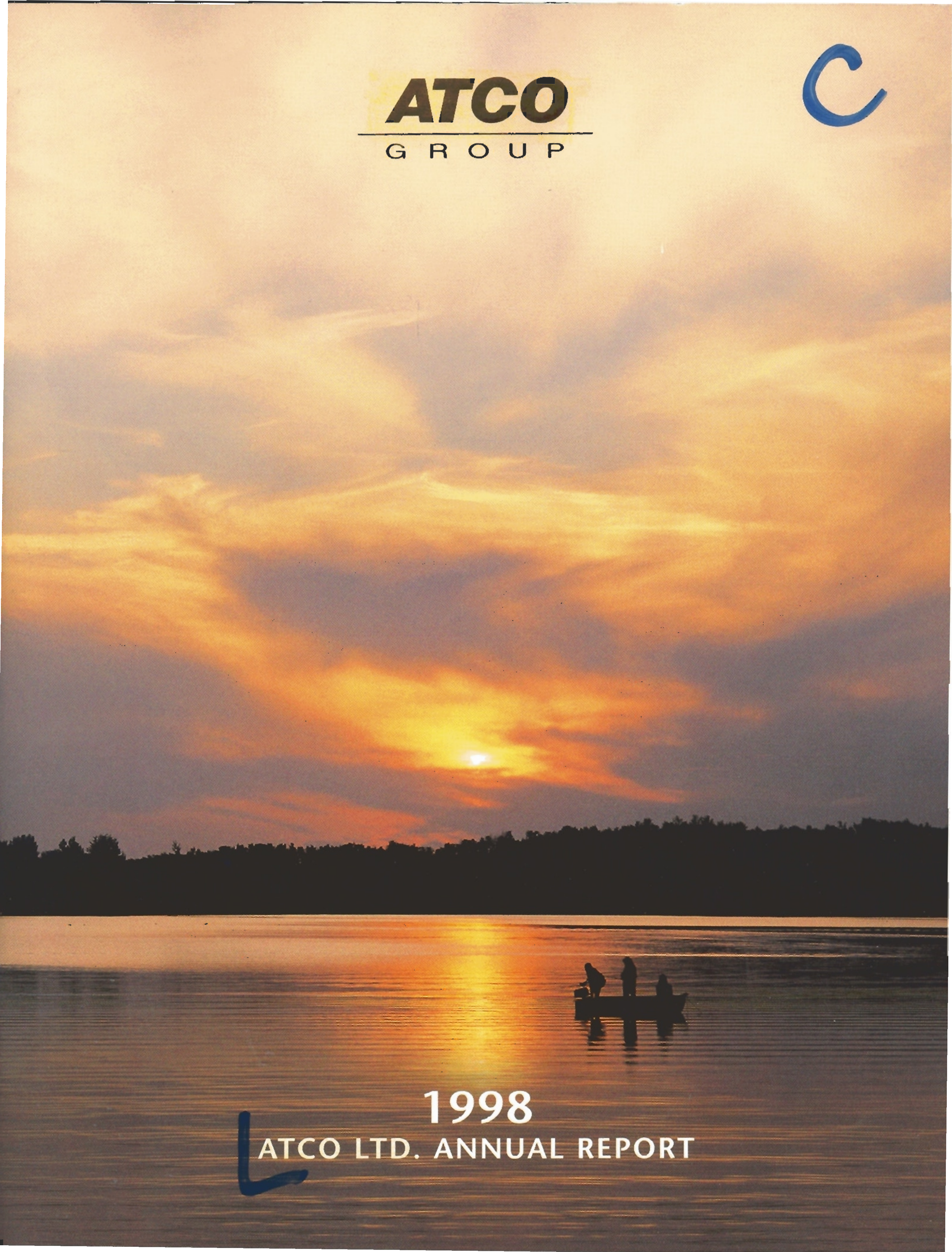
ATCO
GROUP
1998
ATCO LTD. ANNUAL REPORT

COVER PHOTO:
MINK LAKE, WEST OF EDMONTON.

In recognition of ATCO's Alberta Heritage, this annual report cover is the ninth of a series to feature scenes of the province's beauty.

1990
EXPANSE OF ALBERTA FOOTHILLS

1991
ALBERTA ALPINE STREAM

1992
ALBERTA COUNTRY SCENE

1993
ALBERTA'S MAJESTIC WINTER SCEN

1994
MILK RIVER AREA, ALBERTA

1995
WRITING ON STONE PROVINCIAL PARK, ALBERTA

1996
VALLEY OF TEN PEAKS, ALBERTA

1997
NEAR BRAGG CREEK, ALBERTA

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Since May 1998, ATCO Group has been undergoing significant reorganization. This reorganization is intended to put in place a structure that is more compatible with ongoing deregulation and restructuring of regulated activities. In conjunction with this reorganization, ATCO Group has embarked on a rebranding campaign whereby the companies in the ATCO Group will adopt the ATCO brand name. The new company names have been used in the narrative copy of the Review of Operations, but not in the Management's Discussion and Analysis nor in the Financial Statements.

ATCO LTD.

Corporate Profile

ATCO Electric

ATCO Electric provides electric utility service to customers in more than 350 communities in Alberta, the Yukon and the Northwest Territories.

ATCO Power

ATCO Power is a developer, project manager, owner and operator of independent power projects in Canada, Great Britain and Australia.

ATCO Gas

ATCO Gas distributes natural gas to industrial, commercial and residential customers, primarily in urban areas in Alberta.

ATCO Pipelines

ATCO Pipelines transmits natural gas throughout Alberta using high pressure pipelines.

ATCO Midstream

ATCO Midstream's key areas of operation are natural gas gathering, processing, storage and retail gas management services.

ATCO Frontec

ATCO Frontec provides project management and technical services; operation and maintenance; technology transfer and training services to the defence, transportation and industrial sectors.

ATCO Structures

ATCO Structures manufactures, sells and leases industrial workforce housing to over 95 countries around the world.

ATCO Noise Management

ATCO Noise Management designs and constructs buildings and acoustic barriers to reduce noise emissions from industrial facilities.

ATCO Singlepoint

ATCO Singlepoint was established to provide billing and call centre services to customers such as municipalities, utilities and other organizations.

ATCO Energy

ATCO Energy was incorporated to participate in the deregulated gas and electricity markets in Alberta.

ATCO I-Tek

ATCO I-Tek was established in January 1999 as a division of Canadian Utilities to build, operate and support the information systems and technologies used within the ATCO Group of Companies.

Financial Highlights

CONSOLIDATED ANNUAL RESULTS

(Millions of Canadian dollars except share data)

	Year Ended December 31	
	1998	1997
Financial		
Revenues	**2,071.4**	2,045.1
Earnings attributable to Class I and Class II shares	**88.9**	81.2
Total assets	**4,793.7**	4,405.1
Class I and Class II shareholders' equity	**681.4**	613.0
Capital expenditures – net	**468.9**	363.1
Cash flow from operations	**436.0**	410.6
Class I Non-Voting and Class II Voting Share Data		
Earnings per share	**2.96**	2.68
Dividends paid per share	**0.68**	0.56
Equity per share	**22.68**	20.42
Shares outstanding	**30,047,832**	30,026,232
Weighted average shares outstanding	**30,044,171**	30,260,701

CONSOLIDATED QUARTERLY RESULTS [1]

(Millions of Canadian dollars except per share data)

(Unaudited)

		Three Months Ended				
		March 31	June 30	September 30	December 31	Total
Revenues	**1998**	**582.0**	**441.1**	**407.3**	**641.0**	**2,071.4**
	1997	665.2	431.3	404.0	544.6	2,045.1
Earnings attributable to Class I and Class II shares	**1998**	**32.8**	**19.4**	**14.2**	**22.5**	**88.9**
	1997	31.5	17.4	11.6	20.7	81.2
Earnings per Class I and Class II share	**1998**	**1.09**	**0.65**	**0.47**	**0.75**	**2.96**
	1997	1.03	0.57	0.39	0.69	2.68

[1] *Because of seasonal fluctuations, particularly in the utility operations, quarterly earnings are not indicative of full year results.*

ATCO LTD.

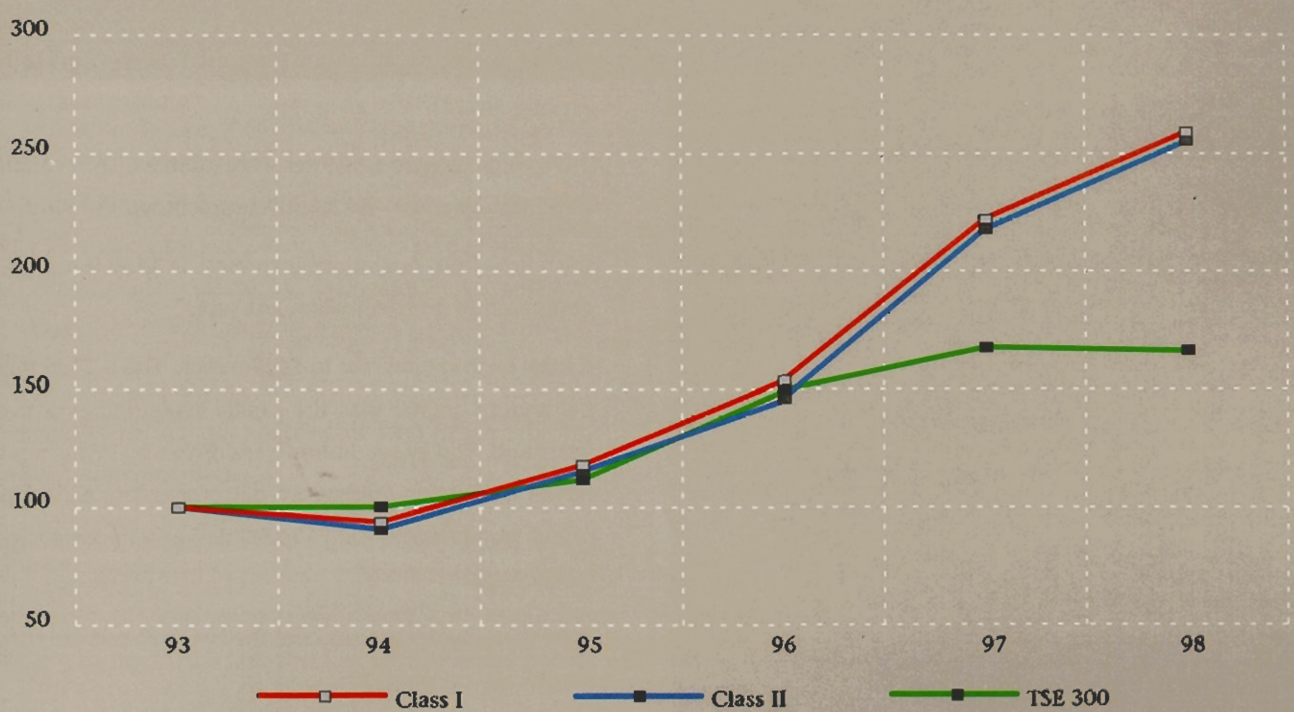
1998 Achievements

- ATCO Power commissioned the 180 megawatt ("MW") Osborne cogeneration plant in South Australia.
- ATCO Electric launched two new subsidiaries in 1998: Energen Inc., which builds, owns and operates small power projects and Ashcor Technologies Ltd., which markets flyash.
- Northwestern Utilities and Canadian Western Natural Gas announced the two companies would merge (subject to regulatory approvals) and be restructured into two new entities, ATCO Gas and ATCO Pipelines.
- ATCO Midstream purchased the Watelet Gas Plant, which was a significant addition to the company's gas processing capability.
- ATCO Structures returned to the Australian marketplace with the acquisition of a modular manufacturing and leasing company.
- One of ATCO Noise Management's major projects involved the acoustic treatment of compressor buildings at eight TransCanada PipeLines sites in Canada.

FIVE YEAR TOTAL RETURN ON $100 INVESTMENT

The following compares the five year cumulative shareholder return on $100 invested in Class I Non-Voting shares and Class II Voting shares of the Corporation on December 31, 1993 with the cumulative total return of the TSE 300 Stock Index, assuming reinvestment of dividends.

	Cumulative Return	Compound Growth Rate
ATCO Class I	$259	21.0%
ATCO Class II	$256	20.7%
TSE 300	$166	10.7%



Letter to the Share Owners

Office of the Chairman
From the left, standing: William L. Britton, Lead Director; Basil K. French, Lead Director; Nancy C. Southern, Deputy Chairman & Deputy Chief Executive Officer;
seated: Susan R. Werth, Vice President, Administration; Craighton O. Twa, President & Chief Operating Officer; James A. Campbell, Senior Vice President Finance & Chief Financial Officer and Ronald D. Southern, Chairman and Chief Executive Officer.

ATCO Group achieved record earnings in 1998. Our people, utilizing great transparency yet enjoying relative independence and self sufficiency at all levels, produced impressive momentum, and by any measure, were the leading force in the strong performance turned in by each of our operating companies.

1998 earnings were $2.96 per share - $88.9 million compared to $2.68 per share - $81.2 million recorded in 1997.

Cash flow from operations increased to $436.0 million compared to $410.6 million last year.

Capital expenditures rose to $469 million. This is $130 million per annum greater than the capital expenditures of five years ago. The expenditures were driven by investments in power generation, midstream gas processing, expansion of our workforce housing capabilities, and information technology.

Total share owner returns over the last five years are shown graphically on page 3.

ACHIEVEMENT HIGHLIGHTS

During 1998, significant efforts were undertaken to identify and position our businesses to seize opportunities emerging in the deregulated gas and electric markets in Canada and Australia. The first phase of our preparations has centered around a restructuring and rebranding plan for our operating units.

Part of our restructuring plan, subject to regulatory approval, is the merger of our two gas transmission and distribution companies. The resulting single entity will provide improved efficiency to our customers.

Also subject to regulatory approval is a proposal for the reorganization of Canadian Utilities. A new subsidiary of Canadian Utilities, to be known as CU Inc., will acquire all of the common shares and debt of the regulated subsidiaries and assume the obligations of Canadian Utilities under its trust indenture.

The reorganization, which also requires Canadian Utilities share owner approval, will separate the regulated utility businesses from its non-regulated businesses and provide the financing flexibility needed to fund and execute new greenfield endeavours. Concurrent with the reorganization, Canadian Utilities is seeking approval from its debenture holders for amendments to its trust indenture.

A new company named ATCO Singlepoint was successfully launched during 1998 and is now providing the City of Red Deer with call centre and billing services for all municipal utility services including electricity, gas, water, sewer and garbage collection.

Another new company named ATCO Energy was established to provide retail natural gas and electric sales in the evolving deregulated marketplace.

Adoption of the ATCO brand name will apply to all principal operating subsidiaries. A preview of our rebranding program is contained at the beginning of this report. Both of our public company names, ATCO Ltd. and Canadian Utilities Limited, will remain unchanged.

We are pleased to report that several other objectives in areas of operations, finance and governance were successfully completed in 1998.

Most importantly, the granite-like cornerstone for our strategy considerations and operational goals, known as our separate and distinct financial plan, was revisited and updated to the year 2005.

The area of risk management was reviewed, domiciling responsibility to each of our business unit presidents with central oversight capability.

We completed streamlining audit and governance functions for all our operating subsidiaries and have created a database within our information technology protocols to allow management and directors to share information and reduce paper flows.

An extensive cost and efficiency analysis concluded against out sourcing our data processing and information technology operations. We are very pleased with the progress made in this centralized function, branded ATCO I-Tek, to align our technology and business strategies, to focus on effective and efficient service delivery and to provide domiciled strong governance.

We have had a steady focus on our year 2000 programs. As we near completion of the remediation of our systems, we are increasing the emphasis on contingency planning for potential impacts from third parties, and each unit in the group is committed to minimizing the impact of the year 2000 on our operations.

Our staffing levels have been refined as have our business processes to assure premium performance in each unit... now... and in the future.

As mentioned at the beginning of this letter, our operating subsidiaries each have had impressive achievements and we commend to you their accomplishments provided in the body of this report.

THE FUTURE

We are a group of companies with a firm belief that the principles under which we operate are as important as the profits we make. Our goal, and that of our directors and officers since our founding in 1947, is to continue to provide the organization, the people and the processes that assure these beliefs. As a consequence, the outstanding diligence and ongoing monitoring of our Corporate Governance – Nomination, Succession and Compensation Committee ensures that we have the right people in the right jobs with each executive having a high degree of accountability.

Given that we have in place a well thought out plan for succession at all levels of the group, including emergency contingency plans, we believe share owners can share our confidence that the momentum of our past record will be maintained in 1999 and in the future.

While we are concerned the economies in which we operate must be near their cyclical highs and that a downturn might well be upon us in the shorter term, we also know that our existing businesses have plenty of room for growth within our areas of expertise and geography.

Our operating companies have added significantly to overall results in the last decade due to successful new greenfields enterprises of a complementary nature to their core businesses.

We intend to continue with these undertakings, not only to bring important profit growth, but also to expand career opportunities for our people.

Share owners should be assured that we will maintain a prudent balance sheet with the financial capacity to support the growth. We will also continue to bring careful scrutiny and diligence to our capital expenditures, recognizing it is important not to let our growth mask serious future liabilities.

We will maintain cost controls and asset reliability and we will remain in the forefront in safety and environmental protection.

SUMMARY

Endeavours such as ours bring together people from all walks of life with many different skills who are united in a common belief that we can bring excellence to everything that we do for our customers, employees and share owners.

We would like to thank each and every one of our people for going far beyond what anyone ever thought they might do; for having the highest standards and always striving for them; for paying attention to the smallest details; and for caring.

In particular, we offer our most sincere thanks and gratitude to two members of our Board of Directors who will retire at our Annual Meeting in May 1999 – Founding Director of the Corporation, Robert Rice, and a Director for fourteen years, Hon. Peter Lougheed. To the benefit of all share owners, these Directors have brought us sterling wisdom based on their vast and broad experience and we wish to thank both of them for their advice and counsel during their tenure on the Board of ATCO Ltd.

On behalf of the Board of Directors;

R.D. Southern
Chairman of the Board
and Chief Executive Officer

N.C. Southern
Deputy Chairman of the Board
and Deputy Chief Executive Officer

March 19, 1999

ATCO GROUP

1998 Review of Operations

ATCO ELECTRIC

ATCO POWER

ATCO GAS

ATCO PIPELINES

ATCO MIDSTREAM

ATCO FRONTEC

ATCO STRUCTURES

ATCO NOISE MANAGEMENT

NEW VENTURES

ELECTRIC POWER

Utility Operations

An ATCO Electric crew installs a fibreglass crossarm north of Halkirk, Alberta.

ATCO ELECTRIC

Canadian Utilities provides electric utility service through four operating companies, Alberta Power Limited and its subsidiaries, The Yukon Electrical Company Limited, Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited.

Under our new restructuring plan, Alberta Power will be renamed ATCO Electric. The company and its subsidiaries will continue to supply electric utility service to customers in more than 350 communities in Alberta, the Yukon, Northwest Territories, Saskatchewan, and British Columbia.

In 1998, combined electric sales increased to 10,188 million kilowatt hours with 87% to industrial and commercial customers, 9% to residential, and 4% to farm. More than 450 industrial customers were added in Alberta in 1998, mainly in the oil field sector.

Sales for ATCO Electric have increased by 26% since 1993. During that same period, on a sales per employee basis, our efficiencies have improved by more than 45%.

Capital spending for ATCO Electric totaled $118 million in 1998, including $63 million on distribution projects, $25 million on transmission projects and $24 million for generation.

ATCO Electric continues to be an active participant in discussions related to deregulation. Economic growth and the move towards a competitive market for generation have resulted in a transition period where electricity supply is tight for Alberta as a whole. In 1998, the company worked with others in the industry to manage this issue and minimize power curtailments to customers.

In 1998, the company launched two new subsidiaries: ENERGEN Inc. to build, own and operate small power projects of less than 25 megawatts and ASHCOR Technologies Ltd. to market flyash, a by-product of coal-fired generating plants. ASHCOR provides ATCO Electric with a new revenue source, while reducing flyash disposal costs.

Rate and tariff issues continue to be an important focus for ATCO Electric. In May, the company received an Alberta Energy and Utilities Board ("AEUB") decision approving a negotiated settlement that determined its revenue requirement for 1998.

In July, the company filed a Phase 2 rate application with the AEUB. This Phase 2 application will determine how ATCO Electric's approved revenue requirement for 1998 is recovered from different customer classes. The application includes a proposed direct access tariff that is the first step in the move towards customer choice. It allows large customers to choose whether to buy energy from their local distributor, or directly from the province's power pool.

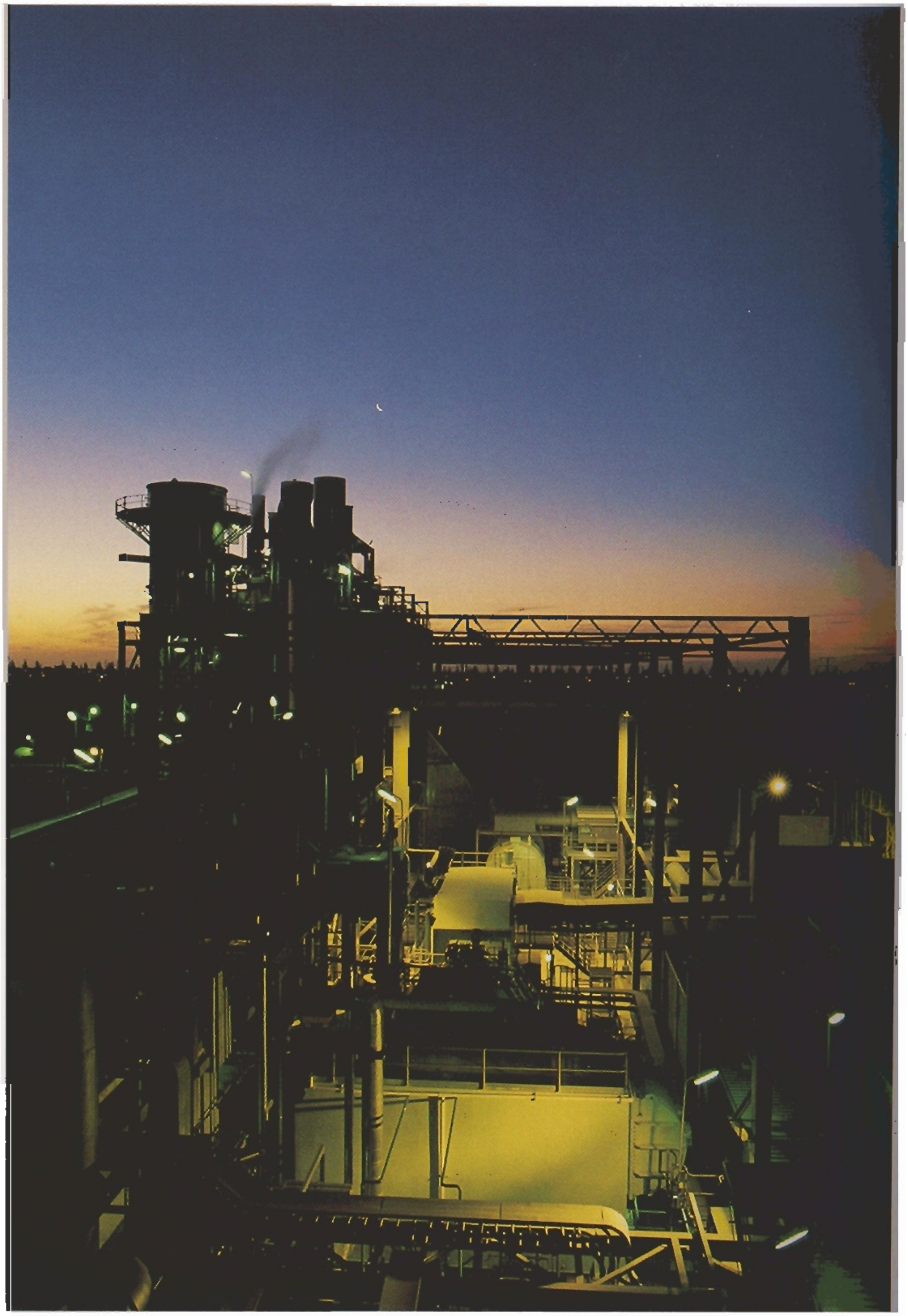
A 1999/2000 General Tariff Application was also filed in 1998 and a hearing is expected to be held in the second quarter of 1999.

In 1998, the company contracted with ATCO Singlepoint to provide centralized call centre services to ATCO Electric customers with the convenience of a single telephone number for all inquiries, along with extended hours of operation.

In 1999 ATCO Electric will enter a transition phase to prepare for a more deregulated environment, with a focus on the power transmission and distribution business. In 1998, the Alberta legislature amended the Electric Utilities Act to specify a process for deregulating existing utility owned generating plants by January 1, 2001. The Act requires that vertically integrated electric utilities ensure that generation operations are separate and distinct from distribution and transmission functions.

ELECTRIC POWER

Independent Power Production



In 1998, ATCO Power, along with its joint venture partner, Boral Energy, completed construction and commissioned the 180 MW Osborne cogeneration plant in South Australia.

ATCO POWER

Since its inception as a greenfields company just ten years ago, CU Power International Limited has established a solid reputation as a developer, project manager, owner and operator of independent power projects. Under its new identity, ATCO Power, that reputation will be maintained and enhanced. It currently operates 1,450 MW of non-regulated generating capacity. In addition, it has almost 500 MW of projects under construction and almost 1,000 MW of projects in development.

Canada

In 1998, ATCO Power completed construction of a jointly owned 85 MW gas-fired cogeneration project at Amoco's Primrose Heavy Oil operation in northeast Alberta, being the first independent power project completed since Alberta's deregulation of the electrical industry.

In April 1998, the company was selected by the Grid Company of Alberta and the new Transmission Administrator to build, own and operate a 43 MW gas-fired generating station at Poplar Hill, Alberta.

During the year, ATCO Power announced it had formed a joint venture with Nova and Epcor to build, own and operate a 416 MW gas-fired cogeneration plant on Nova's petrochemical site at Joffre, Alberta. The plant is under construction and is scheduled to come on stream early in the year 2000.

In December 1998, a joint venture between ATCO Power, Ontario Hydro, Hydro Mississauga and Toronto Hydro was announced to pursue the development of a 550 MW gas-fired combined-cycle power plant at the Lakeview Generating Station site in Mississauga, Ontario.

Also in 1998, the company was selected by Shell Canada Limited as the owner and operator of a 172 MW gas-fired cogeneration plant to provide power and hot water to Shell's proposed Muskeg River mine in northeastern Alberta.

Australia

Construction of the 180 MW cogeneration plant in Osborne, South Australia was completed and the plant was commissioned in December 1998.

ATCO Power and Boral Energy also announced the company would proceed with a Development Application for a second stage power station project adjacent to the Osborne plant site.

During 1998, ATCO Power concluded commercial negotiations on its second joint venture power plant in Australia, a 33 MW electrical and 55 MW thermal equivalent cogeneration/combined cycle power plant, part of British Petroleum's Queensland Clean Fuels Project.

United Kingdom

The Barking Power Station continues to be the flagship of ATCO Power's operations. The jointly owned and operated 1,000 MW gas-fired combined cycle power station, located east of London, England, delivered another year of successful operations and for the second consecutive year surpassed its availability targets.

The Heathrow Cogeneration Plant also met its availability targets during 1998. The plant, which has a 14 MW gas-fired turbine and a 40 MW boiler, supplies electricity and hot water to British Airports Authority plc.

Ireland

ATCO Power continues to pursue opportunities with its Irish joint venture partner for gas-fired generating stations in Ireland, as that country liberalizes its electricity market to comply with directives from the European Union.

NATURAL GAS

Utility Operations

An ATCO Gas employee installing a meter in a multiple meter residential system.

Northwestern Utilities Limited and Canadian Western Natural Gas Company Limited announced in June 1998 that the two companies would be merged and restructured into two new entities. ATCO Gas distributes natural gas to institutional, commercial and residential customers, primarily in urban areas. ATCO Pipelines transmits natural gas throughout Alberta using high pressure pipelines. This reorganization is subject to AEUB approval and hearings began in February 1999.

ATCO GAS

ATCO Gas is the Group's newly formed provincial gas distribution company which provides safe, efficient and economical service for the delivery of natural gas to Albertans. About 290 communities in Alberta receive gas service from ATCO Gas, comprising over 80% of natural gas customers in the province.

Growth and Productivity

Most of the ATCO Gas service territory experienced strong customer growth in 1998, particularly in Calgary, metro Edmonton, Grande Prairie and Red Deer. Approximately 23,000 new sales customers were added, bringing the total customers served by ATCO Gas to approximately 780,000. Most of this growth resulted from the favourable Alberta business and economic climate. Approximately 1,200 customers were added with the purchase of the CFB Cold Lake distribution system in early 1998.

Although record throughput on the Northwestern and Canadian Western systems exceeded 850 petajoules ("PJ"), actual sales volumes were reduced from 212 PJs in 1997 to 211 PJs in 1998 as a result of warmer than normal temperatures throughout the province.

Operating and maintenance costs were lower in 1998 than 1997 as a result of restructuring efficiencies and a continuing emphasis on cost reduction.

Rates and Regulatory Issues

Rates charged to customers in Northwestern's service area in 1998 were at the level set out in the five-year agreement with customers and approved by the AEUB covering the five years 1998 through 2002. As a result, service rates for Northwestern's customers remained constant with those charged in the prior three years. The positive impact of restructuring allowed ATCO Gas to reopen the five-year negotiated settlement for the purpose of implementing a 1.426% decrease in service rates effective January 1, 1999.

In Canadian Western's service area, service rates have not increased since 1994; however, Canadian Western made an interim refund to customers of $10 million in November 1998 to reflect a possible reduction in rates for 1997 and 1998. Final rate levels for 1998 will be approved by the AEUB when it issues its decision after consideration of the hearings that occurred in January through March, 1999.

NATURAL GAS

Transmission

Banff Pipeline Looping Project, Summer 1998.

ATCO PIPELINES

ATCO Pipelines, comprised of the transmission assets of Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited, will focus on growing its transportation services to producers, industrials and the core market.

ATCO Pipelines began transporting natural gas in 1912 with the completion of the pipeline to bring gas from the Bow Island field to Calgary, Lethbridge and other communities along the way. Today, ATCO Pipelines has more than 9,000 kilometres ("km") of pipeline with 170 receipt points connecting 245 producers with the Alberta core market and 80 industrial customers.

In the last 18 months, significant changes to meet producer and industrial customers' business requirements have been implemented. Account based receipt and delivery services provide increased customer flexibility throughout the province, with terms and conditions based on negotiated settlements reached with industrial and producer customers. In addition to physical transportation service, ATCO Pipelines offers a number of market services, such as exchange and transfers of gas on system. Customers can access their account information anytime, day or night, via the Internet, using TIS Online.

Transportation Growth

'Debottlenecking' facilities, installed in 1997, enabled significant growth in northern producer receipts during 1998. A 27 km loop of the Pembina pipeline was also required to transport the increased volumes.

The Carseland extension, completed in 1997, facilitated 1998 growth in southern producer receipts. To increase the company's ability to move this gas during the warm summer months, a 900 kilowatt compressor was installed at Beiseker.

To meet increased end use demand in the Canmore and Banff areas, Phase IV of the Banff Transmission Line Looping project was completed in 1998 with the installation of 25 km of 323 millimetre pipe between Seebe and Canmore. As a result of extensive negotiations with Alberta Transportation and Utilities, approval was received to install the pipeline primarily within the TransCanada Highway right-of-way, which reduced costs and minimized the impact to the environment. In addition, a 20 km loop of the Jasper Transmission Pipeline was completed to meet increased load requirements in the Jasper area. Despite difficult, rocky terrain encountered on both projects, construction was completed on time to ensure security of supply for the 1998/99 winter.

ATCO Pipelines delivers the Alberta energy advantage by providing flexible, responsive and dependable transportation service within the province. Throughput on the system increased 15% in 1998.

NATURAL GAS

Gathering, Processing & Services

In July of 1998, ATCO Midstream acquired the Watelet Gas Plant and an extensive gathering system from Northstar Energy Corporation.

ATCO MIDSTREAM

The mission of ATCO Midstream (formerly ATCO Gas Services) is to profitably expand operations in key areas of gas gathering and processing, and to provide gas storage and retail gas management services.

ATCO Midstream experienced a profitable 1998 due to a number of factors. The company's diverse asset base was key to successes in both the gathering and processing business and in the storage business. Throughout 1998, low natural gas liquids ("NGL") prices affected earnings, despite all ATCO Midstream processing facilities operating at or near full capacity. However, the company strived to minimize its exposure to the low commodity prices. Low natural gas prices during the summer coupled with high natural gas prices in the winter resulted in strong returns from the storage and hub services area.

The gas gathering and processing business unit worked to optimize and maximize gas flows through existing assets. Natural gas receipts into the Integrated Gas System ("IGS") increased by more than 40% to exceed 100 million cubic feet per day ("mmcfd"). Negotiation of 18 new receipt arrangements occurred, and the debottlenecking of the system. The IGS is now operating near capacity and ATCO Midstream is actively looking at ways to continue expanding this system of pipelines and plants. The effect of low NGL prices resulted in lower than expected earnings at the Edmonton, Fort Saskatchewan and Villeneuve ethane extraction plants.

In July of 1998, ATCO Midstream acquired the Watelet gas plant and an extensive gathering system from Northstar Energy Corporation. This sour gas plant, with licenced capacity of 17 mmcfd, is strategically located to provide custom gas processing services to producers in the Watelet, Wizard Lake, Thorsby, and Leduc Woodbend fields of central Alberta. This significant addition to ATCO Midstream's portfolio of processing plants is currently operating at capacity, with a plant expansion review currently underway.

The company also completed a year of detailed work on a proposed expansion of the Golden Spike sour gas processing plant that will see capacity increased from 15 mmcfd to 40 mmcfd. Approvals were received from the AEUB and other regulatory agencies in late 1998 and plant construction commenced in January of 1999. The expanded plant is scheduled to begin additional processing in the fall of 1999.

The storage and hub services unit increased ATCO Midstream's storage business through a number of innovative transactions in a very dynamic storage environment. The Alberta storage market experienced a significant upturn in 1998 due to export pipeline expansions that increased the amount of gas that could access markets outside Alberta.

ATCO Midstream was able to execute a unique storage arrangement with Imperial Oil Resources at their Golden Spike reservoir during the 1998/99 storage year. This transaction has led to an exclusive arrangement between ATCO Midstream and Imperial Oil Resources for the development of Golden Spike as a long term commercial storage facility.

ATCO Midstream's experienced staff and strategic asset base will position the company to address challenges and capture significant opportunities in 1999.

Technical Services & Facilities Management

An ATCO Frontec employee at Canyon Mountain, in the Yukon, one of 160 NorthwesTel sites for which the company provides diesel power generation, maintenance and fuel re-supply services.

ATCO FRONTEC

Established in 1986, this greenfield company has become a leader in technical services and facilities management. In 1998, Frontec continued to capitalize on its ability to establish effective alliances that provide comprehensive service packages to customers in both the public and private sectors across North America. The company will be renamed ATCO Frontec under the rebranding program.

Facilities Operation and Airports

One of the major initiatives for the year culminated in Bombardier Services Inc. awarding ATCO Frontec a two year contract to provide groundside support services at CFB Moose Jaw. The multi-million dollar contract covers the transition to the 20 year NATO Flying Training in Canada program, which is planned to start during 2001.

ATCO Frontec expanded its base of airport business with several new and renewed airport contracts. These included the North Bay Airport and the Castlegar, Dawson Creek and Penticton Airports in British Columbia.

Frontec Services Limited – Northern Operations

In 1998, the company established a joint venture with the Dogrib Rae Band to pursue logistics work, primarily in the resource sector. Its jointly held company, Tli Cho Logistics, officially incorporated in early 1999, won separate contracts to supply and manage fuel distribution services for Diavik Diamond Mines Inc., and to manage fuel deliveries for BHP Diamonds Inc. Uqsuq Corporation, an alliance with Nunasi Corporation and Qikiqtaaluk Corporation, won the contract for fuel storage and distribution in Resolute Bay, NWT. This new contract involves the biannual storage of 20 million litres of fuel and sale and distribution of up to 10 million litres annually. Through a joint venture with Northern Aboriginal Services Co., ATCO Frontec also successfully completed the first year of a contract to operate and maintain 160 power-generating systems for NorthwesTel.

Radar and Communication Systems

As part of the Region/Sector Air Operations Center Modernization Project, ATCO Frontec worked with leading computer, communications and defence companies in Canada and the United States to modernize computer systems that are essential to North America's air defence. The company's initial work on the modernization of five radar-processing sites has already been commended by senior government personnel and by project partners, and work has been expanded to include a sixth site, Griffiss Air Force Base near Rome, New York.

Property Management

Through its property management division, ATCO Frontec began an innovative facilities management project in January 1998. The operating environment requires Frontec project staff to be integrated with Nortel Networks' Enterprise Solutions business unit in Calgary. Working within Nortel Networks' offices, ATCO Frontec maintains building functions and services, including the cafeteria, security, shuttle bus, electrical and HVAC systems, space planning and building layout.

ATCO Travel

A long-time provider of travel services within the entire ATCO Group, ATCO Travel has expanded its corporate base by securing 15 new major accounts. As well, ATCO Travel has successfully moved from a commission to a fee-based operation, and it has established an interactive web site, ww.atcotravel.com.

Torngait Services

Torngait Services, a limited partnership with the Labrador Inuit, continues to provide camp management services and logistics support to exploration camps at Voisey's Bay and Anaktalak Bay, Labrador.

Manufacturing

The site of this 1,400 person pioneer camp for the Antamina copper/zinc project is half an hour from the Antamina deposit which is located approximately 400 km northeast of Lima, Peru at an altitude of 4,200 metres in the Peruvian Andes.

ATCO STRUCTURES

Throughout 1998, ATCO Structures Inc. ("ASI") remained focused on its core business of manufacturing, sales and leasing of modular buildings in North America, South America and Europe. The year was highlighted with the successful expansion into Australia and Africa.

In October, ASI returned to Australia with the acquisition of a modular manufacturing and leasing company. The purchase of Campac Building Systems Pty Ltd has added two manufacturing facilities in Queensland, Australia and a fleet of over 2,000 space rental and workforce housing units. The acquisition provides ASI with the opportunity to serve the domestic space rentals market and the workforce housing market in Australia and the Pacific Rim.

In Africa, ASI signed a 10 year licensing and marketing agreement with MISR CAMP, a division of Egypt Oil Field and Energy Services Co., to manufacture and sell ATCO products in Egypt utilizing the ATCO trademark. The strategic location for this alliance will allow ASI to secure contracts in surrounding markets including Yemen, Sudan, Kuwait, United Arab Emirates and Oman.

The existing joint venture between ASI and Tecno Fast S.A. in South America met with continued success throughout the year. The joint venture manufactured the pioneer and construction camps for 2,500 persons for the Los Pelambres copper mine expansion in Chile and, later in the year, provided a 1,400 person pioneer camp for the Antamina copper mine in Peru.

Other international projects included the manufacture of drill camps for Venezuela and Algeria – camps specifically designed for frequent movement over extremely rough terrain.

1998 marked the fifth anniversary of manufacturing operations for ASI's European operation based in Budapest, Hungary. The year was very successful as a number of camps were manufactured for clients whose operations were located in Kazakhstan, Russia, Algeria, Western Siberia and Bosnia-Sarajevo. Other ATCO products, including deluxe housing, Fold-A-Way buildings and container washcars, were manufactured in Europe.

In western Canada, ASI's operations were driven by an active oil and gas sector, as well as pipeline and construction activity and forest fire camp rentals and sales. Overall, the year was successful as virtually 100% occupancy levels were achieved during the winter drilling season by the lease fleet. Brisk sales through the summer resulted in the manufacture of 18 new drill camps and also presented an opportunity to rent large volumes of lease fleet equipment to accommodate forest fire personnel in Alberta. In the fall, ASI received an award for an 800 person construction camp for the Union Carbide project at Prentiss, Alberta – a camp which includes new generation dormitories, kitchen/dining facilities and a recreation complex. Additional fourth quarter activity included the rental of two pipeline camps in northern Alberta.

A significant highlight of the fourth quarter was the award to supply a 1,862 person construction camp at Suncor Energy's Project Millennium in Alberta. Installation is underway and the camp is expected to remain in place for over two years.

While the 1999 forecast for the resource sector in Canada remains tentative, pending projects in northern Alberta and eastern Canada will provide ASI's Canadian operations with ongoing sales and lease opportunities.

Manufacturing

ATCO Noise Management provided an acoustic retrofit for Northland Power's 110 MW Cogeneration Plant, Iroquois Falls, Ontario, Canada.

ATCO NOISE MANAGEMENT

ATCO Noise Management ("ANM") provides turnkey solutions for industrial noise, including engineering design, supply, installation, and post-construction testing.

Significant activity in the gas pipeline, power generation and gas manufacturing sectors resulted in strong demand for noise abatement products during 1998.

A major project involved the acoustic treatment of compressor buildings at eight TransCanada PipeLines sites in Saskatchewan, Manitoba, and Ontario. ANM designed and supplied four acoustic off-skid enclosures for each of the project's equipment suppliers. For all sites, ANM designed, supplied and installed the auxiliary fire suppression, fire and gas detection, electrical and crane systems, and utility buildings.

ANM also installed three acoustic on-skid enclosures for Finning Power Systems of Calgary, Alberta on TransCanada PipeLines' mainline.

As part of the Maritimes and Northeast Pipeline to transport Sable Island gas, ANM designed and supplied four acoustic buildings for a compressor station in Goldboro, Nova Scotia. ANM also designed and supplied the acoustic treatment for temporary and permanent compression facilities located within a wild bird sanctuary at Gridley, California. This sensitive location required special attention to pipeline and blow-down vent noise.

In 1998, ANM began acoustic treatment of a 170 MW combined cycle plant for Parsons Power Group and Gemma Power Systems located at Dighton, Massachusetts. New gas fired installations represent a significant growth opportunity as gas turbines are noisy and must comply with strict noise regulations.

Diesel and reciprocating engines also produce high levels of noise and represent a growth market for ANM products and services. In 1998, ANM successfully provided noise abatement for ten diesel engines in a 20 MW standby power plant commissioned by Sunbelt Power of Atlanta, Georgia.

ANM also supplied retrofit services for three Williams Gas Pipeline – Transco locations in Pottstown, Pennsylvania; Monroe, Georgia; and Rockford, Alabama. These services were provided under a five-year agreement for noise control for new and upgraded facilities along the Williams Gas Pipeline – Transco network. The potential for similar projects is large as a significant number of pipeline and power generation facilities located in noise sensitive marketplaces of North America and Europe are due for upgrading, repowering or replacement.

In 1998, ANM entered a new market with the design, supply and installation of the aero-acoustic components for the TransCanada Turbines testing facility in Calgary, Alberta.

Mexico provided another market expansion for ANM in 1998. ANM was the successful bidder for the design, supply and installation of acoustic treatment for the compressor building located at the Cantarell Nitrogen Project in Campeche, Mexico. When complete, the acoustic building will be the largest building on the world's largest nitrogen production complex. This specialty gas market has strong growth potential as manufacturers increasingly locate noisy gas production facilities near their clients or end users.

Two important endeavors in 1998 involved ANM's successful passing of the ISO 9001 annual surveillance audit to maintain ISO registration. The ISO 9001 standard continues to promote the consistent quality and performance of ANM's products and services. The second endeavor constituted the opening of a European office in Staffordshire, England. Since February 1998, the office has represented ANM on bid submissions to European clients.

The European office represents an important stepping stone for ANM into the large European marketplace. ANM will continue to grow markets in North America as well as look to international opportunities for future growth.

New Ventures

ATCO Singlepoint delivers one-stop billing and call centre services to the Alberta marketplace, including the City of Red Deer.

ATCO SINGLEPOINT

ATCO Singlepoint was established in January 1999 as a subsidiary of Canadian Utilities to provide billing and call centre services to customers such as municipalities, utilities and other organizations.

Clients include the City of Red Deer, which contracts with ATCO Singlepoint for a full range of billing and call centre functions to support city services related to electricity, water, sewer and garbage.

This new company also provides billing, credit and collections, customer account services and call centre support to operating companies in the ATCO Group.

ATCO ENERGY

ATCO Energy, a wholly owned subsidiary of Canadian Utilities, was incorporated on September 29, 1998 to participate in the deregulated gas and electricity markets in Alberta. These markets are currently being restructured to provide competition and customer choice in retail energy supply.

ATCO Energy currently provides natural gas supply management services to operating companies in the ATCO Group.

ATCO I-TEK

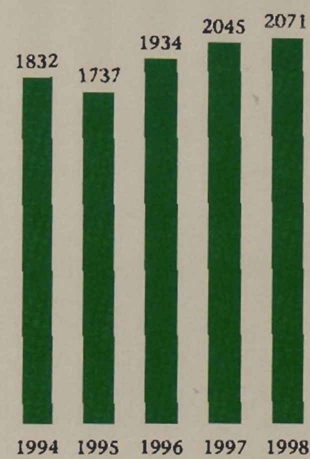
As a result of a review and analysis of the ATCO Group's technology service needs, ATCO I-Tek (Information Technology Enabling Knowledge) was formally established in January 1999 to operate and support the information systems and technologies used within the ATCO Group of Companies. ATCO I-Tek's mandate is to bring cost reduction benefits to these contracts by expanding their services to other clients with similar requirements.

ATCO I-Tek, a division of Canadian Utilities Limited, consists of 255 information technology professional staff, complemented by another 90 contract staff, who operate and support a secured enterprise computing environment. This environment consists of over 3,000 desktop and laptop computers, more than 200 applications, and network connections to over 126 sites throughout western Canada, the Yukon and the Northwest Territories.

ATCO I-Tek has formal, long term service agreements in place with operating companies in the ATCO Group.

Management's Discussion and Analysis of Financial Condition and Results of Operations

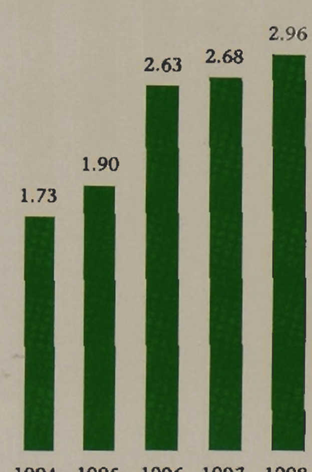
REVENUES
(Millions of dollars)



EARNINGS
(Millions of dollars)

Earnings before income taxes & non-controlling interests

EARNINGS PER CLASS I AND CLASS II SHARE
(Dollars)



INTRODUCTION

The following discussion and analysis of financial condition and results of operations of ATCO Ltd. for the two years ended December 31, 1998 should be read in conjunction with the audited consolidated financial statements which include the accounts of ATCO Ltd. and all of its subsidiaries ("ATCO"). The principal subsidiaries are Canadian Utilities Limited ("Canadian Utilities"), of which ATCO Ltd. owns 42.0% of the Class A non-voting shares and 68.1% of the Class B common shares, for an aggregate ownership of 51.9%, ATCO Structures Inc. ("ASI") of which ATCO Ltd. owns 100% of the Class A Non-Voting shares and 100% of the Class B Common shares, and ATCO Noise Management Ltd. ("ANM") of which ATCO Ltd. owns 100% of the Class A non-voting shares and 100% of the Class B common shares. Canadian Utilities has published an Annual Report containing its Management's Discussion and Analysis of Financial Condition and Results of Operations. Please refer to Shareholders' Information on the inside back cover of this annual report to obtain copies.

RESULTS OF OPERATIONS

Consolidated Operations

Segmented revenues and earnings for the years 1998 and 1997 were as follows:

	Revenues		Earnings	
(Millions of Canadian Dollars)	**1998**	1997	**1998**	1997
Regulated Natural Gas Operations	**873.5**	910.8	**35.6**	34.7
Regulated Electric Operations	**672.2**	662.7	**44.8**	43.4
Power Generation	**193.4**	174.8	**13.2**	10.4
Manufacturing and Leasing	**100.7**	85.4	**8.9**	7.2
Other Businesses	**230.9**	210.9	**9.1**	7.4
Corporate	**0.7**	0.5	**(19.8)**	(18.3)
Intersegment	**–**	–	**(2.9)**	(3.6)
Total	**2,071.4**	2,045.1	**88.9**	81.2

Note:
Certain 1997 comparative figures have been reclassified to conform with the current year's presentation.

Earnings per share increased to $2.96 in 1998 from $2.68 in 1997. All operating segments of ATCO contributed to the improved earnings performance in 1998.

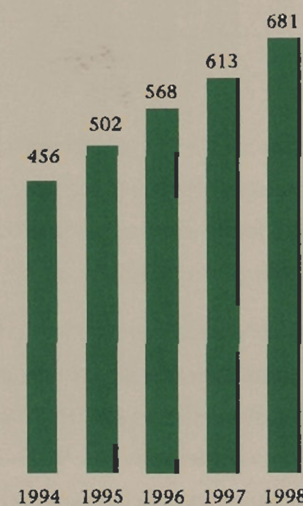
Regulated Natural Gas Operations

The segmented earnings of ATCO's regulated natural gas operations increased from $34.7 million in 1997 to $35.6 million in 1998. Temperatures in 1998 were 3.2% warmer than normal, whereas temperatures in 1997 were 1.0% warmer than normal.

Revenues in 1998 decreased by $37.3 million to $873.5 million. The primary reason for the decrease was lower natural gas supply costs recovered in customer rates, lower sales per customer and the impact of warmer temperatures which were 1.3% warmer than in 1997, partially offset by customer growth.

Operating expenses for 1998 decreased by $46.8 million to $613.1 million. This decrease was primarily due to lower natural gas supply costs. These costs decreased primarily due to lower natural gas prices, lower sales per customer and warmer weather. These decreased costs were partially offset by customer growth. The amount of natural gas supply costs recorded as an expense is based on the forecast cost of natural gas included in customer rates. Any variances from forecast are deferred until the Alberta Energy and Utilities Board ("AEUB") approves revised rates to either refund or collect the variance. As a consequence, changes in natural gas supply costs have a negligible effect on ATCO's earnings.

On October 30, 1997, the AEUB approved, among other things, a five year agreement for Northwestern Utilities Limited ("NUL") which changed industrial and producer transportation customer rates and terms and conditions of service effective January 1, 1998. This agreement enhanced NUL's transmission service by reducing transmission costs. A similar agreement for Canadian Western Natural Gas Company Limited ("CWNG") was approved on an interim basis effective February 1, 1999, to December 31, 2002.



CLASS I AND CLASS II SHAREHOLDERS' EQUITY
(Millions of dollars)

PROPERTY, PLANT AND EQUIPMENT
(Millions of dollars)

Cost
Net Book Value

TOTAL ASSETS
(Millions of dollars)

On March 31, 1998, the AEUB approved a five year negotiated settlement for NUL which will establish cost of service rates and terms and conditions of service for residential, commercial and institutional customers for 1998 through 2002.

At the request of the AEUB, CWNG conducted negotiations during 1998 to review CWNG's 1997 capital structure and return on common equity and to establish customer rates for 1998. As these negotiations did not result in a settlement, the AEUB is conducting hearings that are scheduled to conclude in March 1999.

On June 16, 1998, NUL and CWNG announced that the operations of the two companies are to be merged and then restructured into two new businesses, one of which will focus on transmitting natural gas throughout Alberta through high pressure pipelines, the other of which will distribute natural gas to industrial, commercial and residential customers, primarily in urban areas. The restructuring is subject to AEUB approval. Hearings to consider this restructuring began in February 1999.

As a result of the restructuring announcement, the negotiated agreement with NUL's residential, commercial and institutional customers was re-opened and a new agreement was reached for the same period as the original agreement through 2002. The AEUB has approved the new agreement effective January 1, 1999.

Regulated Electric Operations

The segmented earnings of ATCO's regulated electric operations increased from $43.4 million in 1997 to $44.8 million in 1998.

Revenues in 1998 increased by $9.5 million to $672.2 million. This increase was primarily the result of higher sales to the Alberta power pool and higher industrial sales, mainly in the oilfield sector, partially offset by higher refunds to customers resulting primarily from the 1998 negotiated settlement for Alberta Power Limited ("APL").

Operating expenses for 1998 increased by $2.2 million to $297.9 million. The increase was primarily due to higher maintenance costs and higher costs of fuel and purchased power, partially offset by lower general and administrative costs.

Fuel costs in APL are mostly for coal supply. To protect against volatility in coal prices, APL owns or has committed under long term contracts sufficient coal supplies for the anticipated lives of its coal-fired generating plants. These contracts are at prices that are either fixed or indexed to inflation.

On May 19, 1998, the AEUB approved a negotiated settlement for APL establishing customer rates for 1998. On October 30, 1998, APL filed a General Tariff Application with the AEUB for the 1999 and 2000 test years. Hearings for the tariff application are scheduled to be held in the second quarter of 1999.

In March 1997, APL experienced an outage at two 30 megawatt generating units at its Battle River generating station. These two units have remained out of service since that outage and on January 11, 1999, the AEUB granted APL's application to discontinue operation and dismantle these two units. APL expects dismantling of the units to be completed by December 31, 1999, with no material impact on earnings.

Power Generation

The segmented earnings of ATCO's power generation operations increased from $10.4 million in 1997 to $13.2 million in 1998.

Revenues in 1998 increased by $18.6 million to $193.4 million. This increase was primarily the result of higher availability at the Barking power station, an increase in the average Sterling exchange rate and the commencement of operations of an 85 megawatt cogeneration plant at Primrose, Alberta (the "Primrose steam enhancement plant") in October 1998 and a 180 megawatt cogeneration plant at Osborne, South Australia (the "Osborne cogeneration plant") in December 1998.

Operating expenses for 1998 increased by $10.4 million to $117.5 million. The increase was primarily due to higher availability at the Barking power station together with an increase in the average Sterling exchange rate and higher fuel costs resulting from the commencement of operations of the Primrose steam enhancement plant and the Osborne cogeneration plant.

Fuel costs in power generation operations are for natural gas supply. CU Power International Limited ("CUPIL") obtains its natural gas supplies under long term contracts to protect against volatility in natural gas prices. CUPIL also has the opportunity to purchase natural gas supplies under short term contracts and does so when it is advantageous.

Effective January 1, 1999, CUPIL sold its 50% interest in a joint venture which owns and operates a 144 kilovolt power transmission system between the Alberta/British Columbia provincial boundary and Fort Nelson, British Columbia to BC Hydro.

Manufacturing and Leasing

The segmented earnings of ATCO's manufacturing and leasing operations increased from $7.2 million in 1997 to $8.9 million in 1998.

Manufacturing and leasing revenues in 1998 increased by $15.3 million to $100.7 million. Revenues in North America were higher as a result of increased sales and increased utilization of the Canadian lease fleet. Revenues were higher in Europe due to increased requirements from customers in Kazakhstan and were higher in Australia as a result of the acquisition of Campac Building Systems Pty Ltd on October 30, 1998. Revenues from South American operations declined as work was completed at the Collahuasi mining project in northern Chile in 1997, and new projects of the Tecno Fast ATCO joint venture were not sufficient to offset the 1997 revenues generated by the Collahuasi mining project.

Western Canadian capital resource projects provide the primary domestic market for the North American workforce housing division. During 1998, the fleet utilization rate of 38% was up from 24% in 1997. Programs to rationalize and modernize the size of the workforce housing lease fleet are continuing.

Operating expenses for 1998 increased by $15.6 million to $87.6 million, primarily as a result of higher manufacturing activity in North America and Europe and the commencement of operations in Australia in late 1998, partially offset by decreased activity in South America.

ASI will continue to focus on its core businesses of workforce housing in North America, South America, Europe and Australia and selective international markets. With the acquisition of Campac Building Systems Pty Ltd in Australia, ASI will also focus on the space rental business in Australia.

While there are several major projects planned for development in Canada and Europe in 1999 and beyond, low oil and commodity prices have delayed these projects and opportunities for ASI. In South America, with the exception of a new mine in Peru, most natural resource projects are also being delayed.

International sales may expose ASI to greater risk than normally associated with domestic transactions due to the political and financial aspects of international business. However, ASI will continue to follow strict credit policies on international sales to minimize financial exposure and will continue to utilize its international experience to manage the political and other risks associated with international business. ASI has marketed and installed its manufactured products in over 100 countries around the world since 1947.

Other Businesses

The segmented earnings of ATCO's other operations increased from $7.4 million in 1997 to $9.1 million in 1998.

Revenues in 1998 increased by $20.0 million to $230.9 million. The primary reason for the increase was higher sales of natural gas to third parties, increased natural gas storage, new technical services contracts and increased noise management project activity, partially offset by lower natural gas liquids prices and contract changes related to the North Warning System and Voisey's Bay contracts.

Operating expenses for 1998, net of intersegment expenses, increased by $12.8 million. This increase was primarily due to higher natural gas supply costs related to sales to third parties.

Effective January 1, 1998, as part of a corporate restructuring, the noise management division assets of ASI were transferred to ATCO Noise Management Ltd., a wholly owned subsidiary of ATCO Ltd.

Non-Controlling Interests

The interests of non-controlling shareholders increased from $100.3 million in 1997 to $102.0 million in 1998, primarily as a result of increased earnings by Canadian Utilities.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations increased by $25.4 million to $436.0 million in 1998, primarily due to higher earnings attributable to Class I Non-Voting and Class II Voting shares.

On May 20, 1998, ATCO Ltd. filed a notice of intention to make a normal course issuer bid for the purchase of up to 5% of its outstanding Class I Non-Voting Shares during the period May 25, 1998 to May 24, 1999. As at December 31, 1998, no shares had been purchased.

Investing increased from $325.9 million in 1997 to $434.3 million in 1998, primarily as a result of higher capital expenditures in 1998.

A major portion of ATCO's operating income and cash flow is generated from its utility operations. Canadian Utilities uses commercial paper borrowings and short term bank loans to provide flexibility in the timing and amounts of long term financing. Utility rates designed to recover financing costs and depreciation over the useful life of the utility assets assure the availability of funds for debt interest and retirement, and preferred share dividends and redemption. ATCO Ltd. and CanUtilities Holdings Ltd., a wholly owned subsidiary, receive dividends from Canadian Utilities which have been more than sufficient to service debt requirements and pay dividends.

Net capital expenditures in 1998 totaled $468.9 million. These were primarily financed by internally generated funds.

It is the policy of ATCO Ltd. to pay dividends quarterly on its Class I Non-Voting and Class II Voting shares. The matter of quarterly dividends is addressed by the board of directors in the first quarter of each year. For the first quarter of 1999, the quarterly dividend payment has been increased by $0.03 to $0.20 per share. The payment of any dividend is at the discretion of the board of directors and depends on the financial condition of ATCO Ltd. and other factors.

In addition to the long term and medium term facilities described in Note 7 to the financial statements, ATCO Ltd., ASI and ANM have short term credit facilities available at December 31, 1998 of approximately $37 million, of which $5.0 million had been drawn.

Future income tax liabilities of $133.9 million at December 31, 1998, are attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases. These differences result primarily from recognizing revenue and expenses in different years for financial and tax reporting purposes. Future income taxes will become payable when such differences are reversed through the settlement of liabilities and realization of assets.

Business Risks

Regulated Operations

ATCO's regulated operations are subject to the normal risks faced by regulated companies. These risks include the approval by the AEUB of customer rates which permit a reasonable opportunity to recover on a timely basis the estimated costs of providing service, including a fair return on rate base. ATCO's ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process.

The business risks of APL have changed with the implementation of the Electric Utilities Act in 1996. There is now more forecast risk as each electric utility is exposed to the forecasts of other electric utilities in Alberta as well as the requirement to independently forecast province-wide generation output and pool prices. There is not expected to be a significant impact on earnings given APL's ability to manage these risks.

There will be further changes in the electric utility industry in Alberta. Through legislation passed in 1998, the government of Alberta has set a timetable to pursue a direction, similar to that developing in other jurisdictions, whereby generation is completely deregulated and retail competition is available. This will result in changes to APL's business risk, both at the generation level and in the distribution and retail businesses.

Existing generation is to be deregulated through a system of long term power purchase agreements ("PPAs"). PPAs are commercial contracts which will be imposed on generation owners and will be auctioned to a new group of participants known as "marketers". The effect of these contracts will be that the marketers, not generation owners, will be the pool market participants for existing generation. The resulting risk profile of generation owners is uncertain at this time as the exact form of PPA is still being developed under the direction of the Department of Energy of the government of Alberta.

It is anticipated that APL's transmission and distribution activities will continue to be regulated. APL, along with other industry participants, continues to be involved in discussions with the government of Alberta regarding the details of this deregulation process.

The legislation also requires that a regulated "Stable Rate Option" be offered to smaller customers who do not want to exercise their choice of an unregulated retailer. This option is to be available for five years (2001 – 2005).

Non-Regulated Operations

ATCO's non-regulated operations are outside its traditional regulated businesses, but are related to them in terms of skills, knowledge and experience. ATCO accounts for its non-regulated operations separately from its regulated operations. ATCO's non-regulated operations are subject to the risks faced by any commercial enterprise in those industries and in those countries in which they operate. ATCO has attempted to limit its risks by entering into long term contracts with purchasers for the output of projects and with key suppliers. In the majority of power generation undertakings to date, risks in respect of fuel and energy prices have by contract been agreed and allocated to the purchasers of the electric energy and ATCO has not assumed any risks in this regard.

For those projects in Alberta for which there are no long term PPAs, CUPIL purchases its natural gas supplies on the short term market, as it believes that the hourly price of power in the Alberta power pool will, over time, reflect the current market price of natural gas in Alberta.

ATCO has financed approximately 85% of its non-regulated electrical generating capacity on a non-recourse basis. In these projects, the lender's recourse in the event of default is limited to the business and assets of the project in question and to ATCO's equity therein. ATCO's remaining non-regulated projects are financed through long term bank credit facilities and from internally generated cash.

Hedging

It is the policy of ATCO to use financial instruments to reduce specific risk exposures and to not hold these instruments for trading purposes.

ATCO has entered into several contracts in order to reduce interest rate, foreign exchange and commodity price risk. The financial impact of these contracts is not material and the counterparty in each transaction is a major financial institution or a significant industry participant.

Year 2000

The Year 2000 problem results from the practice of using only two digits to represent a year, i.e., 98 is used instead of 1998. When a computer sees 00 as the year, it may not know whether that represents the year 1900 or 2000. Incorrect calculations may result or the program logic may refuse to accept the date and simply stop. This problem is not limited to accounting related applications running on computers. Millions of computer chips that utilize dates have been installed in electronic devices of all types and there is the potential that some of these devices may fail to handle the "00" year correctly. The interconnected nature of computers and electronic devices compounds the problem and increases both the probability and impact of failures.

Like other companies, ATCO is vulnerable to the failure of its computerized systems and those of its key business partners, such as customers, suppliers, other utilities, government agencies and other third parties. Computers, information technology and electronics are used widely throughout ATCO to facilitate effective and efficient operations and administration. Most operations systems are industry standard, while many administrative systems have been developed, and are supported, by internal staff.

ATCO has been working on its Year 2000 Project since 1995. Each subsidiary of ATCO manages its own Year 2000 project and a Year 2000 Program Manager, who reports directly to the President, has been appointed in each subsidiary. ATCO has dealt with the Year 2000 issue in a methodical and systematic way, incorporating the following elements into its Year 2000 Project:

Awareness: Informing and educating management and employees about the meaning and scope of the Year 2000 issue;

Identification: Listing all systems and devices potentially affected by the Year 2000 date change;

Assessment: Evaluating the importance of each system and device and determining the need for retirement, replacement or repair. A critical and high priority status is assigned to any system which affects the safe and reliable supply of services and products to ATCO's customers. The remaining systems, which would impact on efficiency, are evaluated as medium or low priority;

Remediation/Testing: Repairing or replacing impacted systems and devices on a priority basis as necessary. Tests are performed in compliance with established testing guidelines to ensure consistency of results;

Implementation: Integrating the corrected systems and devices into normal production operations;

Clean Management: Monitoring that systems and devices that have been declared Year 2000 ready are protected from changes that may result in the loss of certification as Year 2000 ready;

Audit / Verification: Engaging independent experts to validate progress, results and conclusions;

Participating and co-operating with the information technology industry, natural gas and electric industries, and various regulatory and government agencies for review of preparedness measures and contingency planning;

Evaluating business relationships for Year 2000 responsibility and critically assessing the compliance and readiness efforts of key suppliers and customers;

Business Continuity: Reviewing business processes and completing an impact/risk analysis of Year 2000 issues;

Developing mitigation and contingency plans to deal with potential disruptions in ATCO's businesses and to address uncertainties regarding key suppliers, business partners and infrastructure.

Activities undertaken across ATCO include:

- A common definition for the term "Year 2000 Ready" has been established and is being enforced. As well, test guidelines for applications and hardware have been developed and implemented.
- Year 2000 warranty clauses have been included in all new purchase orders and contracts.
- Vendors have been requested to confirm that they will be able to maintain their current level of service after January 1, 2000.
- Key suppliers, customers and business partners have been consulted in an effort to minimize the risk of unexpected problems.
- Reviews of business continuity plans have been conducted and contingency plans have been co-ordinated with industry partners to address possible disruptions caused by unexpected Year 2000 failures from internal and external sources.
- Year 2000 project managers have been appointed for each of ATCO's subsidiaries, with each project team reporting its progress to senior executives of each company on a monthly basis.

For ATCO, Year 2000 readiness means that systems or devices have been remediated or replaced and tested as functional, or the ability to work around the system has been established. Year 2000 readiness also includes the preparation of contingency plans to deal with unforeseen impacts.

ATCO is currently on schedule with its remediation efforts. ATCO's goal is to have critical and high priority systems substantially ready by April 30, 1999 and the remaining medium / low priority systems ready by July 30, 1999. This schedule will allow time for additional testing and co-ordination of key supplier and industry partners' plans prior to the end of 1999.

ATCO and its subsidiaries are working towards achieving Year 2000 readiness in accordance with a predetermined schedule. Each company has made significant progress towards Year 2000 readiness with all companies essentially complete in the Awareness, Identification and Assessment stages of their projects. Each company is at a different stage in its project schedule for the Remediation/Testing, and Implementation stages. The Clean Management, Audit / Verification and Business Continuity Planning stages are processes that are repetitive and ongoing and will continue through the Year 2000.

The following table presents ATCO's expected readiness dates for critical / high priority systems and for medium / low priority systems.

	Critical / High Priority Systems	Medium / Low Priority Systems
Canadian Utilities Limited	April 30, 1999	July 30, 1999
CanUtilities Holdings Ltd.	April 30, 1999	July 30, 1999
Northwestern Utilities Limited and Canadian Western Natural Gas Company Limited	March 31, 1999	June 30, 1999
Alberta Power Limited	April 30, 1999	June 30, 1999
CU Power International Limited	April 30, 1999	June 30, 1999
ATCO Structures Inc.	Completed	Completed
ATCO Noise Management Ltd.	Completed	Completed
ATCO Gas Services Ltd.	March 31, 1999	June 30, 1999
Frontec Corporation	March 31, 1999	June 30, 1999
ATCO Singlepoint Ltd.	April 30, 1999	June 30, 1999
ATCO Energy Ltd.	March 31, 1999	June 30, 1999

The target dates for Year 2000 readiness are based on the information currently available to ATCO. The existing readiness plans and readiness dates for each company are subject to change.

ATCO is involved in the supply of both natural gas utility services and electric utility services. A disruption in these services is of particular concern because of the potential impact to customers. ATCO takes very seriously the issues that arise from the Year 2000 problem and its utility operations have been, and continue to be, committed to the reliable supply of electric and natural gas services.

The objective of ATCO's Year 2000 Project is to minimize the likelihood of any problems with the reliability of services and to prepare for a prompt and appropriate response should a disruption occur. The utility operations of ATCO have committed significant resources to the Year 2000 problem and have undertaken a number of precautions including:

- In APL, by April 1999 system clocks will have been set forward at each of its power generating stations and its transmission system to a date in late December 1999. The clocks will then be allowed to advance normally through the key Year 2000 rollover dates and left to operate in the year 2000 until the second quarter of the year 2000. Two of APL's major power generating stations, representing more than one-third of APL's installed capacity, have already been successful in operating through this procedure.
- In CWNG and NUL, integrated testing of systems is being conducted with clocks running through the change to the year 2000 as well as other key date changes.
- Co-operation and sharing of information is established and ongoing with key suppliers, customers, industry associations and various government agencies to minimize the potential of an interruption in service.
- Contingency planning is an established and ongoing effort within ATCO to address many types of operating disruptions, including acts of nature. ATCO's utility operations are particularly focused on supplementing existing plans for Year 2000 related interruptions for all critical and high priority systems. These contingency plans include:
- manual control procedures are in place and are being tested
- additional employees will be at key field locations and the remaining staff will be on standby during critical time frames
- additional supplies will be put in place to meet shortfalls that may arise as a result of supplier failure
- procedures are in place to maximize the generating and reserve levels and to minimize the tie line loadings.

This activity is closely tied to the efforts to assess the overall readiness of ATCO's computerized systems, equipment and business processes and their dependencies on and vulnerabilities to key third party business partners.

Due to the complexity of the Year 2000 issue, including ATCO's dependence on third parties for important products and services, there can be no assurances that the Year 2000 remediation efforts by ATCO or of such third parties will be completely successful. The impact of a failure to complete such remediation efforts successfully could have a material adverse effect on the results of operations and financial condition of ATCO. While there can be no guarantees that disruptions will not occur, based on the approach taken by ATCO and its understanding of the work done by third parties, ATCO does not expect widespread or extended interruptions in its businesses or services.

ATCO has taken the approach of attributing only incremental costs unique to the Year 2000 issue to its program costs. As a result, normal replacement of equipment and software has been excluded from Year 2000 costs even if its replacement is coincidental with the Year 2000 remediation. Consequently, ATCO's costs for Year 2000 are not considered to be material and are expected to be approximately $12 million. The majority of these costs will extend the service life of the assets and, therefore, it is expected that these costs will be capitalized. ATCO's Year 2000 cost estimate is based on management's current estimates which are derived from utilizing numerous assumptions of future events and are subject to change.

March 10, 1999

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the consolidated financial statements, management's discussion and analysis and other financial information relating to the Corporation contained in this annual report. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles using methods appropriate for the industries in which the Corporation operates and necessarily include some amounts that are based on informed judgments and best estimates of management.

PricewaterhouseCoopers, our independent auditors, are engaged to express a professional opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee comprised of four non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and the independent auditors to discuss auditing and financial matters and to gain assurance that management is carrying out its responsibilities. The auditors have full access to the Audit Committee.

J.A. Campbell
Senior Vice President, Finance
and Chief Financial Officer

K.M. Watson
Vice President,
Controller

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ATCO LTD.

We have audited the consolidated balance sheets of ATCO Ltd. as at December 31, 1998 and 1997 and the consolidated statements of earnings and retained earnings and changes in cash position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and 1997 and the results of its operations and changes in its cash position for the years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

February 19, 1999

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

(Millions of Canadian Dollars except per share data)

		Year ended December 31	
	Note	1998	1997
Revenues		$2,071.4	$2,045.1
Costs and expenses			
Natural gas supply		376.3	400.8
Fuel and purchased power		201.8	193.8
Operating and maintenance		444.2	413.8
Selling and administrative		183.4	201.9
Depreciation and amortization		211.0	202.8
Interest	7	175.5	169.7
Dividends on preferred shares		34.5	33.1
Franchise, property and other taxes		101.3	103.9
		1,728.0	1,719.8
		343.4	325.3
Other income	2	34.8	29.4
Earnings before income taxes and non-controlling interests		378.2	354.7
Income taxes	3	187.3	173.2
		190.9	181.5
Non-controlling interests	4	102.0	100.3
Earnings attributable to Class I and Class II shares		88.9	81.2
Retained earnings at beginning of year		475.5	428.0
		564.4	509.2
Dividends on Class I and Class II shares		20.4	16.9
Direct charges	5	1.6	16.8
Retained earnings at end of year		$ 542.4	$ 475.5
Earnings per Class I and Class II share		$ 2.96	$ 2.68
Dividends paid per Class I and Class II share		$ 0.68	$ 0.56

CONSOLIDATED BALANCE SHEET

(Millions of Canadian Dollars)

	Note	December 31 1998	1997
ASSETS			
Current assets			
Cash and short term investments		$ 208.5	$ 206.8
Accounts receivable		370.0	314.3
Inventories		112.9	97.4
Deferred natural gas costs		6.0	(1.6)
Prepaid expenses		19.2	15.6
		716.6	632.5
Property, plant and equipment	6	3,898.4	3,639.4
Goodwill		82.4	86.3
Security deposits for debt		28.2	1.1
Deferred financing charges		12.1	15.8
Other assets		56.0	30.0
		$4,793.7	$4,405.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness		$ 27.0	$ 13.4
Accounts payable and accrued liabilities		342.3	318.7
Income taxes payable		19.7	26.0
Long term debt due within one year	7	2.4	0.3
Non-recourse long term debt due within one year	7	24.7	16.2
		416.1	374.6
Future income taxes	3	133.9	100.3
Unearned revenues		25.9	18.8
Other deferred credits		18.8	16.8
Long term debt	7	1,683.3	1,436.2
Non-recourse long term debt	7	422.7	408.5
Preferred shares	8	500.0	625.0
Non-controlling interests	4	911.6	811.9
Class I and Class II shareholders' equity			
Class I and Class II shares	9	136.7	136.4
Retained earnings		542.4	475.5
Foreign currency translation adjustment		2.3	1.1
		681.4	613.0
		$4,793.7	$4,405.1

Robert Rice
Director

R.D. Southern
Director

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION

(Millions of Canadian Dollars)

Year Ended December 31

	1998	1997
Operating		
Earnings attributable to Class I and Class II shares	$ 88.9	$ 81.2
Non-cash items included in earnings		
Depreciation and amortization	211.0	202.8
Future income taxes	29.8	27.2
Non-controlling interests	102.0	100.3
Other – net	4.3	(0.9)
Cash flow from operations	436.0	410.6
Change in non-cash working capital	(65.1)	(26.1)
	370.9	384.5
Dividends		
Paid to Class I and Class II shareholders	(20.4)	(16.9)
Paid to non-controlling interests	(60.4)	(60.5)
	(80.8)	(77.4)
Investing		
Capital expenditures – net	(468.9)	(363.1)
Contributions by customers for extensions to utility plant	37.8	36.8
Other	(3.2)	0.4
	(434.3)	(325.9)
Financing		
Issue of long term debt	310.1	69.9
Issue of non-recourse long term debt	11.0	59.4
Repayment of long term debt	(60.8)	(56.3)
Repayment of non-recourse long term debt	(17.2)	(15.2)
Security deposits for debt	(25.4)	(1.1)
Redemption of preferred shares by subsidiary	(68.1)	–
Issue of non-retractable preferred shares by subsidiary	–	110.0
Redemption of non-retractable preferred shares by subsidiary	–	(109.5)
Issue (purchase) of Class A non-voting shares by subsidiary	0.6	(24.1)
Issue (purchase) of Class I Non-Voting shares	0.3	(13.2)
Other	(18.2)	11.2
	132.3	31.1
Cash position[1]		
Increase (decrease)	(11.9)	12.3
Beginning of year	193.4	181.1
End of year	$ 181.5	$ 193.4

[1] Cash position includes cash and short term investments less current bank indebtedness.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries, including a proportionate share of joint venture investments ("ATCO"). The principal operating subsidiaries are ATCO Structures Inc. (100% owned) and its subsidiaries, ATCO Noise Management Ltd. (100% owned), and Canadian Utilities Limited (51.865% owned) and its subsidiaries ("Canadian Utilities"), which mainly comprise the regulated electric and natural gas utilities operations and power generation.

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

Utility Regulation

The electric and natural gas utility subsidiaries are regulated primarily by the Alberta Energy and Utilities Board ("AEUB"), which administers acts and regulations covering such matters as rates, financing, accounting, construction, operation and service area. The AEUB may award interim rates, subject to final determination.

Revenue Recognition

Revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Revenues resulting from the supply of contracted products and services are recorded by the percentage of completion method. Full provision is made for any anticipated loss.

Natural Gas Supply

Natural gas supply expense is based on the forecast cost of natural gas included in customer rates. Variances from forecast costs are deferred until such time as approval from the AEUB is obtained for refund to or collection from customers through revised rates and natural gas supply expense is adjusted accordingly.

Income Taxes

Each regulated electric and natural gas utility follows the method of accounting for income taxes that is consistent with the method of determining the income tax component of its rates. When future income taxes are not provided in the income tax component of current rates, such future income taxes are not recognized to the extent that it is expected that they will be recovered from customers through inclusion in future rates.

Other subsidiaries follow the liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in income in the period that the change occurs.

Property, Plant and Equipment

The utility subsidiaries include in capital expenditures an allowance for funds used during construction at rates approved by the AEUB for debt and equity capital. Capital expenditures in the other subsidiaries include capitalized interest incurred during construction.

Certain utility additions are made with the assistance of non-refundable cash contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. These contributions are amortized on the same basis as, and offset the depreciation charge of, the assets to which they relate. Property, plant and equipment is disclosed net of unamortized contributions.

Depreciation is provided on assets on a straight-line basis over their estimated useful lives. Depreciation rates for utility assets are approved by the AEUB. For certain utility assets these approved depreciation rates include a provision for future removal costs and site restoration costs. On retirement of depreciable utility assets, the accumulated depreciation is charged with the cost of the retired unit, net disposal costs and site restoration costs.

Goodwill

Goodwill is recorded at cost and amortized on a straight-line basis generally over 40 years. The carrying value of goodwill is reviewed for impairment by estimating future cash flow from related operations over the remaining amortization period.

Deferred Financing Charges

Expenses of the issue of long term debt are amortized over the term of the debt and expenses of the issue of preferred shares are amortized over the expected life of the issue. Premiums paid and unamortized issue costs of redeemed long term debt and preferred shares of utility subsidiaries are amortized over the life of the issue funding the redemption.

Long Term Debt Due Within One Year

When ATCO intends to refinance long term debt due within one year on a long term basis and there is a written undertaking from an underwriter to act on ATCO's behalf with respect thereto, or sufficient capacity under long term bank loan agreements to issue commercial paper or assume bank loans, then long term debt due within one year is classified as long term.

Hedging

In conducting its business, ATCO uses various instruments, including forward contracts, swaps and options, to manage the risks arising from fluctuations in exchange rates, interest rates and commodity prices. All such instruments are used only to manage risk and not for trading purposes.

Gains and losses are recognized in income in the same period and in the same financial statement category as the income or expense from the hedged position.

Retirement Benefits

ATCO has defined benefit pension plans covering approximately 75% of its employees. Employees participate through contributions to the plans, which provide for pensions based on length of service and final average earnings. The cost of pension benefits is determined using the accrued benefit actuarial cost method prorated on service and reflects management's best estimates of investment returns, wage and salary increases, and age at retirement. Plan assets are valued based on a three to five year average of market values. Adjustments resulting from plan enhancements, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service life of employees.

Canadian Utilities also has defined contribution pension plans for employees. Employer contributions are expensed as incurred.

The cost of other benefits, principally health, dental and life insurance for retirees and their dependents, is expensed as paid.

2. OTHER INCOME

	1998	1997
Allowance for funds used by utilities	$ 5.7	$ 6.7
Interest	22.8	15.7
Other	6.3	7.0
	$ 34.8	$ 29.4

3. INCOME TAXES

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	1998		1997	
Earnings before income taxes and non-controlling interests	$ 378.2	%	$ 354.7	%
Income taxes, at statutory rates	$ 168.5	44.6	$ 158.2	44.6
Dividends on preferred shares	15.4	4.1	14.7	4.1
Allowance for funds used by utilities	(1.4)	(0.4)	(1.5)	(0.4)
Depreciation of capitalized allowance for funds used by utilities	3.7	1.0	3.6	1.0
Crown royalties and other non-deductible Crown payments	3.1	0.8	3.0	0.8
Earned depletion and resource allowance	(4.5)	(1.2)	(4.5)	(1.3)
Large Corporations Tax	5.6	1.4	4.6	1.3
Unrecorded future income taxes	1.2	0.3	(3.2)	(0.9)
Foreign tax rate variance	(5.7)	(1.5)	(3.9)	(1.1)
Change in future income taxes resulting from reduction in United Kingdom tax rate	(1.3)	(0.3)	(1.8)	(0.5)
Non-deductible interest on foreign financing	1.8	0.5	2.0	0.6
Other	0.9	0.2	2.0	0.6
	187.3	49.5	173.2	48.8
Current income taxes	153.7		145.7	
Future income taxes	$ 33.6		$ 27.5	

The future income tax liabilities comprise the following:

	1998	1997
Property, plant and equipment	$ 146.1	$ 128.2
Allowance for funds used by utilities	8.2	5.6
Deferred pension costs	3.2	3.3
Reserves	(5.9)	(14.6)
Tax loss carryforwards	(18.8)	(21.6)
Other	5.2	(0.3)
	138.0	100.6
Less: Amounts included in income taxes payable	4.1	0.3
	$ 133.9	$ 100.3

Unrecorded future income taxes of the utility subsidiaries decreased by $1.2 million to $178.6 million at December 31, 1998.

Expected future recoveries relating to tax loss carryforwards have been recorded in the amount of $18.8 million, of which $2.0 million expires beginning in 2004 and $16.8 million does not expire. In addition, a foreign subsidiary has tax loss carryforwards of $12.4 million for which no tax benefit has been recorded. These losses begin to expire in 2000.

4. NON-CONTROLLING INTERESTS

	1998	1997
Non-controlling interests in Canadian Utilities:		
Non-retractable		
Cumulative Redeemable Second Preferred Shares, at 5.9%	$ 56.9	$ –
Perpetual Cumulative Second Preferred Shares, at 4.63% to 5.4%	210.0	210.0
Class A non-voting and Class B common shares	644.7	601.9
	$ 911.6	$ 811.9
Non-controlling interests in the earnings of Canadian Utilities:		
Non-retractable preferred share dividends	$ 10.4	$ 12.4
Earnings attributable to Class A non-voting and Class B common shares	91.6	87.9
	$ 102.0	$ 100.3

5. DIRECT CHARGES TO RETAINED EARNINGS

	1998	1997
Purchase of Class I shares	$ –	$ 11.3
Adjustment to opening retained earnings for prior years' effect of change in method of accounting for income taxes (after non-controlling interests)	–	3.4
Stock options settled (after income taxes)	1.1	1.5
Stock options settled by a subsidiary (after income taxes and non-controlling interests)	0.5	0.6
	$ 1.6	$ 16.8

6. PROPERTY, PLANT AND EQUIPMENT

	1998			1997	
	Composite Depreciation Rates	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Regulated natural gas operations	3.9%	$ 2,208.0	$ 748.3	$ 2,094.1	$ 696.6
Regulated electric operations	3.6%	3,163.1	1,137.4	3,061.2	1,053.9
Power generation	3.4%	682.9	65.1	503.8	44.8
Manufacturing and leasing	5.6%	62.4	14.8	31.9	16.2
Other	5.4%	175.4	37.5	157.9	30.4
		$ 6,291.8	$ 2,003.1	$ 5,848.9	$ 1,841.9
Property, plant and equipment, less accumulated depreciation			$ 4,288.7		$ 4,007.0
Unamortized contributions by customers for extensions to utility plant			390.3		367.6
			$ 3,898.4		$ 3,639.4

Accumulated depreciation includes amounts provided for future removal and site restoration costs, net of salvage value, of $156.9 million (1997 - $137.1 million).

Composite depreciation rates reflect total depreciation expensed and capitalized as a percentage of mid-year cost, excluding non-depreciable assets and construction work-in-progress.

7. LONG TERM DEBT

	1998	1997
Canadian Utilities		
Debentures, at fixed rates of 5.42% to 12%, due at various dates to 2023	$ 1,335.0	$ 1,385.0
Notes payable, at rates of 5.175% to 5.24%, maturing at various dates to March 1999	186.5	5.3
Term credit facilities, at Bankers' Acceptance rates, due 2003	98.2	–
Other long term obligations, at rates of 5.32% to 11.125%	43.0	34.3
ATCO Investments Ltd.		
Term loan on Canadian Western Centre, Phase II, at prime, due March 2000, secured by the building	11.6	11.9
ATCO Structures Pty Ltd		
Term loan, at fixed rate of 5.8%, due December 2003, payable in Australian dollars	11.4	–
	1,685.7	1,436.5
Less: Amounts due within one year	2.4	0.3
	$ 1,683.3	$ 1,436.2

	1998	1997
Non-recourse (secured only by specific project assets)		
Canadian Utilities		
Barking Power Limited project financing, due to 2010, payable in British pounds:		
At fixed rates averaging 7.95%	$ 124.0	$ 116.6
At London Interbank Offered Rate plus 0.5095%	205.4	196.3
Osborne Cogeneration Pty Ltd. project financing, at 10.795%, due to 2013, payable in Australian dollars	67.1	55.1
McMahon cogeneration plant term facility, at 9.135%, due to 2004	21.4	25.2
Industrial Gas System credit facility, at 7.32%, due to 2006	29.5	31.5
	447.4	424.7
Less: Amounts due within one year	24.7	16.2
	$ 422.7	$ 408.5

The interest rates disclosed for certain of the non-recourse debt obligations reflect the effect of interest rate swap agreements.

The minimum annual debt repayments for each of the next five years are as follows:

	Long Term Debt	Non-Recourse Long Term Debt	Total
1999	$ 45.3	$ 24.7	$ 70.0
2000	66.2	28.3	94.5
2001	2.6	30.6	33.2
2002	73.7	32.4	106.1
2003	185.6	35.0	220.6
	$ 373.4	$ 151.0	$ 524.4

Of the $70.0 million due in 1999, $42.9 million is to be refinanced and is, therefore, excluded from long term debt due within one year in the balance sheet. Similarly, the notes payable have been included in long term debt.

ATCO has credit lines totalling $706.6 million, of which $422.2 million are available on a committed basis by the lenders and $284.4 million are available on an uncommitted basis. These credit lines enable ATCO to obtain financing for general business purposes. At December 31, 1998, $299.0 million of committed credit lines and $237.4 million of uncommitted credit lines were still available.

The debenture trust indenture places certain limitations on Canadian Utilities which include restrictions on the payment of dividends on Class A non-voting and Class B common shares in excess of $226.2 million.

Interest on debt is as follows:

	1998	1997
Long term debt and non-recourse long term debt	$ 177.3	$166.4
Current bank indebtedness	2.8	2.1
Amortization of financing charges	3.7	3.9
Less: Capitalized on non-utility projects	(8.3)	(2.7)
	$ 175.5	$ 169.7

Fair values

Fair values for the above debt, determined using quoted market prices for the same or similar issues, are shown below. Where market prices are not available, fair values are estimated using discounted cash flow analysis based on ATCO's current borrowing rate for similar borrowing arrangements.

	1998	1997
Long term debt – fixed rate	$ 1,746.1	$ 1,762.2
– floating rate	138.7	30.5
	$ 1,884.8	$ 1,792.7
Non-recourse long term debt – fixed rate	$ 276.8	$ 250.6
– floating rate	205.4	196.3
	$ 482.2	$ 446.9

8. PREFERRED SHARES

	Redemption	1998		1997	
	Dates	Shares	Amount	Shares	Amount
CanUtilities Holdings Ltd.					
Authorized and Issued:					
Cumulative Redeemable Preferred Shares					
Series A	July 1, 2001	6,000,000	$ 150.0	6,000,000	$ 150.0
Series B	July 1, 2001	3,000,000	75.0	3,000,000	75.0
Series C	July 1, 2001	3,000,000	75.0	3,000,000	75.0
			300.0		300.0
Canadian Utilities Limited					
Authorized:					
An unlimited number of Series Second Preferred Shares, issuable in series					
Issued:					
Cumulative Redeemable Second Preferred Shares					
Retractable on redemption dates					
5.9% Series Q	–	–	–	5,000,000	125.0
5.3% Series R	June 1, 1999	6,000,000	150.0	6,000,000	150.0
6.6% Series S	March 1, 2000	2,000,000	50.0	2,000,000	50.0
			200.0		325.0
			$ 500.0		$ 625.0

CanUtilities Holdings Ltd.

The Series A preferred shares bear a fixed dividend rate of $1.7250 per share per annum. The Series B and Series C preferred shares bear a floating dividend rate determined by monthly auctions.

The average dividend rate on the preferred shares for the year ended December 31, 1998 was $1.3693 (1997 - $1.2018) per share per annum.

CanUtilities Holdings Ltd. will be required to redeem the preferred shares on July 1, 2001 at $25.00 per share plus accrued and unpaid preferential dividends. It is not permitted to redeem the preferred shares prior to July 1, 2001.

Canadian Utilities Limited

On December 1, 1998, 2,722,325 of Cumulative Redeemable Second Preferred Shares Series Q were retracted at a price of $25.00 per share plus accrued dividends. Effective December 1, 1998, the retraction option expired and the remaining 2,277,675 Series Q shares are now redeemable only at the option of Canadian Utilities Limited and, therefore, have been recorded as non-controlling interests (see note 4).

The preferred shares of Canadian Utilities Limited may be redeemed at the stated value of $25.00 per share plus accrued and unpaid dividends. The preferred shares are retractable on the dates specified above at the option of the holder at the stated value plus accrued and unpaid dividends.

Fair values

Fair values for preferred shares, determined using quoted market prices for the same or similar issues, are $514.2 million (1997 - $645.7 million).

9. CLASS I AND CLASS II SHARES

	Class I Non-Voting		Class II Voting		Total	
	Shares	Consideration	Shares	Consideration	Shares	Consideration
Authorized:	100,000,000		50,000,000		150,000,000	
Issued and Outstanding:						
December 31, 1996	26,788,523	$ 136.4	3,686,009	$ 1.9	30,474,532	$ 138.3
Purchased	(484,100)	(2.4)	–	–	(484,100)	(2.4)
Stock options exercised	35,800	0.5	–	–	35,800	0.5
Converted: Class II to Class I	17,337	–	(17,337)	–	–	–
December 31, 1997	26,357,560	134.5	3,668,672	1.9	30,026,232	136.4
Stock options exercised	21,600	0.3	–	–	21,600	0.3
Converted: Class II to Class I	200	–	(200)	–	–	–
December 31, 1998	26,379,360	$ 134.8	3,668,472	$ 1.9	30,047,832	$ 136.7

Shareholder rights

Each Class II Voting share may be converted to one Class I Non-Voting share at the shareholder's option. In the event an offer to purchase Class II Voting shares is made to all holders of Class II Voting shares, and is accepted and taken up by the holders of a majority of such shares pursuant to such offer, then provided an offer is not made to the holders of Class I Non-Voting shares on the same terms and conditions, the Class I Non-Voting shares shall be entitled to the same voting rights as the Class II Voting shares. The two classes of shares rank equally in all other respects.

Normal course issuer bid

On May 25, 1998, ATCO Ltd. commenced a Normal Course Issuer Bid for the purchase of up to 5% of the outstanding Class I Non-Voting shares. The offer will expire on May 24, 1999.

Stock option plan

ATCO Ltd. has a stock option plan under which directors, officers and key employees may purchase Class I Non-Voting shares at $14.03 to $36.52 on or before dates extending from February 1, 2005 to July 8, 2008. The exercise of the outstanding options would not materially dilute earnings per Class I and Class II share. Changes in shares under option are summarized below:

	1998	1997
Options at beginning of year	895,300	820,900
Granted	140,500	277,000
Exercised	(21,600)	(35,800)
Settled	(101,750)	(166,800)
Options at end of year	912,450	895,300

10. JOINT VENTURES

ATCO's interest in joint ventures is summarized below:

	1998	1997
Statement of earnings		
Revenues	$ 221.4	$ 214.2
Operating expenses	136.0	136.2
Depreciation	17.2	15.9
Interest	29.8	28.2
	38.4	33.9
Other income	6.4	6.4
Earnings from joint ventures before income taxes	$ 44.8	$ 40.3
Balance sheet		
Current assets	$ 127.4	$ 102.3
Current liabilities	(73.5)	(73.7)
Property, plant and equipment	579.4	467.2
Deferred items, net	(63.3)	(50.4)
Long term debt	(16.0)	–
Non-recourse long term debt (secured only by joint venture assets)	(396.0)	(378.7)
Investment in joint ventures	$ 158.0	$ 66.7
Statement of changes in cash position		
Operating	$ 52.0	$ 52.8
Investing	(97.1)	(67.7)
Financing	52.8	23.1
Increase in cash position	$ 7.7	$ 8.2

Current assets include cash of $41.0 million (1997 - $35.1 million) which is only available for use within the joint ventures.

11. RETIREMENT BENEFITS

The present values of the accrued pension benefits based on actuarial calculations and the net assets available to provide for pensions under the defined benefit plan are as follows:

	1998	1997
Market value of assets	$ 1,131.2	$ 1,092.7
Accrued pension benefits	845.7	775.2
Surplus	$ 285.5	$ 317.5

12. COMMITMENTS AND CONTINGENCIES

ATCO has contractual obligations in the normal course of business and in respect of long term operating leases for manufacturing facilities, office premises and equipment. The rentals amounted to $13.3 million for the year (1997 - $12.9 million). Future minimum lease payments are as follows:

1999	2000	2001	2002	2003	Total of All Subsequent Years
$13.2	$12.4	$11.5	$11.0	$9.4	$27.0

ATCO is party to a number of disputes and lawsuits in the ordinary course of business. Management is confident that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

On August 17, 1998, Canadian Western Natural Gas Company Limited filed an application with the AEUB for 1997 return on common equity and capital structure, and a general rate application for 1998. The hearing is being conducted during the first quarter of 1999, and a decision is expected by the end of 1999. The decision is not expected to have a material effect on the consolidated financial statements.

13. SEGMENTED INFORMATION

ATCO operates in four primary business segments:

Regulated natural gas operations provide natural gas production, transmission and distribution to industrial, residential and commercial customers in Alberta;

Regulated electric operations provide electric power generation, transmission and distribution to industrial, commercial and residential customers in north central Alberta and parts of the Yukon and the Northwest Territories;

Power generation owns and operates non-regulated electric generating facilities in Canada, Great Britain and Australia;

Manufacturing and leasing, with operations in Canada, Chile, Hungary, Egypt and Australia, manufactures, sells and leases industrial workforce housing to over 95 countries around the world.

Other businesses consist of: natural gas gathering, processing, storage and natural gas supply management; technical facilities management for the defence, transportation and industrial sectors; design and construction of buildings and acoustic barriers to reduce noise emissions from industrial facilities; customer billing and call centre services for gas and electric utilities, marketers and municipalities; and real estate.

Business segments

1998 1997	Regulated Natural Gas Operations	Regulated Electric Operations	Power Generation	Manufacturing and Leasing	Other Businesses	Corporate	Intersegment Eliminations	Consolidated
Revenues – external	$ 873.5	$ 672.2	$ 193.4	$ 100.7	$ 230.9	$ 0.7	$ –	$ 2,071.4
	$ 910.8	$ 662.7	$ 174.8	$ 85.4	$ 210.9	$ 0.5	$ –	$ 2,045.1
Revenues – intersegment[1]	8.6	3.9	–	–	70.9	9.5	(92.9)	–
	5.4	2.4	–	–	18.9	11.8	(38.5)	–
Revenues	882.1	676.1	193.4	100.7	301.8	10.2	(92.9)	2,071.4
	916.2	665.1	174.8	85.4	229.8	12.3	(38.5)	2,045.1
Operating expenses	613.1	297.9	117.5	87.6	263.0	19.6	(91.7)	1,307.0
	659.9	295.7	107.1	72.0	196.2	21.6	(38.3)	1,314.2
Depreciation and amortization	74.2	105.1	16.9	2.6	8.3	0.3	3.6	211.0
	73.5	100.9	15.7	2.6	6.3	0.4	3.4	202.8
Interest	53.3	87.9	29.9	0.3	5.7	137.1	(138.7)	175.5
	48.2	89.4	28.2	0.4	5.4	137.4	(139.3)	169.7
Dividends on preferred shares	6.3	11.7	–	–	–	16.5	–	34.5
	6.5	12.1	–	–	–	14.5	–	33.1
Other income	(4.2)	(5.4)	(10.6)	(3.1)	(3.0)	(146.0)	137.5	(34.8)
	(4.4)	(6.7)	(7.9)	(1.8)	(2.1)	(145.8)	139.3	(29.4)
Earnings before income taxes and non-controlling interests	139.4	178.9	39.7	13.3	27.8	(17.3)	(3.6)	378.2
	132.5	173.7	31.7	12.2	24.0	(15.8)	(3.6)	354.7
Income taxes	68.0	88.7	14.0	4.4	11.9	0.7	(0.4)	187.3
	61.8	84.5	11.2	5.0	10.7	–	–	173.2
Earnings before non-controlling interests	71.4	90.2	25.7	8.9	15.9	(18.0)	(3.2)	190.9
	70.7	89.2	20.5	7.2	13.3	(15.8)	(3.6)	181.5
Non-controlling interests	35.8	45.4	12.5	–	6.8	1.8	(0.3)	102.0
	36.0	45.8	10.1	–	5.9	2.5	–	100.3
Earnings attributable to Class I and Class II shares	$ 35.6	$ 44.8	$ 13.2	$ 8.9	$ 9.1	$ (19.8)	$ (2.9)	$ 88.9
	$ 34.7	$ 43.4	$ 10.4	$ 7.2	$ 7.4	$ (18.3)	$ (3.6)	$ 81.2
Total assets	$1,478.8	$2,059.7	$ 747.5	$ 81.5	$ 237.8	$ 150.1	$ 38.3	$ 4,793.7
	$1,365.6	$2,026.8	$ 566.3	$ 52.9	$ 193.2	$ 163.7	$ 36.6	$ 4,405.1
Capital expenditures	$ 143.5	$ 124.4	$ 143.3	$ 39.7	$ 18.2	$ 0.4	$ –	$ 469.5
	$ 144.6	$ 122.4	$ 68.3	$ 11.6	$ 10.7	$ 2.8	$ –	$ 360.4

[1] Intersegment revenues are recognized on the basis of prevailing market or regulated prices.

Geographic segments

	Domestic		Foreign		Consolidated	
	1998	1997	1998	1997	1998	1997
Revenues	$ 1,855.3	$1,849.4	$ 216.1	$195.7	$ 2,071.4	$2,045.1
Capital assets	$ 3,515.2	$3,318.7	$ 465.6	$407.0	$ 3,980.8	$3,725.7

14. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may affect an entity's ability to conduct normal business operations. While ATCO has implemented a Year 2000 program, it is not possible to be certain that all aspects of the Year 2000 Issue affecting ATCO, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Consolidated Summary of Operations

(Millions of Canadian dollars except share data)

	1998	1997	1996	1995	1994
Revenues	$ 2,071.4	$ 2,045.1	$ 1,934.1	$ 1,736.9	$ 1,831.5
Costs and expenses	1,728.0	1,719.8	1,615.8	1,465.0	1,558.3
	343.4	325.3	318.3	271.9	273.2
Other income	34.8	29.4	22.7	21.3	17.7
	378.2	354.7	341.0	293.2	290.9
Income taxes	187.3	173.2	175.9	152.3	156.3
	190.9	181.5	165.1	140.9	134.6
Non-controlling interests	102.0	100.3	91.8	84.1	81.6
Earnings (loss) from					
Continuing operations	88.9	81.2	73.3	56.8	53.0
Discontinued operations	–	–	6.8	1.1	(0.4)
Earnings attributable to Class I and Class II shares	$ 88.9	$ 81.2	$ 80.1	$ 57.9	$ 52.6
Earnings (loss) per Class I and Class II share					
Continuing operations	$ 2.96	$ 2.68	$ 2.41	$ 1.86	$ 1.74
Discontinued operations	–	–	0.22	0.04	(0.01)
	$ 2.96	$ 2.68	$ 2.63	$ 1.90	$ 1.73
Dividends paid per Class I and Class II share	$ 0.68	$ 0.56	$ 0.52	$ 0.36	$ 0.27
Equity per Class I and Class II share	$ 22.68	$ 20.42	$ 18.63	$ 16.48	$ 15.00
Class I and Class II shares outstanding	30,047,832	30,026,232	30,474,532	30,465,432	30,425,432
Market price of shares					
Class I High	39.00	34.00	24.00	19.25	16.75
Low	30.00	23.50	17.63	13.75	12.00
Close	39.00	34.00	23.75	18.75	15.00
Class II High	38.00	33.00	24.00	18.50	16.88
Low	30.25	23.50	17.63	14.00	12.50
Close	38.00	33.00	22.50	18.50	14.75

Principal Operations

ATCO GROUP
OPERATING COMPANIES AND DIVISIONS

Electric Power

ATCO Electric Ltd.

- Ashcor Technologies Ltd.
- Energen Inc.
- Northland Utilities (NWT) Limited
- Northland Utilities (Yellowknife) Limited
- The Yukon Electrical Company Limited

ATCO Power Ltd.

- ATCO Power Canada Ltd.
- Barking Power Limited
- CU Power Australia Pty Ltd.
- CU Power Generation Ltd.
- Thames Power Limited
- Thames Power Services Limited
- Thames Valley Power Limited

Natural Gas

ATCO Gas

ATCO Midstream Ltd.

ATCO Pipelines

CU Water Limited

Technical Services & Facilities Management

ATCO Frontec Corp.

- ATCO Frontec Logistics Corp.
- ATCO Frontec Property Management
- ATCO Frontec Security Services
- ATCO Frontec Services Inc.
- ATCO Frontec Services Ltd.
- ATCO Travel Ltd.
- Narwhal Arctic Services
- Tli Cho Logistics
- Tomgait Services Inc.
- Uqsuq Corporation

Energy Marketing & Services

ATCO Energy Ltd.

ATCO Singlepoint Ltd.

ATCO I-Tek

Manufacturing

ATCO Noise Management Ltd.

ATCO Structures Inc.

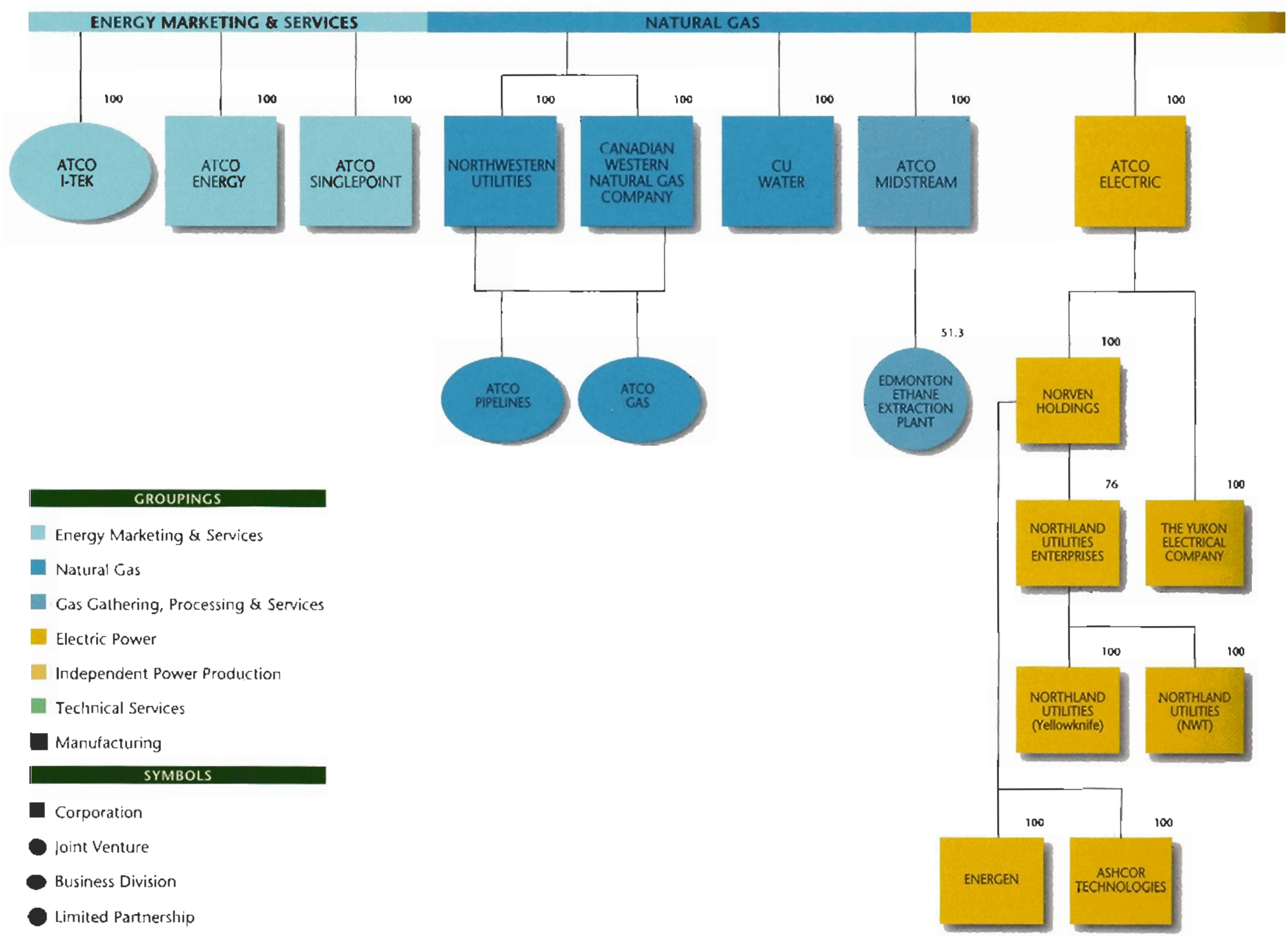
- ATCO Europe kft.
- ATCO Structures Pty Ltd.
- Tecno Fast ATCO S.A.

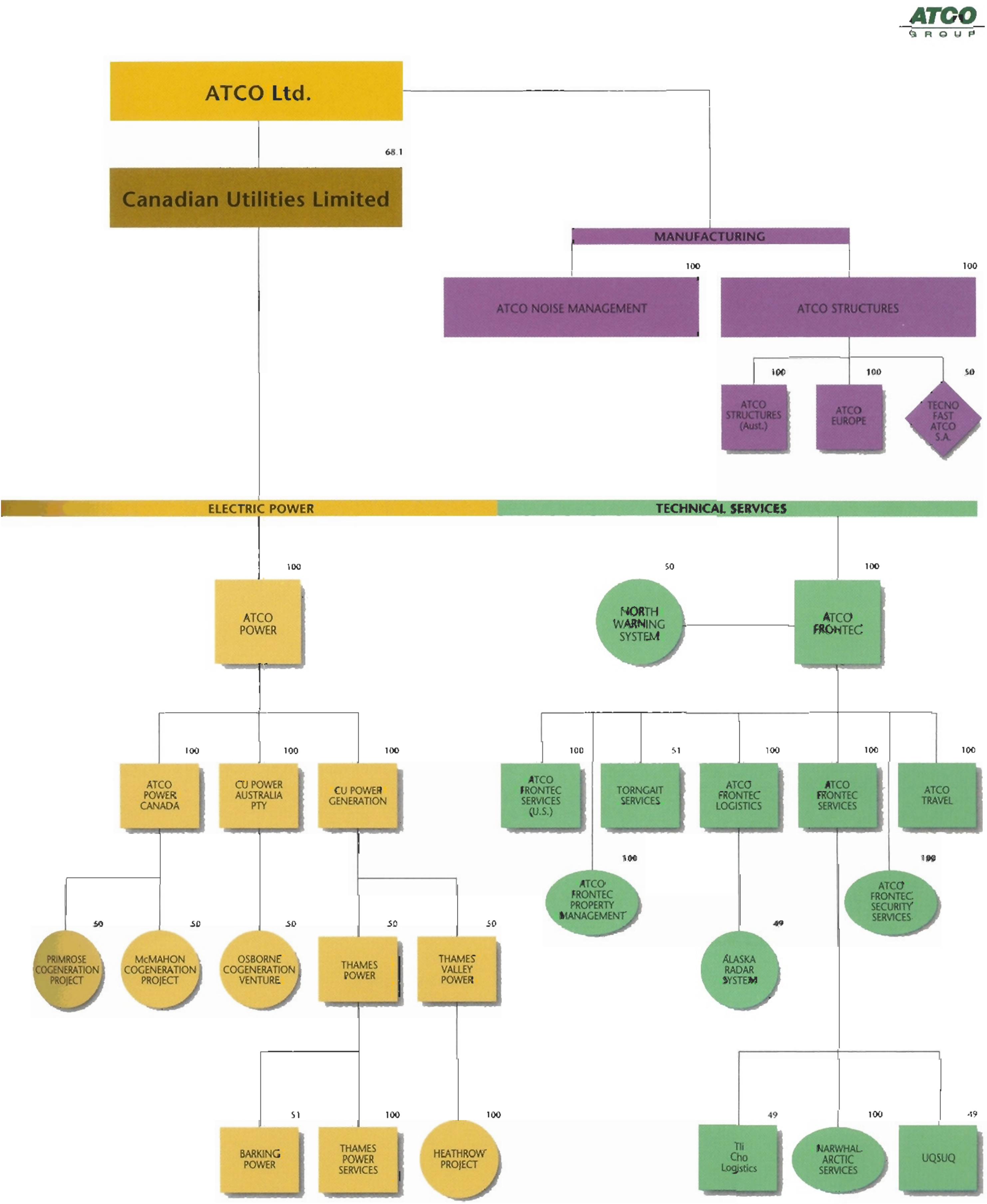
ATCO Group Corporate Head Office

1500, 909 – 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Telephone: (403) 292-7500
Fax: (403) 292-7643
Website: www.atco.ca

Corporate Structure

(Percentage of voting shares held by the parent company)




ATCO GROUP
ATCO Ltd.
68.1
Canadian Utilities Limited
MANUFACTURING
100
ATCO NOISE MANAGEMENT
100
ATCO STRUCTURES
100
ATCO STRUCTURES (Aust.)
100
ATCO EUROPE
50
TECNO FAST ATCO S.A.
ELECTRIC POWER
TECHNICAL SERVICES
100
ATCO POWER
50
NORTH WARNING SYSTEM
100
ATCO FRONTEC
100
ATCO POWER CANADA
100
CU POWER AUSTRALIA PTY
100
CU POWER GENERATION
100
ATCO FRONTEC SERVICES (U.S.)
51
TORNGAIT SERVICES
100
ATCO FRONTEC LOGISTICS
100
ATCO FRONTEC SERVICES
100
ATCO TRAVEL
100
ATCO FRONTEC PROPERTY MANAGEMENT
100
ATCO FRONTEC SECURITY SERVICES
50
PRIMROSE COGENERATION PROJECT
50
McMAHON COGENERATION PROJECT
50
OSBORNE COGENERATION VENTURE
50
THAMES POWER
50
THAMES VALLEY POWER
49
ALASKA RADAR SYSTEM
51
BARKING POWER
100
THAMES POWER SERVICES
100
HEATHROW PROJECT
49
Tli Cho Logistics
100
NARWHAL ARCTIC SERVICES
49
UQSUQ

Corporate Information

DIRECTORS

W.L. Britton, Q.C. (1) (2)
Partner, Bennett Jones, Calgary

B.P. Drummond (1) (2) (3)
Corporate Director, Montreal

B.K. French (1) (2) (3) (4)
President, Karusel Management Ltd., Calgary

Hon. E.P. Lougheed, P.C., C.C., Q.C. (4)
Partner, Bennett Jones, Calgary

H.M. Neldner (1) (3)
Corporate Director, Edmonton

R. Rice
Corporate Director and Private Investor, South Carolina, U.S.A.

N.C. Southern (3)
Deputy Chairman and Deputy Chief Executive Officer, ATCO Ltd.

R.D. Southern, C.B.E., C.M., LL.D.
Chairman and Chief Executive Officer, ATCO Ltd.

C.O. Twa (4)
President and Chief Operating Officer, ATCO Ltd.

L.C. van Wachem, K.B.E.
Corporate Director, The Hague, The Netherlands

(1) Member - Audit Committee
(2) Member - Corporate Governance – Nomination, Succession and Compensation
(3) Member – Risk Review Committee
(4) Member - Crisis Management Committee

OFFICERS

R.D. Southern
Chairman and Chief Executive Officer

N.C. Southern
Deputy Chairman and Deputy Chief Executive Officer

C.O. Twa
President and Chief Operating Officer

J.A. Campbell
Senior Vice President, Finance and Chief Financial Officer

C.R. Armour
Managing Director, Australia/Asia Pacific

D.R. Cawsey
Assistant Corporate Secretary and Manager, Human Resources

D.T. Davis
Vice President, Internal Audit

P.J. House
Vice President, Corporate Secretary

S.W. Kiefer
Vice President, Information Technology and Chief Information Officer

C.S. McConnell
Treasurer

L.J. Vegh
Vice President, Insurance

K.M. Watson
Vice President, Controller

S.R. Werth
Vice President, Administration

PRESIDENTS OF PRINCIPAL OPERATING SUBSIDIARIES

J.E. Barrett
President, ATCO Noise Management Ltd.

G.K. Bauer
President, ATCO Power Ltd.

D.M. Ellard
President, ATCO Singlepoint Ltd.

J.R. Frey
President, ATCO Electric Ltd.

J.D. Graham
President, ATCO Pipelines

W.A. Kmet
President and Chief Executive Officer, ATCO Structures Inc.

G.N. Paicu
President and Chief Executive Officer, ATCO Frontec Corp.

M.M. Shaw
President, ATCO Midstream Ltd.

C.K. Sheard
President, ATCO Gas

G.W. Welsh
President, ATCO Energy Ltd.

Shareholders' Information

ATCO LTD.

Office of the Chairman & Corporate Office
1500/1600, 909 - 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Tel: (403) 292-7500 Fax: (403) 292-7643

Shareholders and security analyst inquiries should be directed to:

Senior Vice President, Finance and
Chief Financial Officer
ATCO Ltd.
1600, 909 - 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Telephone: (403) 292-7502

Dividend information and other inquiries concerning shares should be directed to:

CIBC Mellon Trust Company
Stock Transfer Department
600 The Dome Tower
333 - 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: 1-800-387-0825
e-mail: inquiries@cibcmellon.ca

The shares of ATCO Ltd. are listed on

The Toronto Stock Exchange
The Montreal Exchange and
The Alberta Stock Exchange

under the ticker symbols

ACO.X (Class I Non-Voting Shares)
ACO.Y (Class II Voting Shares)

The fiscal year of ATCO Ltd. ends on December 31. Dividends are mailed approximately the end of March, June, September and December.

ATCO Ltd. is incorporated under the laws of the Province of Alberta.

AUDITORS

PricewaterhouseCoopers
Calgary, Alberta

COUNSEL

Bennett Jones
Calgary, Alberta

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:00 a.m. M.D.T. on Wednesday, May 19, 1999 at

The Palliser Hotel
133 - 9th Avenue S.W.
Calgary, Alberta

ATCO GROUP ANNUAL REPORTS

Annual Reports to Shareholders and Management's Discussion and Analysis for ATCO Ltd. and ATCO publicly traded company, Canadian Utilities Limited, are available upon request from:

ATCO Ltd. & Canadian Utilities Limited
Corporate Offices
1500/1600, 909 - 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Tel: (403) 292-7500
Website: www.atco.ca