CU INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2025

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CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	Note	2025	2024	2025	2024
Revenues	4	**701**	696	**1,621**	1,576
Costs and expenses					
Salaries, wages and benefits	3	**(50)**	(90)	**(112)**	(144)
Energy transmission and transportation		**(86)**	(77)	**(172)**	(154)
Plant and equipment maintenance		**(48)**	(49)	**(90)**	(91)
Fuel costs		**(3)**	(3)	**(7)**	(8)
Purchased power		**(17)**	(14)	**(39)**	(33)
Depreciation and amortization		**(150)**	(147)	**(301)**	(292)
Franchise fees		**(69)**	(68)	**(175)**	(167)
Property and other taxes		**(18)**	(18)	**(37)**	(36)
Other		**(62)**	(68)	**(124)**	(132)
		(503)	(534)	**(1,057)**	(1,057)
Operating profit		**198**	162	**564**	519
Interest income		**6**	1	**11**	3
Interest expense		**(96)**	(99)	**(194)**	(198)
Net finance costs		**(90)**	(98)	**(183)**	(195)
Earnings before income taxes		**108**	64	**381**	324
Income tax expense		**(19)**	(15)	**(80)**	(75)
Earnings for the period		**89**	49	**301**	249

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**2025**	**2024**	**2025**	**2024**
Earnings for the period	**89**	49	**301**	249
Other comprehensive income, net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits [(1)]	**6**	1	**6**	3
Comprehensive income for the period	**95**	50	**307**	252

(1) Net of income taxes of $2 million and $2 million for the three and six months ended June 30, 2025 (2024 - nil and $(1) million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	June 30 2025	December 31 2024
ASSETS			
Current assets			
Cash and cash equivalents		**14**	6
Accounts receivable and contract assets		**273**	576
Trade accounts receivable from parent and affiliate companies		**2**	4
Inventories		**23**	23
Prepaid expenses and other current assets		**32**	47
		344	656
Non-current assets			
Property, plant and equipment	5	**18,113**	17,760
Intangibles		**875**	847
Right-of-use assets		**23**	19
Investment in joint venture		**14**	10
Other assets		**55**	55
Total assets		**19,424**	19,347
LIABILITIES			
Current liabilities			
Bank indebtedness		**—**	11
Short-term advances from parent company		**4**	158
Accounts payable and accrued liabilities		**362**	623
Accounts payable to parent and affiliate companies		**24**	30
Lease liabilities		**1**	1
Provisions and other current liabilities		**19**	16
		410	839
Non-current liabilities			
Deferred income tax liabilities		**1,959**	1,900
Retirement benefit obligations		**119**	127
Customer contributions		**2,040**	2,008
Lease liabilities		**23**	19
Other liabilities		**68**	62
Long-term debt	6	**9,272**	9,013
Total liabilities		**13,891**	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		**4,290**	4,136
		5,346	5,192
Total equity		**5,533**	5,379
Total liabilities and equity		**19,424**	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		–	–	249	–	249
Other comprehensive income		–	–	–	3	3
Gains on retirement benefits transferred to retained earnings		–	–	3	(3)	–
Dividends	7,8	–	–	(176)	–	(176)
June 30, 2024		1,056	187	4,012	–	5,255
December 31, 2024		1,056	187	4,136	–	5,379
Earnings for the period		–	–	**301**	–	**301**
Other comprehensive income		–	–	–	**6**	**6**
Gains on retirement benefits transferred to retained earnings		–	–	**6**	**(6)**	–
Dividends	7,8	–	–	**(153)**	–	**(153)**
June 30, 2025		**1,056**	**187**	**4,290**	–	**5,533**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended June 30		Six Months Ended June 30	
(millions of Canadian Dollars)	**Note**	**2025**	**2024**	**2025**	**2024**
Operating activities					
Earnings for the period		**89**	49	**301**	249
Adjustments to reconcile earnings to cash flows from operating activities	9	**285**	285	**579**	593
Changes in non-cash working capital		**(40)**	31	**58**	22
Cash flows from operating activities		**334**	365	**938**	864
Investing activities					
Additions to property, plant and equipment		**(300)**	(258)	**(621)**	(515)
Additions to intangibles		**(30)**	(22)	**(49)**	(43)
Changes in non-cash working capital		**(4)**	(18)	**(3)**	(35)
Other		**6**	21	**7**	25
Cash flows used in investing activities		**(328)**	(277)	**(666)**	(568)
Financing activities					
Issue of long-term debt	6	**240**	–	**258**	–
Repayment of long-term debt	6	**–**	–	**–**	(120)
Repayment of lease liabilities		**(1)**	–	**(1)**	(1)
Dividends paid on equity preferred shares	7	**(2)**	(2)	**(4)**	(4)
Dividends paid to Class A and Class B share owner	8	**(149)**	(172)	**(149)**	(172)
Interest paid		**(95)**	(98)	**(203)**	(201)
Cash flows used in financing activities		**(7)**	(272)	**(99)**	(498)
Increase (decrease) in cash position		**(1)**	(184)	**173**	(202)
Beginning of period		**11**	(89)	**(163)**	(71)
End of period	9	**10**	(273)	**10**	(273)

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

JUNE 30, 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 July 30, 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 June 30 are shown below.

2025 **2024**	**Electricity**	**Natural Gas**	**Financing & Other** [(1)]	**Elims**	**Total**
Revenues - external	**347**	**354**	**–**	**–**	**701**
	339	357	–	–	696
Revenues - intersegment	**1**	**1**	**–**	**(2)**	**–**
	3	1	–	(4)	–
Revenues	**348**	**355**	**–**	**(2)**	**701**
	342	358	–	(4)	696
Operating expenses [(2)]	**(127)**	**(228)**	**–**	**2**	**(353)**
	(139)	(252)	–	4	(387)
Depreciation and amortization	**(83)**	**(67)**	**–**	**–**	**(150)**
	(83)	(64)	–	–	(147)
Net finance costs	**(55)**	**(35)**	**–**	**–**	**(90)**
	(58)	(33)	(7)	–	(98)
Earnings (loss) before income taxes	**83**	**25**	**–**	**–**	**108**
	62	9	(7)	–	64
Income tax (expense) recovery	**(14)**	**(5)**	**–**	**–**	**(19)**
	(15)	(2)	2	–	(15)
Earnings (loss) for the period	**69**	**20**	**–**	**–**	**89**
	47	7	(5)	–	49
Adjusted earnings (loss)	**81**	**20**	**–**	**–**	**101**
	76	23	(5)	–	94
Capital expenditures [(3)]	**146**	**192**	**–**	**–**	**338**
	147	136	–	–	283

Elims - Intersegment Eliminations

(1) *Commencing in 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) *Includes additions to property, plant and equipment, intangibles and $8 million of interest capitalized during construction for the three months ended June 30, 2025 (2024 - $3 million).*

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

2025 2024	Electricity	Natural Gas	Financing & Other [1]	Elims	Total
Revenues - external	**712**	**909**	**–**	**–**	**1,621**
	695	881	–	–	1,576
Revenues - intersegment	**3**	**1**	**–**	**(4)**	**–**
	6	1	–	(7)	–
Revenues	**715**	**910**	**–**	**(4)**	**1,621**
	701	882	–	(7)	1,576
Operating expenses [2]	**(262)**	**(498)**	**–**	**4**	**(756)**
	(271)	(501)	–	7	(765)
Depreciation and amortization	**(169)**	**(132)**	**–**	**–**	**(301)**
	(166)	(126)	–	–	(292)
Net finance costs	**(113)**	**(69)**	**(1)**	**–**	**(183)**
	(114)	(69)	(12)	–	(195)
Earnings (loss) before income taxes	**171**	**211**	**(1)**	**–**	**381**
	150	186	(12)	–	324
Income tax (expense) recovery	**(32)**	**(48)**	**–**	**–**	**(80)**
	(35)	(43)	3	–	(75)
Earnings (loss) for the period	**139**	**163**	**(1)**	**–**	**301**
	115	143	(9)	–	249
Adjusted earnings (loss)	**167**	**150**	**(1)**	**–**	**316**
	164	144	(9)	–	299
Total assets [3]	**11,358**	**8,097**	**63**	**(94)**	**19,424**
	11,238	8,116	89	(96)	19,347
Capital expenditures [4]	**337**	**346**	**–**	**–**	**683**
	297	267	–	–	564

Elims - Intersegment Eliminations

(1) *Commencing in 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 $13 million of interest capitalized during construction for the six months ended June 30, 2025 (2024 - $6 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 June 30 is shown below.

2025 **2024**	**Electricity**	**Natural Gas**	**Financing & Other**	**Total**
Adjusted earnings (loss)	**81**	**20**	–	**101**
	76	23	(5)	94
Restructuring	–	–	–	–
	(13)	(19)	–	(32)
Transition of managed IT services	**(2)**	**(2)**	–	**(4)**
	–	–	–	–
Rate-regulated activities	**(11)**	**1**	–	**(10)**
	(6)	4	–	(2)
ATCO Electric settlement	–	–	–	–
	(8)	–	–	(8)
IT Common Matters decision	–	–	–	–
	(3)	(2)	–	(5)
Dividends on equity preferred shares of the Company	**1**	**1**	–	**2**
	1	1	–	2
Earnings (loss) for the period	**69**	**20**	–	**89**
	47	7	(5)	49

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

2025 **2024**	**Electricity**	**Natural Gas**	**Financing & Other**	**Total**
Adjusted earnings (loss)	**167**	**150**	**(1)**	**316**
	164	144	(9)	299
Restructuring	**(6)**	**(4)**	–	**(10)**
	(13)	(19)	–	(32)
Transition of managed IT services	**(5)**	**(6)**	–	**(11)**
	–	–	–	–
Rate-regulated activities	**(18)**	**21**	–	**3**
	(24)	21	–	(3)
ATCO Electric settlement	–	–	–	–
	(8)	–	–	(8)
IT Common Matters decision	**(1)**	–	–	**(1)**
	(6)	(5)	–	(11)
Dividends on equity preferred shares of the Company	**2**	**2**	–	**4**
	2	2	–	4
Earnings (loss) for the period	**139**	**163**	**(1)**	**301**
	115	143	(9)	249

Restructuring

In the three and six months ended June 30, 2025, the Company recorded restructuring costs of nil and $10 million (after-tax) (2024 - $32 million (after-tax) and $32 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 and six months ended June 30, 2025, the Company recognized IT transition costs of $4 million (after-tax) and $11 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 in 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, Naka Power Utilities (NWT), 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 considers standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles taking into account a more likely than not recognition threshold in accounting for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in this manner 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 activities - Second Generation Performance Based Regulation (PBR2) Proceeding

In June 2023, the Alberta Utilities Commission (AUC) initiated a proceeding for ATCO Electric Distribution and ATCO Gas as the re-opener clause was triggered by both utilities' earnings in 2022, the final year of PBR2. The PBR2 re-opener thresholds were triggered as a result of both utilities' earnings being either +/- 500 basis points from the approved Return-On-Equity (ROE) in one year or +/- 300 basis points from the approved ROE in two consecutive years.

On May 22, 2024, the AUC issued a decision to re-open the PBR2 plan and advanced to the second phase of the proceeding (Phase I Decision). The AUC claimed that the distribution businesses failed to quantify or attribute all efficiency gains under PBR2 to specific programs or initiatives. An appeal with the Alberta Court of Appeal (ACA) was filed on the Phase I Decision of the proceeding and is expected to be heard in the first half of 2026.

On May 28, 2025, the AUC issued a second decision related to the PBR2 re-opener proceeding to refund $35 million to the customers of ATCO Electric Distribution and $36 million to the customers of ATCO Gas over a six-month period, from September 1, 2025, to February 28, 2026 (Phase II Decision). In regard to the Phase II Decision, a review and variance and a permission to appeal (PTA) were submitted to the AUC and the Alberta Court of Appeal, respectively, on June 27, 2025. Given that the factual context and issues that will arise in the Phase II PTA will have significant overlap with the Phase I appeal already before the ACA and discussed above, and to be respectful of ACA's resources, the Company was granted its request to defer the hearing of the Phase I appeal to the first half of 2026 pending the ACA's decision on the Phase II PTA application. If the Phase II PTA is granted, the Company will be seeking to combine the Phase I and Phase II appeals into a single proceeding before the ACA in the first half of 2026.

ATCO Electric Distribution and ATCO Gas were the only utilities in Alberta to lower rates in 2023 due to efficiencies being passed onto customers. The after-the-fact requirement to track cost efficiencies at a granular level is inconsistent with the Performance Based Regulation principles and past AUC decisions. As ATCO Electric Distribution and ATCO Gas continue to pursue appeals of both the Phase I and Phase II Decisions of the PBR2 Re-opener proceeding, and the Company believes it will more likely than not succeed on appeal, no impact to Adjusted Earnings has been recognized for the quarter ended June 30, 2025 related to the PBR2 Re-opener decisions.

Rate-regulated activities - Timing Adjustments

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.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2025	**2024**	**2025**	**2024**
Additional revenues billed in current period				
Future removal and site restoration costs (1)	**32**	32	**65**	63
Impact of colder temperatures (2)	**–**	–	**–**	4
Revenues to be billed in future periods				
Deferred income taxes (3)	**(32)**	(29)	**(69)**	(62)
Impact of warmer temperatures (2)	**(6)**	(1)	**(7)**	–
Settlement of regulatory decisions and other items				
Other	**(4)**	(4)	**14**	(8)
	(10)	(2)	**3**	(3)

(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.

ATCO Electric settlement

On June 24, 2024, AUC Enforcement and ATCO Electric filed a joint submission seeking the AUC's approval of a settlement agreement involving two historical matters ATCO Electric had previously identified and self-reported to AUC Enforcement staff. The settlement agreement included an administrative penalty of $3 million, and a refund to customers through a billing adjustment to the Alberta Electric System Operator (AESO) of $4 million. On September 25, 2024, the AUC approved the settlement agreement as filed.

In the three and six months ended June 30, 2024, the Company recognized costs of $8 million (after-tax) related to ATCO Electric's settlement application. These costs were comprised of the administrative penalty, refund to customers and legal and other costs related to the settlement agreement. As these costs are not in the normal course of business, they were excluded from adjusted earnings.

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 in the three and six months ended June 30, 2025 was nil and $1 million (after-tax) (2024 - $5 million (after-tax) and $11 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 June 30 is shown below.

2025 **2024**	**Electricity** [1]	**Natural Gas** [1]	**Total**
Revenue Streams			
Rendering of Services			
Distribution services	**149** 136	**195** 202	**344** 338
Transmission services	**167** 167	**91** 89	**258** 256
Customer contributions	**8** 10	**6** 5	**14** 15
Franchise fees	**10** 10	**59** 58	**69** 68
Total rendering of services	**334** 323	**351** 354	**685** 677
Other [2]	**13** 16	**3** 3	**16** 19
Total	**347** 339	**354** 357	**701** 696

(1) For the three months ended June 30, 2025, Electricity and Natural Gas segments include $91 million of unbilled revenue (2024 - $93 million).

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

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

2025 2024	Electricity [1]	Natural Gas [1]	Total
Revenue Streams			
Rendering of Services			
Distribution services	**313**	**556**	**869**
	289	539	828
Transmission services	**334**	**183**	**517**
	334	179	513
Customer contributions	**17**	**12**	**29**
	19	11	30
Franchise fees	**20**	**155**	**175**
	20	147	167
Total rendering of services	**684**	**906**	**1,590**
	662	876	1,538
Other [2]	**28**	**3**	**31**
	33	5	38
Total	**712**	**909**	**1,621**
	695	881	1,576

(1) *For the six months ended June 30, 2025, Electricity and Natural Gas segments include $91 million of unbilled revenue (2024 - $93 million). At June 30, 2025, $91 million of the unbilled revenue is included in accounts receivable and contract assets (2024 - $93 million).*

(2) *Other revenues include revenues generated from electricity and natural gas infrastructure installation services, and facility charge agreements 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	**–**	**–**	**639**	**–**	**639**
Transfers	**424**	**7**	**(441)**	**10**	**–**
Retirements and disposals	**(50)**	**(5)**	**–**	**(28)**	**(83)**
June 30, 2025	**22,999**	**657**	**785**	**677**	**25,118**
Accumulated depreciation					
December 31, 2024	6,231	203	–	368	6,802
Depreciation	**256**	**8**	**–**	**22**	**286**
Retirements and disposals	**(50)**	**(6)**	**–**	**(27)**	**(83)**
June 30, 2025	**6,437**	**205**	**–**	**363**	**7,005**
Net book value					
December 31, 2024	16,394	452	587	327	17,760
June 30, 2025	**16,562**	**452**	**785**	**314**	**18,113**

The additions to property, plant and equipment included $9 million of interest capitalized during construction for the six months ended June 30, 2025 (2024 - $6 million).

6. LONG-TERM DEBT

In March 2025, the Company borrowed $18 million from its $155 million non-revolving unsecured amortizing credit facility with a bank lender to support the construction of the Central East Transfer-Out (CETO) Project within the Electricity Transmission business of the ATCO Energy Systems 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 unsecured debentures.

7. EQUITY PREFERRED SHARES

DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(dollars per share)	2025	2024	2025	2024
Equity preferred shares				
4.60% Series 1	**0.2875**	0.2875	**0.5750**	0.5750
2.292% Series 4	**0.14325**	0.14325	**0.2865**	0.2865

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors. On July 10, 2025, the Company declared third quarter dividends of $0.28750 per Series 1 Preferred Share and $0.14325 per Series 4 Preferred Share, payable on September 1, 2025 to share owners of record as of August 7, 2025.

8. CLASS A AND CLASS B SHARES

The Company declared and paid cash dividends of $25.89 per Class A non-voting share (Class A share) and Class B common share (Class B share) during the three and six months ended June 30, 2025 (2024 - $29.89 for the three and six months ended June 30). The payment of dividends is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On July 10, 2025, the Company declared a third quarter dividend of $12.95 per Class A share and Class B share, payable on September 1, 2025 to share owners of record as of August 7, 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 are summarized below.

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Depreciation and amortization	**150**	147	**301**	292
Income tax expense	**19**	15	**80**	75
Contributions by customers for extensions to plant	**38**	37	**61**	59
Amortization of customer contributions	**(14)**	(15)	**(29)**	(30)
Net finance costs	**90**	98	**183**	195
Income taxes paid	**(4)**	(1)	**(13)**	(2)
Interest received	**6**	2	**9**	3
Other	**–**	2	**(13)**	1
	285	285	**579**	593

CASH POSITION

Cash position at June 30 is comprised of:

	2025	2024
Cash and cash equivalents	**14**	13
Bank indebtedness [1]	**–**	(2)
Short-term advances from parent company	**(4)**	(284)
	10	(273)

(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:

	June 30, 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**	**33**	35	33
Financial Liabilities				
Long-term debt	**9,272**	**8,751**	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.