CU INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2025

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CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars)	Note	Three Months Ended March 31 2025	2024
Revenues	4	**920**	880
Costs and expenses			
Salaries, wages and benefits	3	**(62)**	(54)
Energy transmission and transportation		**(86)**	(77)
Plant and equipment maintenance		**(42)**	(42)
Fuel costs		**(4)**	(5)
Purchased power		**(22)**	(19)
Depreciation and amortization		**(151)**	(145)
Franchise fees		**(106)**	(99)
Property and other taxes		**(19)**	(18)
Other		**(62)**	(64)
		(554)	(523)
Operating profit		**366**	357
Interest income		**5**	2
Interest expense		**(98)**	(99)
Net finance costs		**(93)**	(97)
Earnings before income taxes		**273**	260
Income tax expense		**(61)**	(60)
Earnings for the period		**212**	200

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
(millions of Canadian Dollars)	**2025**	**2024**
Earnings for the period	**212**	200
Other comprehensive income, net of income taxes		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits (1)	–	2
Comprehensive income for the period	**212**	202

(1) Net of income taxes of nil for the three months ended March 31, 2025 (2024 - $(1) million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	March 31 2025	December 31 2024
ASSETS			
Current assets			
Cash and cash equivalents		**174**	6
Accounts receivable and contract assets		**483**	576
Trade accounts receivable from parent and affiliate companies		**2**	4
Inventories		**26**	23
Prepaid expenses and other current assets		**22**	47
		707	656
Non-current assets			
Property, plant and equipment	5	**17,948**	17,760
Intangibles		**855**	847
Right-of-use assets		**19**	19
Investment in joint venture		**15**	10
Other assets		**56**	55
Total assets		**19,600**	19,347
LIABILITIES			
Current liabilities			
Bank indebtedness		**160**	11
Short-term advances from parent company		**3**	158
Accounts payable and accrued liabilities		**588**	623
Accounts payable to parent and affiliate companies		**39**	30
Lease liabilities		**1**	1
Provisions and other current liabilities		**29**	16
		820	839
Non-current liabilities			
Deferred income tax liabilities		**1,934**	1,900
Retirement benefit obligations		**127**	127
Customer contributions		**2,016**	2,008
Lease liabilities		**19**	19
Other liabilities		**64**	62
Long-term debt	6	**9,031**	9,013
Total liabilities		**14,011**	13,968
EQUITY			
Equity preferred shares		**187**	187
Class A and Class B share owner's equity			
Class A and Class B shares		**1,056**	1,056
Retained earnings		**4,346**	4,136
		5,402	5,192
Total equity		**5,589**	5,379
Total liabilities and equity		**19,600**	19,347

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	**Note**	**Class A and Class B Shares**	**Equity Preferred Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Equity**
December 31, 2023		1,056	187	3,936	–	5,179
Earnings for the period		–	–	200	–	200
Other comprehensive income		–	–	–	2	2
Gains on retirement benefits transferred to retained earnings		–	–	2	(2)	–
Dividends	7	–	–	(2)	–	(2)
March 31, 2024		1,056	187	4,136	–	5,379
December 31, 2024		1,056	187	4,136	–	5,379
Earnings for the period		–	–	**212**	–	**212**
Dividends	7	–	–	**(2)**	–	**(2)**
March 31, 2025		**1,056**	**187**	**4,346**	–	**5,589**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Three Months Ended March 31 2025	2024
Operating activities			
Earnings for the period		**212**	200
Adjustments to reconcile earnings to cash flows from operating activities	9	**294**	308
Changes in non-cash working capital		**98**	(9)
Cash flows from operating activities		**604**	499
Investing activities			
Additions to property, plant and equipment		**(321)**	(257)
Additions to intangibles		**(19)**	(21)
Changes in non-cash working capital		**1**	(17)
Other		**1**	4
Cash flows used in investing activities		**(338)**	(291)
Financing activities			
Issue of long-term debt	6	**18**	–
Repayment of long-term debt	6	**–**	(120)
Repayment of lease liabilities		**–**	(1)
Dividends paid on equity preferred shares	7	**(2)**	(2)
Interest paid		**(108)**	(103)
Cash flows used in financing activities		**(92)**	(226)
Increase (decrease) in cash position		**174**	(18)
Beginning of period		**(163)**	(71)
End of period	9	**11**	(89)

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2025

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

1. THE COMPANY AND ITS OPERATIONS

CU Inc. was incorporated under the laws of Canada and its debentures and equity preferred shares are listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. The Company is controlled by Canadian Utilities Limited, which in turn is principally controlled by ATCO Ltd. and its controlling share owner, the Southern family.

CU Inc. is engaged in the following business activities:

- Electricity (electricity transmission and distribution); and
- Natural gas (natural gas transmission and distribution).

The unaudited interim consolidated financial statements include the accounts of CU Inc., its subsidiaries and a proportionate share of the Company's investment in joint venture. In these financial statements, "the Company" means CU Inc., its subsidiaries and joint venture.

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 as issued by the International Accounting Standards Board (IFRS Accounting Standards). 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, 2024 prepared according to IFRS Accounting Standards.

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

The Board of Directors (Board) authorized these unaudited interim consolidated financial statements for issue on May 6, 2025.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for retirement benefit obligations which are carried at remeasured amounts.

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 and the timing of utility rate decisions.

USE OF JUDGMENTS AND ESTIMATES

Management makes judgments and estimates that could materially affect how policies are applied, how amounts in the unaudited interim consolidated financial statements are reported, and how contingent assets and liabilities are disclosed. Judgments and estimates are reviewed on an on-going basis; changes to accounting estimates are recognized prospectively. The judgments in applying the Company's accounting policies and the key sources of estimation uncertainty in the unaudited interim consolidated financial statements were the same as those described in the most recent annual consolidated financial statements.

3. SEGMENTED INFORMATION

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

2025 2024	Electricity	Natural Gas	Financing & Other [1]	Elims	Total
Revenues - external	**365**	**555**	**–**	**–**	**920**
	356	524	–	–	880
Revenues - intersegment	**2**	**–**	**–**	**(2)**	**–**
	3	–	–	(3)	–
Revenues	**367**	**555**	**–**	**(2)**	**920**
	359	524	–	(3)	880
Operating expenses [2]	**(135)**	**(270)**	**–**	**2**	**(403)**
	(132)	(249)	–	3	(378)
Depreciation and amortization	**(86)**	**(65)**	**–**	**–**	**(151)**
	(83)	(62)	–	–	(145)
Net finance costs	**(58)**	**(34)**	**(1)**	**–**	**(93)**
	(56)	(36)	(5)	–	(97)
Earnings (loss) before income taxes	**88**	**186**	**(1)**	**–**	**273**
	88	177	(5)	–	260
Income tax (expense) recovery	**(18)**	**(43)**	**–**	**–**	**(61)**
	(20)	(41)	1	–	(60)
Earnings (loss) for the period	**70**	**143**	**(1)**	**–**	**212**
	68	136	(4)	–	200
Adjusted earnings (loss)	**86**	**130**	**(1)**	**–**	**215**
	88	121	(4)	–	205
Total assets [3]	**11,304**	**8,247**	**135**	**(86)**	**19,600**
	11,238	8,116	89	(96)	19,347
Capital expenditures [4]	**191**	**154**	**–**	**–**	**345**
	150	131	–	–	281

Elims - Intersegment Eliminations

(1) *In the first quarter of 2025, Corporate & Other was renamed to Financing & Other to reflect its primary business activities, which include corporate financing, headquarters and support functions.*

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

(3) *2024 comparatives are at December 31, 2024.*

(4) *Includes additions to property, plant and equipment, intangibles and $5 million of interest capitalized during construction for the three months ended March 31, 2025 (2024 - $3 million).*

ADJUSTED EARNINGS

Adjusted earnings are earnings for the period after adjusting for:

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

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

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

2025 2024	Electricity	Natural Gas	Financing & Other	Total
Adjusted earnings (loss)	**86**	**130**	**(1)**	**215**
	88	121	(4)	205
Restructuring	**(6)**	**(4)**	**–**	**(10)**
	–	–	–	–
Transition of managed IT services	**(3)**	**(4)**	**–**	**(7)**
	–	–	–	–
Rate-regulated activities	**(7)**	**20**	**–**	**13**
	(18)	17	–	(1)
IT Common Matters decision	**(1)**	**–**	**–**	**(1)**
	(3)	(3)	–	(6)
Dividends on equity preferred shares of the Company	**1**	**1**	**–**	**2**
	1	1	–	2
Earnings (loss) for the period	**70**	**143**	**(1)**	**212**
	68	136	(4)	200

Restructuring

In the three months ended March 31, 2025, the Company recorded restructuring costs of $10 million (after-tax) that were mainly related to staff reductions and associated severance costs. This restructuring is a continuation of the restructuring activities that commenced in 2024. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Transition of managed IT services

In the three months ended March 31, 2025, the Company recognized IT transition costs of $7 million (after-tax). The transition costs were primarily related to activities to shift from a single-vendor service provider to a hybrid model of multiple new vendors and internal teams. The transition activities commenced on January 1, 2025 and are expected to be substantially complete by the second quarter of 2025. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Rate-regulated activities

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

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

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

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

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

For the three months ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	2025	2024
Additional revenues billed in current period		
Future removal and site restoration costs (1)	**33**	31
Impact of colder temperatures (2)	**–**	5
Revenues to be billed in future periods		
Deferred income taxes (3)	**(37)**	(33)
Impact of warmer temperatures (2)	**(1)**	–
Settlement of regulatory decisions and other items		
Other (4)	**18**	(4)
	13	(1)

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

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

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

(4) In the three months ended March 31, 2025, ATCO Gas Distribution recorded an increase in earnings of $17 million (after-tax) related to recoveries from customers related to the settlement of load balancing and weather deferral account balances.

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities Limited, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three months ended March 31, 2025 was $1 million (after-tax) (2024 - $6 million (after-tax)).

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended March 31 is shown below.

2025 **2024**	**Electricity** [1]	**Natural Gas** [1]	**Total**
Revenue Streams			
Rendering of Services			
Distribution services	**164**	**361**	**525**
	153	337	490
Transmission services	**167**	**92**	**259**
	167	90	257
Customer contributions	**9**	**6**	**15**
	9	6	15
Franchise fees	**10**	**96**	**106**
	10	89	99
Total rendering of services	**350**	**555**	**905**
	339	522	861
Other [2]	**15**	**–**	**15**
	17	2	19
Total	**365**	**555**	**920**
	356	524	880

(1) For the three months ended March 31, 2025, Electricity and Natural Gas segments include $122 million of unbilled revenue (2024 - $126 million). At March 31, 2025, $122 million of the unbilled revenue is included in accounts receivable and contract assets (2024 - $126 million).

(2) Other revenues include revenues generated from infrastructure installation, and facility and maintenance services rendered to certain customers.

5. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	**Land and Buildings**	**Construction Work-in-Progress**	**Other**	**Total**
Cost					
December 31, 2024	22,625	655	587	695	24,562
Additions	**–**	**–**	**330**	**–**	**330**
Transfers	**200**	**5**	**(208)**	**3**	**–**
Retirements and disposals	**(25)**	**–**	**–**	**(7)**	**(32)**
March 31, 2025	**22,800**	**660**	**709**	**691**	**24,860**
Accumulated depreciation					
December 31, 2024	6,231	203	–	368	6,802
Depreciation	**127**	**4**	**–**	**11**	**142**
Retirements and disposals	**(25)**	**–**	**–**	**(7)**	**(32)**
March 31, 2025	**6,333**	**207**	**–**	**372**	**6,912**
Net book value					
December 31, 2024	16,394	452	587	327	17,760
March 31, 2025	**16,467**	**453**	**709**	**319**	**17,948**

The additions to property, plant and equipment included $4 million of interest capitalized during construction for the three months ended March 31, 2025 (2024 - $2 million).

6. LONG-TERM DEBT

In March 2025, the Company borrowed $18 million from its $155 million non-revolving unsecured amortizing credit facility to support the construction of the Central East Transfer-Out (CETO) Project within the electricity transmission business of the Electricity operating segment (CETO Project Debt). Quarterly repayments on the credit facility commence once the CETO Project reaches commercial operations and continue until June 30, 2056. The CETO Project Debt bears a fixed interest rate of 2.17 per cent.

In March 2024, the Company repaid $120 million of 6.215 per cent debentures.

7. EQUITY PREFERRED SHARES

DIVIDENDS

Cash dividends declared and paid per share for the three months ended March 31 are as follows:

(dollars per share)	2025	2024
Equity preferred shares		
4.60% Series 1	**0.2875**	0.2875
2.292% Series 4	**0.14325**	0.14325

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors. On April 10, 2025, the Company declared second quarter dividends of $0.2875 per Series 1 Preferred Share and $0.14325 per Series 4 Preferred Share, payable on June 1, 2025 to share owners of record as of May 1, 2025.

8. CLASS A AND CLASS B SHARES

On April 10, 2025, the Company declared a dividend of $25.89 per Class A and Class B share, payable on June 1, 2025 to share owners of record as of May 1, 2025.

9. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the three months ended March 31 are summarized below.

	2025	2024
Depreciation and amortization	**151**	145
Income tax expense	**61**	60
Contributions by customers for extensions to plant	**23**	22
Amortization of customer contributions	**(15)**	(15)
Net finance costs	**93**	97
Income taxes paid	**(9)**	(1)
Interest received	**3**	1
Other	**(13)**	(1)
	294	308

CASH POSITION

Cash position at March 31 is comprised of:

	2025	2024
Cash and cash equivalents	**174**	36
Bank indebtedness [(1)]	**(160)**	—
Short-term advances from parent company	**(3)**	(125)
	11	(89)

(1) The Company has cash pooling arrangements with certain banks that are used to manage working capital requirements. This allows individual bank accounts participating in these arrangements to be overdrawn from time to time.

10. FINANCIAL INSTRUMENTS

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, trade accounts receivable from parent and affiliate companies, bank indebtedness, short-term advances from parent company, accounts payable and accrued liabilities, and accounts payable to parent and affiliate companies.	Assumed to approximate carrying value due to their short-term nature.
Long-term debt and long-term advances due from joint venture.	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).

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

	March 31, 2025		December 31, 2024	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term advances due from joint venture [(1)]	**35**	**34**	35	33
Financial Liabilities				
Long-term debt	**9,031**	**8,685**	9,013	8,588

(1) Long-term advances due from joint venture of $35 million (December 31, 2024 - $35 million) are recorded in other assets in the consolidated balance sheets.