

Condensed Consolidated Interim Financial Statements of

**EPCOR UTILITIES INC.**

(Unaudited)

Six months ended June 30, 2020 and 2019

**EPCOR UTILITIES INC.**

Condensed Consolidated Interim Financial Statements (unaudited)

Six months ended June 30, 2020 and 2019

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# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Comprehensive Income  
(Unaudited, in millions of Canadian dollars)

Three and six months ended June 30, 2020 and 2019

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Revenues (note 4)	\$ 471	\$ 439	\$ 958	\$ 897
Operating expenses:				
Energy purchases and system access fees	64	84	190	188
Other raw materials and operating charges	71	48	116	90
Staff costs and employee benefits expenses	86	85	178	173
Depreciation and amortization	85	79	168	157
Franchise fees and property taxes	30	29	63	60
Other administrative expenses	29	22	53	44
	365	347	768	712
Operating income	106	92	190	185
Finance expenses	(33)	(32)	(67)	(64)
Income before income taxes	73	60	123	121
Income tax expense	(3)	(20)	(3)	(25)
Net income for the periods				
- all attributable to the Owner of the Company	70	40	120	96
Other comprehensive income (loss):				
Items that may subsequently be reclassified to net income:				
Unrealized loss on cash flow hedges	-	(5)	-	(9)
Unrealized gain (loss) on foreign currency translation	(25)	(12)	30	(23)
Other comprehensive income (loss) for the periods	(25)	(17)	30	(32)
Comprehensive income for the periods				
- all attributable to the Owner of the Company	\$ 45	\$ 23	\$ 150	\$ 64

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited, in millions of Canadian dollars)

June 30, 2020 and December 31, 2019

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 218	\$ 33
Trade and other receivables	435	473
Inventories	16	18
	669	524
Non-current assets:		
Other financial assets	159	127
Deferred tax assets	102	102
Property, plant and equipment	10,569	10,280
Intangible assets and goodwill	409	388
	11,239	10,897
<b>TOTAL ASSETS</b>	<b>\$ 11,908</b>	<b>\$ 11,421</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 358	\$ 431
Loans and borrowings (note 5)	76	55
Deferred revenue	72	71
Provisions	19	30
Other liabilities	44	65
	569	652
Non-current liabilities:		
Loans and borrowings (note 5)	3,426	3,026
Deferred revenue	3,822	3,707
Deferred tax liabilities	55	56
Provisions	103	100
Other liabilities	165	176
	7,571	7,065
<b>Total liabilities</b>	<b>8,140</b>	<b>7,717</b>
Equity attributable to the Owner of the Company:		
Share capital	798	798
Accumulated other comprehensive income	81	51
Retained earnings	2,889	2,855
<b>Total equity - all attributable to the Owner of the Company</b>	<b>3,768</b>	<b>3,704</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 11,908</b>	<b>\$ 11,421</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited, in millions of Canadian dollars)

Six months ended June 30, 2020 and 2019

	Accumulated other comprehensive income (loss)					Equity attributable to the Owner of the Company
	Share capital	Cash flow hedges	Cumulative translation account	Employee benefits account	Retained earnings	
Equity at December 31, 2019	\$ 798	\$ (9)	\$ 79	\$ (19)	\$ 2,855	\$ 3,704
Net income for the period	-	-	-	-	120	120
Other comprehensive income:						
Unrealized gain on foreign currency translation	-	-	30	-	-	30
Total comprehensive income	-	-	30	-	120	150
Dividends	-	-	-	-	(86)	(86)
Equity at June 30, 2020	\$ 798	\$ (9)	\$ 109	\$ (19)	\$ 2,889	\$ 3,768

	Accumulated other comprehensive income (loss)					Equity attributable to the Owner of the Company
	Share capital	Cash flow hedges	Cumulative translation account	Employee benefits account	Retained earnings	
Equity at December 31, 2018	\$ 798	\$ -	\$ 107	\$ (9)	\$ 2,795	\$ 3,691
Net income for the period	-	-	-	-	96	96
Other comprehensive loss:						
Unrealized loss on cash flow hedges	-	(9)	-	-	-	(9)
Unrealized loss on foreign currency translation	-	-	(23)	-	-	(23)
Total comprehensive income (loss)	-	(9)	(23)	-	96	64
Dividends	-	-	-	-	(86)	(86)
Equity at June 30, 2019	\$ 798	\$ (9)	\$ 84	\$ (9)	\$ 2,805	\$ 3,669

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited, in millions of Canadian dollars)

Six months ended June 30, 2020 and 2019

	2020	2019
Cash flows from (used in) operating activities:		
Net income for the period	\$ 120	\$ 96
Reconciliation of net income for the period to cash from (used in) operating activities:		
Interest paid	(64)	(62)
Finance expenses	67	64
Income taxes paid	(3)	-
Income tax expense	3	25
Depreciation and amortization	168	157
Change in employee benefits provisions	(13)	(12)
Contributions received	81	30
Deferred revenue recognized	(37)	(34)
Changes in fair value of financial electricity purchase contracts	1	(2)
Other	(4)	2
Net cash flows from operating activities before non-cash operating working capital changes	319	264
Changes in non-cash operating working capital	(24)	(65)
Net cash flows from operating activities	295	199
Cash flows from (used in) investing activities:		
Acquisitions or construction of property, plant and equipment and intangible assets <sup>1</sup>	(340)	(259)
Business acquisition	-	(31)
Payment of outstanding consideration for Vista Ridge project	(12)	-
Changes in non-cash investing working capital	(23)	(14)
Proceeds on disposal of property, plant and equipment	1	1
Net payments received (advances) on other financial assets	(33)	1
Payment of Drainage transition cost compensation to the City of Edmonton	(14)	(17)
Net cash flows used in investing activities	(421)	(319)
Cash flows from (used in) financing activities:		
Net issuance of short-term loans and borrowings	20	225
Proceeds from issuance of long-term loans and borrowings (note 5)	400	-
Repayments of long-term loans and borrowings	(15)	(15)
Debt issuance costs	(2)	-
Net refunds to customers and developers	(1)	(1)
Payments of lease liabilities, net of proceeds from finance lease receivable	(5)	(4)
Dividends paid	(86)	(86)
Net cash flows from financing activities	311	119
Increase (decrease) in cash and cash equivalents	185	(1)
Cash and cash equivalents, beginning of period	33	32
Cash and cash equivalents, end of period	\$ 218	\$ 31

1 Interest payments of \$5 million (2019 - \$4 million) have been capitalized and included in acquisitions or construction of property, plant and equipment and intangible assets.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

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## 1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR) builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities and sanitary and stormwater systems and infrastructure. The Company also provides electricity, natural gas and water products and services to residential and commercial customers.

The Company operates in Canada and the United States (U.S.) with its registered head office located at 2000, 10423 - 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The common shares of EPCOR are owned by The City of Edmonton (the City). The Company was established by Edmonton City Council under City Bylaw 11071.

Interim results will fluctuate due to the seasonal demands for electricity, water and natural gas, changes in electricity and natural gas prices, and the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

## 2. Basis of presentation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standard 34 - *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the disclosures normally provided in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on July 30, 2020.

### (b) Basis of measurement

The Company's condensed consolidated interim financial statements are prepared on the historical cost basis, except for its derivative financial instruments, long-term investment and contingent consideration, which are measured at fair value.

These condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of EPCOR and its Canadian subsidiaries is the Canadian dollar; the functional currency of U.S. subsidiaries is the U.S. dollar. All the values in these condensed consolidated interim financial statements have been rounded to nearest million except where otherwise stated.

## 3. Significant accounting policies

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements. The Company has adopted amendments to various accounting standards effective January 1, 2020, which did not have significant impact on these financial statements.

### (a) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations of standards have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2021. The Company does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

## 4. Revenues

Revenues disaggregated by major goods or services excluding intersegment revenues, are as follows:

Three months ended June 30, 2020	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 60	\$ -	\$ 77	\$ 54	\$ 9	\$ 200
Provision of services	107	117	3	20	3	250
Construction revenue	1	-	-	-	18	19
Other commercial revenue	2	-	-	-	-	2
	\$ 170	\$ 117	\$ 80	\$ 74	\$ 30	\$ 471

Three months ended June 30, 2019	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 57	\$ -	\$ 92	\$ 44	\$ 9	\$ 202
Provision of services	105	99	7	17	3	231
Construction revenue	2	-	-	-	2	4
Other commercial revenue	2	-	-	-	-	2
	\$ 166	\$ 99	\$ 99	\$ 61	\$ 14	\$ 439

Six months ended June 30, 2020	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 114	\$ -	\$ 201	\$ 94	\$ 24	\$ 433
Provision of services	211	232	9	37	7	496
Construction revenue	2	-	-	-	23	25
Other commercial revenue	3	-	-	-	1	4
	\$ 330	\$ 232	\$ 210	\$ 131	\$ 55	\$ 958

Six months ended June 30, 2019	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 107	\$ -	\$ 210	\$ 81	\$ 22	\$ 420
Provision of services	203	209	12	33	8	465
Construction revenue	4	-	-	-	4	8
Other commercial revenue	3	-	-	-	1	4
	\$ 317	\$ 209	\$ 222	\$ 114	\$ 35	\$ 897

## 5. Loans and borrowings

On May 19, 2020, the Company issued \$400 million of dual-tranche long-term unsecured public debentures, consisting of a \$100 million three-year note with a coupon rate of 1.30% and an effective interest rate of 1.45%, and a \$300 million 30-year note with a coupon rate of 2.90% and an effective interest rate of 2.95%. The interest is payable semi-annually and the principal is due at maturity for both the notes.

## 6. Financial instruments

### Classification

The classifications of the Company's financial instruments measured at fair value at June 30, 2020 and December 31, 2019 are summarized as follows:



# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

	Fair value hierarchy
Long-term investment	Level 3
Derivative financial instruments	
Financial electricity purchase contracts - designated	Level 1
Other liabilities	
Contingent consideration - designated	Level 3

## Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, current portion of other financial assets, trade and other payables (excluding derivative financial instruments) and certain other liabilities (including customer deposits) approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and financial liabilities measured at amortized cost are as follows:

	Fair value hierarchy	June 30, 2020		December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets <sup>1</sup>	Level 2	\$ 152	\$ 155	\$ 120	\$ 121
Loans and borrowings	Level 2	3,502	4,266	3,081	3,602
Other liabilities					
Drainage transition cost compensation	Level 2	15	15	29	29

1 Excluding long-term investment in Vista Ridge of \$7 million (December 31, 2019 - \$7 million).

### *Fair value hierarchy*

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by using unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

### *Derivative financial instruments*

The derivative financial instruments consist of financial electricity purchase contracts.

The fair value of the Company's financial electricity purchase contracts is determined based on exchange index prices in active markets and are based on the external readily observable market data such as forward electricity prices. It is possible that the fair value amounts will differ from future outcomes and the impact of such variations could be material.

Derivative financial liabilities are presented within trade and other payables in the condensed consolidated interim statements of financial position.

### *Contingent consideration*

The contingent consideration is payable in U.S. dollars and payment is mainly dependent on securing newly executed long-term contracts for the supply of water by EPCOR 130 Project Inc. and additional customer connections for natural gas by EPCOR Gas Texas Inc., the timing of which is uncertain. The fair value of the Company's contingent consideration is determined based on the expected timing of securing new contracts and customer connections and the resulting cash flows are then discounted at risk-adjusted discount rates. Any change in the timing of execution of new contracts and additional customer connections, discount rate or foreign exchange rate can have a material impact on the fair value of contingent consideration.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

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## *Non-current portion of other financial assets*

The fair values of the Company's long-term receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at June 30, 2020 and December 31, 2019. The fair value of finance lease receivables is based on the estimated current market rates for similar assets discounted at the prevailing interest rates for comparable investments plus an estimated credit spread based on counterparty risks at June 30, 2020 and December 31, 2019.

## *Loans and borrowings*

The fair value of the Company's long-term public debt is based on the pricing sourced from market data as of June 30, 2020 and December 31, 2019. The fair value of the Company's remaining long-term loans and borrowings is based on determining a current yield for the Company's debt at June 30, 2020 and December 31, 2019. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Short-term loans and borrowings are measured at amortized cost and their carrying value approximates their fair value due to the short-term nature of these financial instruments.

## *Drainage transition cost compensation*

The transition cost compensation is payable in installments to the City to compensate for stranded costs related to the transfer of the Drainage business. The carrying value of the Drainage transition cost compensation represents the present value of the liability, discounted using interest rates prevailing at the time of initial recognition of liability. The fair value of the Drainage transition cost compensation is determined based on the future cash outflows discounted at risk adjusted interest rates prevailing at June 30, 2020 and December 31, 2019.

## **7. Financial risk management**

This note disclosure should be read in conjunction with the financial risk management (note 27) in the annual consolidated financial statements for the year ended December 31, 2019. Further to the financial risk exposures identified and disclosed in the annual consolidated financial statements for the year ended December 31, 2019, the Company has updated its risk exposures as a result of the global outbreak of the novel coronavirus (COVID-19), which was declared a pandemic by the World Health Organization in March 2020.

In response to the COVID-19 outbreak, governmental authorities in Canada, the U.S. and internationally have introduced various recommendations and measures to try to limit spread of the pandemic, including non-essential business closures, quarantines, self-isolation, social and physical distancing and shelter-in-place. These measures have caused disruptions to businesses globally resulting in an economic slowdown. While the majority of the Company's operations consist of the provision of essential utility services, the Company is experiencing a marginal decline in the sale of water and electricity, particularly to the commercial customers as well as additional costs incurred to mitigate risks of the outbreak. However, it is not anticipated that the COVID-19 outbreak will have a material impact on the financial results of the Company.

In Canada, the spread of COVID-19 is showing signs of slowing down and the provincial governments have started lifting restrictions. Within the U.S., the rate of COVID-19 outbreaks remains higher and plans to ease government restrictions vary amongst states. The lifting of restrictions prematurely or too quickly can result in spike of COVID-19 spread, which could disturb economic activities for long periods. Any prolonged business disruption, particularly in the case of a second wave of COVID-19 spread, can negatively affect one or more factors that are essential for maintaining regular operations of the Company including, but not limited to, availability of employees for delivery of goods or services, availability of supplies and equipment for operations and planned construction of plants and other assets.

The ultimate duration and magnitude of the impact on the economy and consequential financial effect on the Company, is unknown at this time.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

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## **Credit risk**

The COVID-19 outbreak has increased the credit risk of the Company as the economic slowdown could result in customers being unable to pay their utility bills when they are due. In addition, certain measures were introduced by various governments and municipalities, which prevented utility companies from disconnecting customers for non-payment and allowed certain utility customers to defer payment of their utility bills for a certain period, which has also increased the credit risk of the Company. Due to the dynamic nature of the situation, it is not currently possible to measure the full financial impact of this elevated credit risk. However, using the Company's current estimates and assumptions, which are based on the recent trend for customer collections and current economic conditions (including forward-looking information), the expected credit loss matrix has been adjusted to account for the higher level of potential customer defaults. As a result of the change in credit risk, the Company has recorded an additional provision for expected credit losses of \$8 million during the six months ended June 30, 2020, pertaining to the trade receivables outstanding at June 30, 2020. Given the high degree of volatility caused by the outbreak of COVID-19, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to a high degree of estimation uncertainty. The Company continues to monitor the situation, including information related to realized credit losses from customers and further pronouncements from governments and regulators, and if required, will make adjustments to the expected credit loss allowance in future periods.

## **8. Segment disclosures**

The Company operates in the following reportable business segments, which follow the organization, management and reporting structure within the Company.

### **Water Services**

Water Services is primarily involved in the treatment, transmission, distribution and sale of water, the collection and conveyance of sanitary and storm water, and the treatment of wastewater within Edmonton and other communities in Western Canada. This segment's water and wastewater business includes the provision of design, build, finance, operating and maintenance services for municipal and industrial customers in Western Canada.

### **Distribution and Transmission**

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides commercial services including the design, construction and maintenance of street lighting, traffic signal and light rail transit electrical infrastructure for the City and for other municipal and commercial customers in Alberta.

### **Energy Services**

Energy Services is primarily involved in the provision of regulated rate option electricity service and default supply electricity services to customers in Alberta. This segment also provides competitive electricity and natural gas products under the Encor brand.

### **U.S. Operations**

U.S. operations are primarily involved in the treatment, transmission, distribution and sale of water, and the collection and treatment of wastewater, and operating and maintenance services within the Southwestern U.S. This segment also provides natural gas distribution and transmission services in Texas. All of the Company's operations conducted in the U.S. are included in this segment.

### **Other**

Other includes all of the remaining business segments of the Company, which do not meet the criteria of a reportable business segment. Other primarily includes Ontario natural gas and electricity distribution businesses and the cost of the Company's net unallocated corporate office expenses.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

Three months ended June 30, 2020									
	Water Distribution & Services		Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination		Consolidated
External revenues	\$ 170	\$ 117	\$ 80	\$ 74	\$ 30	\$ -	\$ -	\$ 471	
Inter-segment revenues	-	3	5	-	-	(8)	-	-	
Total revenues	170	120	85	74	30	(8)	-	471	
Energy purchases and system access fees	-	-	54	-	10	-	-	64	
Other raw materials and operating charges	26	14	-	14	18	(1)	-	71	
Staff costs and employee benefits expenses	36	19	8	12	13	(2)	-	86	
Depreciation and amortization	39	24	2	15	5	-	-	85	
Franchise fees and property taxes	8	19	-	2	1	-	-	30	
Other administrative expenses	10	6	11	5	2	(5)	-	29	
Operating expenses	119	82	75	48	49	(8)	-	365	
Operating income (loss) before corporate income (charges)	51	38	10	26	(19)	-	-	106	
Corporate income (charges)	(7)	(5)	(3)	(1)	16	-	-	-	
Operating income (loss)	44	33	7	25	(3)	-	-	106	
Finance recoveries (expenses)	(19)	(15)	(1)	(12)	14	-	-	(33)	
Income tax expense	-	-	-	(3)	-	-	-	(3)	
Net income	\$ 25	\$ 18	\$ 6	\$ 10	\$ 11	\$ -	\$ -	\$ 70	
Capital additions	\$ 91	\$ 58	\$ -	\$ 30	\$ 18	\$ -	\$ -	\$ 197	

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

Three months ended June 30, 2019									
	Water	Distribution &	Energy	U.S.	Intersegment				
	Services	Transmission	Services	Operations	Other	Elimination	Consolidated		
External revenues	\$ 166	\$ 99	\$ 99	\$ 61	\$ 14	\$ -	\$ 439		
Inter-segment revenues	-	3	4	-	-	(7)	-		
Total revenues	166	102	103	61	14	(7)	439		
Energy purchases and system access fees	-	-	74	1	9	-	84		
Other raw materials and operating charges	27	8	-	11	4	(2)	48		
Staff costs and employee benefits expenses	37	20	7	9	13	(1)	85		
Depreciation and amortization	35	23	2	14	5	-	79		
Franchise fees and property taxes	8	19	-	2	-	-	29		
Other administrative expenses	8	4	9	3	2	(4)	22		
Operating expenses	115	74	92	40	33	(7)	347		
Operating income (loss) before corporate income (charges)	51	28	11	21	(19)	-	92		
Corporate income (charges)	(8)	(5)	(2)	(2)	17	-	-		
Operating income (loss)	43	23	9	19	(2)	-	92		
Finance recoveries (expenses)	(19)	(15)	(1)	(11)	14	-	(32)		
Income tax expense	-	-	-	(2)	(18)	-	(20)		
Net income (loss)	\$ 24	\$ 8	\$ 8	\$ 6	\$ (6)	\$ -	\$ 40		
Capital additions	\$ 66	\$ 54	\$ 1	\$ 20	\$ 9	\$ -	\$ 150		

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

Six months ended June 30, 2020								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 330	\$ 232	\$ 210	\$ 131	\$ 55	\$ -	\$ 958	
Inter-segment revenues	-	5	9	-	-	(14)	-	
<b>Total revenues</b>	<b>330</b>	<b>237</b>	<b>219</b>	<b>131</b>	<b>55</b>	<b>(14)</b>	<b>958</b>	
Energy purchases and system access fees	-	-	164	2	24	-	190	
Other raw materials and operating charges	43	25	-	26	24	(2)	116	
Staff costs and employee benefits expenses	74	40	17	22	28	(3)	178	
Depreciation and amortization	77	47	4	29	11	-	168	
Franchise fees and property taxes	17	41	-	4	1	-	63	
Other administrative expenses	18	10	19	9	6	(9)	53	
<b>Operating expenses</b>	<b>229</b>	<b>163</b>	<b>204</b>	<b>92</b>	<b>94</b>	<b>(14)</b>	<b>768</b>	
Operating income (loss) before corporate income (charges)	101	74	15	39	(39)	-	190	
Corporate income (charges)	(17)	(11)	(7)	(3)	38	-	-	
<b>Operating income (loss)</b>	<b>84</b>	<b>63</b>	<b>8</b>	<b>36</b>	<b>(1)</b>	<b>-</b>	<b>190</b>	
Finance recoveries (expenses)	(38)	(30)	(2)	(24)	27	-	(67)	
Income tax expense	-	-	-	(3)	-	-	(3)	
<b>Net income</b>	<b>\$ 46</b>	<b>\$ 33</b>	<b>\$ 6</b>	<b>\$ 9</b>	<b>\$ 26</b>	<b>\$ -</b>	<b>\$ 120</b>	
Capital additions	\$ 149	\$ 102	\$ -	\$ 60	\$ 29	\$ -	\$ 340	

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

Six months ended June 30, 2019								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 317	\$ 209	\$ 222	\$ 114	\$ 35	\$ -	\$ 897	
Inter-segment revenues	-	6	8	-	-	(14)	-	
Total revenues	317	215	230	114	35	(14)	897	
Energy purchases and system access fees	-	-	164	3	21	-	188	
Other raw materials and operating charges	47	17	-	23	7	(4)	90	
Staff costs and employee benefits expenses	74	40	14	18	30	(3)	173	
Depreciation and amortization	71	45	4	26	11	-	157	
Franchise fees and property taxes	16	40	-	4	-	-	60	
Other administrative expenses	15	8	15	6	7	(7)	44	
Operating expenses	223	150	197	80	76	(14)	712	
Operating income (loss) before corporate income (charges)	94	65	33	34	(41)	-	185	
Corporate income (charges)	(16)	(11)	(4)	(3)	34	-	-	
Operating income (loss)	78	54	29	31	(7)	-	185	
Finance recoveries (expenses)	(37)	(30)	(2)	(23)	28	-	(64)	
Income tax expense	-	-	-	(2)	(23)	-	(25)	
Net income (loss)	\$ 41	\$ 24	\$ 27	\$ 6	\$ (2)	\$ -	\$ 96	
Capital additions	\$ 114	\$ 94	\$ 1	\$ 35	\$ 15	\$ -	\$ 259	

The Company's assets and liabilities by business segments at June 30, 2020 and December 31, 2019 are summarized as follows:

June 30, 2020								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
Total assets	\$ 6,897	\$ 2,564	\$ 172	\$ 1,617	\$ 4,757	\$ (4,099)	\$ 11,908	
Total liabilities	5,307	1,736	142	1,309	3,745	(4,099)	8,140	

  

December 31, 2019								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
Total assets	\$ 6,762	\$ 2,529	\$ 210	\$ 1,492	\$ 4,363	\$ (3,935)	\$ 11,421	
Total liabilities	5,217	1,733	185	1,207	3,310	(3,935)	7,717	

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2020

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## Non-current assets by geography

	June 30, 2020	December 31, 2019
Canada	\$ 9,686	\$ 9,449
U.S.	1,553	1,448
	\$ 11,239	\$ 10,897