



ENMAX CORPORATION

Q2 2022 Interim Financial Report



CAUTION TO READER

This document contains statements about future events and financial and operating results of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) that are forward-looking. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements, as many factors could cause actual future results, conditions, actions or events to differ materially from financial and operating targets, expectations, estimates or intentions expressed in the forward-looking statements.

When used in this Financial Report, the words “may,” “would,” “could,” “will,” “intend,” “plan,” “anticipate,” “believe,” “seek,” “propose,” “estimate,” “expect” and similar expressions, as they relate to the Corporation or an affiliate of the Corporation, are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation’s actual results, performance or achievements to vary from those described in this Financial Report. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this Financial Report. Intended, planned, anticipated, believed, estimated or expected and other forward-looking statements included in this Financial Report herein should not be unduly relied upon. These statements speak only as of the date of this Financial Report. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law, and reserves the right to change, at any time at its sole discretion, the practice of updating annual targets and guidance.

For further information, see the Management’s Discussion & Analysis (MD&A) section, Risk Management and Uncertainties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A), dated August 18, 2022, is a review of the results of operations of ENMAX Corporation for the three and six months ended June 30, 2022, compared with the same periods for 2021, and of the Corporation's financial condition and future prospects. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and 2021 (the Interim Statements), the consolidated financial statements for the years ended December 31, 2021 and 2020, and the notes to the respective financial statements. This MD&A contains forward-looking information and should be read in conjunction with the Caution to Reader as detailed above.

ENMAX's Interim Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Interim Statements and MD&A were reviewed by ENMAX's Audit Committee, and the Interim Statements were approved by ENMAX's Board of Directors. All amounts are in millions of Canadian dollars unless otherwise specified.

The Corporation reports on certain non-IFRS financial performance measures that are used by management to evaluate performance of business segments. As non-IFRS financial measures do not have a standard meaning prescribed by IFRS, the Corporation has defined and reconciled them with their nearest IFRS measure. The definition, calculation and reconciliation of non-IFRS financial measures are provided in the Non-IFRS Financial Measures section.

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Glossary of terms can be found on page 46 of the Condensed Consolidated Interim Financial Statements.

ENMAX OVERVIEW

ENMAX is a private corporation, and The City of Calgary (The City) is its sole shareholder. Headquartered in Calgary, Alberta, Canada, ENMAX's mission is to power the potential of people, businesses and communities by safely and responsibly providing electricity and energy services in ways that matter to them now and in the future. ENMAX has a proud history of providing Albertans with electricity, and through Versant Power, serves a greater North American customer base.

ENMAX has core operations through three main business segments: ENMAX Power, Versant Power and ENMAX Energy. In addition, a Corporate segment provides financing and shared corporate services to the operating segments.

- ENMAX Power is primarily a regulated operating segment established to own and operate electricity transmission and distribution assets in the Calgary service area through various legal entities and divisions. ENMAX Power's objective is to maintain the safety and high reliability of its transmission and distribution system while efficiently meeting Calgary's power delivery infrastructure needs. ENMAX Power also delivers project execution for customer infrastructure in areas such as power infrastructure, light rail transit, and commercial and residential development.
- Versant Power operates as a separate and distinct regulated electricity transmission and distribution utility, serving customers in northern and eastern Maine, U.S. Versant Power's role includes planning for the needs of the system, safely and efficiently maintaining the transmission and distribution system within the service area, evaluating new technologies that can enable greater reliability, resiliency, and customer choice, and timing investments so that benefits for customers exceed costs.
- ENMAX Energy is an Alberta-based integrated competitive generation and retail business, providing electricity, natural gas, distributed energy resource solutions and customer care services to approximately 700,000 customers throughout Alberta. ENMAX Energy also carries out retail energy supply and related functions for the Calgary Regulated Rate Option (RRO) through affiliated legal entities.
- ENMAX's Corporate segment provides financing and shared legal, finance, human resources, governance, information technology and other corporate functions to the operating segments.

MARKET CONDITIONS

The first half of 2022 has been marked by volatility in commodity prices, due to both global factors like pandemic driven supply chain disruptions and the war in Ukraine, and local impacts like Alberta natural gas storage inventories, which remain well below the 5-year average level. Broad inflationary pressure has been driven in large part by higher energy prices, prompting both the Bank of Canada and the U.S. Federal Reserve to announce three separate rate hikes in the first half of the year. On July 13, 2022, the Bank of Canada announced an additional 100 basis point increase to the overnight rate, the largest single increase since 1998. Additional rate increases in 2022 are possible as the Bank of Canada and the U.S. Federal Reserve both work to rein in inflation.

Against this backdrop, affordability and reliability have become increasingly important to utilities and their customers, as consumption and demand patterns continue to evolve in the context of new hybrid work arrangements and the continued adoption of technologies like distributed generation and electric transportation.

ENMAX closely monitors market conditions and their effect on its business as it maintains a focus on safe, reliable operations and prudent use of capital in the maintenance and expansion of its assets.

ENMAX POWER

ENMAX Power's highest priority is providing safe, reliable and efficient delivery of electricity to customers while prudently managing capital investment and operating costs.

ENMAX Power continues to invest in its electricity transmission and distribution system infrastructure to meet Calgary's needs. Distribution projects include investments to accommodate residential, commercial and industrial growth, as well as replacement and modification of existing assets required to meet industry safety and reliability standards. Transmission projects include capacity upgrades to existing substations and transmission lines, and new substations and transmission lines to deliver safe and reliable electricity.

The Transmission business is regulated by the Alberta Utilities Commission (AUC) under a cost-of-service approach. Under this model, ENMAX Power applies to recover the forecast cost of providing transmission service, including an allowed return on capital in service. After public review of the application, the AUC issues a decision approving the revenue requirement which is collected monthly from Alberta customers.

The Distribution business is regulated under a Performance-Based Regulation (PBR) model currently spanning a 2018 to 2022 term. Under this model, distribution rates are set annually using a formula that indexes rates to the prior year during the PBR term, using an inflation factor and a productivity factor. PBR is intended to create additional incentives for utilities to find efficiencies in their operations, as these efficiencies can lead to higher returns during the PBR term. A negotiated settlement agreement between ENMAX Power Corporation and the Office of the Utilities Consumer Advocate regarding the distribution cost-of-service application was approved by the AUC on June 20, 2022. This determined the revenue requirement for 2023 and will set the starting point for the next PBR term beginning in 2024.

In February 2021, the AUC released a report on Alberta's changing electric distribution system as a result of the evolving nature of electricity generation, consumption and storage. The AUC committed to modernizing the regulatory framework for energy storage and to adapting distribution rates. This may lead to future changes in ENMAX Power's investment in infrastructure and how customers are charged for services.

VERSANT POWER

Versant Power is a transmission and distribution utility operating in the Maine Public District (MPD) and Bangor Hydro District (BHD), covering six counties in Maine. Versant Power's total operating area is approximately 27,000 square kilometres (10,400 square miles) serving approximately 164,000 customers. Versant Power's business is focused on safe and reliable transmission and distribution of electricity to its customers and investments in infrastructure to maintain the transmission and distribution system.

Versant Power's regulated operations are subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) relating to distribution rates, service standards, territories served, issuance of securities and other matters. Versant Power is also subject to the jurisdiction of the United States Federal Energy Regulatory Commission (FERC) pertaining to various matters, including rates for transmission services and wholesale power sales. BHD is a member of the New England Power Pool. MPD is a member of the Northern Maine Independent System Administrator.

Versant Power earns revenue by charging customers for delivery of electricity across its transmission and distribution facilities. This retail revenue is divided into separate transmission, distribution and stranded cost rates. Currently, approximately 39 per cent of Versant Power's electricity revenue is from distribution operations, 44 per cent is associated with local transmission operations, and 17 per cent relates to stranded cost recoveries and conservation charges. Rates for each element are established in distinct regulatory proceedings.

Governor Mills introduced *An Act to Ensure Transmission and Distribution Utility Accountability* (LD 1959) within the state of Maine, also referred to as the "Governor's Utility Reform Bill" in early 2022. Despite an initial lack of consensus among members of the Energy, Utilities, and Technology Committee as well as the House Senate, the Legislature ultimately passed a compromise version of the bill, which the Governor signed into law on May 2, 2022. The new law, which will take effect in the late summer of 2022, will initiate a process at the MPUC to institute minimum utility service standards and new holistic grid planning process conducted by the utilities with stakeholder participation. Versant Power will continue to monitor regulatory and legislative developments and potential impacts on its business.

ENMAX ENERGY

ENMAX Energy is an integrated business providing customers with competitively priced electricity, natural gas, and distributed energy resource solutions. ENMAX Energy can hedge low-cost generation assets through its retail business – the largest in Alberta by number of customers and energy consumed. The competitive retail business provides customers with fixed-price electricity linked to wind and natural gas-fuelled generation assets and provides opportunities to offer additional energy services, such as solar installations. As of June 30, 2022, ENMAX Energy owned an interest in 1,522 megawatts (MW) of electricity generation capacity: 1,305 MW from natural gas-fuelled plants and 217 MW from wind power.

Natural gas retail contracts are backed by market transactions to provide supply certainty, margin stability and risk mitigation. Natural gas fuel requirements for the portfolio are balanced through the purchase and sale of natural gas in the Alberta market.

In 2022, carbon emission costs in Alberta reached \$50 per tonne of carbon dioxide (CO₂). Based on current Federal government plans, the minimum carbon emission price in Canada will rise to \$65 per tonne of CO₂ by 2023 and will continue to increase \$15 per year until it reaches \$170 per tonne of CO₂ by 2030. ENMAX continues to monitor the evolving carbon price landscape as current projections indicate potentially higher input costs for its natural gas generation fleet and increased costs to its customers.

FINANCIAL PERFORMANCE

Management believes that a measure of operating performance is more meaningful if specific items are excluded from the financial information. As a result, the table below presents ENMAX's adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), adjusted earnings before interest and taxes (adjusted EBIT) and comparable net earnings (CNE). These financial metrics exclude unrealized gain (loss) on commodities where settlement on derivatives will occur in a future period, foreign exchange gain (loss) and the effects of certain other one-time transactions. Management believes that excluding these items yields financial information that is valuable for operational decision making and evaluating ongoing performance. Refer to the Non-IFRS Financial Measures section on page 13 for definitions and further description of the financial measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

<i>(millions of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Total revenue - Consolidated	818	691	1,703	1,527
Adjusted EBITDA ⁽¹⁾⁽²⁾				
ENMAX Power	78	66	151	133
Versant Power	30	29	64	61
ENMAX Energy	53	24	139	102
Corporate	(2)	(1)	(1)	-
Adjusted EBITDA - Consolidated	159	118	353	296
Adjusted EBIT ⁽¹⁾⁽²⁾				
ENMAX Power	40	31	76	63
Versant Power	16	17	36	36
ENMAX Energy	24	(5)	80	43
Corporate	(2)	-	-	2
Adjusted EBIT - Consolidated	78	43	192	144
Comparable net earnings ⁽¹⁾⁽²⁾	49	23	129	91
Net earnings	18	89	318	184
Capital expenditures	104	91	178	190

⁽¹⁾ Non-IFRS financial measure. See discussion that follows in Non-IFRS Financial Measures section.

⁽²⁾ Does not include:

- Unrealized electricity and gas mark-to-market changes for the three and six months ended June 30, 2022, of \$21 million in losses and \$217 million in gains (2021 - \$73 and \$103 million gains), respectively.
- Realized and unrealized foreign exchange losses of \$7 and \$5 million (2021 - \$nil and \$nil) for the three and six months ended June 30, 2022, respectively.
- Impairment for the three and six months ended June 30, 2022, of \$2 and \$2 million (2021 - \$nil and \$nil), respectively.

ENMAX's adjusted EBIT increased by \$35 and \$48 million for the three and six months ended June 30, 2022 respectively, as compared to the three and six months ended June 30, 2021, respectively. The primary drivers for the change in adjusted EBIT were:

- **ENMAX Power:** Higher energy usage and demands resulting in increased distribution revenue combined with higher capitalization of labour costs on capital projects.
- **Versant Power:** Higher distribution rates contributed to favourable results offset by reduced overhead rates for FERC purposes.
- **ENMAX Energy:** Optimization of trading positions in response to commodity price volatility and increased plant availability led to improved electricity margins. This is partially offset by the shift in retail customer preferences to fixed price electricity offerings.

ENMAX's net earnings decreased by \$71 million for the three months and increased \$134 million for the six months ended June 30, 2022, as compared to the same periods in 2021. These fluctuations were largely caused by unrealized gains and losses on commodity contracts, as the Corporation recognized unrealized losses in the three months and unrealized gains in the six months ended June 30, 2022, relative to the same periods in 2021. Unrealized commodity gains and losses are not included in adjusted EBIT.

Adjusting for unrealized gain on commodities, foreign exchange loss, impairments and events not related to normal operations, ENMAX's comparable net earnings for the three and six months ended June 30, 2022, increased by \$26 and \$38 million respectively from the same period in 2021. The favourable variances are primarily driven by changes in adjusted EBIT as noted above, partially offset by higher income taxes.

Additional details on the financial performance of the Corporation are discussed in the ENMAX Financial Results section.

Results of operations are not necessarily indicative of future performance, due to factors including fluctuating commodity prices, timing of receipt of regulatory decisions, performance and retirement of existing generation facilities, addition of new generation facilities, and impact of government policies.

SIGNIFICANT EVENTS

CHIEF EXECUTIVE OFFICER ANNOUNCEMENT

On June 21, 2022, the ENMAX Board of Directors announced that Mark Poweska had been appointed ENMAX President and CEO effective September 26, 2022. Mark has 30 years of experience in the utility industry and comes to ENMAX from Hydro One where he served as President and CEO.

Charles Ruigrok will continue as interim President and CEO to ensure a smooth transition of leadership until Mark joins the Corporation in September.

ENMAX POWER BUSINESS UPDATE

ENMAX Power distribution rates in Calgary are set by or subject to a PBR model, under a five-year agreement that expires on December 31, 2022. ENMAX Power filed a distribution cost-of-service application with the AUC on January 17, 2022. A negotiated settlement agreement between ENMAX Power Corporation and the Office of the Utility Customer Advocate regarding the distribution cost-of-service application was approved by the AUC on June 20, 2022. The outcome of this proceeding will set distribution rates charged in ENMAX Power's service territory for 2023, and these rates will form the starting point for the determination of distribution rates to be charged in ENMAX Power's service territory for the next PBR term starting in 2024. In Q4 2022, ENMAX Power will be filing evidence proposing modifications and additions to the PBR formula for 2024 and beyond, with a decision expected Q3 2023.

In Q3 2022, ENMAX Power will file a transmission cost-of-service application. Once approved by the AUC, ENMAX Power's transmission revenue will be set from 2023 through 2025.

On January 3, 2022, the AUC initiated a process to establish a fair return on equity (ROE) and deemed equity ratio for 2023, 2024 and beyond. On March 31, 2022, the AUC decided to maintain cost-of-capital parameters currently in place, at ROE of 8.5 per cent and deemed equity ratio of 37 per cent for 2023. On June 29, 2022, the AUC initiated the second stage of this process to explore considerations of a formula-based approach to setting the parameters for 2024 and future years.

On April 29, 2022, the Government of Alberta passed the Utility Commodity Rebate Regulation under the *Utility Commodity Rebate Act* in response to rising electricity and natural gas prices. As announced, this program will provide eligible customers with \$300 dollars in total rebates on their electricity bills, with six payments over six consecutive months starting in July 2022.

KEY BUSINESS STATISTICS

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Distribution volume in Gigawatt Hours (GWh)	2,216	2,226	4,594	4,543
System average interruption duration index (SAIDI) ⁽¹⁾	0.13	0.16	0.25	0.25
System average interruption frequency index (SAIFI) ⁽²⁾	0.21	0.18	0.34	0.30
Customer average interruption duration index (CAIDI) ⁽³⁾	0.62	0.89	0.74	0.83

⁽¹⁾ SAIDI represents the total duration of a sustained interruption per average customer during the reporting period. A sustained interruption has a duration greater than or equal to one minute. The lower the SAIDI, the better the reliability.

⁽²⁾ SAIFI represents how often the average customer experiences a sustained interruption over the reporting period. A sustained interruption has a duration greater than or equal to one minute. The lower the SAIFI, the better the reliability.

⁽³⁾ CAIDI represents the average hours of service interruption for customers who experience a service interruption. The lower the CAIDI, the better the reliability.

Volume of electricity delivered to the Calgary service area for the three months ended June 30, 2022 was marginally lower than the same period in 2021. However, for the six months ended June 30, 2022, energy consumption was higher than the same period in 2021, as most pandemic related restrictions were lifted in 2022. Colder weather in January 2022 also pushed energy consumption higher.

For the three months and six months ended June 30, 2022 compared to the same periods in 2021, SAIDI was marginally lower for the quarter and trended consistently for the year to date. SAIFI was unfavourable primarily due to a substation outage in northwest Calgary and CAIDI was favourable due to a decrease in customer outage minutes.

VERSANT POWER BUSINESS UPDATE

Since the enactment of Net Energy Billing (NEB) in July 2021, Versant Power has seen an increase in interconnection applications for distributed generation (DG) projects with a nameplate capacity of 1.99 MW (the largest size eligible for NEB), and a reduction in the number of DG projects with nameplate capacity between 2 and 5 MW. As more DG facilities become operational the costs of Versant Power's five NEB programs will increase significantly. These costs will be reflected in Versant Power's stranded cost filings. The impact of NEB has been tempered by the high price of electricity in the wholesale market, but these high wholesale prices are not expected to last.

In April 2022, Versant Power reached an agreement to extend the International Brotherhood of Electrical Workers (IBEW) Local 1837 union contract from June 30, 2022 to June 30, 2024.

KEY BUSINESS STATISTICS

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Distribution volume in gigawatt hours (GWh)	480	464	1,045	976
System average interruption duration index (SAIDI) ⁽¹⁾⁽⁴⁾	0.89	0.60	2.51	1.22
System average interruption frequency index (SAIFI) ⁽²⁾⁽⁴⁾	0.47	0.41	1.12	0.77
Customer average interruption duration index (CAIDI) ⁽³⁾⁽⁴⁾	1.89	1.48	2.24	1.60

⁽¹⁾ SAIDI represents the total duration of a sustained interruption per average customer during the reporting period. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIDI, the better the reliability.

⁽²⁾ SAIFI represents how often the average customer experiences a sustained interruption over the reporting period. A sustained interruption has a duration greater than or equal to five minutes. The lower the SAIFI, the better the reliability.

⁽³⁾ CAIDI represents the average hours of service interruption for customers who experience a service interruption. The lower the CAIDI, the better the reliability.

⁽⁴⁾ The Institute of Electrical Electronics Engineers defines a 'sustained' interruption as one that is five minutes or longer. This is a known distinction from the Canadian equivalent definition.

The volume of electricity delivered for the three and six months ended June 30, 2022 was higher than the same periods in 2021. This increase was driven by colder temperatures in January and February 2022, an increase in commercial usage as businesses reopened or returned to higher capacities than in 2021 and increases in space heating rate classes.

Versant Power recorded unfavourable SAIDI, SAIFI and CAIDI for the three and six months ended June 30, 2022 compared to the same period in 2021. This decrease in reliability performance was driven by increased wind events, non-weather vegetation contacts, customer-caused accidents, animal/bird contacts and equipment failure events.

In October 2021, MPUC approved new distribution rates calculated on a common equity ratio of 49 per cent, and a 9.35 per cent ROE. These new rates were effective November 1, 2021 and represented a 17.5 per cent increase in distribution over previous rates. This represented an approximate 6.5 per cent increase in the total electric bill for an average residential customer using 500 kilowatt hours (kWh) per month.

ENMAX ENERGY BUSINESS UPDATE

Albert Electricity System Operator (AESO) pool prices over Q2 2022 were much stronger than anticipated, settling at an average of \$122 per megawatt hour (MWh) for the three months ended June 30, 2022, and averaging \$106/MWh for the six months ended June 30, 2022. This represents a 17 and 6 per cent increase respectively from the same periods in the prior year. The higher pool prices were driven by high gas prices and a relatively tight electricity market. In addition, Alberta electricity demand was stronger in Q2 2022 compared to the same period in 2021, averaging 9,326 MW compared to 9,231 MW in 2021.

Alberta natural gas prices continued to be strong in Q2 2022 with the daily index price averaging \$6.86 per gigajoule (GJ), which was up \$3.93/GJ from Q2 2021 and up \$2.36/GJ from the first quarter in 2022. High gas prices were driven by a combination of global and local factors including the Russia-Ukraine war and Alberta natural gas storage. Alberta natural gas storage inventories remain well below the five-year average level, with low April production resulting in a net withdrawal month for the first time since 1995. North American gas supply is expected to increase as a result of an incident at a natural gas export facility in the United States. This is creating downward pressure on forward gas prices and unrealized commodity year-to-date gains in 2022.

With increased price volatility in both the natural gas and power markets, ENMAX Energy's hedging strategy continues to play an integral role in managing exposure by protecting a portion of ENMAX Energy's commodity margin from market impacts.

KEY BUSINESS STATISTICS

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Natural gas-fuelled plant availability (%) ⁽¹⁾	85.2	72.1	90.7	85.0
Average flat pool price (\$/MWh)	122.49	104.73	106.48	100.99
Average spark spread (\$/MWh) ⁽²⁾	71.03	82.71	63.88	79.06

⁽¹⁾ Natural gas-fuelled plant availability (%) reflects planned maintenance and forced outages.

⁽²⁾ Based on market prices.

Plant availability was higher in 2022 than the same period in 2021 primarily due to a planned major outage at Shepard Energy Centre in the second quarter of 2021, partially offset by a planned outage at the Calgary Energy Centre in the second quarter of 2022.

Spark spread, which is the difference between the wholesale electricity price and the cost of natural gas to produce the electricity, represents the gross margin contribution of a natural gas-fuelled power plant from generating an unhedged unit of electricity. The decrease from 2021 levels was driven by increased natural gas prices.

To mitigate risk, ENMAX Energy contracts most of its market position, delivering most of its margin with less exposure to volatility from near-term spark spreads.

ENMAX Energy manages its portfolio to deliver on cash flow targets by using a combination of retail sales and forward market hedges. As a result, hedging and contracting strategies temper the impact of in-year price movements, which reduces volatility of cash flows with respect to market prices. Entering the year, ENMAX Energy hedged a significant portion of its generation capacity. This largely insulated commodity margins from market impacts and led to increased certainty on cash flows throughout the quarter. A portion of the portfolio positions were impacted by volatility in the current market environment, as natural gas prices significantly increased, leading to lower than expected spark spreads.

ENMAX FINANCIAL RESULTS

ADJUSTED EBIT COMPARED WITH 2021

<i>Three months ended June 30, (millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate	ENMAX Consolidated
Adjusted EBIT ⁽¹⁾ for three months ended June 30, 2021	31	17	(5)	-	43
Increased (decreased) margins attributable to:					
Transmission and distribution	12	4	-	(1)	15
Electricity	-	-	45	1	46
Natural gas	-	-	2	-	2
Contractual services and other	2	-	-	-	2
Decreased (increased) expense:					
Operations, maintenance & administration (OM&A) ⁽²⁾	(2)	(3)	(18)	(1)	(24)
Depreciation and amortization	(3)	(2)	-	(1)	(6)
Adjusted EBIT⁽¹⁾ for three months ended June 30, 2022	40	16	24	(2)	78

⁽¹⁾ Adjusted EBIT is a non-IFRS measure. See Non-IFRS Financial Measures section.

⁽²⁾ Normalized to exclude impact of intercompany transactions with no consolidated impact.

<i>Six months ended June 30, (millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate	ENMAX Consolidated
Adjusted EBIT ⁽¹⁾ for six months ended June 30, 2021	63	36	43	2	144
Increased (decreased) margins attributable to:					
Transmission and distribution	14	10	-	(1)	23
Electricity	-	-	59	1	60
Natural gas	-	-	3	-	3
Contractual services and other	1	-	(3)	-	(2)
Decreased (increased) expense:					
Operations, maintenance & administration (OM&A) ⁽²⁾	3	(7)	(22)	(1)	(27)
Depreciation and amortization	(5)	(3)	-	(1)	(9)
Adjusted EBIT⁽¹⁾ for six months ended June 30, 2022	76	36	80	-	192

⁽¹⁾ Adjusted EBIT is a non-IFRS measure. See Non-IFRS Financial Measures section.

⁽²⁾ Normalized to exclude impact of intercompany transactions with no consolidated impact.

For the three and six months ended June 30, 2022, transmission and distribution margins increased \$15 million or 11 per cent and \$23 million or 8 per cent respectively, compared to the same periods in 2021. The favourable variance was largely due to increased energy usage and demand in ENMAX Power, and higher distribution rates in Versant Power compared to the same periods in 2021.

Electricity margins for the three and six months ended June 30, 2022 increased by \$46 million or 85 per cent and \$60 million or 40 per cent respectively, compared to the same periods in 2021. These increases were primarily due to higher plant availability from a 2021 planned outage at the Shepard Energy Centre, partially offset by retail product preferences shifting to lower margin fixed price electricity offerings.

Natural gas margins for the three and six months ended June 30, 2022 increased \$2 million or 18 per cent and \$3 million or 10 per cent respectively, compared to the same periods in 2021. The year-to-date increase was primarily due to higher retail consumption volumes and an increase in customer sites.

Contractual services and other margins for the three and six months ended June 30, 2022, increased by \$2 million or 11 per cent, and decreased by \$2 million or 5 per cent respectively, from the same periods in 2021. This year-to-date decrease was primarily due to lower emission offset sales.

Management characterizes operations, maintenance and administration (OM&A) costs as other expenses recognized on the consolidated statement of earnings, excluding foreign exchange gains and losses and costs that are included in contractual service margins. For the three and six months ended June 30, 2022, OM&A increased \$24 million or 23 per cent, and \$27 million or 13 per cent respectively, when compared to the same periods in 2021. The unfavourable variance from prior periods was largely due to routine maintenance at the Calgary Energy Centre, recognition of the Corporation's one-time \$5 million commitment to provide solar-energy installations across Calgary, and higher expected credit losses.

Depreciation and amortization expense increased \$6 million or 8 per cent, and \$9 million or 6 per cent respectively, when compared to the same periods in 2021. This increase was consistent with capital asset additions in the period.

OTHER NET EARNINGS ITEMS

Finance charges for the three and six months ended June 30, 2022 were consistent with the same periods in 2021.

The Corporation recorded a total income tax recovery of \$2 million and tax expense of \$19 million (2021 - \$5 and \$2 million recovery) for the three and six months ended June 30, 2022, respectively. The change in this amount is primarily due to changes in taxable income.

OTHER COMPREHENSIVE INCOME AND SHAREHOLDER'S EQUITY

Other Comprehensive Income (OCI) illustrates earnings under the assumption of full income recognition of gain and loss on the market value of securities and derivatives, otherwise treated as hedges of future revenue and expense, cumulative effects of currency translation of foreign operations, as well as remeasurement gain and loss on pension retirement benefits.

For the three and six months ended June 30, 2022, OCI included total gains of \$43 million and \$11 million respectively, compared with losses of \$24 and \$37 million for the same periods in 2021. The OCI losses primarily reflect cumulative foreign exchange translation impact on consolidation of foreign operations, and the unfavourable fair value changes in electricity and commodity positions.

Accumulated other comprehensive loss is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings for the period increased \$256 million, largely from earnings during the period, partially offset by \$62 million in dividends on common shares.

NON-IFRS FINANCIAL MEASURES

The Corporation uses adjusted EBITDA, adjusted EBIT and comparable net earnings as financial performance measures. Management considers adjusted EBITDA a useful measure of business performance, as it provides an indication of the cash flow results generated by primary business activities without consideration as to how those activities are financed and amortized, or how the results are taxed. Adjusted EBITDA is also used to evaluate certain debt coverage ratios. Management believes adjusted EBIT is a useful measure of business performance, which provides an indication of operating results generated by primary business activities. Comparable net earnings provides management with a useful measure of the Corporation's performance against prior periods.

These measures do not have any standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to IFRS financial measures is shown below. These non-IFRS measures are consistently applied in the previous period.

ADJUSTED EBITDA, ADJUSTED EBIT AND COMPARABLE NET EARNINGS

(millions of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings (IFRS financial measure)	18	89	318	184
Add (deduct):				
Unrealized (gain) loss on commodities	21	(73)	(217)	(103)
Foreign exchange loss	7	-	5	-
Impairment	2	-	2	-
Net income tax expense on unrealized (gain) loss on commodities, foreign exchange loss, and impairment	1	7	21	10
Comparable net earnings (non-IFRS financial measure)	49	23	129	91
Add (deduct):				
Finance charges	32	32	65	65
Remaining income tax (recovery)	(3)	(12)	(2)	(12)
Adjusted EBIT (non-IFRS financial measure)	78	43	192	144
Add (deduct):				
Depreciation and amortization (excludes regulatory deferral movement)	81	75	161	152
Adjusted EBITDA (non-IFRS financial measure)	159	118	353	296

Management believes these non-IFRS measures of operating performance are more meaningful, as results not related to normal operations are excluded. Unrealized gain on commodities reflects the impact of changes in forward natural gas and power prices and the volume of positions for these derivatives over a certain period. This unrealized gain does not necessarily reflect the actual outcome that will be realized on settlement. Furthermore, unlike commodity derivatives, ENMAX's generation capacity and future sales to retail customers are not fair valued under IFRS.

FINANCIAL POSITION

As at June 30, 2022, total assets and regulatory deferral account debit balances were \$9,099 million (December 31, 2021 - \$8,605 million). Significant changes in the Corporation's financial position are as follows:

<i>As at</i> <i>(millions of Canadian dollars, % change)</i>	June 30, 2022	December 31, 2021	\$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	183	65	118	182%	Refer to Liquidity section
Accounts receivable	819	919	(100)	(11%)	Decrease is mainly attributable to the timing of receipts
Net financial assets (liabilities) ⁽¹⁾	141	42	99	236%	Change in fair value of derivatives
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term financing	-	218	(218)	(100%)	Refer to Liquidity section
Dividend payable	31	-	31	100%	Dividend declared in March to be paid in quarterly installments
Accounts payable and accrued liabilities	631	733	(102)	(14%)	Change is mainly attributable to the timing of disbursements
Long-term debt ⁽¹⁾	3,552	3,332	220	7%	Additional \$359 million in borrowings partially offset by \$143 million in repayments
Asset retirement obligation and other provisions	107	128	(21)	(16%)	Change in discount rates partially offset by additional provisions

⁽¹⁾ Net current and long-term asset and liability positions.

LIQUIDITY AND CAPITAL RESOURCES

ENMAX actively monitors its cash position and anticipated cash flows to optimize funding levels. ENMAX finances working capital requirements, capital investments and maturities of long-term debt through a combination of cash flow from operations, drawings on the Corporation's bank credit facilities, and issuance of long-term debt.

Cash and cash equivalents increased to \$183 million as at June 30, 2022 compared to \$65 million as at December 31, 2021. Short-term financing decreased to \$nil as at June 30, 2022, compared to \$218 million at December 31, 2021.

ENMAX's credit facility agreements and trust indenture include standard events of default and covenant provisions, whereby accelerated repayment and/or termination of agreements may result if the Corporation were to default on payment or violate certain covenants. As at June 30, 2022, the Corporation was compliant with all debt covenants and expects to remain so throughout 2022.

As at June 30, 2022, ENMAX had issued \$nil in commercial paper (December 31, 2021 - \$100 million at 0.96 per cent) and had drawn \$nil on existing credit facilities (December 31, 2021 - \$118 million at 1.90 per cent). ENMAX's total debt balance as at June 30, 2022 was \$3,552 million (December 31, 2021 - \$3,550 million). During the quarter ended June 30, 2022, ENMAX issued \$230 million of debentures to The City of Calgary bearing a weighted average rate of 5.01 per cent and made \$38 million of regularly scheduled repayments on its long-term debt.

In January 2022, Versant Power completed the issuance of an unsecured \$100 million USD senior note, bearing interest at a rate of 3.15 per cent payable semi-annually, and maturing on January 28, 2052. The net proceeds of the senior note were used to refinance \$62 million USD of senior unsecured notes that matured January 31, 2022, a \$20 million USD general and refunding mortgage bond that matured April 10, 2022, and to fund Versant Power capital spending.

On March 14, 2022, ENMAX received a first-time Long-Term Issuer Default Rating from Fitch of BBB with a stable outlook. On July 7, 2022, DBRS reaffirmed ENMAX's long-term rating at BBB (high) with a stable outlook. On July 12, 2022, S&P reaffirmed ENMAX's outlook of BBB- with a negative outlook.

Versant Power also had their credit rating of BBB+ (negative outlook) reconfirmed by S&P on July 12, 2022.

CREDIT FACILITIES

	At June 30, 2022		At December 31, 2021	
	Borrowing capacity	Available	Borrowing capacity	Available
Committed Credit Facilities ⁽¹⁾	800	800	800	582
Demand Credit Facilities ⁽²⁾	850	460	850	459
Total	1,650	1,260	1,650	1,041

⁽¹⁾ The Corporation's committed syndicated credit facilities mature in 2025 and are provided by national and regional lenders.

⁽²⁾ Demand credit facilities as at June 30, 2022 have \$810 million allocated to letters of credit, and the remaining \$40 million allocated for general corporate purposes.

In 2021, ENMAX restructured and extended its bank credit facilities. The new credit facilities consist of a \$800 million committed syndicated credit facility, maturing in 2025, and \$850 million in demand credit facilities, with no maturity.

RISKS AND RISK MANAGEMENT

Over the first half of 2022, the Bank of Canada announced three separate prime lending rate hikes totaling 125 basis points. On July 13, 2022, the Bank of Canada announced an additional overnight rate hike of 100 basis points, which represents the largest single increase since 1998. With three additional interest rate announcements scheduled this year, further increases throughout 2022 are possible in an effort to curb inflation. The Corporation's debt is largely long-term and fixed rate, therefore exposure to interest rate risk is not significant. ENMAX is exposed to rate increases on short-term debt and any new long-term issuances may attract higher than historical interest rates. These are expected to be a small portion of the Corporation's debt profile throughout 2022.

ENMAX is exposed to supply chain disruption risk from labour shortages, ongoing COVID-19 mandates, geopolitical events and other factors. Supply chain disruptions have also contributed to higher inflation for extended periods, that may lead to higher operating and construction costs. Significant delays to procure required materials and equipment could impact ENMAX's ability to execute its strategy in an effective and efficient manner. ENMAX continuously monitors its operations to proactively address risks to safe and reliable business activity. As required and when feasible, critical spare parts are on hand and available at site to reduce delays in material and equipment replacements.

The Corporation's remaining business and operational risks as described in the Corporation's December 31, 2021 MD&A are materially consistent as at June 30, 2022.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(unaudited)

(millions of Canadian dollars)

As at	June 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 183	\$ 65
Accounts receivable	819	919
Income taxes receivable	1	-
Current portion of financial assets (Note 6)	363	169
Other current assets (Note 9)	69	56
	1,435	1,209
Property, plant and equipment (PP&E) (Notes 10 and 13)	5,915	5,915
Intangible assets (Note 11)	332	321
Goodwill (Note 12)	615	611
Deferred income tax assets	66	60
Financial assets (Note 6)	320	144
Other long-term assets (Note 9)	186	197
TOTAL ASSETS	8,869	8,457
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 7)	230	148
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES	\$ 9,099	\$ 8,605
LIABILITIES		
Short-term financing (Note 6)	\$ -	\$ 218
Accounts payable and accrued liabilities	631	733
Income tax payable	1	-
Dividend payable	31	-
Current portion of long-term debt (Note 6)	384	480
Current portion of financial liabilities (Note 6)	425	199
Current portion of deferred revenue (Note 14)	7	6
Current portion of lease liabilities	5	5
Other current liabilities (Note 9)	38	38
Current portion of asset retirement obligations and other provisions	7	3
	1,529	1,682
Long-term debt (Note 6)	3,168	2,852
Deferred income tax liabilities	308	279
Post-employment benefits	106	102
Financial liabilities (Note 6)	117	72
Deferred revenue (Note 14)	593	586
Lease liabilities	40	42
Other long-term liabilities (Note 9)	11	13
Asset retirement obligations and other provisions	100	125
TOTAL LIABILITIES	5,972	5,753
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 7)	145	137
SHAREHOLDER'S EQUITY		
Share capital	280	280
Retained earnings	2,820	2,564
Accumulated other comprehensive (loss) (Note 15)	(118)	(129)
	2,982	2,715
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	\$ 9,099	\$ 8,605

Commitments and contingencies (Note 20).

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF EARNINGS

<i>(unaudited)</i> <i>(millions of Canadian dollars)</i>	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
REVENUE (Note 5)				
Transmission and distribution	\$ 286	\$ 229	\$ 565	\$ 494
Electricity	348	342	701	699
Natural gas	101	58	271	200
Local access fees (Note 18)	52	35	108	73
Contractual services	20	16	38	40
Contributions in aid of construction (CIAC) revenue (Note 14)	6	5	11	10
Other revenue (Note 19)	5	6	9	11
TOTAL REVENUE	818	691	1,703	1,527
OPERATING EXPENSES (Note 5)				
Transmission and distribution	118	92	248	216
Electricity and fuel purchases	269	215	272	445
Natural gas and delivery	88	47	237	169
Local access fees (Note 18)	52	35	108	73
Depreciation and amortization	80	75	160	152
Impairment (Note 10)	2	-	2	-
Other expenses (Note 19)	150	114	269	236
TOTAL OPERATING EXPENSES	759	578	1,296	1,291
OPERATING PROFIT	59	113	407	236
Finance charges	32	32	65	65
NET EARNINGS BEFORE TAX	27	81	342	171
Deferred income tax expense (recovery)	(2)	(5)	19	(2)
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	29	86	323	173
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 7)	(11)	3	(5)	11
NET EARNINGS	\$ 18	\$ 89	\$ 318	\$ 184

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(unaudited) (millions of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
NET EARNINGS	\$ 18	\$ 89	\$ 318	\$ 184
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX				
Items that will not be reclassified subsequently to statement of earnings				
Cumulative gains (losses) on translation adjustment	43	(26)	11	(39)
Items that will be reclassified subsequently to statement of earnings				
Reclassification of losses on derivative instruments to net earnings ⁽¹⁾	-	2	-	2
Other comprehensive (loss), net of income tax	43	(24)	11	(37)
TOTAL COMPREHENSIVE INCOME	\$ 61	\$ 65	\$ 329	\$ 147

⁽¹⁾ Net deferred income tax of \$nil for the three and six months ended June 30, 2022 (2021 - \$nil), respectively.

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

<i>(unaudited)</i> <i>(millions of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
As at January 1, 2022	\$ 280	\$ 2,564	\$ (129)	\$ 2,715
Net earnings	-	300	-	300
Other comprehensive (loss), net of income tax	-	-	(32)	(32)
Total comprehensive income (loss)	-	300	(32)	268
Dividends (Note 16)	-	(62)	-	(62)
As at March 31, 2022	280	2,802	(161)	2,921
Net earnings	-	18	-	18
Other comprehensive income, net of income tax	-	-	43	43
As at June 30, 2022	\$ 280	\$ 2,820	\$ (118)	\$ 2,982
As at January 1, 2021	\$ 280	\$ 2,326	\$ (190)	\$ 2,416
Net earnings	-	184	-	184
Other comprehensive (loss), net of income tax	-	-	(37)	(37)
Total comprehensive income (loss)	-	184	(37)	147
Dividends (Note 16)	-	(58)	-	(58)
As at June 30, 2021	280	2,452	(227)	2,505
Net earnings	-	112	-	112
Other comprehensive income, net of income tax	-	-	98	98
As at December 31, 2021	\$ 280	\$ 2,564	\$ (129)	\$ 2,715

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(unaudited) (millions of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
CASH PROVIDED (USED IN) BY:				
OPERATING ACTIVITIES				
Net earnings	\$ 18	\$ 89	\$ 318	\$ 184
Reconciliation of net earnings to cash flow from operating:				
CIAC additions (Note 14)	10	11	19	16
CIAC revenue (Note 14)	(6)	(5)	(11)	(10)
Depreciation and amortization	80	75	160	152
Impairment	2	-	2	-
Finance charges	32	32	65	65
Income tax expense (recovery)	(2)	(5)	19	(2)
Change in unrealized market value of financial contracts	22	(78)	(216)	(108)
Post-employment benefits	1	-	2	2
Foreign exchange (gain)	51	(25)	15	(36)
Change in non-cash working capital (Note 17)	(58)	61	23	34
Cash flow from operations	150	155	396	297
Interest paid ⁽¹⁾	(56)	(61)	(66)	(79)
Net cash flow provided by operating activities	94	94	330	218
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangibles ⁽¹⁾	(104)	(91)	(178)	(190)
Net proceeds from disposal of assets and liabilities held for sale	-	27	-	27
Cash flow (used in) investing activities	(104)	(64)	(178)	(163)
FINANCING ACTIVITIES				
Repayment of short-term debt	(379)	(1,156)	(1,062)	(1,971)
Proceeds from short-term debt	238	1,086	844	2,057
Repayment of long-term debt	(65)	(114)	(143)	(235)
Proceeds from long-term debt	234	161	359	161
Repayment of lease liability	-	(1)	(1)	(3)
Dividend paid (Note 16)	(16)	-	(31)	(14)
Cash flow (used in) provided by financing activities	12	(24)	(34)	(5)
Increase in cash and cash equivalents	2	6	118	50
Cash and cash equivalents, beginning of period	181	84	65	40
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 183	\$ 90	\$ 183	\$ 90
Cash and cash equivalents, end of period consist of:				
Cash	\$ 119	82	\$ 119	\$ 82
Restricted cash (Note 8)	64	8	64	8
	\$ 183	90	\$ 183	\$ 90

⁽¹⁾ Interest paid for the three and six months ended June 30, 2022 excludes \$2 and \$3 million of capitalized borrowing costs (2021 - \$1 and \$3 million), which is included in PP&E and Intangibles. Including capitalized borrowing costs, total interest paid during the three and six months ended June 30, 2022 was \$58 and \$72 million (2021 - \$62 and \$82 million).

See accompanying notes to the unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF THE BUSINESS

ENMAX Corporation, a wholly owned subsidiary of The City of Calgary (The City), was incorporated under the Business Corporations Act (Alberta) in July 1997; operations began on January 1, 1998. ENMAX Corporation's mandate was to carry on the electric utility transmission and distribution operations previously directed by the Calgary Electric System. Since 1998, ENMAX Corporation has grown from its transmission and distribution roots to include electricity generation, commercial and residential solar, and electricity and natural gas retail businesses.

The registered office of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) is at 141 - 50 Avenue SE, Calgary AB, T2G 4S7. The Corporation's principal place of business is Alberta.

ENMAX Corporation's subsidiary, Versant Power, engages in transmission and distribution operations in the Bangor Hydro District (BHD) as well as the Maine Public District (MPD), in Maine, U.S.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements (the Interim Statements) have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee. These Interim Statements do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2021.

These Interim Statements were approved and authorized for issuance by ENMAX's Board of Directors on August 18, 2022.

BASIS OF MEASUREMENT

These Interim Statements have been prepared on the historical cost basis, except for financial derivative instruments measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

The Corporation operates in two functional currencies: Canadian and U.S. dollars. The latter is translated into the Corporation's presentation currency and, unless otherwise stated, these Interim Statements are presented in millions of Canadian dollars.

3. ACCOUNTING PRONOUNCEMENTS

The following standards and interpretations are not yet effective under IFRS and have not been applied in preparing these Interim Statements. The Corporation is currently assessing the impact of adopting these standards.

IAS 1 Presentation of Financial Statements

The amended IAS 1 provides detailed guidance on how an entity should disclose liabilities as either current or non-current, especially in circumstances where an entity has the right to defer settlement of the obligation past the 12-month operating cycle. IASB also issued amendments to IAS 1 to guide preparers in determining which accounting policies to disclose in financial statements. The amended standard applies to entities with year-ends beginning on or after January 1, 2023 but companies have the option of early adopting this standard on a retrospective basis.

IFRS 10 Consolidated Financial Statements

The amended IFRS 10 provides guidance on loss of control in a subsidiary and remeasurement of the retained interest in the former subsidiary. The amended standard replaces the requirement to remeasure the retained interest at fair value while restricting the amount of gain or loss that could be recognized on the loss of control. IASB has not set an implementation date for this amended standard but companies have the option of early adopting this standard on a prospective basis.

IAS 28 Investments in Associates and Joint Ventures

The amended IAS 28 provides guidance on gains and losses from transactions between a parent entity, its associates, or joint ventures involving assets that do not constitute a business. The proposed standard limits the amount of gain and loss that could be recorded on such transactions. IASB has not set an implementation date for this amended standard but companies have the option of early adopting this standard on a prospective basis.

Regulatory Assets and Regulatory Liabilities

On January 28, 2021, IASB issued an Exposure Draft on Regulated Assets and Regulated Liabilities which is expected to replace IFRS 14 *Regulatory Deferral Accounts*. The proposed new standard will give stakeholders better information about the financial performance of companies that are subject to rate regulation. This standard may have an impact on ENMAX Power and Versant Power segments. IASB has not set an implementation date for this new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Interim Statements requires management to select appropriate accounting policies and make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as to disclose contingent assets and liabilities. These estimates and judgements involve matters that are inherently complex and uncertain. Judgements and estimates are continually evaluated and are based on historical experience and expectations of future events. Changes to accounting estimates are recognized prospectively. Refer to Note 3 of the Corporation's December 31, 2021 annual consolidated financial statements for further details.

5. SEGMENT INFORMATION

The Corporation has four main business segments representing separately managed business units, each of which offers different products and services.

ENMAX POWER

ENMAX Power is primarily a regulated operating segment established to own and operate electricity transmission and distribution assets in the Calgary service area through various legal entities and divisions. ENMAX Power's objective is to operate and maintain the safety and high reliability of its transmission and distribution system while efficiently meeting Calgary's power delivery infrastructure needs. ENMAX Power also delivers project execution for customer infrastructure in areas such as power infrastructure, light rail transit, and commercial and residential development.

VERSANT POWER

Versant Power operates as a separate and distinct regulated electricity transmission and distribution utility serving customers in northern and eastern Maine, U.S. Versant Power's role includes planning for the needs of the system, maintaining the transmission and distribution system within the service area, evaluating new technologies that can enable greater reliability, resiliency, and customer choice, and timing investments so that benefits for customers exceed costs.

ENMAX ENERGY

ENMAX Energy is an Alberta-based integrated competitive generation and retail business, providing electricity, natural gas, distributed energy resource solutions and customer care services to approximately 700,000 customers throughout Alberta. ENMAX Energy also carries out retail energy supply and related functions for the Calgary Regulated Rate Option (RRO) through affiliated legal entities.

CORPORATE

Corporate provides financing and shared legal, finance and accounting, human resources, governance, information technology and other administrative functions to the operating segments.

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

<i>As at</i>	June 30, 2022	December 31, 2021
ENMAX Power	3,246	3,171
Versant Power	2,299	2,277
ENMAX Energy	3,102	2,870
Corporate	222	139
Total assets	8,869	8,457
Regulatory deferral account debit balances (Note 7)	230	148
Total assets and regulatory deferral account debit balances	9,099	8,605

COMPARATIVE SEGMENT INFORMATION

Segment information reflects the presentation regularly reviewed by executive management, who use segmented operating profit as the basis for making decisions around asset allocation or assessing performance. Items such as unrealized gain or loss on commodities, foreign exchange, and net regulatory deferral movement are excluded from the “Total” column. The “IFRS Financial Total” column reflects what is reported in ENMAX’s Consolidated Statement of Earnings.

Three months ended June 30, 2022 (millions of Canadian dollars)	ENMAX Power	Versant Power	ENMAX Energy	Corporate ⁽¹⁾	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
REVENUE								
Transmission and distribution	198	82	-	-	280	6	-	286
Electricity	-	-	379	(31)	348	-	-	348
Natural gas	-	-	101	-	101	-	-	101
Local access fees	52	-	-	-	52	-	-	52
Other revenue	29	2	8	(1)	38	(7)	-	31
TOTAL REVENUE	279	84	488	(32)	819	(1)	-	818
OPERATING EXPENSES								
Transmission and distribution	97	26	-	1	124	(6)	-	118
Electricity and fuel purchases	-	-	279	(31)	248	-	21	269
Natural gas and delivery	-	-	88	-	88	-	-	88
Local access fees	52	-	-	-	52	-	-	52
Depreciation and amortization	38	14	29	-	81	(1)	-	80
Impairment ⁽¹⁾	-	-	-	-	-	-	2	2
Other expenses	52	28	68	-	148	(5)	7	150
TOTAL OPERATING EXPENSES	239	68	464	(30)	741	(12)	30	759
OPERATING PROFIT	40	16	24	(2)	78	11	(30)	59
Unrealized loss on commodities					21	-	(21)	-
Foreign exchange loss					7	-	(7)	-
Impairment ⁽²⁾					2	-	(2)	-
Finance charges					32	-	-	32
NET EARNINGS BEFORE TAX					16	11	-	27
Deferred income tax (recovery)					(2)	-	-	(2)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					18	11	-	29
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	(11)	-	(11)
NET EARNINGS					18	-	-	18

⁽¹⁾ Includes consolidation adjustments.

⁽²⁾ For the three months ended June 30, 2022, the Corporation recognized an impairment loss of \$2 million associated with certain PP&E (Note 10).

Three months ended June 30, 2021 <i>(millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate ⁽¹⁾	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
REVENUE								
Transmission and distribution	161	65	-	-	226	3	-	229
Electricity	-	-	371	(29)	342	-	-	342
Natural gas	-	-	58	-	58	-	-	58
Local access fees	35	-	-	-	35	-	-	35
Other revenue	27	2	10	(1)	38	(11)	-	27
TOTAL REVENUE	223	67	439	(30)	699	(8)	-	691
OPERATING EXPENSES								
Transmission and distribution	72	13	-	-	85	7	-	92
Electricity and fuel purchases	-	-	316	(28)	288	-	(73)	215
Natural gas and delivery	-	-	47	-	47	-	-	47
Local access fees	35	-	-	-	35	-	-	35
Depreciation and amortization	35	12	29	(1)	75	-	-	75
Other expenses	50	25	52	(1)	126	(12)	-	114
TOTAL OPERATING EXPENSES	192	50	444	(30)	656	(5)	(73)	578
OPERATING PROFIT	31	17	(5)	-	43	(3)	73	113
Unrealized (gain) on commodities	-	-	-	-	(73)	-	73	-
Finance charges	-	-	-	-	32	-	-	32
NET EARNINGS BEFORE TAX	-	-	-	-	84	(3)	-	81
Deferred income tax (recovery)	-	-	-	-	(5)	-	-	(5)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	-	-	-	-	89	(3)	-	86
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	-	-	-	-	-	3	-	3
NET EARNINGS	-	-	-	-	89	-	-	89

⁽¹⁾ Includes consolidation adjustments.

Six months ended June 30, 2022 (millions of Canadian dollars)	ENMAX Power	Versant Power	ENMAX Energy	Corporate ⁽¹⁾	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
REVENUE								
Transmission and distribution	394	174	-	-	568	(3)	-	565
Electricity	-	-	763	(63)	700	1	-	701
Natural gas	-	-	271	-	271	-	-	271
Local access fees	108	-	-	-	108	-	-	108
Other revenue	52	4	15	(1)	70	(12)	-	58
TOTAL REVENUE	554	178	1,049	(64)	1,717	(14)	-	1,703
OPERATING EXPENSES								
Transmission and distribution	200	55	-	1	256	(8)	-	248
Electricity and fuel purchases	-	-	552	(63)	489	-	(217)	272
Natural gas and delivery	-	-	237	-	237	-	-	237
Local access fees	108	-	-	-	108	-	-	108
Depreciation and amortization	75	28	59	(1)	161	(1)	-	160
Impairment ⁽¹⁾	-	-	-	-	-	-	2	2
Other expenses	95	59	121	(1)	274	(10)	5	269
TOTAL OPERATING EXPENSES	478	142	969	(64)	1,525	(19)	(210)	1,296
OPERATING PROFIT	76	36	80	-	192	5	210	407
Unrealized (gain) on commodities					(217)	-	217	-
Foreign exchange loss					5	-	(5)	-
Impairment ⁽²⁾					2	-	(2)	-
Finance charges					65	-	-	65
NET EARNINGS BEFORE TAX					337	5	-	342
Deferred income tax					19	-	-	19
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					318	5	-	323
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	(5)	-	(5)
NET EARNINGS					318	-	-	318

⁽¹⁾ Includes consolidation adjustments.

⁽²⁾ For the six months ended June 30, 2022, the Corporation recognized an impairment loss of \$2 million associated with certain PP&E (Note 10).

Six months ended June 30, 2021 (millions of Canadian dollars)	ENMAX Power	Versant Power	ENMAX Energy	Corporate ⁽¹⁾	Total	Regulatory Deferral Movement	Other Presentation Reclass	IFRS Financial Total
REVENUE								
Transmission and distribution	348	139	-	-	487	7	-	494
Electricity	-	-	761	(62)	699	-	-	699
Natural gas	-	-	200	-	200	-	-	200
Local access fees	73	-	-	-	73	-	-	73
Other revenue	55	4	19	(1)	77	(16)	-	61
TOTAL REVENUE	476	143	980	(63)	1,536	(9)	-	1,527
OPERATING EXPENSES								
Transmission and distribution	168	30	-	-	198	18	-	216
Electricity and fuel purchases	-	-	609	(61)	548	-	(103)	445
Natural gas and delivery	-	-	169	-	169	-	-	169
Local access fees	73	-	-	-	73	-	-	73
Depreciation and amortization	70	25	59	(2)	152	-	-	152
Other expenses	102	52	100	(2)	252	(16)	-	236
TOTAL OPERATING EXPENSES	413	107	937	(65)	1,392	2	(103)	1,291
OPERATING PROFIT	63	36	43	2	144	(11)	103	236
Unrealized (gain) on commodities					(103)	-	103	-
Finance charges					65	-	-	65
NET EARNINGS BEFORE TAX					182	(11)	-	171
Deferred income tax (recovery)					(2)	-	-	(2)
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES								
					184	(11)	-	173
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES								
					-	11	-	11
NET EARNINGS					184	-	-	184

⁽¹⁾ Includes consolidation adjustments.

REVENUE

Types of Customers and Sales Channel	Nature and significant payment terms
Transmission	ENMAX receives revenue from the Alberta Electric System Operator (AESO) specifically for the use of its transmission grid system.
Distribution	ENMAX receives revenue from electricity retailers specifically for the use of its electricity distribution system to deliver electricity to customers.
U.S. Operations	Through Versant Power, ENMAX receives revenues from residential, commercial and industrial customers for use of its transmission and distribution grid system. Transmission rates are set by the United States Federal Energy Regulatory Commission (FERC), while distribution rates are set by the Maine Public Utilities Commission (MPUC).
Mass market	Mass Market is comprised of residential and small business electricity and/or natural gas customers who consume less than 250,000 kilowatt hours/year. These customers can be supplied electricity through competitive contracts, the Regulated Rate Option, or default supplier rate which fluctuates monthly. Natural gas is always supplied under a competitive contract.
Commercial market	Commercial Market is business-to-business competitive contracting for electricity and/or natural gas. A small number of commercial customers who do not negotiate a contract are supplied electricity on a default supplier rate which fluctuates monthly.
City of Calgary local access fees	ENMAX collects fees from customers based on rates established by the Franchise Fee Agreement between ENMAX and The City. These fees are remitted to The City.
Government and institutional	ENMAX receives revenue from governments and municipalities (counties, cities and towns), entities backed by the government, universities, colleges and school boards for administrative services and engineering, procurement and construction services for municipal infrastructure including Light Rail Transit (LRT) and street lights.
Other	ENMAX receives other revenue from individual consumers to large corporations for contractual services and contributions in aid of construction.

REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

Three months ended June 30, 2022										
<i>(millions of Canadian dollars)</i>			U.S.	Mass	Commercial	City of	Government			
	Transmission	Distribution	Operations	Market	Market	Calgary Local	and	Institutional	Other	
						Access Fees	-			
Transmission & distribution	27	177	82	-	-	-	-	-	-	286
Electricity										
ENMAX Energy	-	-	-	72	238	-	-	-	-	310
Regulated	-	-	-	30	8	-	-	-	-	38
Natural gas	-	-	-	69	32	-	-	-	-	101
Local access fees	-	-	-	-	-	52	-	-	-	52
Contractual services	-	-	-	-	-	-	-	6	14	20
Other revenue & CIAC	-	-	1	-	-	-	-	-	10	11
TOTAL REVENUE	27	177	83	171	278	52	6	24	818	

Three months ended June 30, 2021										
<i>(millions of Canadian dollars)</i>			U.S.	Mass	Commercial	City of	Government			
	Transmission	Distribution	Operations	Market	Market	Calgary Local	and	Institutional	Other	
						Access Fees	-			
Transmission & distribution	25	139	65	-	-	-	-	-	-	229
Electricity										
ENMAX Energy	-	-	-	65	244	-	-	-	-	309
Regulated	-	-	-	26	7	-	-	-	-	33
Natural gas	-	-	-	38	20	-	-	-	-	58
Local access fees	-	-	-	-	-	35	-	-	-	35
Contractual services	-	-	-	-	-	-	-	7	9	16
Other revenue & CIAC	-	-	2	-	-	-	-	-	9	11
TOTAL REVENUE	25	139	67	129	271	35	7	18	691	

Six months ended June 30, 2022

<i>(millions of Canadian dollars)</i>	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
Transmission & distribution	53	338	174	-	-	-	-	-	565
Electricity									
ENMAX Energy	-	-	-	158	448	-	-	-	606
Regulated	-	-	-	79	16	-	-	-	95
Natural gas	-	-	-	192	79	-	-	-	271
Local access fees	-	-	-	-	-	108	-	-	108
Contractual services	-	-	-	-	-	-	16	22	38
Other revenue & CIAC	-	-	3	-	-	-	-	17	20
TOTAL REVENUE	53	338	177	429	543	108	16	39	1,703

Six months ended June 30, 2021

<i>(millions of Canadian dollars)</i>	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
Transmission & distribution	51	304	139	-	-	-	-	-	494
Electricity									
ENMAX Energy	-	-	-	138	489	-	-	-	627
Regulated	-	-	-	58	14	-	-	-	72
Natural gas	-	-	-	138	62	-	-	-	200
Local access fees	-	-	-	-	-	73	-	-	73
Contractual services	-	-	-	-	-	-	15	25	40
Other revenue & CIAC	-	-	4	-	-	-	-	17	21
TOTAL REVENUE	51	304	143	334	565	73	15	42	1,527

6. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT

MARKET RISK

The Corporation manages exposure to market risk (interest rate risk, foreign currency exchange risk, commodity price risk and equity price risk) on a portfolio basis.

INTEREST RATE RISK

The Corporation is not exposed to significant interest rate risk and volatility as a result of the issuance of fixed rate long-term debt. The fair value of the Corporation's long-term debt changes as interest rates change, assuming all other variables remain constant.

CREDIT RISK

The Corporation is exposed to credit risk primarily through wholesale and retail energy sales. Credit risk is the loss that may result from counterparties' non-performance. The Corporation evaluates credit risks from wholesale and retail competitive supply activities separately. The Corporation's maximum financial statement exposure to credit risk is the carrying value of financial assets. This maximum exposure does not reflect losses expected by management nor does it reflect losses experienced in the past.

Provisions for expected credit loss on customer receivables were \$23 million as at June 30, 2022 (December 31, 2021 - \$22 million). The Corporation continues to monitor its exposure to credit risk and will adjust expected credit loss provisions in future periods if warranted.

VALUATION OF DERIVATIVE ASSETS AND LIABILITIES

Financial derivative instruments are recorded at fair value on the statement of financial position. As at June 30, 2022, the fair values of derivatives were as follows:

<i>As at</i>	June 30, 2022		December 31, 2021	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
<i>(millions of Canadian dollars)</i>				
Assets				
Current	1	362	1	168
Non-current	3	317	3	141
Liabilities				
Current	-	425	-	199
Non-current	-	117	-	72

For cash flow hedges, gain and loss are reclassified immediately to net earnings when anticipated hedged transactions are no longer likely to occur.

For non-hedge derivatives, the Corporation recognized a unrealized loss of \$22 million and a gain of \$216 million for the three and six months ended June 30, 2022 (2021 - \$77 and \$108 million gain). The anticipated non-hedge derivatives are expected to settle in 2022 through 2031. The mark-to-market adjustments do not consider the impact of the Corporation's integrated business. Generation capacity or future sales to customers are not marked-to-market, which creates a mismatch in the timing of earnings.

NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Fair values for cash and cash equivalents, accounts receivable, short-term financing, accounts payable and accrued liabilities are not materially different from the carrying amounts due to their short-term nature.

The Corporation estimated the fair value of its long-term debt based on quoted market prices for the same or similar debt instruments. When such information was not available, future payments of interest and principal were discounted at estimated interest rates for comparable entities.

CARRYING AMOUNTS AND FAIR VALUES OF LONG-TERM DEBT

As at	June 30, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(millions of Canadian dollars)</i>				
Long-term debt ⁽¹⁾ consisting of:				
City promissory notes, with remaining terms of:				
Less than 5 years	43	42	28	28
5–10 years	104	103	47	49
10–15 years	376	363	360	393
15–20 years	388	347	466	471
20–25 years	738	638	554	525
General and refunding mortgage bonds				
8.98% series	-	-	28	26
Private debentures				
Series 3 (3.81%)	198	201	197	209
Series 4 (3.84%)	295	280	294	322
Series 5 (2.92%)	300	303	300	305
Series 6 (3.33%)	299	289	299	311
Series 7 (3.88%)	249	229	249	268
Senior notes				
Unsecured note (3.61%)	-	-	79	79
Unsecured note (4.34%)	133	127	132	171
Unsecured note (4.36%)	58	58	57	78
Unsecured note (4.71%)	62	61	61	82
Unsecured note (3.79%)	64	62	63	86
Unsecured note (2.80%)	39	34	38	39
Unsecured note (2.80%)	76	68	77	79
Unsecured note (3.15%)	128	91	-	-
Promissory note	2	2	3	3
	3,552	3,298	3,332	3,524

⁽¹⁾ Includes current portion of \$384 million (December 31, 2021 – \$480 million). Maturity dates range from October 2022 to January 2052.

As at June 30, 2022, ENMAX had drawn \$nil on existing credit facilities (December 31, 2021 - \$118 million at 1.90 per cent).

In January 2022, Versant Power completed the issuance of an unsecured \$100 million USD senior note, bearing interest at a rate of 3.15 per cent payable semi-annually, and maturing on January 28, 2052, and repaid \$62 million USD of senior unsecured notes that matured January 31, 2022. In April 2022 Versant Power repaid a \$20 million USD general and refunding mortgage bond that matured April 10, 2022.

During the quarter ended June 30, 2022, ENMAX issued \$230 million of debentures to The City of Calgary bearing a weighted average rate of 5.01 per cent, and made \$38 million of regularly scheduled repayments on its long-term debt.

7. REGULATORY DEFERRAL ACCOUNT BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution are divisions of ENMAX Power Corporation which are included in the ENMAX Power operating segment. These divisions are regulated operations established to carry out electrical transmission and distribution service functions within The City of Calgary. The Alberta Utilities Commission (AUC) approves Transmission and Distribution Tariffs (rates and terms and conditions of service) pursuant to Sections 37 and 102 of the *Electric Utilities Act*.

Distribution rates are subject to a Performance Based Regulation model, currently spanning a 2018 – 2022 term. Under this model, distribution rates are set annually using a formula that indexes rates to the prior year in the term, using an inflation factor and a productivity factor.

Transmission division rates are set based on the AUC approved revenue requirement and are regulated under a cost-of-service framework. On August 25, 2021, the AUC approved the revenue requirement in the 2021-2022 General Tariff Application.

Certain remaining recovery and settlement periods are those expected by management and the actual periods could differ based on regulatory approval.

ENMAX U.S. Operations

ENMAX's subsidiary Versant Power has distribution and transmission operations in Maine, U.S. Versant Power's distribution and stranded cost recoveries are regulated by the MPUC while its transmission operations are regulated by the FERC. Rates for these operations are established in distinct regulatory proceedings. Tax benefits arising from U.S. tax reforms were reflected in transmission rates effective July 1, 2018 and in distribution rates effective November 1, 2021.

Versant Power's distribution service operates under a cost of service regulatory structure and distribution rates are set by the MPUC. Versant Power's transmission operations are split between two districts: MPD and BHD. MPD's transmission rates are regulated by the FERC and are set annually on June 1 for wholesale and July 1 for retail customers, based on a formula that utilizes prior year actual transmission investments and expenses. BHD's transmission rates are regulated by the FERC and set annually on June 1, based on a formula that utilizes prior year actual transmission investment and forecasted transmission investment. As a result of an Offer of Settlement approved by the FERC on December 28, 2020, the formula rates used to set BHD's transmission charges changed effective January 1, 2022 and are set annually on January 1. BHD's bulk transmission assets are managed by ISO-New England as part of a region-wide pool of assets.

The following describes each circumstance in which rate regulation affects the accounting for a transaction or event. Regulatory deferral account debit balances represent costs incurred in the current period or in prior periods which are expected to be recovered from customers in future periods through the rate-setting process. Regulatory deferral account credit balances represent future reductions or limitations of increases in revenues associated with amounts that are expected to be returned to customers as a result of the rate-setting process. Any impairments related to regulatory deferral account balances are recorded in the period in which the related regulatory decisions are received.

(a) Accounts receivable and payable

Accounts receivable and payable represents a deferral account for differences between amounts received from customers and amounts paid to AESO for transmission charges. In the absence of rate regulation and the IFRS 14 standard, IFRS would require that actual amounts received from customers be included in revenue in the period they are collected.

(b) Inter-company profit

A subsidiary of the Corporation performs construction work for the regulated operations of ENMAX Power at a profit. Such profit is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost of distribution assets. In the absence of rate regulation and the IFRS 14 standard, IFRS would require that intercompany profits be eliminated upon consolidation.

(c) Other regulatory debits

Other regulatory debits primarily relate to the AUC administration flow-through reserves and other costs that will be collected from customers via future rates, such as access service charges. Timing of the decision on collection of these items can result in significant fluctuation in balances from year to year.

(d) Other regulatory credits

Other regulatory credits primarily relate to items that will be refunded to customers through future rates. For certain regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties including those inherent in rate-setting regulatory processes. There is a risk that the regulator may disallow a portion of certain costs incurred in the current period for recovery through future rates or disagree with the proposed recovery period.

(e) U.S. Operations

Regulatory assets and liabilities for Versant Power's operations consist of unfunded deferred income tax balances resulting from temporary tax differences, assets related to the deferred costs of pension and post-employment benefits, and stranded cost recoveries associated with purchase power contracts where Versant Power has been directed to purchase and resell by the MPUC.

REGULATORY BALANCES

Timing of recognition of certain regulatory debits, credits, revenues and expenses may differ from what is otherwise expected under IFRS for non-regulated operations. Balances arising in the period consist of new additions to regulatory deferral debits and credit balances, while reversals represent amounts collected or refunded through rate riders or transactions reversing existing regulatory balances. The Corporation has recorded the following regulatory deferral account debit and credit balances:

<i>(millions of Canadian dollars)</i>	Accounts Receivable (a)	Un-Eliminated Inter-Company Profit (b)	Other Regulatory Debits (c)	U.S. Operations (e)	Total Regulatory Deferral Account Debit Balances
Regulatory deferral account debit balances					
January 1, 2022	10	14	8	116	148
Balances arising in the period	16	-	-	1	17
Reversal	(10)	-	-	-	(10)
Foreign exchange translation	-	-	-	(3)	(3)
March 31, 2022	16	14	8	114	152
Balances arising in the period	(5)	-	1	87	83
Reversal	(9)	-	-	-	(9)
Foreign exchange translation	-	-	-	4	4
June 30, 2022	2	14	9	205	230
Expected reversal period	up to 24 months	25 years	15 months		
January 1, 2021	17	12	15	145	189
Balances arising in the period	(34)	2	2	(30)	(60)
Reversal	27	-	(9)	-	18
Foreign exchange translation	-	-	-	1	1
December 31, 2021	10	14	8	116	148
Expected reversal period	up to 24 months	25 years	15 months		

<i>(millions of Canadian dollars)</i>	Accounts Payable (a)	Other Regulatory Credits (d)	U.S. Operations (e)	Total Regulatory Deferral Account Credit Balances
Regulatory deferral account credit balances				
January 1, 2022	-	7	130	137
Balances arising in the period	-	-	6	6
Reversal	-	-	-	-
Foreign exchange translation	-	-	(4)	(4)
March 31, 2022	-	7	132	139
Balances arising in the period	-	-	3	3
Reversal ⁽²⁾	-	(2)	-	(2)
Foreign exchange translation	-	-	5	5
June 30, 2022	-	5	140	145
Expected reversal period		18 months		
January 1, 2021	-	4	147	151
Balances arising in the period	-	6	(18)	(12)
Reversal	-	(3)	-	(3)
Foreign exchange translation	-	-	1	1
December 31, 2021	-	7	130	137
Expected reversal period		18 months		

8. RESTRICTED CASH

<i>As at</i>	June 30, 2022	December 31, 2021
Other current assets		
Funds held with a financial institution to cover posted margins	61	23
Restricted deposits with a financial institution to meet financial obligations	3	1
	64	24

9. OTHER ASSETS AND LIABILITIES

<i>As at</i>	June 30, 2022	December 31, 2021
Other current assets		
Prepaid expenses	27	19
Deferred assets	1	1
Emission offsets	40	34
Other	1	2
	69	56
Other long-term assets		
Prepaid expenses	7	9
Long-term accounts receivable	17	18
Deferred asset	7	7
Equity investments	138	135
Other	17	28
	186	197
Other current liabilities		
Deposits	14	13
Other	24	25
	38	38
Other long-term liabilities		
Other	11	13
	11	13

10. PROPERTY, PLANT AND EQUIPMENT (PP&E)

<i>(millions of Canadian dollars)</i>	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Work in Progress	Other ⁽¹⁾	Total
Cost						
As at December 31, 2021	4,260	2,296	603	165	369	7,693
Additions	(60)	-	-	203	14	157
Transfers	67	47	6	(122)	2	-
Disposals	(4)	(29)	-	(2)	(2)	(37)
Adjustments	(1)	-	-	-	-	(1)
Changes to asset retirement costs	(1)	(26)	-	-	-	(27)
Foreign exchange translation	12	-	-	1	2	15
As at June 30, 2022	4,273	2,288	609	245	385	7,800
Accumulated Depreciation						
As at December 31, 2021	(634)	(960)	(118)	-	(66)	(1,778)
Depreciation	(71)	(47)	(10)	-	(12)	(140)
Disposals	8	29	-	-	2	39
Impairment	-	(2)	-	-	-	(2)
Foreign exchange translation	(3)	-	-	-	(1)	(4)
As at June 30, 2022	(700)	(980)	(128)	-	(77)	(1,885)
Net book value						
As at June 30, 2022	3,573	1,308	481	245	308	5,915
As at December 31, 2021	3,626	1,336	485	165	303	5,915

⁽¹⁾ Other PP&E consists of land, tools, systems, equipment, capital spares and vehicles.

Real property, including land and buildings, with a carrying amount of \$476 million as at June 30, 2022 (December 31, 2021 - \$480 million), is subject to a right of first refusal to purchase held by The City.

For the six months ended June 30, 2022, capitalized borrowing costs amounted to \$3 million (2021 - \$3 million), with capitalization rates ranging from 3.07 per cent to 4.13 per cent (2021 – 2.96 to 3.87 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 1.19 per cent to 5.02 per cent for the six months ended June 20, 2022 (2021 – 1.11 to 5.02 per cent).

During the six months ended June 30, 2022, ENMAX recognized impairment losses of \$2 million (2021 - \$nil) associated with certain property, plant and equipment.

These balances include the Corporation's right-of-use (ROU) assets, as further discussed in Note 13.

11. INTANGIBLE ASSETS

<i>(millions of Canadian dollars)</i>	Computer Systems	Work in Progress	Other ⁽¹⁾	Total
Cost				
As at December 31, 2021	354	41	83	478
Additions	-	25	-	25
Transfers	5	(5)	-	-
Foreign exchange translation	1	-	-	1
As at June 30, 2022	360	61	83	504
Accumulated amortization				
As at December 31, 2021	(145)	-	(12)	(157)
Amortization	(15)	-	(1)	(16)
Foreign exchange translation	1	-	-	1
As at June 30, 2022	(159)	-	(13)	(172)
Net book value				
As at June 30, 2022	201	61	70	332
As at December 31, 2021	209	41	71	321

⁽¹⁾ Other intangible assets consist of water leases, land easements, rights, and lease options.

12. GOODWILL

<i>As at</i> <i>(millions of Canadian dollars)</i>	June 30, 2022	December 31, 2021
Balance, beginning of the period	611	610
Net exchange rate difference	4	1
Balance, end of the period	615	611

On March 24, 2020, the Corporation acquired all the outstanding shares of BHE Holdings Inc., the parent company of Versant Power. The aggregate price was \$1,960 million, which includes the assumption of \$567 million debt. The excess of the purchase price over estimated fair values of net assets acquired has been recognized as goodwill. Goodwill reflects the amount paid for access to regulated assets, net income and future cash flows, opportunities for adjacency growth, and improved earnings risk profile.

Goodwill is subject to an annual assessment for impairment at the reporting unit level.

13. LEASES

ENMAX leases several assets categorized as generation facilities and equipment, buildings and site development, and other. The average term remaining on leases is 3.5 years (December 31, 2021 – 3.7 years).

Right-of-use assets

Changes in the net book value for the Corporation's ROU assets during the period are as follows:

<i>(millions of Canadian dollars)</i>	Generation Facilities and Equipment	Buildings and Site Development	Other ⁽¹⁾	Total
Cost				
As at December 31, 2021	28	14	19	61
Net changes	-	-	(1)	(1)
As at June 30, 2022	28	14	18	60
Accumulated Depreciation				
As at December 31, 2021	(3)	(5)	(8)	(16)
Net changes	(1)	(1)	-	(2)
As at June 30, 2022	(4)	(6)	(8)	(18)
Net Book Value				
As at June 30, 2022	24	8	10	42
As at December 31, 2021	25	9	11	45

⁽¹⁾ Other consists of land, vehicles and tools, systems, and equipment.

Amounts recognized in profit and loss

<i>(millions of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Depreciation expense	2	2	2	3
Lease expense on short-term leases	-	-	-	1
Interest expense on lease liabilities	-	-	1	1
Amounts expensed in profit and loss	2	2	3	5

Lease payments

Future lease payments at June 30, 2022, are as follows:

<i>(millions of Canadian dollars)</i>	
Less than 1 year	7
1–5 years	20
More than 5 years	42

Total cash outflow for lease payments for the three and six months ended June 30, 2022 was \$1 and \$4 million (2021 - \$2 and \$4 million), respectively. ENMAX does not face a significant liquidity risk for its lease liabilities.

Generation Facilities and Equipment

ENMAX leases a pipeline to supply the necessary water to one of its generation facilities. The term of this lease is 30 years with fixed payments over the life of the lease.

Buildings and Site Development

ENMAX leases buildings to house various operations. As at June 30, 2022 the capitalized leases have 1 to 26 years remaining.

Other

ENMAX leases land surrounding several generating facilities to allow for the installation of substation equipment and water reservoirs. The contracted lengths and terms of payments of the leases vary. As at June 30, 2022, ENMAX expects all land leases to be renewed until the end of the useful life of each respective generating facility.

ENMAX leases vehicles that are mainly used by its field services crews for installation and maintenance of the electrical system. The lease terms of the vehicles vary based on the specific use of the vehicle but are typically for five years.

14. DEFERRED REVENUE

<i>(millions of Canadian dollars)</i>	CIAC	Other	Total
As at December 31, 2021	580	12	592
Net additions	9	4	13
Recognized as revenue	(5)	(4)	(9)
As at March 31, 2022	584	12	596
Net additions	10	-	10
Recognized as revenue	(6)	-	(6)
As at June 30, 2022	588	12	600
Less: current portion	-	7	7
	588	5	593

15. ACCUMULATED OTHER COMPREHENSIVE (LOSS)

<i>As at</i> <i>(millions of Canadian dollars)</i>	June 30, 2022	December 31, 2021
Net unrealized gain on derivatives designated as cash flow hedges, including deferred income tax expense of \$1 million (December 31, 2021 - expense of \$1 million)	3	3
Net actuarial loss on defined benefit plans, including deferred income tax recovery of \$nil million (December 31, 2021 - \$nil)	18	18
Cumulative translation adjustment	(139)	(150)
Accumulated other comprehensive loss, including deferred income tax expense of \$1 million (December 31, 2021 - \$1 million)	(118)	(129)

16. DIVIDEND

On March 17, 2022, the Corporation declared a dividend of \$62 million to The City (2021 – \$58 million) which is to be paid in equal quarterly instalments during 2022.

17. CHANGES IN NON-CASH WORKING CAPITAL

<i>(millions of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Accounts receivable	18	25	100	(31)
Inventory	(13)	-	(13)	
Other assets	(4)	(14)	-	(10)
Regulatory deferral account debit balances	(78)	(6)	(80)	(13)
Accounts payable and accrued liabilities	5	28	(110)	56
Other liabilities	(2)	27	(3)	34
Trading account margins	5	-	118	-
Deferred revenue (non-CIAC)	-	4	-	2
Provisions	5	(1)	3	(2)
Regulatory deferral account credit balances	6	(2)	8	(2)
Change in non-cash working capital	(58)	61	23	34

18. RELATED PARTY TRANSACTIONS

The City is the sole shareholder of the Corporation. The following tables summarize the related party transactions between the Corporation and The City.

Related party transactions for the three and six months ended June 30, 2021 have been reclassified to conform with the current period's presentation.

STATEMENT OF EARNINGS

<i>(millions of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue ⁽¹⁾	35	28	74	64
Local access fees ⁽²⁾	52	35	108	73
Other expenses	6	1	6	2
Finance charges ⁽³⁾	25	24	26	25

⁽¹⁾ Significant components include contract sales of electricity, construction of infrastructure, provision of non-regulated power distribution services, and billing and customer care services relating to The City's utilities departments.

⁽²⁾ This cost is passed through the Corporation directly to transmission and distribution customers.

⁽³⁾ For the three and six months ended June 30, 2022, the Corporation paid a management fee of \$1 and \$2 million (2021 - \$nil and \$1 million) to The City.

STATEMENT OF FINANCIAL POSITION

<i>As at</i>	June 30, 2022	December 31, 2021
<i>(millions of Canadian dollars)</i>		
Accounts receivable	24	24
Accounts payable and accrued liabilities	21	7
Long-term debt ⁽¹⁾	1,649	1,456

⁽¹⁾ Interest and principal payments for the three and six months ended June 30, 2022 amounted to \$62 and \$62 million (2021 - \$57 and \$63 million).

Transactions between the Corporation and The City have been recorded at the exchange amounts, as outlined by the contracts in effect between the Corporation and The City.

The Corporation has committed to a water supply agreement, whereby The City supplies a specified amount of water annually to facilitate Shepard Energy Centre operations.

19. OTHER REVENUE AND EXPENSES

<i>(millions of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Other revenue				
Interest and penalty revenue	2	2	4	4
Miscellaneous	3	4	5	7
	5	6	9	11
Other expenses				
Contractual services costs	13	9	22	22
Staff costs	46	44	94	94
Consulting costs	6	4	10	9
Advertising and promotion	2	1	4	2
Administrative and office expenses	28	24	53	47
Operating costs	35	22	54	40
Building and property costs	12	11	24	22
Other costs	1	-	3	1
Foreign exchange loss (gain)	7	(1)	5	(1)
	150	114	269	236

20. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to expenditures for capital additions, rent for premises, and vehicles and equipment under multiple contracts with varying expiration dates.

The Corporation commits to the purchase of power, renewable energy certificates, carbon offset credits and long-term service arrangements on certain generating assets.

Aggregated minimum payments under these arrangements for the balance of the current year, the next four years and thereafter are as follows:

<i>(millions of Canadian dollars)</i>	
2022 balance of year	196
2023	7
2024	5
2025	3
2026	2
Thereafter	2

LEGAL AND REGULATORY PROCEEDINGS

In the normal course of business, the Corporation is, and may be named as, a defendant or party in lawsuits and regulatory proceedings related to various matters. The Corporation currently believes the outcome of these lawsuits and regulatory proceedings will not have a material impact on the operating results or financial position of the Corporation.

The Corporation, along with other market participants in the province of Alberta, is subject to decisions, market rules, regulations, regulatory proceedings and/or jurisdiction of the AUC, AESO, Market Surveillance Administrator and other authorities. Along with other market participants in the U.S., the Corporation is subject to decisions, market rules, regulations, regulatory proceedings of the MPUC and FERC. The financial impact of decisions, market rules, regulations and regulatory proceedings is reflected in the consolidated financial statements when the amount can be reasonably estimated.

From 2011 to 2016, four separate complaints were filed with the FERC to challenge the base Return on Equity under the ISO-New England Open Access Transmission Tariff. Complaint IV is still outstanding, Complaint I is refunded based on prior FERC order, while provisions have been recorded for the other two. No reserve has been made for Complaint IV due to uncertainty of the final outcome.

21. COMPARATIVE FIGURES

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

GLOSSARY OF TERMS

AESO	Alberta Electric System Operator	Interim Statements	These unaudited interim condensed consolidated financial statements
AUC	Alberta Utilities Commission	IFRS	International Financial Reporting Standards
BHD	Bangor Hydro District	kWh	Kilowatt hour
CAIDI	Customer average interruption duration index	LRT	Light Rail Transit
CIAC	Contributions in aid of construction	MD&A	Management's Discussion and Analysis
CNE	Comparable net earnings	MPD	Main Public District
CO₂	Carbon dioxide	MPUC	Maine Public Utilities Commission
Corporate	ENMAX Corporate and Eliminations	MW	Megawatt
COVID-19	Strain of the novel coronavirus	MWh	Megawatt hour
DG	Distributed Generation	NEB	Net energy billing
DBRS	DBRS credit rating agency	OCI	Other comprehensive income
Adjusted EBIT	Earnings before interest and income taxes (adjusted)	OM&A	Operations, maintenance, and administration
Adjusted EBITDA	Earnings before interest, income tax and depreciation and amortization (adjusted)	PBR	Performance-Based Regulation
ENMAX	ENMAX Corporation and its subsidiaries	PP&E	Property, plant and equipment
FERC	United States Federal Energy Regulatory Commission	ROE	Return on Equity
GJ	Gigajoule	ROU	Right-of-use
GWh	Gigawatt hour	RRO	Regulated Rate Option
IAS	International Accounting Standards	SAIDI	System average interruption duration index
IASB	International Accounting Standards Board	SAIFI	System average interruption frequency index
IBEW	International Brotherhood of Electrical Workers	The City	City of Calgary
		The Corporation	ENMAX Corporation and its subsidiaries

ADDITIONAL INFORMATION

ENMAX welcomes questions from stakeholders.
Additional information relating to ENMAX can be found at enmax.com.

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