES			
Current liabilities			
Bank indebtedness		**4**	1
Accounts payable and accrued liabilities		**738**	847
Asset retirement obligations and other provisions		**93**	79
Other current liabilities		**25**	17
Long-term debt		**5**	5
Non-recourse long-term debt		**15**	15
		880	964
Non-current liabilities			
Deferred income tax liabilities		**1,047**	1,007
Asset retirement obligations and other provisions		**150**	154
Retirement benefit obligations		**398**	307
Deferred revenues		**1,663**	1,649
Other liabilities		**42**	46
Long-term debt		**7,931**	7,938
Non-recourse long-term debt		**94**	97
Total liabilities		**12,205**	12,162
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II Shares	6	**164**	165
Contributed surplus		**9**	11
Retained earnings		**3,156**	3,130
Accumulated other comprehensive income		**26**	50
		3,355	3,356
Non-controlling interests		**3,543**	3,537
Total equity		**6,898**	6,893
Total liabilities and equity		**19,103**	19,055

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Equity Owners of the Company						
(millions of Canadian Dollars)	**Note**	**Class I and Class II Shares**	**Contributed Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total**	**Non-Controlling Interests**	**Total Equity**
December 31, 2014		161	11	3,010	(14)	3,168	3,112	6,280
Earnings for the period		–	–	94	–	94	90	184
Other comprehensive income		–	–	–	15	15	1	16
Losses on retirement benefits transferred to retained earnings		–	–	(7)	7	–	–	–
Shares issued		–	–	–	–	–	12	12
Dividends	7	–	–	(28)	–	(28)	(51)	(79)
Share-based compensation		–	(3)	1	–	(2)	(4)	(6)
Changes in ownership interest in subsidiary company [(1)]		–	–	8	–	8	(8)	–
March 31, 2015		161	8	3,078	8	3,255	3,152	6,407
December 31, 2015		165	11	3,130	50	3,356	3,537	6,893
Earnings for the period		**–**	**–**	**109**	**–**	**109**	**101**	**210**
Other comprehensive loss		**–**	**–**	**–**	**(62)**	**(62)**	**(43)**	**(105)**
Losses on retirement benefits transferred to retained earnings		**–**	**–**	**(38)**	**38**	**–**	**–**	**–**
Shares issued, purchased and cancelled		**(1)**	**–**	**(17)**	**–**	**(18)**	**13**	**(5)**
Dividends	7	**–**	**–**	**(33)**	**–**	**(33)**	**(60)**	**(93)**
Share-based compensation		**–**	**(2)**	**(2)**	**–**	**(4)**	**(1)**	**(5)**
Changes in ownership interest in subsidiary company [(1)]		**–**	**–**	**7**	**–**	**7**	**(7)**	**–**
Other		**–**	**–**	**–**	**–**	**–**	**3**	**3**
March 31, 2016		**164**	**9**	**3,156**	**26**	**3,355**	**3,543**	**6,898**

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

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
CONSOLIDATED STATEMENT OF CASH FLOW

(millions of Canadian Dollars)	Note	Three Months Ended March 31 2016	2015
Operating activities			
Earnings for the period		**210**	184
Adjustments to reconcile earnings to cash flows from operating activities	8	**274**	280
Changes in non-cash working capital		**(59)**	56
Cash flows from operating activities		**425**	520
Investing activities			
Additions to property, plant and equipment		**(327)**	(371)
Proceeds on disposal of property, plant and equipment		**3**	1
Additions to intangibles		**(14)**	(15)
Proceeds on sale of joint operation	3	**21**	–
Investment in joint venture		**(12)**	–
Changes in non-cash working capital		**(71)**	(68)
Other		**5**	–
Cash flows used in investing activities		**(395)**	(453)
Financing activities			
Issue of short-term debt		**–**	140
Issue of long-term debt		**18**	19
Repayment of long-term debt		**(15)**	(28)
Repayment of non-recourse long-term debt		**(3)**	(4)
Issue of Class A shares by subsidiary company		**1**	–
Purchase of Class I Shares		**(18)**	–
Dividends paid to Class I and Class II Share owners		**(33)**	(28)
Dividends paid to non-controlling interests		**(47)**	(38)
Interest paid		**(90)**	(82)
Other		**2**	(1)
Cash flows used in financing activities		**(185)**	(22)
(Decrease) increase in cash position (1)		**(155)**	45
Foreign currency translation		**(18)**	14
Beginning of period		**799**	590
End of period		**626**	649

(1) Cash position consists of cash and cash equivalents less current bank indebtedness and includes $52 million (2015 - $55 million) which is not available for general use by the Company.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

ATCO LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2016

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

1. THE COMPANY AND ITS OPERATIONS

ATCO Ltd. was incorporated under the laws of the province of Alberta and is listed on the Toronto Stock Exchange. Its head office and registered office is at 700, 909-11th Avenue SW, Calgary, Alberta, T2R 1N6. The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

ATCO Ltd. is engaged in the following business activities:

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

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

Principal operating subsidiaries are:

- ATCO Structures & Logistics (75.5 per cent owned) and its subsidiaries. On a consolidated basis, the Company owns 88.5 per cent of ATCO Structures & Logistics; and
- Canadian Utilities Limited (53.1 per cent owned), its subsidiaries, and its 24.5 per cent investment in ATCO Structures & Logistics.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 26, 2016.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for derivative financial instruments, defined benefit pension and other employee retirement benefit liabilities and cash-settled share-based compensation liabilities.

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

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2016 **2015 (Restated)** (1)	Structures & Logistics	Electricity	Pipelines & Liquids	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**207**	**443**	**396**	**12**	**–**	**1,058**
	154	460	454	4	–	1,072
Revenues - intersegment	**–**	**5**	**4**	**10**	**(19)**	**–**
	–	3	4	7	(14)	–
Revenues	**207**	**448**	**400**	**22**	**(19)**	**1,058**
	154	463	458	11	(14)	1,072
Operating expenses (2)	**(179)**	**(168)**	**(204)**	**(18)**	**19**	**(550)**
	(133)	(228)	(271)	(10)	15	(627)
Depreciation and amortization	**(10)**	**(89)**	**(55)**	**(2)**	**5**	**(151)**
	(12)	(73)	(49)	(2)	–	(136)
Gain on sale of joint operation	**–**	**–**	**18**	**–**	**–**	**18**
	–	–	–	–	–	–
Earnings from investment in joint ventures	**–**	**4**	**–**	**–**	**–**	**4**
	–	6	–	–	–	6
Net finance costs	**–**	**(62)**	**(36)**	**4**	**–**	**(94)**
	–	(38)	(35)	4	(2)	(71)
Earnings before income taxes	**18**	**133**	**123**	**6**	**5**	**285**
	9	130	103	3	(1)	244
Income taxes	**(5)**	**(36)**	**(34)**	**1**	**(1)**	**(75)**
	(3)	(32)	(27)	1	1	(60)
Earnings for the period	**13**	**97**	**89**	**7**	**4**	**210**
	6	98	76	4	–	184
Adjusted earnings	**12**	**54**	**56**	**(2)**	**1**	**121**
	5	34	42	(2)	(1)	78
Total assets (3)	**945**	**11,282**	**6,462**	**441**	**(27)**	**19,103**
	929	11,060	6,394	697	(25)	19,055
Capital expenditures (4)	**5**	**182**	**141**	**17**	**–**	**345**
	20	242	146	2	–	410

(1) During the fourth quarter of 2015, the Company reorganized its operating subsidiaries into the segments above. Comparative amounts for prior periods have been restated to reflect the realigned segments.

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

(2) Total assets do not reflect adjustments for rate-regulated activities included in adjusted earnings. 2015 comparatives are at December 31, 2015.

(3) Includes additions to property, plant and equipment and intangibles and $4 million (2015 - $24 million) of interest capitalized during construction for the three months ended March 31, 2016.

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses for rate-regulated activities. Adjusted earnings also exclude one-time gains and losses, significant impairments and items that are not in the normal course of business or a result of day-to-day operations. Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

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

2016 **2015 (Restated)**	**Structures & Logistics**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**12**	**54**	**56**	**(2)**	**1**	**121**
	5	34	42	(2)	(1)	78
Gain on sale of joint operation	**–**	**–**	**7**	**–**	**–**	**7**
	–	–	–	–	–	–
Rate-regulated activities	**–**	**(4)**	**(16)**	**–**	**1**	**(19)**
	–	16	(1)	–	1	16
Earnings attributable to Class I and Class II Shares	**12**	**50**	**47**	**(2)**	**2**	**109**
	5	50	41	(2)	–	94
Earnings attributable to non-controlling interests						**101**
						90
Earnings for the period						**210**
						184

Gain on sale of joint operation

In January 2016, the Company sold its 51.3 per cent interest in the Edmonton Ethane Extraction Plant for proceeds of $21 million cash, resulting in a gain of $18 million ($7 million after-tax and non-controlling interests).

Rate-regulated activities

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. Consequently, the Company does not recognize assets and liabilities arising from rate-regulated activities under IFRS.

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles (GAAP) to account for rate-regulated activities. 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 segment disclosures on this basis.

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

	Rate-Regulated Accounting Treatment	IFRS Treatment
1.	The Company defers the recognition of cash received in advance of future expenditures.	The Company records revenues when amounts are billed to customers and recognizes costs when they are incurred.
2.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company records costs when incurred, but does not recognize their recovery until changes to customer rates are reflected in future customer billings.
3.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company recognizes earnings when customer rates are changed and amounts are billed to customers.
4.	Intercompany profits on the manufacture or construction of facilities for a regulated public utility in the consolidated group are deemed to have been realized to the extent that the transfer price on such facilities is recognized for rate-making purposes by a regulator.	Intercompany profits are eliminated upon consolidation. The Company then recognizes those profits in earnings as amounts are billed to customers over the life of the related asset.

Timing adjustments for rate-regulated activities are as follows:

	Three Months Ended March 31	
	2016	**2015**
Additional revenues billed in current period:		
Future removal and site restoration costs (1)	**9**	6
Finance costs on major transmission capital projects (2)	**1**	8
Transmission capital deferral (3)	**3**	–
	13	14
Revenues to be billed in future periods:		
Deferred income taxes (4)	**(15)**	(11)
Transmission access payments (5)	**–**	(2)
Transmission capital deferral (3)	**–**	(7)
Impact of warmer temperatures on revenues (6)	**(9)**	(5)
Impact of inflation on rate base for ATCO Gas Australia (7)	**(2)**	(2)
Other	**(1)**	(2)
	(27)	(29)
Regulatory decisions related to current and prior periods:		
Generic cost of capital decision (8)	**–**	19
Capital tracker decision (8)	**–**	5
Transmission access payment recoveries (8)	**–**	4
General rate application (8)	**(3)**	–
Other	**(3)**	2
	(6)	30
Intercompany profits:		
Intercompany profits related to construction of property, plant and equipment and intangibles (9)	**1**	1
	(19)	16

Descriptions of the adjustments, and the timing of recovery or refund, are as follows:

	Description	Timing of Recovery or Refund
1.	Removal and site restoration costs billed to customers are based on the costs forecast to be incurred in future periods. Customers fund these expected costs over the estimated useful life of the related assets. Under rate-regulated accounting, billings to customers in excess of costs incurred in the current period are deferred.	The deferred revenues will be recognized in adjusted earnings when removal and site restoration costs are incurred.
2.	Finance costs incurred by ATCO Electric during construction of major transmission capital projects are billed to customers when incurred. Under rate-regulated accounting, the finance costs billed to customers are deferred.	The deferred revenues will be recognized in adjusted earnings over the service life of the related assets.
3.	For major transmission capital projects, ATCO Electric's billings to customers include a return on forecast rate base. When actual capital costs vary from forecast capital costs, the return on rate base, and the resulting billings to the Alberta Electric System Operator (AESO), will be higher or lower than expected. Under rate-regulated accounting, differences between billings to the AESO and the return on actual rate base are deferred.	Recoveries from or refunds to the AESO of variances between forecast and actual returns on rate base are expected to occur in the following year.
4.	Deferred income taxes are a non-cash expense resulting from temporary differences between the book value and the tax value of assets and liabilities. Income taxes are billed to customers when paid by the Company. Deferred income taxes are not billed to customers unless directed to do so by the regulator. Under rate-regulated accounting, revenues are recognized in the current period for the deferred income taxes to be billed to customers in future periods.	The revenues will reverse when the temporary differences that gave rise to the deferred income taxes reverse in future periods.
5.	Transmission access payments billed to customers by ATCO Electric are based on the forecast payments to be incurred. Under rate-regulated accounting, differences between actual costs incurred and forecast costs billed to customers are deferred for collection from or refund to customers in future periods.	Recoveries from or refunds to customers of the differences between transmission access payments billed to customers and paid by ATCO Electric are expected to occur in the next 6 to 12 months.
6.	ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Under rate-regulated accounting, revenues above or below the norm in the current period are deferred and refunded to or recovered from customers in future periods.	ATCO Gas may apply to the Alberta Utilities Commission (AUC) for recoveries from or refunds to customers when the net revenue variances exceed $7 million at April 30th of any year for either of its North or South systems.

	Description	Timing of Recovery or Refund
7.	ATCO Gas Australia earns a return on rate base that excludes inflation. Inflation is accounted for by adjusting the rate base in subsequent periods by the actual rate of inflation; the impact of inflation is billed to customers through recovery of depreciation. Under rate-regulated accounting, an adjustment is made to recognize the inflation component of rate base when it is earned in the current period. Differences between the amounts earned and the amounts billed to customers are deferred.	The inflation-indexed portion of rate base will be recovered from customers over the life of the assets comprising rate base through the recovery of depreciation.
8.	The Canadian and Australian utilities recognize revenues from regulatory decisions when customer rates are changed and amounts are billed to customers. Under rate-regulated accounting, revenues from regulatory decisions that affect current and prior periods are recognized when the decision is received.	**Generic Cost of Capital Decision** The utilities recorded a reduction in adjusted earnings of $19 million in the first quarter of 2015 for an AUC decision which reduced the Return on Equity and deemed common equity ratios for 2013 to 2015. Of the $19 million recorded in the first quarter, $17 million related to 2013 and 2014. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings. **Capital Tracker Decision** ATCO Gas and the distribution operations of ATCO Electric recorded a reduction in adjusted earnings of $5 million in the first quarter of 2015 for the AUC Performance Based Regulation Capital Tracker decisions for 2013 to 2015. Of the $5 million recorded in the first quarter, $4 million related to 2013 and 2014. Although these decisions included approval of the Company's applied for Capital Tracker programs, the decisions resulted in lower Capital Tracker rates than previously approved primarily due to the AUC requiring the utilities to use the actual cost of debt in the rate determinations, which was lower than the forecast cost of debt that was previously being used. Under IFRS, earnings will be adjusted when the AUC approves revised customer rates and the amount payable to customers is refunded through future billings. **Transmission Access Payment Recoveries** In 2015 and 2016, actual payments for transmission access paid by ATCO Electric exceeded forecast costs included in billings to customers. These excess costs are subsequently recovered from customers. **General Rate Application** In the first quarter of 2016, ATCO Pipelines received its 2015 - 2016 general rate application decision. Under IFRS, the $3 million will be recognized when the amount receivable from customers is collected through future billings.

	Description	Timing of Recovery or Refund
9.	Under rate-regulated accounting, intercompany profits from transactions with related parties and approved by the regulator for inclusion in rate base are not eliminated on consolidation; they are recognized as earnings in the current period.	Intercompany profits will be recognized as earnings under IFRS as rate base is depreciated and the depreciation is billed to customers over the life of the assets.

4. PROPERTY, PLANT AND EQUIPMENT

The Company continues to invest in utility infrastructure in Alberta, particularly in electricity transmission facilities.

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

	Utility Transmission & Distribution	Power Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2015	16,601	2,034	802	794	1,665	21,896
Additions	**42**	**7**	**115**	**230**	**6**	**400**
Transfers	**205**	**–**	**1**	**(235)**	**29**	**–**
Disposals	**(14)**	**(5)**	**(3)**	**(9)**	**(51)**	**(82)**
Changes to asset retirement costs	**–**	**1**	**–**	**–**	**–**	**1**
Foreign exchange rate adjustment	**(15)**	**–**	**(1)**	**(2)**	**(7)**	**(25)**
March 31, 2016	**16,819**	**2,037**	**914**	**778**	**1,642**	**22,190**
Accumulated depreciation and impairment						
December 31, 2015	3,427	1,261	168	85	725	5,666
Depreciation	**99**	**16**	**6**	**–**	**23**	**144**
Disposals	**(11)**	**(5)**	**(3)**	**–**	**(45)**	**(64)**
Foreign exchange rate adjustment	**(2)**	**–**	**–**	**–**	**(3)**	**(5)**
March 31, 2016	**3,513**	**1,272**	**171**	**85**	**700**	**5,741**
Net book value						
December 31, 2015	13,174	773	634	709	940	16,230
March 31, 2016	**13,306**	**765**	**743**	**693**	**942**	**16,449**

The additions of property, plant and equipment included \$4 million of interest capitalized (2015 - \$24 million).

During March 2016, the Company increased its ownership in Barking Power Limited from 51 per cent to 100 per cent, an entity that holds land assets in the U.K. Barking Power Limited was previously accounted for as a joint venture and is now consolidated.

5. FAIR VALUE MEASUREMENTS

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.

Financial instruments are measured at amortized cost or fair value. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities	Assumed to approximate carrying value due to their short-term nature.
Lease receivables	Determined using a risk-adjusted, pre-tax interest rate to discount future cash receipts (Level 2).
Long-term debt and non-recourse long-term debt	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).
Measured at Fair Value	
Interest rate swaps	Determined using interest rate yield curves at period-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves, with inputs validated by publicly available market providers. The fair values were also determined using extrapolation formulas using readily observable inputs and implied volatility (Level 2).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	March 31, 2016		December 31, 2015	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Lease receivables	**319**	**490**	311	493
Financial Liabilities				
Long-term debt	**7,936**	**8,999**	7,943	8,679
Non-recourse long-term debt	**109**	**128**	112	137

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The fair values of the Company's derivative financial instruments are as follows:

March 31, 2016	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
Recurring Measurements	Interest Rate Swaps	Natural Gas	Power	Natural Gas	Power	Foreign Currency Forward Contracts
Fair values						
Assets	–	–	**8**	**1**	**3**	–
Liabilities	**(6)**	**(8)**	**(1)**	**(7)**	**(3)**	**(5)**
Notional values (1)						
Volumes (2)						
Purchases	–	**17,167,000**	–	**22,864,000**	**2,173,880**	–
Sales	–	–	**2,143,320**	**5,586,000**	**3,840,567**	–
Canadian dollars	**761**	–	–	–	–	**59**
Maturity	**2019-2020**	**2016-2020**	**2016-2020**	**2016-2020**	**2016-2020**	**2016-2017**

December 31, 2015	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
Recurring Measurements	Interest Rate Swaps	Natural Gas	Power	Natural Gas	Power	Foreign Currency Forward Contracts
Fair values						
Assets	–	–	7	–	1	1
Liabilities	–	(6)	(2)	(1)	(1)	–
Notional values (1)						
Volumes (2)						
Purchases	–	19,479,000	–	6,767,000	556,080	–
Sales	–	–	2,722,233	1,761,000	65,720	–
Canadian dollars	771	–	–	–	–	48
Maturity	2019-2020	2016-2020	2016-2020	2016-2018	2016-2017	2016

(1) The notional principal is not recorded in the consolidated financial statements as it does not represent amounts that are exchanged by the counterparties. Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts. Notional amounts for the forward sale and purchase contracts are the commodity volumes committed in the contracts.

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

6. CLASS I AND CLASS II SHARES AND EARNINGS PER SHARE

There were 101,005,323 (2015 - 101,510,023) Class I Non-Voting Shares and 13,571,705 (2015 - 13,633,205) Class II Voting Shares outstanding at March 31, 2016. In addition, there were 746,400 options to purchase Class I Non-Voting Shares outstanding at March 31, 2016, under the Company's stock option plan. From April 1, 2016 to April 25, 2016, 2,000 stock options were granted, no stock options were cancelled or exercised, no Class II Voting Shares were converted to Class I Non-Voting Shares and no Class I Non-Voting Shares were purchased under the Company's normal course issuer bid.

EARNINGS PER SHARE

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

	Three Months Ended March 31	
	2016	**2015**
Average shares		
Weighted average shares outstanding	**114,673,158**	114,826,445
Effect of dilutive stock options	**117,430**	285,159
Effect of dilutive mid-term incentive plan	**306,987**	315,223
Weighted average dilutive shares outstanding	**115,097,575**	115,426,827
Earnings for earnings per share calculation		
Earnings for the period	**210**	184
Non-controlling interests	**(101)**	(90)
	109	94
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$0.95**	$0.82
Diluted earnings per Class I and Class II Share	**$0.95**	$0.82

NORMAL COURSE ISSUER BID

On March 2, 2015, ATCO Ltd. began a normal course issuer bid to purchase up to 2,030,168 outstanding Class I Non-Voting Shares. The bid expired on February 29, 2016. From March 2, 2015, to February 29, 2016, 275,800 shares were purchased, all of which were purchased in 2015 for $10 million. The purchases resulted in a decrease to share capital and retained earnings of nil and $10 million, respectively.

On March 1, 2016, ATCO Ltd. began a new normal course issuer bid to purchase up to 3,043,884 outstanding Class I Non-Voting Shares. The bid will expire on February 28, 2017. From March 1, 2016, to April 25, 2016, 460,000 shares were purchased for $18 million. The purchases resulted in a decrease to share capital and retained earnings of $1 million and $17 million, respectively.

7. DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended March 31	
(dollars per share)	**2016**	**2015**
Class I and Class II Shares	**0.2850**	0.2475

The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. Increases in the quarterly dividend are addressed by the Board in the first quarter of each year. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

8. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Three Months Ended March 31	
	2016	**2015**
Adjustments to reconcile earnings to cash flows from operating activities		
Depreciation and amortization	**151**	136
Gain on sale of joint operation	**(18)**	–
Earnings from investment in joint ventures, net of dividends and distributions received	**5**	(6)
Income taxes	**75**	60
Unearned availability incentives	**(5)**	(15)
Contributions by customers for extensions to plant	**29**	91
Amortization of customer contributions	**(15)**	(12)
Net finance costs	**94**	71
Income taxes paid	**(39)**	(37)
Other	**(3)**	(8)
	274	280

9. RELATED PARTY TRANSACTION

During the three months ended March 31, 2016, Canadian Utilities Limited issued 402,718 Class A non-voting shares under its dividend reinvestment plan (DRIP) (2015 - 606,255), using re-invested dividends of $13 million (2015 - $25 million). The Company did not participate in the DRIP during 2016 (2015 - the Company acquired 304,756 shares using re-invested dividends of $13 million).

10. SUBSEQUENT EVENT

In April 2016, the Company announced that it is expanding its international modular structures business into the Chilean market by acquiring 50 per cent ownership of Sabinco Soluciones Modulares S.A. (Sabinco) from Sitrans Servicios Integrados de Tranportes Ltda. (Sitrans). Sitrans will retain 50 per cent ownership of Sabinco, which will now operate under the name ATCO-Sabinco S.A. The transaction included the purchase of land and the provision of funds for a future manufacturing facility. The Company will account for its 50 per cent ownership as a joint venture which will be reported in the Structures & Logistics segment.

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