



Q1 2021 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 a number of 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 MD&A, dated May 20, 2021, is a review of the results of operations of ENMAX Corporation and its subsidiaries (ENMAX or the Corporation) for the three months ended March 31, 2021, compared with 2020, and of the Corporation's financial condition and future prospects. This MD&A should be read in conjunction with the March 31, 2021 Condensed Consolidated Interim Financial Statements and the 2020 ENMAX Financial Report, which is available on ENMAX's website at www.enmax.com, as information has been omitted from this MD&A if it remains substantially unchanged.

ENMAX's Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Consolidated Interim Financial Statements and MD&A were reviewed by ENMAX's Audit Committee (AC), and the Consolidated Interim Financial Statements were approved by ENMAX's Board of Directors (the Board). 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. Because 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. For the reader's reference, the definition, calculation and reconciliation of non-IFRS financial measures is provided in the Non-IFRS Financial Measures section.

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Glossary of terms can be found on page 44 of the Consolidated Financial Statements.

ENMAX OVERVIEW

ENMAX is a wholly owned subsidiary of The City of Calgary (The City), and is 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 today and tomorrow. ENMAX has a proud history of providing Albertans with electricity, and through the acquisition of Versant Power looks to serve a greater North American base. ENMAX continues to explore ways to improve and provide progressive solutions for its customers.

ENMAX has core operations through three main business segments: ENMAX Power, Versant Power, and ENMAX Energy. A Corporate segment provides financing and shared administrative 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 affiliated companies. ENMAX Power's objective is to safely and efficiently operate and maintain the high reliability of its transmission and distribution system while 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, USA. 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 carries out retail energy supply and related functions including the Calgary Regulated Rate Option (RRO) through various affiliated legal entities. ENMAX Energy is an integrated business that involves generation of electricity and providing customers with electricity, natural gas, and distributed energy resource solutions. This integration provides an advantage that allows ENMAX to efficiently serve the largest number of customers in Alberta.
- The Corporate segment provides financing and shared legal, finance and accounting, human resources, information technology, and other administrative functions to the operating segments.

MARKET CONDITIONS

Many of the public health and emergency measures that were put in place in Q1 2020, to help mitigate the spread of COVID-19, remain in effect in Q1 2021. Pandemic response measures have varied across jurisdictions and changed over time, with varied impacts on businesses and individuals. Government programs have been announced to aid consumers and businesses; the Alberta Utility Payment Deferral Program Act (Bill 14) provided deferral relief to residential, farm and small commercial customers, and programs such as the Canada Emergency Wage Subsidy (CEWS) have been offered to employers in need. ENMAX continues to monitor the impacts of Bill 14 on credit risk and expected credit loss and has not applied for funds under CEWS. ENMAX noted impacts in all business segments, including a shift in energy consumption from commercial to residential sites, changes in credit risk and expected credit losses, and changed working practices. This includes increased safety protocols and remote work where practical. While the duration and full extent of these impacts remains unknown, ENMAX remains committed to safe, reliable and efficient delivery of electricity to our customers, and the health and safety of our workforce.

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. This includes expansion of the distribution system, reinforcement of the transmission system, and replacement of aging infrastructure in both systems. Distribution projects include investments to accommodate residential, commercial and industrial growth, as well as the replacement and modification of existing assets required to meet industry safety and reliability standards. Transmission projects can include capacity upgrades to existing substations, existing transmission lines, new substations, and new transmission lines to deliver reliable electricity that meets Calgary's demand. In addition to its regulated transmission and distribution business, ENMAX Power is responsible for unregulated businesses related to telecommunication services, underground residential development, street lighting, and light rail transit.

The Transmission business is regulated by the Alberta Utilities Commission (AUC or the Commission) under a traditional cost of service approach. Under this model, ENMAX Power can apply to recover forecasted cost of providing transmission service, including an allowed return on capital in service. After public review of ENMAX Power's application, the AUC will issue a decision setting the rates to be charged to customers for this service.

The Distribution business is regulated under a Performance-Based Regulation (PBR) model for the 2018 to 2022 period. Under this model, distribution rates are set annually using a formula that limits the recovery of increase in operating costs to below the rate of inflation. Capital cost recovery under the formula is calculated largely on the basis of actual spending in prior years. PBR is intended to create additional incentives for utilities to find efficiencies in their operations as these efficiencies can lead to higher returns.

A leadership change at the AUC in mid-2020 resulted in a change in focus for the Commission. The AUC is working to reduce regulatory lag and streamline the regulatory process to reduce regulatory burden. These positive changes at the AUC have produced a more stable and predictable regulatory environment in Alberta.

In February 2021, the AUC released a report on Alberta's changing electric distribution system as a result of the evolving nature of electric generation, consumption, and storage. In the report, the AUC committed to modernizing the regulatory framework for energy storage and adapting distribution rates to the future needs of customers. The report is a sign that the Commission is focused on expected changes to the distribution business from new technologies and changing customer preferences.

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 the state of Maine. The total operating area is approximately 27,000 square kilometers (10,400 square miles), and has approximately 160,000 customers. Versant Power's business is focused around 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, the 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 (NEPOOL) and is interconnected with other New England utilities to the south and with New Brunswick Power Corporation to the north. The MPD is a member of the Northern Maine Independent System Administrator (NMISA).

Versant Power earns revenue by charging customers for electricity delivered across its transmission and distribution facilities. This retail revenue is divided into separate transmission, distribution and stranded cost rates. Currently, approximately 45 per cent of Versant Power's electricity revenue is from distribution operations, 48 per cent is associated with local transmission operations, and 7 per cent relates to stranded cost recoveries and conversion charges. Rates for each element are established in distinct regulatory proceedings.

The Maine legislature has several energy-related bills in committee that, if enacted, could impact Versant Power. Versant Power is following legislation closely. In particular, there is a bill that would direct MPUC to use existing statutory authority to require the divestiture of Maine's investor-owned utilities (IOUs). A "consumer-owned utility" structured entity would replace the IOUs. Several other bills could cap the amount of net energy billing (NEB) on a megawatt (MW)/year basis or restrict the kilowatt (kW) capacity size of facilities that could enter into NEB agreements. If the legislature moves forward with either approach for net energy billing, it will likely reduce the shifting of costs from NEB customers to non-NEB customers that is currently occurring.

ENMAX ENERGY

ENMAX Energy is an integrated business providing customers with market-priced electricity, natural gas and distributed energy resource solutions. ENMAX Energy's advantage is its ability to 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 gas-fueled generation assets, and provides opportunities to offer additional energy services, such as solar installations and thermal energy. As at March 31, 2021, ENMAX Energy's capacity ownership interest was 1,512 MW of electricity generation: 1,295 MW from natural gas-fueled 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 2021, carbon emission costs in Alberta reached \$40 per tonne of CO₂. On March 25, 2021 the Supreme Court of Canada, in a 6-3 decision determined that the federal government's climate policy regarding carbon pricing is constitutional, further reinforcing the trend on carbon emission costs.

FINANCIAL PERFORMANCE

Management believes that a measure of operating performance is more meaningful if the impacts of specific items are excluded from the adjusted 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 Versant Power acquisition-related costs (see Significant Events section). Refer to the Non-IFRS Financial Measures section on page 13 for definitions and further descriptions of the financial measures.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

THREE MONTHS ENDED MARCH 31

(millions of Canadian dollars)

	2021	2020
Total revenue	836	720
Adjusted EBITDA ⁽¹⁾⁽²⁾		
ENMAX Power	67	60
Versant Power	32	2
ENMAX Energy	78	68
Corporate	1	-
Consolidated	178	130
Adjusted EBIT ⁽¹⁾⁽²⁾		
ENMAX Power	32	27
Versant Power	19	1
ENMAX Energy	48	35
Corporate	2	1
Consolidated	101	64
Comparable net earnings ⁽¹⁾⁽²⁾	68	55
Net earnings	95	173
Free cash flow (FCF) ⁽¹⁾⁽³⁾	200	49
Capital expenditures ⁽⁴⁾	99	71

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

⁽²⁾ Does not include:

- Realized and unrealized foreign exchange gain of \$nil (2020 - \$125 million gain)
- Unrealized electricity and gas mark-to-market of \$30 million gain (2020 - \$31 million gain)
- Versant Power acquisition costs of \$nil (2020 - \$37 million), including \$nil (2020 - \$15 million) related to finance charges that are included in calculating comparable net earnings

⁽³⁾ FCF is calculated for the twelve months ended March 31, 2021 and 2020 respectively.

⁽⁴⁾ Capital expenditures excludes \$nil (2020 - \$1,393 million) investment in the acquisition of Versant Power. See Significant Events section.

ENMAX's Adjusted EBIT increased by \$37 million for the three months ended March 31, 2021 as compared with the same period in 2020. The primary drivers for the change in Adjusted EBIT, as follows:

- ENMAX Power - The regulated business continues to grow through investment and an increase in customer sites. This is largely a result of continued growth in the Calgary service area and the need to replace The City's aging infrastructure. The increase in regulatory margins over 2020 is a direct result of continued investment in ENMAX Power's rate base due to expansion of the service area and improvements to existing infrastructure.
- Versant Power – Versant Power has contributed \$19 million in EBIT for the three months ended March 31, 2021, compared to \$1 million in the same period in 2020. Versant Power was acquired on March 24, 2020, and only seven days of operation are included in the 2020 period.
- ENMAX Energy – For the three months ended March 31, 2021, ENMAX Energy had higher Adjusted EBIT compared to the prior period primarily due to lower staff costs and lower expected credit loss due to increased collection activity with commercial customers.
- Corporate – Adjusted EBIT for Corporate is primarily driven by timing changes in the cost of providing shared services.

ENMAX's net earnings for the three months ended March 31, 2021 were \$95 million as compared to \$173 million for the first quarter in 2020. The main driver for this decrease is related to \$125 million foreign exchange gain in 2020 that was primarily realized on settlement of forward contracts. Foreign exchange gain and loss are not included in Adjusted EBIT.

Adjusting for events not related to normal operations, unrealized gain on commodities and foreign exchange gain, ENMAX's comparable net earnings for the three months ended March 31, 2021 increased by \$13 million from the same period in 2020. This favourable variance is primarily driven by the addition of Versant Power.

As at March 31, 2021, ENMAX's balance sheet remains healthy as the Corporation carefully manages debt to cash flow ratios as well as capital investment. The balance sheet is expected to improve as Versant Power acquisition related debt is repaid (see Liquidity section). ENMAX's prudent balance sheet management has enabled the Corporation to continue to achieve growth and profitability in an uncertain economic environment.

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

DISTRICT ENERGY CENTRE

On November 6, 2020, the Corporation announced that it entered into a definitive agreement to sell its District Energy Centre assets for \$27 million. The sale of District Energy Centre, which represents less than half of one per cent of the Corporation's total asset base, is being undertaken in support of ENMAX's enhanced focus on strategic growth.

Following regulatory approvals, on May 14, 2021, the Corporation completed its sale of its District Energy Centre assets for \$27 million.

VERSANT POWER ACQUISITION

On March 24, 2020, the Corporation completed its acquisition of BHE Holdings, Inc., the parent company of Emera Maine. On May 11, 2020 the Corporation changed the name of Emera Maine to Versant Power. This transaction is aligned with the Corporate strategy to grow regulated cash flows and diversify revenue streams within North America. The aggregate purchase price was approximately \$1,393 million (\$962 million USD) on closing, including the assumption of approximately \$567 million (\$391 million USD) of existing debt.

ENMAX POWER BUSINESS UPDATE

The AUC is currently reviewing an application by ENMAX Power for its 2021-2022 costs for providing transmission services. This application seeks recovery of approximately \$230 million in transmission revenue over two years and a decision is expected in Q3, 2021.

On March 4, 2021, the AUC issued its decision on the 2022 Generic Cost of Capital (GCOC) approving the extension of the 2021 Return on Equity (ROE) of 8.5 per cent and deemed equity ratio of 37 per cent for 2022 on a final basis. This decision provides increased revenue certainty for 2022.

Additionally, a decision by the AUC on the form of distribution regulation for the post 2022 period is expected by the end of Q2, 2021. To be successful, this new framework will need to provide sufficient revenue for ongoing operations as well as for grid-modernization and to address evolving customer service requirements.

KEY BUSINESS STATISTICS

THREE MONTHS ENDED MARCH 31	2021	2020
Distribution volumes in Gigawatt Hours (GWh)	2,317	2,338
System average interruption duration index (SAIDI) ⁽¹⁾	0.10	0.05
System average interruption frequency index (SAIFI) ⁽²⁾	0.14	0.07

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

Total electricity delivered in GWh to the Calgary service area in 2021 was lower than the prior period, as restrictions implemented in response to the COVID-19 pandemic have resulted in a decrease in electricity consumption for ENMAX Power's medium and large commercial customers. ENMAX Power continues to monitor impacts of the COVID-19 pandemic on electricity delivered.

ENMAX remained one of the most reliable transmission and distribution utilities in Canada when compared to the performance of other Canadian Electricity Association member utilities. However, both SAIDI and SAIFI results have trended higher in the current period due to cable faults, tree contacts, and scheduled outages.

VERSANT POWER BUSINESS UPDATE

On March 24, 2020 the Corporation completed the acquisition of Versant Power (see Significant Events section). Key business statistics for three months ended March 31, 2020 have been disclosed for comparative purposes.

KEY BUSINESS STATISTICS

THREE MONTHS ENDED MARCH 31	2021	2020
Distribution volumes in Gigawatt Hours (GWh)	512	507
System average interruption duration index (SAIDI) ⁽¹⁾⁽⁴⁾	0.62	0.65
System average interruption frequency index (SAIFI) ⁽²⁾⁽⁴⁾	0.36	0.32
Customer average interruption duration index (CAIDI) ⁽³⁾⁽⁴⁾	1.73	2.03

⁽¹⁾ SAIDI represents the total duration of a sustained interruption per average customer during a predefined period of time. 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 a predefined period of time. 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 (IEEE) defines a 'sustained' outage as one that is five minutes or longer. This is a known distinction with Canadian utilities.

Total electricity delivered in GWh to Versant Power's service area to-date in 2021 was higher than the prior period as a result of an overall increase in residential customer usage year over year. This was largely driven by impacts of the COVID-19 pandemic, with more customers staying at home throughout the first quarter of 2021, compared to 2020. Versant Power is continuously monitoring the impact of the COVID-19 pandemic is having on electricity delivered.

Versant Power experienced little change in SAIDI compared to 2020. In 2021, SAIFI was higher due primarily to higher service interruptions caused by two separate planned outages for substation maintenance. CAIDI was lower year-over-year due to a reduction in average hours off per service interruption caused by scheduled outages.

In response to the COVID-19 pandemic, the MPUC directed all electric utilities not to engage in disconnection activity until further notice was received. This direction applied equally to residential and business customers. On November 1, 2020 the MPUC reinstated limited collection activity for all customers as well as disconnections for business customers only. However, due to the length and severity of these developments it is not possible to reliably estimate the impact the moratorium will have on the financial results and condition of Versant Power in future periods.

On January 19, 2021, Versant Power filed a distribution rate case with the MPUC seeking an approximately 25 per cent increase in distribution revenue. Timing of this rate request coincides with the rate stay-out provision that was agreed to as part of the purchase of Versant Power. This increase, if approved, will produce approximately \$22 million in additional annual revenue. Versant Power proposed phasing-in the increase over two years to mitigate the rate impact to customers.

ENMAX ENERGY BUSINESS UPDATE

Alberta pool prices continue to reflect commercial offer strategies since the retirement of the PPAs at the start of the year. Increased price volatility was observed during February 2021, which settled at \$151.98 per megawatt hour (MWh). Freezing weather across the province supported strong demand along with some tie-line constraints, weaker wind generation and high gas prices kept the market relatively high for most of the quarter. Stronger spot prices and higher volatility at the start of the year pushed up electricity forward prices.

Average electricity demand for Q1 2021 was 10,210 MW, compared to 10,245 MW in Q1 2020. Although the average load for the recent quarter was slightly softer, Alberta set a new peak demand record in February 2021 at 11,729 MW, surpassing the previous peak load set in January 2020. In February, TransAlta's Sundance Unit 6 (SD6) completed the boiler conversion to natural gas. In addition, TransAlta's Keephills Unit 2 (KH2) conversion from coal to natural gas is anticipated to be complete by mid-June 2021. ENMAX has already transitioned away from coal as its current generation portfolio comprises 86 per cent natural gas and 14 per cent renewable in preparation for higher anticipated carbon costs, which has impacted market spark spreads for the period.

The AECO (Alberta Energy Company) gas market observed strong spot prices in 2021 as frigid weather blanketed the U.S. and Canada. AECO for Q1 2021 averaged \$2.91 per gigajoule (GJ). February 2021 settled at a high of \$3.57/GJ as cold weather caused declines in production and all the interconnected downstream markets rose significantly. The premium prices in the downstream markets incentivized export flows from Alberta. AECO storage had the most significant drawdown in storage inventories in over five years. At the end of Q1 2021 Alberta storage capacity was close to the five-year average.

KEY BUSINESS STATISTICS

THREE MONTHS ENDED MARCH 31	2021	2020
Plant availability (%) ⁽¹⁾	98.0	99.2
Average flat pool price (\$/MWh)	97.26	66.38
Spark spread (\$) ⁽²⁾	75.41	51.91

⁽¹⁾ Plant availability includes planned maintenance and forced outages.

⁽²⁾ Based on market prices.

Plant availability was lower than the prior period as minor outage events were undertaken during the period while continuing to focus on safe and reliable operations.

During the first three months of 2021, the average flat pool power price increased compared to the same period in 2020. This was primarily due to the extreme temperatures Alberta experienced in February 2021, which tightened the market supply-demand balance and provided upward pressure on pool prices.

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 gas-fueled power plant from generating an unhedged unit of electricity. The increase from 2020 levels was driven by a higher average pool price partially offset by an increase in the price of natural gas.

In the retail business, the fixed price electricity volumes in the first three months of 2021 decreased over the prior period, mainly from the reduction in commercial sites as result of the COVID-19 pandemic.

To mitigate risk, ENMAX Energy contracts most of its market position, delivering the majority of its electricity 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 capacity. This largely insulated commodity margins from market impacts and led to increased certainty on cashflows throughout the quarter. Open positions within the portfolio were impacted by volatility in the current market environment as electricity prices significantly increased leading to higher than expected spark spreads.

ENMAX FINANCIAL RESULTS

ADJUSTED EBIT COMPARED WITH 2020

THREE MONTHS ENDED MARCH 31 <i>(millions of Canadian dollars)</i>	ENMAX Power	Versant Power	ENMAX Energy	Corporate	ENMAX Consolidated
Adjusted EBIT ⁽¹⁾ for the THREE MONTHS ENDED MARCH 31, 2020	27	1	35	1	64
Increased (decreased) margins attributable to:					
Transmission and distribution	6	53	-	-	59
Electricity	-	-	-	-	-
Natural gas	-	-	(1)	-	(1)
Contractual services and other	(2)	2	-	-	-
(Increased) decreased expense:					
Operations, maintenance & administration (OM&A) ⁽²⁾	3	(25)	11	1	(10)
Depreciation and amortization	(2)	(12)	3	-	(11)
Adjusted EBIT⁽¹⁾ for the THREE MONTHS ENDED MARCH 31, 2021	32	19	48	2	101

⁽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 quarter ended March 31, 2021 Transmission and Distribution margins increased by \$59 million or 66 per cent compared to the same period in 2021. The favourable variance was largely due to including Versant Power results for the full period in 2021, as well as continued investment in ENMAX Power.

Electricity margins for the three months ended March 31, 2021 increased \$nil compared to the same period in 2020. Higher revenue was realized on floating variable priced products due to colder seasonal temperatures which was offset by additional hedging loss compared to the same period in 2020.

Natural gas margins for the three months ended March 31, 2021 decreased \$1 million or 5 per cent compared to the same period in 2020. The decrease was primarily due to lower retail consumption volumes combined with higher costs to serve customers.

Contractual services and other margins for the three months ended March 31, 2021 increased \$nil from the comparative period. The consistency from prior period was primarily due to lower construction service activity offset with increased operations from the acquisition of Versant Power, driven by the equity portion of Versant Power's cost of capital.

OM&A is characterized as other expense recognized on the consolidated statement of earnings that excludes foreign exchange gain (loss), Versant Power acquisition costs, and costs that are included in contractual service margins. For the three months ended March 31, 2021, OM&A increased by \$10 million or 10 per cent from the three months ended March 31, 2020. The unfavourable variance from prior period was largely due to the inclusion of Versant Power results for the full period in 2021, partially offset by decreased staffing costs and increased collection of previously recorded expected credit loss.

During the first quarter of 2021, the Corporation recognized \$nil in Versant Power acquisition related costs, compared to \$37 million for the three months ended March 31, 2020, of which \$15 million were finance related charges. Acquisition costs are not included in adjusted EBIT.

Depreciation and amortization expense increased \$11 million or 17 per cent compared to the same period in 2020. This increase was consistent with capital asset additions in the period, which includes Versant Power assets acquired late in the first quarter of 2020.

OTHER NET EARNINGS ITEMS

Finance charges for the three months ended March 31, 2021 were \$33 million or 22 per cent higher compared to the prior period in 2020. This is primarily driven by the inclusion of Versant Power results for the full period in 2021.

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The value of deferred income tax assets is reviewed at the end of each reporting period. The computation of the tax provision includes management's best estimate regarding the expectation of future operating results, interpretation of applicable tax regulations, allowances where uncertainty surrounding any realization of the tax benefit exists, and settlement of various tax disputes.

The Corporation recorded a total income tax expense of \$3 million (2020 - \$2 million recovery) for the three months ended March 31, 2021. 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 re-measurement gain and loss on pension retirement benefits.

For the first quarter of 2021, OCI included total loss of \$13 million compared with loss of \$28 million in the first quarter of 2020. OCI loss in 2021 primarily reflect the cumulative foreign currency translation impact on consolidation of Versant Power, and reclassification of gain on derivative instruments to net earnings.

Accumulated other comprehensive loss is reflected in shareholder's equity along with retained earnings and share capital. Retained earnings for the period increased \$37 million, largely from earnings during the period, partially offset by \$58 million in dividends on common shares.

NON-IFRS FINANCIAL MEASURES

The Corporation uses Adjusted EBITDA, Adjusted EBIT, comparable net earnings, and free cash flow (FCF) as financial performance measures. 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 are shown below. These non-IFRS measures are consistently applied in the previous period.

ADJUSTED EBITDA

THREE MONTHS ENDED MARCH 31		
<i>(millions of Canadian dollars)</i>		
	2021	2020
Net earnings (IFRS financial measure)	95	173
Add (deduct):		
Unrealized (gain) on commodities	(30)	(31)
Foreign exchange (gain)	-	(125)
Versant Power related acquisition costs (including finance charges) ⁽¹⁾	-	37
Net income tax expense on unrealized (gain) on commodities, and foreign exchange (gain), Versant Power acquisition related costs	3	1
Comparable net earnings (non-IFRS financial measure)	68	55
Add (deduct):		
Depreciation and amortization (excludes regulatory deferral costs)	77	66
Finance charges (excludes Versant Power related acquisition costs)	33	12
Remaining income tax (recovery)	-	(3)
Adjusted EBITDA (non-IFRS financial measure)	178	130

⁽¹⁾ Comprised of \$22 million in OM&A costs and \$15 million in net financing charges for the three months ended March 31, 2020.

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.

Adjusted EBITDA excludes the impact of unrealized (gain) on commodities, foreign exchange (gain) and Versant Power acquisition related costs from the adjusted operating profit. Management believes that a measure of operating performance is more meaningful if these results, not related to normal operations, are excluded. Unrealized (gain) on commodities reflect the impact of changes in forward natural gas and power prices and the volume of the positions for these derivatives over a certain period of time. This unrealized (gain) does not necessarily reflect the actual gain and loss that will be realized on settlement. Furthermore, unlike commodity derivatives, ENMAX's generation capacity and future sales to retail customers are not marked to market under IFRS.

ADJUSTED EBIT

THREE MONTHS ENDED MARCH 31

(millions of Canadian dollars)

	2021	2020
Net earnings (IFRS financial measure)	95	173
Add (deduct):		
Unrealized (gain) on commodities	(30)	(31)
Foreign exchange (gain)	-	(125)
Finance charges (excludes Versant Power related acquisition costs)	33	12
Versant Power related acquisition costs (including finance charges) ⁽¹⁾	-	37
Income tax expense (recovery)	3	(2)
Adjusted EBIT (non-IFRS financial measure)	101	64

⁽¹⁾ Comprised of \$22 million in OM&A costs and \$15 million in net financing charges for the three months ended March 31, 2020.

The Corporation focuses on Adjusted EBIT, which excludes the impact of unrealized (gain) on commodities, foreign exchange (gain) and Versant Power acquisition related costs. Management believes Adjusted EBIT is a useful measure of business performance, which provides an indication of the operating results generated by primary business activities.

FREE CASH FLOW

ENMAX defines free cash flow as IFRS net cash provided by operating activities less capital expenditures funded from operations. Management believes FCF is a liquidity measure that provides useful information regarding cash provided by operating activities and cash used for investments in property and equipment that are required to maintain and grow the business.

TWELVE MONTHS ENDED MARCH 31

(millions of Canadian dollars)

	2021	2020
Net cash provided by operating activities ⁽¹⁾	501	588
Capital expenditures funded from operations ⁽²⁾	(301)	(242)
Versant Power acquisition funded from operations ⁽³⁾	-	(297)
Free cash flow (non-IFRS financial measure)	200	49

⁽¹⁾ Refer to Liquidity and Capital Resources section.

⁽²⁾ Includes cash provided to fund capital expenditures in ENMAX Power that would otherwise be considered financing activities and excludes cash investment in the acquisition of Versant Power (See Significant Events section).

⁽³⁾ Versant Power acquisition funds from operations include \$1,393 million invested in the acquisition of Versant Power, reduced by incremental borrowings of \$1,096 million for the acquisition.

Free cash flow for the three months ended March 31, 2021 increased by \$151 million compared to the same period in 2020. The increase in FCF was primarily driven by net funds used to acquire Versant Power in the prior year. This is partially offset by repayments of credit facilities in the first quarter of 2021.

FINANCIAL CONDITION

SIGNIFICANT CHANGES IN THE CORPORATION'S FINANCIAL CONDITION

<i>AS AT</i> <i>(millions of Canadian dollars, except % change)</i>	March 31, 2021	December 31, 2020	\$ Change	% Change	Explanation for Change
ASSETS					
Cash and cash equivalents	84	40	44	110	Refer to Liquidity section
Accounts receivable	792	736	56	8	Increase is mainly attributable to the timing of receipts
Property, plant and equipment (PP&E)	5,752	5,773	(21)	-	Capital additions largely offset by amortization
Goodwill	604	610	(6)	(1)	Foreign exchange differences
Financial assets ⁽¹⁾	30	-	30	100	Change in fair value derivatives
Other assets ⁽¹⁾	198	210	(12)	(6)	Decrease is related to changes in deferred margin positions
LIABILITIES AND SHAREHOLDER'S EQUITY					
Short-term financing	322	166	156	94	Refer to Liquidity section
Accounts payable	600	564	36	6	Increase is mainly attributable to the timing of disbursements
Long-term debt ⁽¹⁾	3,315	3,442	(127)	(4)	Decrease is attributable to \$121 million in repayments of debt
Asset retirement obligation and other provisions	117	149	(32)	(21)	Fair value adjustment to asset retirement obligation and settlement of Versant Power provision

⁽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 any maturities of long-term debt through a combination of cash flow from operations, drawings on the Corporation's bank credit facilities, and long-term debt.

ENMAX's credit facility agreements and trust indenture include standard events of default and covenant provisions, whereby accelerated repayment and/or termination of the agreements may result if the Corporation were to default on payment or violate certain covenants. As at March 31, 2021, the Corporation was in compliance with all debt covenants and expects to remain in compliance.

ENMAX's total debt balance as at March 31, 2021 was \$3,637 million (December 31, 2020 - \$3,608 million).

In March 2020, the Corporation entered a \$250 million two-year syndicated credit facility, in connection with the Versant Power acquisition. Consistent with ENMAX's commitment to repay acquisition related debt, \$55 million of this facility was repaid throughout 2020, and an additional \$115 million was repaid in March 2021.

As at March 31, 2021, ENMAX has access to \$740 million (December 31, 2020 - \$740 million) in revolving credit facilities, of which \$312 million (December 31, 2020 - \$520 million) was available. The Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

As at March 31, 2021, ENMAX has access to \$360 million (December 31, 2020 - \$360 million) in Letters of Credit facilities, of which \$42 million (December 31, 2020 - \$135 million) was available. The Corporation's credit facilities mature between 2022 and 2023 and are provided by national and regional lenders.

Cash and cash equivalents increased to \$84 million as at March 31, 2021 compared to \$40 million as at December 31, 2020. Short-term financing of \$322 million as at March 31, 2021 reflects a temporary use of credit facilities to address timing of expenditures.

As at March 31, 2021 ENMAX had issued net \$167 million in commercial paper with a fair value of \$167 million, and an average interest rate of 0.87 per cent (December 31, 2020 - \$nil).

RISKS AND RISK MANAGEMENT

There have been no material changes in the three months ended March 31, 2021 to the Corporation's business and operational risk as described in the Corporation's December 31, 2020 MD&A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT <i>(unaudited), (millions of Canadian dollars)</i>	MARCH 31, 2021	DECEMBER 31, 2020
ASSETS		
Cash and cash equivalents (Note 9)	\$ 84	\$ 40
Accounts receivable	792	736
Income taxes receivable (Note 7)	10	11
Current portion of financial assets (Note 6)	98	100
Other current assets (Note 10)	73	72
Assets held for sale (Note 11)	39	38
	1,096	997
Property, plant and equipment (Notes 12 and 15)	5,752	5,773
Intangible assets (Note 13)	294	290
Goodwill (Note 14)	604	610
Deferred income tax assets (Note 7)	53	57
Financial assets (Note 6)	46	44
Other long-term assets (Note 10)	222	227
TOTAL ASSETS	8,067	7,998
REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES (Note 8)	196	189
TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES	\$ 8,263	\$ 8,187
LIABILITIES		
Short-term financing (Note 6)	\$ 322	\$ 166
Accounts payable and accrued liabilities	600	564
Dividend payable	44	-
Current portion of long-term debt (Note 6)	226	74
Current portion of financial liabilities (Note 6)	77	98
Current portion of deferred revenue (Note 16)	5	7
Current portion of lease liabilities (Note 15)	5	5
Other current liabilities (Note 10)	85	72
Liabilities held for sale (Note 11)	11	11
Current portion of asset retirement obligations and other provisions	4	6
	1,379	1,003
Long-term debt (Note 6)	3,089	3,368
Deferred income tax liabilities (Note 7)	266	268
Post-employment benefits	169	166
Financial liabilities (Note 6)	37	46
Deferred revenue (Note 16)	562	562
Lease liabilities (Note 15)	45	47
Other long-term liabilities (Note 10)	12	17
Asset retirement obligations and other provisions	113	143
TOTAL LIABILITIES	5,672	5,620
REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES (Note 8)	151	151
SHAREHOLDER'S EQUITY		
Share capital	280	280
Retained earnings	2,363	2,326
Accumulated other comprehensive loss (Note 17)	(203)	(190)
	2,440	2,416
TOTAL LIABILITIES, REGULATORY DEFERRAL ACCOUNT CREDIT BALANCES AND SHAREHOLDER'S EQUITY	\$ 8,263	\$ 8,187

Commitments and contingencies (Note 22).

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

THREE MONTHS ENDED MARCH 31

(unaudited), (millions of Canadian dollars)

	2021	2020
REVENUE (Note 5)		
Transmission and distribution	\$ 265	\$ 186
Electricity	357	355
Natural gas	142	103
Local access fees	38	37
Contractual services	24	32
Contributions in aid of construction (CIAC) revenue (Note 16)	5	5
Other revenue (Note 21)	5	2
TOTAL REVENUE	836	720
OPERATING EXPENSES (Note 5)		
Transmission and distribution	124	119
Electricity and fuel purchases	230	227
Natural gas and delivery	122	82
Local access fees	38	37
Depreciation and amortization	77	66
Other expenses (Note 21)	122	14
TOTAL OPERATING EXPENSES	713	545
OPERATING PROFIT	123	175
Finance charges	33	27
NET EARNINGS BEFORE TAX	90	148
Current income tax (recovery) (Note 7)	-	(7)
Deferred income tax expense (Note 7)	3	5
NET EARNINGS - BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES	87	150
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES (Note 8)	8	23
NET EARNINGS	\$ 95	\$ 173

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED MARCH 31

(unaudited), (millions of Canadian dollars)

	2021	2020
NET EARNINGS	\$ 95	\$ 173
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
<i>Items that will not be reclassified subsequently to statement of earnings</i>		
Cumulative (loss) on translation adjustment	(13)	(17)
<i>Items that will be reclassified subsequently to statement of earnings</i>		
Unrealized (loss) on derivative instruments ⁽¹⁾	-	(6)
Reclassification of (gain) on derivative instruments to net earnings ⁽²⁾	-	(5)
Other comprehensive loss net of income tax	(13)	(28)
TOTAL COMPREHENSIVE INCOME	\$ 82	\$ 145

⁽¹⁾ Net deferred income tax of \$nil for the three months ended March 31, 2021 (2020 - \$3 million tax recovery).

⁽²⁾ Net deferred income tax of \$nil for the three months ended March 31, 2021 (2020 - \$2 million tax expense).

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

<i>(unaudited), (millions of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
As at January 1, 2021	\$ 280	\$ 2,326	\$ (190)	\$ 2,416
Net earnings	-	95	-	95
Other comprehensive (loss), net of income tax	-	-	(13)	(13)
Total comprehensive income (loss)	-	95	(13)	82
Dividends (Note 18)	-	(58)	-	(58)
As at March 31, 2021	\$ 280	\$ 2,363	\$ (203)	\$ 2,440
As at January 1, 2020	280	\$ 2,092	\$ (32)	\$ 2,340
Net earnings	-	173	-	173
Other comprehensive (loss), net of income tax	-	-	(28)	(28)
Total comprehensive income (loss)	-	173	(28)	145
Dividends (Note 18)	-	(54)	-	(54)
As at March 31, 2020	\$ 280	\$ 2,211	\$ (60)	\$ 2,431
Net earnings	-	115	-	115
Other comprehensive (loss), net of income tax	-	-	(130)	(130)
As at December 31, 2020	\$ 280	\$ 2,326	\$ (190)	\$ 2,416

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31

(unaudited), (millions of Canadian dollars)

	2021	2020
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	\$ 95	\$ 173
Reconciliation of net earnings to cash flow from operating:		
CIAC (Note 16)	5	4
CIAC revenue (Note 16)	(5)	(5)
Depreciation and amortization	77	66
Finance charges	33	27
Income tax expense (recovery) (Note 7)	3	(2)
Change in unrealized market value of financial contracts	(30)	(50)
Post-employment benefits	2	1
Unrealized foreign exchange (gain) loss	(11)	17
Changes in non-cash working capital (Note 19)	(27)	(51)
Cash flow from operations	142	180
Interest paid ⁽¹⁾	(18)	(9)
Income taxes paid	-	(13)
Net cash flow provided by operating activities	124	158
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangibles (Notes 12 and 13) ⁽¹⁾	(99)	(71)
Acquisition of Versant Power (Note 14)	-	(1,393)
Cash flow used in investing activities	(99)	(1,464)
FINANCING ACTIVITIES		
Repayment of short-term debt	(815)	(1,377)
Proceeds from short-term debt	971	1,399
Repayment of long-term debt	(121)	(9)
Proceeds from long-term debt	-	247
Repayment of lease liabilities (Note 15)	(2)	(1)
Dividend paid (Note 18)	(14)	(14)
Cash flow from financing activities	19	245
Increase (decrease) in cash and cash equivalents	44	(1,061)
Cash and cash equivalents, beginning of period	40	1,080
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 84	\$ 19
Cash and cash equivalents consist of:		
Cash	\$ 69	\$ 10
Restricted cash (Note 9)	15	9
	\$ 84	\$ 19

⁽¹⁾ Total interest paid during the three months ended March 31, 2021 was \$19 million (2020 - \$11 million). Purchase of property, plant and equipment (PP&E) and intangibles includes \$1 million of capitalized borrowing costs (2020 - \$2 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 and its subsidiaries (ENMAX or the Corporation), a wholly-owned subsidiary of The City of Calgary (The City), was incorporated under the Business Corporations Act (Alberta) in July 1997; operations of the Corporation began on January 1, 1998. The Corporation's mandate was to carry on the electric utility transmission and distribution operations previously directed by the Calgary Electric System (CES). Since 1998, the Corporation has grown from its transmission and distribution roots to include electricity generation, commercial and residential solar, electricity and natural gas retail businesses.

On March 24, 2020, the Corporation closed the acquisition of BHE Holdings, Inc., the parent company of Versant Power (formerly known as Emera Maine). The Corporation through its 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, USA. Versant Power's regulated operations are subject to the regulatory authority of the Maine Public Utilities Commission (MPUC) and the Federal Energy Regulatory Commission (FERC). BHD is a member of the New England Power Pool (NEPOOL) while MPD is a member of the Northern Maine Independent System Administrator (NMISA).

The Corporation's registered and head office is at 141 - 50 Avenue SE, Calgary AB, T2G 4S7. The Corporation's principal place of business is Alberta.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial 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 (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, prepared according to IFRS. The unaudited interim condensed consolidated financial statements are prepared following the same accounting policies used in the Company's most recent annual consolidated financial statements.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 20, 2021.

BASIS OF MEASUREMENT

These unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for the revaluation of financial derivative instruments to fair value and to reflect asset impairment (if any).

FUNCTIONAL AND PRESENTATION CURRENCY

With the acquisition of Versant Power in 2020, 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 unaudited interim condensed consolidated financial statements are presented in millions of Canadian dollars.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these unaudited interim condensed consolidated financial statements requires management to select appropriate accounting policies and make judgments, 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 judgments involve matters that are inherently complex and uncertain. Judgments 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 most recent annual consolidated financial statements for further details.

4. ACCOUNTING PRONOUNCEMENTS

The following standards and interpretations are not yet effective under IFRS and have not been applied in preparing these unaudited interim condensed consolidated financial statements. The Corporation is currently assessing the impact of adopting these standards on its consolidated financial statements.

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. The amended standard applies to entities with year-ends beginning on or after January 1, 2023 with early adoption, 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. The International Accounting Standards Board (IASB) have 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 gain and loss arising from both upstream and downstream transactions involving assets that do not constitute a business between the parent and its associate or joint venture. The proposed standard limits the amount of gain and loss that could be recorded on such transactions. The IASB have 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 the 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 will possibly have an impact on ENMAX Power and Versant Power segments. The IASB have not set an implementation date for this new standard and comments on the exposure draft are due by June 30, 2021.

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 affiliated companies. ENMAX Power's objective is to safely and efficiently operate and maintain the high reliability of its transmission and distribution system while 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, USA. 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 carries out retail energy supply and related functions including the Calgary Regulated Rate Option (RRO) through various affiliated legal entities. ENMAX Energy is an integrated business that involves generation of electricity and providing customers with electricity, natural gas, and distributed energy resource solutions. This integration provides an advantage that allows ENMAX to efficiently serve the largest number of customers in Alberta.

CORPORATE

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

SEGMENTED TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES

AS AT	MARCH 31, 2021	DECEMBER 31, 2020 ⁽¹⁾
ENMAX Power	3,027	2,991
Versant Power	2,189	2,180
ENMAX Energy ⁽²⁾	2,705	2,686
Corporate	146	141
Total assets	8,067	7,998
Regulatory deferral account debit balances (Note 8)	196	189
Total assets and regulatory deferral account debit balances	8,263	8,187

⁽¹⁾ Reclassified to conform with current period's presentation.

⁽²⁾ Includes \$39 million (December 31, 2020 - \$38 million) in asset classified as held for sale (see Note 11).

COMPARATIVE SEGMENT INFORMATION

Segment information reflects the presentation regularly reviewed by the chief operating decision maker, who uses adjusted operating profit as the basis for making decisions around asset allocation or assessing performance. Adjusted operating profit accounts for items such as unrealized gain and loss on commodities, foreign exchange, and Versant Power acquisition related costs, which are reflected in the column "Adjusted Consolidated Totals" below.

Segment information as at March 31, 2020 has been reclassified to conform with the current period's presentation. The presentation change had no impact on reported consolidated net earnings.

THREE MONTHS ENDED MARCH 31, 2021	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	187	74	-	-	261	4	-	265
Electricity	-	-	390	(33)	357	-	-	357
Natural gas	-	-	142	-	142	-	-	142
Local access fees	38	-	-	-	38	-	-	38
Other revenue	28	2	9	-	39	(5)	-	34
TOTAL REVENUE	253	76	541	(33)	837	(1)	-	836
OPERATING EXPENSES								
Transmission and distribution	96	17	-	-	113	11	-	124
Electricity and fuel purchases	-	-	293	(33)	260	-	(30)	230
Natural gas and delivery	-	-	122	-	122	-	-	122
Local access fees	38	-	-	-	38	-	-	38
Depreciation and amortization	35	13	30	(1)	77	-	-	77
Other expenses	52	27	48	(1)	126	(4)	-	122
TOTAL OPERATING EXPENSES	221	57	493	(35)	736	7	(30)	713
OPERATING PROFIT	32	19	48	2	101	(8)	30	123
Unrealized (gain) on commodities					(30)	-	30	-
Finance charges					33	-	-	33
NET EARNINGS BEFORE TAX					98	(8)	-	90
Deferred income tax expense					3	-	-	3
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					95	(8)	-	87
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	8	-	8
NET EARNINGS					95	-	-	95

THREE MONTHS ENDED MARCH 31, 2020	ENMAX Power	Versant Power	ENMAX Energy	Corporate	Adjusted Consolidated Totals	Regulatory Deferral Movement	Other Presentation Reclass	Consolidated Totals
REVENUE								
Transmission and distribution	178	6	-	-	184	2	-	186
Electricity	-	-	387	(32)	355	-	-	355
Natural gas	-	-	103	-	103	-	-	103
Local access fees	37	-	-	-	37	-	-	37
Other revenue	30	-	14	-	44	(5)	-	39
TOTAL REVENUE	245	6	504	(32)	723	(3)	-	720
OPERATING EXPENSES								
Transmission and distribution	93	2	-	-	95	24	-	119
Electricity and fuel purchases	-	-	290	(32)	258	-	(31)	227
Natural gas and delivery	-	-	82	-	82	-	-	82
Local access fees	37	-	-	-	37	-	-	37
Depreciation and amortization	33	1	33	(1)	66	-	-	66
Other expenses	55	2	64	-	121	(4)	(103)	14
TOTAL OPERATING EXPENSES	218	5	469	(33)	659	20	(134)	545
OPERATING PROFIT	27	1	35	1	64	(23)	134	175
Unrealized (gain) on commodities	-	-	-	-	(31)	-	31	-
Foreign exchange (recovery)	-	-	-	-	(125)	-	125	-
Versant Power acquisition costs ⁽¹⁾	-	-	-	-	22	-	(22)	-
Finance charges ⁽²⁾	-	-	-	-	27	-	-	27
NET EARNINGS BEFORE TAX					171	(23)	-	148
Current income tax (recovery)	-	-	-	-	(7)	-	-	(7)
Deferred income tax expense	-	-	-	-	5	-	-	5
NET EARNINGS BEFORE NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					173	(23)	-	150
NET MOVEMENT IN REGULATORY DEFERRAL ACCOUNT BALANCES					-	23	-	23
NET EARNINGS					173	-	-	173

⁽¹⁾ During the three months ended March 31, 2020, ENMAX recognized other expenses related to the acquisition of Versant Power (see Note 14) of \$22 million.

⁽²⁾ During the three months ended March 31, 2020, finance charges include charges related to the acquisition of Versant Power (see Note 14) of \$15 million.

REVENUE

Types of Customers and Sales Channel	Nature and significant payment terms
Transmission	ENMAX receives revenue from 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 FERC, while distribution rates are set by the MPUC.
Mass market	Mass Market is comprised of residential and small business customers who consume less than 250,000 kWh/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 receives revenue from electricity end users that is remitted to The City in lieu of property taxes.
Government and institutional	ENMAX receives revenue from governments and municipalities (counties, cities and towns), entities backed by the government, universities, colleges and school boards.
Other	ENMAX receives other revenue from individual consumers to large corporations who in turn receive credit and terms based on their respective products and their credit history.

REVENUE – MAJOR CUSTOMERS AND SALES CHANNELS

	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
THREE MONTHS ENDED MARCH 31, 2021									
Transmission & distribution	26	165	74	-	-	-	-	-	265
Electricity									
ENMAX Energy Regulated	-	-	-	73	245	-	-	-	318
Natural gas	-	-	-	32	7	-	-	-	39
Local access fees	-	-	-	100	42	-	-	-	142
Contractual services	-	-	-	-	-	38	-	-	38
Other revenue & CIAC	-	-	-	-	-	-	8	16	24
Other revenue & CIAC	-	-	2	-	-	-	-	8	10
TOTAL REVENUE	26	165	76	205	294	38	8	24	836

	Transmission	Distribution	U.S. Operations	Mass Market	Commercial Market	City of Calgary Local Access Fees	Government and Institutional	Other	Total
THREE MONTHS ENDED MARCH 31, 2020									
Transmission & distribution	25	155	6	-	-	-	-	-	186
Electricity									
ENMAX Energy Regulated	-	-	-	65	254	-	-	-	319
Natural gas	-	-	-	30	6	-	-	-	36
Local access fees	-	-	-	75	28	-	-	-	103
Contractual services	-	-	-	-	-	37	-	-	37
Other revenue & CIAC	-	-	-	-	-	-	12	20	32
Other revenue & CIAC	-	-	-	-	-	-	-	7	7
TOTAL REVENUE	25	155	6	170	288	37	12	27	720

6. FINANCIAL INSTRUMENTS, HEDGES AND RISK MANAGEMENT MARKET RISK

MARKET RISK

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

CREDIT RISK

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

The COVID-19 pandemic resulted in several government mandated response measures that may have adverse financial impacts on ENMAX customers. As the nature and duration of these response measures continues to evolve, it is not possible to fully measure the financial impact of these events. In response to increased credit risk, the Corporation increased its monitoring of customer credit worthiness and recorded provisions for credit loss on customer receivables totaling \$27 million as at March 31, 2021 (December 31, 2020 - \$29 million). Given the uncertain effects of the pandemic on ENMAX customers and the broader economy, the estimates and judgements made by management with respect to credit loss are subject to a high degree of estimation uncertainty. 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 March 31, 2021, the fair values of derivatives were as follows:

AS AT	MARCH 31, 2021		DECEMBER 31, 2020	
	Hedge Instruments	Non-Hedge Derivatives	Hedge Instruments	Non-Hedge Derivatives
Assets				
Current	3	95	4	96
Non-current	4	42	4	40
Liabilities				
Current	5	72	5	93
Non-current	-	37	-	46

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, there were unrealized gain of \$30 million for the three months ended March 31, 2021 (December 31, 2020 - \$68 million gain), primarily recorded in electricity and fuel purchases. The anticipated non-hedge derivatives are expected to settle in 2021 through to 2031. The mark-to-market adjustments do not consider the impact of any interrelationship among the factors such as the underlying position and the optionality of the Corporation's integrated business. Generation capacity or future sales to customers are not mark-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 their 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	MARCH 31, 2021		DECEMBER 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt ⁽¹⁾ consisting of:				
Debtentures, with remaining terms of:				
Less than 5 years	27	28	33	34
5–10 years	34	38	34	39
10–15 years	309	357	309	372
15–20 years	567	607	566	642
20–25 years	429	456	429	459
General and refunding mortgage bonds				
8.98% series	27	27	28	28
Private debtentures				
Series 3 (3.81%)	197	217	197	219
Series 4 (3.84%)	294	328	294	340
Series 5 (2.92%)	299	311	299	309
Series 6 (3.33%)	299	322	299	326
Series 7 (3.88%)	249	269	249	284
Senior notes				
Unsecured note (3.61%)	77	80	78	81
Unsecured note (4.34%)	130	149	131	164
Unsecured note (4.36%)	57	67	58	74
Unsecured note (4.71%)	60	71	61	78
Unsecured note (3.79%)	63	73	64	81
Unsecured note (2.80%)	38	37	38	39
Unsecured note (2.80%)	76	74	77	79
Non-revolving term facility ⁽²⁾	80	80	195	195
Promissory note	3	3	3	3
	3,315	3,594	3,442	3,846

⁽¹⁾ Includes current portion of \$226 million (December 31, 2020 – \$74 million). Maturity dates range from June 2021 to December 2049.

⁽²⁾ \$80 million non-revolving 2-year term facility with an interest rate of 2.09 per cent as at March 31, 2021 (December 31, 2020 – 2.09 per cent).

As at March 31, 2021, ENMAX had issued \$167 million in commercial paper, with a fair value of \$167 million, and average interest rates of 0.87 per cent (December 31, 2020 - \$nil) and had drawn \$155 million on existing credit facilities with an average rate of 0.41 per cent (December 31, 2020 - \$166 million at 0.47 per cent).

7. INCOME TAXES

The calculation of the Corporation's current and deferred income taxes involves a degree of estimation and judgment. The value of deferred income tax assets is reviewed at the end of each reporting period. For the three months ended March 31, 2021, management adjusted the income tax provision using its best estimate with considerations including management's expectation of future operating results and interpretation of applicable tax positions and allowances, where uncertainty surrounding the realization of the tax benefit exists.

8. REGULATORY DEFERRAL ACCOUNT BALANCES

NATURE AND ECONOMIC EFFECT OF RATE REGULATION

ENMAX Transmission and ENMAX Distribution (the Divisions) are divisions of ENMAX Power. The Divisions are regulated operations established to carry out all electrical transmission and distribution service functions within the City of Calgary. The AUC approves Transmission and Distribution Tariffs (rates and terms and conditions of service) pursuant to Sections 37 and 102 of the *Electric Utilities Act*.

With respect to Distribution, the 2018-2022 Distribution Access Service (DAS) rates are subject to the Performance Based Regulation (PBR) mechanism. In December 2020, the AUC approved 2021 formula-based rates on an interim basis for the period commencing January 1, 2021.

Transmission division rates are set based on an AUC approved revenue requirement and are regulated under a traditional cost-of-service framework. On October 28, 2020, the AUC approved the interim revenue requirements to be effective January 1, 2021.

ENMAX U.S. Operations

ENMAX, through its wholly owned subsidiary Versant Power, has distribution and transmission operations in the state of Maine, USA. 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, while other components being deferred are to be addressed in future regulatory proceedings.

Versant Power's distribution service operates under a traditional cost of service regulatory structure and distribution rates are set by the MPUC. Versant Power's transmission operations are split between two districts: BHD and MPD. 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. BHD's bulk transmission assets are managed by ISO-New England (ISO-NE) as part of a region-wide pool of assets. 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.

REGULATORY BALANCES

The timing of recognition of certain regulatory debits, credits, revenues and expenses may differ from what is otherwise expected under IFRS for non-regulated operations. The Corporation has recorded the following regulatory deferral account debit and credit balances:

AS AT	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, 2021	17	12	15	145	189
Balances arising in the period ⁽¹⁾	12	1	1	(2)	12
Reversal ⁽²⁾	-	-	(3)	-	(3)
Foreign exchange translation	-	-	-	(2)	(2)
MARCH 31, 2021	29	13	13	141	196
Expected reversal period	3 Months	25 Years	15 Months		
JANUARY 1, 2020	20	7	4	-	31
Versant Power balance acquired	-	-	-	158	158
Balances arising in the period ⁽¹⁾	203	6	18	7	234
Reversal ⁽²⁾	(206)	(1)	(7)	-	(214)
Foreign exchange translation	-	-	-	(20)	(20)
DECEMBER 31, 2020	17	12	15	145	189
Expected reversal period	3 Months	25 Years	15 Months		

⁽¹⁾ "Balances arising in the period" row consists of new additions to regulatory deferral debits and credit balances.

⁽²⁾ "Reversal" row consists of amounts collected/refunded through rate riders or transactions reversing existing regulatory balances.

AS AT	Accounts Payable (a)	Other Regulatory Credits (d)	U.S. Operations (e)	Total Regulatory Deferral Account Credit Balances
Regulatory deferral account credit balances				
JANUARY 1, 2021	-	4	147	151
Balances arising in the period ⁽¹⁾	-	2	-	2
Reversal ⁽²⁾	-	(1)	-	(1)
Foreign exchange translation	-	-	(1)	(1)
MARCH 31, 2021	-	5	146	151
Expected reversal period		18 Months		
JANUARY 1, 2020	-	2	-	2
Versant Power balance acquired	-	-	176	176
Balances arising in the period ⁽¹⁾	-	4	(8)	(4)
Reversal ⁽²⁾	-	(2)	-	(2)
Foreign exchange translation	-	-	(21)	(21)
DECEMBER 31, 2020	-	4	147	151
Expected reversal period		18 Months		

⁽¹⁾ "Balances arising in the period" row consists of new additions to regulatory deferral debits and credit balances.

⁽²⁾ "Reversal" row consists of amounts collected/refunded through rate riders or transactions reversing existing regulatory balances.

The following describes each of the circumstances 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 impairment 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 represent a deferral account for transmission charges from the AESO. In the absence of rate regulation and the IFRS 14 standard, IFRS would require that actual costs be recognized as an expense when incurred.

(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 standard, IFRS would require that intercompany profits be eliminated upon consolidation.

(c) Other regulatory debits

Other regulatory debits primarily relate to the AUC flow-through items and other costs that will be collected from customers via future rates such as access service charges. The 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-retirement benefits, storm reserve balances arising from utilizing significant resources to restore services following a major storm, and stranded cost recoveries associated with purchase power contracts where Versant Power has been directed to purchase and resell by the MPUC.

9. RESTRICTED CASH

<i>AS AT</i>	MARCH 31, 2021	DECEMBER 31, 2020
Other current assets		
Funds held with a financial institution to cover posted margins	10	4
Restricted deposits with a financial institution to meet financial obligations	2	4
Funds designated to be paid to the Balancing Pool and the Government of Alberta relating to the utility deferral program	-	1
Funds held in escrow for assets held for sale	3	3
	15	12

10. OTHER ASSETS AND LIABILITIES

<i>AS AT</i>	MARCH 31, 2021	DECEMBER 31, 2020
Other current assets		
Prepaid expenses	15	20
Collateral paid	10	10
Deferred asset	1	1
Emission offsets	44	37
Other	3	4
	73	72
Other long-term assets		
Prepaid expenses	8	9
Long-term accounts receivable	33	32
Deferred asset	6	7
Equity investments	145	146
Other	30	33
	222	227
Other current liabilities		
Deposits	53	42
Other	32	30
	85	72
Other long-term liabilities		
Other	12	17
	12	17

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On November 6, 2020, the Corporation announced it had entered into a definitive agreement to sell its District Energy facility to a subsidiary of Atlantica Sustainable Infrastructure PLC (Atlantica) for \$27 million. ENMAX has classified the assets and liabilities of this transaction as held for sale. These assets and liabilities are reported in the ENMAX Energy segment.

The carrying amount of the facility is expected to be recovered principally through the sale transaction. The facility's assets and liabilities are classified as held for sale and are measured at the lower of carrying value and fair value less cost to sell. Upon reclassification the Corporation recognized \$4 million reversal of impairment charges recognized in prior years. As at March 31, 2021, the Corporation recognized \$39 million (December 31, 2020 – \$38 million) in assets held for sale and \$11 million (December 31, 2020 – \$11 million) in liabilities held for sale.

Assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributed to the liabilities of a disposal group classified as held for sale continue to be recognized.

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

	Transmission, Distribution and Substation Equipment	Generation Facilities and Equipment	Buildings and Site Development	Work in Progress	Other ⁽¹⁾	Total
Cost						
As at DECEMBER 31, 2020	3,996	2,268	578	162	346	7,350
Additions	4	-	-	92	4	100
Transfers	22	35	-	(67)	10	-
Assets held for sale	-	(2)	-	1	-	(1)
Disposals	(3)	-	-	(2)	(10)	(15)
Changes to asset retirement costs	-	(29)	-	-	-	(29)
Foreign exchange translation	(16)	-	(1)	-	(2)	(19)
As at MARCH 31, 2021	4,003	2,272	577	186	348	7,386
Accumulated Depreciation						
As at DECEMBER 31, 2020	(536)	(890)	(100)	-	(51)	(1,577)
Depreciation	(35)	(24)	(5)	-	(6)	(70)
Disposals	4	-	-	-	4	8
Foreign exchange translation	5	-	-	-	-	5
As at MARCH 31, 2021	(562)	(914)	(105)	-	(53)	(1,634)
Net book value						
As at DECEMBER 31, 2020	3,460	1,378	478	162	295	5,773
As at MARCH 31, 2021	3,441	1,358	472	186	295	5,752

⁽¹⁾ Other PP&E as at March 31, 2021 has been condensed with the balance consisting of land, tools, systems, equipment, capital spares, vehicles and government grants.

Real property, including land and buildings, with a carrying amount of \$559 million as at March 31, 2021 (December 31, 2020 - \$556 million), was subject to a right of first refusal to purchase held by The City.

For the three months ended March 31, 2021, capitalized borrowing costs amounted to \$1 million (2020 - \$2 million), with capitalization rates ranging from 3.09 per cent to 3.87 per cent (2020 - 3.18 to 3.93 per cent). Interest is capitalized based on the actual cost of debt used to finance the capital construction projects. Interest rates ranged from 1.48 per cent to 5.02 per cent (2020 - 1.63 to 5.02 per cent).

These balances include the Corporations right-of-use (ROU) assets and are further discussed in Note 15.

13. INTANGIBLE ASSETS

	Computer Systems	Other ⁽¹⁾	Work in Progress	Total
Cost				
As at DECEMBER 31, 2020	317	95	33	445
Additions	2	-	11	13
Transfers	1	-	(1)	-
Foreign exchange translation	(1)	(1)	-	(2)
As at MARCH 31, 2021	319	94	43	456
Accumulated amortization				
As at DECEMBER 31, 2020	(133)	(22)	-	(155)
Amortization	(6)	(1)	-	(7)
As at MARCH 31, 2021	(139)	(23)	-	(162)
Net book value				
As at DECEMBER 31, 2020	184	73	33	290
As at MARCH 31, 2021	180	71	43	294

⁽¹⁾ Other intangible assets as at March 31, 2021 has been condensed with the balance consisting of renewable energy certificates, water leases, land easements and rights and lease options.

14. GOODWILL

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Balance, beginning of the period	610	-
Acquired through business combination	-	692
Net exchange rate difference	(6)	(82)
Balance, end of the period	604	610

On March 24, 2020, the Corporation acquired all the outstanding shares of BHE Holdings Inc., the parent company of Versant Power (formerly Emera Maine). The excess of the purchase price over estimated fair values of net assets acquired has been recognized as goodwill. The 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.

15. LEASES

ENMAX leases several assets categorized as: generation facilities and equipment, buildings and site development, land, tools, systems and equipment and vehicles. The average term remaining on the leases are 3.6 years (December 31, 2020 – 3.7 years).

Right-of-use assets

The changes in the net book value for the Corporation's ROU assets during the period were as follows:

	Generation Facilities and Equipment	Buildings and Site Development	Other	Total
Cost				
As at DECEMBER 31, 2020	28	14	19	61
Assets held for sale	(4)	-	-	(4)
As at MARCH 31, 2021	24	14	19	57
Accumulated Depreciation				
As at DECEMBER 31, 2020	(2)	(3)	(5)	(10)
Net changes	-	(1)	(1)	(2)
As at MARCH 31, 2021	(2)	(4)	(6)	(12)
Net Book Value				
As at DECEMBER 31, 2020	26	11	14	51
As at MARCH 31, 2021	22	10	13	45

⁽¹⁾ Other leases as at March 31, 2021 has been condensed with the balance consisting of land, vehicles, and tools, systems and equipment.

Amounts recognized in profit and loss

<i>THREE MONTHS ENDED</i>	MARCH 31, 2021	MARCH 31, 2020
Depreciation expense	2	1
Lease expense on short-term leases	-	-
Interest expense on lease liabilities	1	1
Amounts expensed in profit and loss	3	2

Lease payments

The required lease payments at March 31, 2021, are as follows:

Less than 1 year	7
1–5 years	18
More than 5 years	49

The total cash outflow during the 3-month period for leases amounts to \$2 million. ENMAX does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored through ENMAX's treasury function.

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 has entered into building leases to house various operations. As at March 31, 2021 the leases that were capitalized have 3 to 27 years remaining.

Other

Land surrounding several of ENMAX's generating facilities is leased to allow for the installation of substation and water reservoirs. The contracted lengths and terms of payments of the leases vary. As at March 31, 2021 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 the 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.

16. DEFERRED REVENUE

	CIAC	Other	Liabilities Classified as Held for Sale	Total
As at DECEMBER 31, 2020	556	20	(7)	569
Net additions	5	(1)	-	4
Recognized as revenue	(5)	(1)	-	(6)
As at MARCH 31, 2021	556	18	(7)	567
Less: current portion	-	5	-	5
	556	13	(7)	562

17. ACCUMULATED OTHER COMPREHENSIVE (LOSS)

AS AT	MARCH 31, 2021	DECEMBER 31, 2020
Net unrealized gain on derivatives designated as cash flow hedges, including deferred income tax expense of \$1 million (December 31, 2020 - expense of \$1.0 million)	2	2
Net actuarial loss on defined benefit plans, including deferred income tax recovery of \$1 million (December 31, 2020 - recovery of \$1 million)	(38)	(38)
Cumulative translation adjustment	(167)	(154)
Accumulated other comprehensive loss, including deferred income tax expense of \$nil (December 31, 2020 - expense of \$nil)	(203)	(190)

18. DIVIDENDS

On March 24, 2021, the Corporation declared a dividend of \$58 million to The City (2020 – \$54 million). The dividend is paid in equal quarterly instalments during 2021.

19. CHANGES IN NON-CASH WORKING CAPITAL

THREE MONTHS ENDED MARCH 31	2021	2020
Accounts receivable	(56)	20
Regulatory deferral account debit balances	(7)	(23)
Other assets	4	(13)
Accounts payable and accrued liabilities	28	(38)
Regulatory deferral account credit balances	-	1
Other liabilities	7	(15)
Deferred revenue (non-CIAC)	(1)	1
Provisions	(2)	16
Changes in non-cash working capital	(27)	(51)

20. 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.

STATEMENTS OF EARNINGS

<i>THREE MONTHS ENDED MARCH 31</i>	2021	2020
Revenue ⁽¹⁾	37	34
Local access fees and other expenses ⁽²⁾	39	37

⁽¹⁾ The 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.

STATEMENTS OF FINANCIAL POSITION

<i>AS AT</i>	MARCH 31, 2021	DECEMBER 31, 2020
Accounts receivable	24	23
Assets held for sale ⁽¹⁾	3	3
Accounts payable and accrued liabilities	15	12
Liability held for sale ⁽²⁾	4	6
Long-term debt ⁽³⁾	1,366	1,372

⁽¹⁾ Right-of-use asset.

⁽²⁾ Finance lease obligation and deferred revenue.

⁽³⁾ Interest and principal payments for the 3 months ended March 31, 2021 were \$nil (2020 - \$nil) and \$6 million (2020 - \$6 million) respectively. In addition, for the three months ended March 31, 2021, the Corporation paid a management fee of \$1 million (2020 - \$1 million) to the City.

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.

21. OTHER REVENUE AND EXPENSES

OTHER REVENUE

<i>THREE MONTHS ENDED MARCH 31</i>	2021	2020
Interest and penalty revenue	2	2
Miscellaneous	3	-
	5	2

OTHER EXPENSES

<i>THREE MONTHS ENDED MARCH 31</i>	2021	2020
Contractual services cost	13	19
Staff costs	50	63
Consulting costs	5	4
Advertising and promotion	1	5
Administrative and office expenses	23	17
Operating costs	18	9
Building and property costs	11	12
Other costs	1	11
Foreign exchange (gain)	-	(126)
	122	14

22. COMMITMENTS AND CONTINGENCIES

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

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

HISTORICAL TRANSMISSION LINE LOSS PROVISION

ENMAX has participated in various proceedings regarding the AESO's Line Loss Rule (LLR). The LLR establishes the loss factors that form the basis for certain transmission charges paid by Alberta generators, including ENMAX. The LLR Proceeding addressed the replacement of a non-compliant LLR and the resulting adjustment of line loss charges and credits for the years 2006 to 2016. Under the AUC's decisions, the AESO is required to settle adjustments for these historic amounts.

The AUC's decisions do not require the AESO to consider commercial agreement terms and service transfer circumstances when the AESO determines which party to invoice. ENMAX has been invoiced for amounts for which it may not ultimately, in whole or in part, be responsible. Moreover, the invoices do not reflect the benefit of credits to which ENMAX is entitled nor any of ENMAX's rights to subsequently seek compensation, including under commercial agreements from other parties such as the Balancing Pool.

ENMAX has recorded payables and receivables in its 2020 consolidated financial statements related to the line loss proceedings. These amounts are expected to settle in 2021 and ENMAX has sufficient access to cash to satisfy these amounts.

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 (MSA) and other authorities. Along with other market participants in the USA, the Corporation is subject to decisions, market rules, regulations, regulatory proceedings of the 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 (ROE) under the ISO-NE Open Access Transmission Tariff (OATT). Complaint IV is still outstanding, Complaint I is refunded based on prior FERC order, while provisions have been recorded for the other two.

23. SUBSEQUENT EVENTS

Following regulatory approvals, on May 14, 2021, the Corporation completed the sale of its District Energy facility to a subsidiary of Atlantica for \$27 million.

24. COMPARATIVE FIGURES

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

GLOSSARY OF TERMS

AECO	Alberta Energy Company	IFRS	International Financial Reporting Standards
AC	ENMAX's Audit Committee	IOU	Investor-owned utilities
AFUDC	Allowance for funds used during construction	kW	Kilowatt
AOCI	Accumulated other comprehensive income	kWh	Kilowatt hour
ARO	Asset retirement obligation	LLR	Line Loss Rule
Atlantica	Atlantica Sustainable Infrastructure PLC	MD&A	Management's Discussion and Analysis
AUC	Alberta Utilities Commission	MPD	Maine Public District
BHD	Bangor Hydro District	MPUC	Maine Public Utilities Commission
Bill 14	Alberta Utility Payment Deferral Program Act	MW	Megawatt
CAIDI	Customer average interruption duration index	MWh	Megawatt hour
CEWS	Canada Emergency Wage Subsidy	NEB	Net energy billing
CIAC	Contributions in aid of construction	NEPOOL	New England Power Pool
CNE	Comparable net earnings	NMISA	Northern Maine Independent System Administrator
CO₂	Carbon dioxide	OCI	Other comprehensive income
COVID-19	Strain of the novel coronavirus	OM&A	Operations, maintenance and administration
Adjusted EBIT	Earnings before interest and income taxes	PBR	Performance Based Regulation
Adjusted EBITDA	Earnings before interest, income tax and depreciation and amortization	PILOT	Payment in lieu of tax
ENMAX	ENMAX Corporation and its subsidiaries	PPA	Power purchase arrangement
FCF	Free Cash Flow	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
IEEE	The Institute of Electrical Electronics Engineers	Shepard	Shepard Energy Centre
IFRIC	International Financial Reporting Interpretations Committee	The Board	ENMAX's Board of Directors
		The City	The City of Calgary
		The Commission	Alberta Utilities Commission
		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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