



HIGHLIGHTS

65

ATCO's tradition of excellence dates back 65 years to 1947 when Alberta **Trailer Hire was** founded by R.D. Southern and his father, S.D. Southern.

26

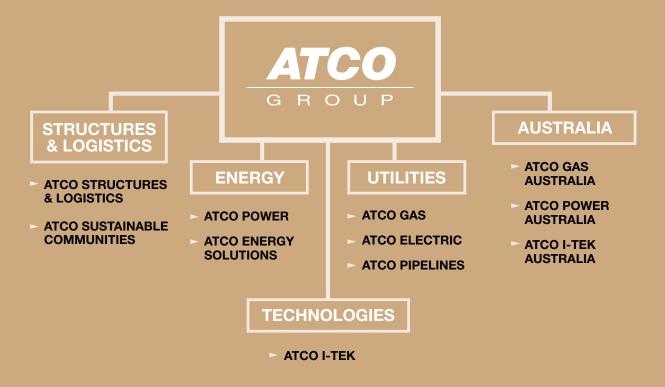
ATCO has 26 **Aboriginal** partnerships across Canada and in the North.

More than 54 per cent of ATCO employees participate in the Employee Share **Purchase** Plan.

54 350

ATCO provides services to more than 350 Alberta communities.

ATCO's dividends per share increased in 2012 for the 19th consecutive year.



ATCO Group is a diversified, Canadian-based, international group of companies focused on profitable sustainable growth and achievement with approximately \$14 billion in assets and more than 9,400 people actively engaged in Structures & Logistics (manufacturing, logistics and noise abatement), Utilities (pipelines, natural gas and electricity transmission and distribution), Energy (power generation, natural gas gathering, processing, storage and liquids extraction), and Technologies (business systems solutions).

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ATCO LTD. FINANCIAL HIGHLIGHTS

This data (other than funds generated by operations and equity per share) has been extracted from financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar.

For further information, please see ATCO Ltd. Consolidated Financial Statements and Management's Discussion and Analysis - www.sedar.com.

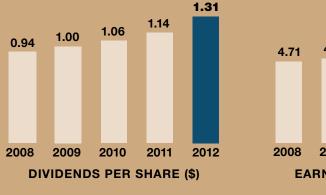
FORWARD-LOOKING INFORMATION:

Certain statements contained in this Annual Report constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes that the expectations reflected in the forwardlooking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

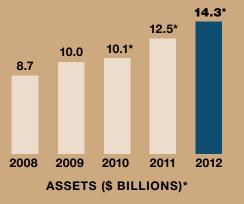
Consolidated Annual Results YEAR ENDED DECEMBER 31					
(Millions of Canadian dollars except per share data)	2012	2011			
FINANCIAL					
Revenues	4,362	3,991			
Earnings attributable to Class I & Class II shares	375	327			
Adjusted earnings	372	330			
Total assets	14,315	12,453			
Class I & Class II share owners' equity	2,367	2,163			
Funds generated by operations	1,689	1,514			
Capital expenditures	2,503	1,528			
CLASS I NON-VOTING & CLASS II VOTING SHARE DATA					
Earnings per share	6.51	5.65			
Diluted earnings per share	6.48	5.64			
Dividends paid per share	1.31	1.14			
Equity per share	41.16	37.47			
Shares outstanding (thousands)	57,508	57,730			
Weighted average shares outstanding (thousands)	57,511	57,779			

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*Earnings per share and Assets for the years ended December 31, 2010, 2011 and 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS).

Earnings per share and Assets for the years ended December 31, 2008 and 2009 have been prepared in accordance with Canadian Generally Accepted Accounting Principles in effect prior to the adoption of IFRS.

LETTER TO SHARE OWNERS

Dear Share Owners,

As I reflect on the events of the past 12 months, I am struck by our high level of activity, the difficulty of the challenges and the exciting achievements we experienced. Many of our accomplishments are highlighted in Siegfried Kiefer's and Harry Wilmot's operations reviews included in this report which I commend to you.

2012 was a year of transition and transformation for your company and I wish to sincerely thank our Boards of Directors for their thoughtful and measured approach to governing the affairs of your company. In particular, I would like to express my deepest appreciation to our Founding Chairman, my father, Ron Southern. The founding principles of your company are his legacy and the implementation of a smooth transition for succession required great vision and courage.

As I assess the current environment of our various economies, I remain concerned by the uncertainties we face. From a macro perspective,

there appears to be a sense of 'debt fatigue' plaguing governments and preventing them from addressing their fiscal policies. Few political leaders in the world today have the support to make hard structural adjustments to their deficit and debt problems. They have been pressured to use loose monetary policies such as quantitative easing (the printing of more money) and low interest rates to stimulate investment and demand. This approach may have been successful in former times but the burden of increasingly complex, duplicative and constant change in regulatory oversight is stifling business's appetite to invest and consumers' confidence to spend. While there appears to be renewed comfort that China is recovering, the extent to which they can drive global growth again remains to be seen.

Regardless of these underlying concerns, from a micro perspective your company is confident in the approach we have taken. With a record year behind us, we are on

track to reach our future goals; however, we do expect some significant headwinds in 2013. As a result, your company has implemented an aggressive review of each of our businesses....our strengths, and....our weaknesses.

We believe we have a rare opportunity to set the course for your company's long term success. Every member of our organization will play an important role in this game-changing year as we strive for maximum optimization of our processes and operations. We will continue to invest in our people and accelerate our research for improved product design in response to the changing demands of our customers and their geographies.

In 2013, we will raise the standard of our operations to a new level of efficiency and innovation.... improving our ability to deliver THE premiere solution for our clients.

The entrepreneurial spirit this company was founded on is the source of our past success and it is the key to our future. Shattering

the status quo of existing products and their delivery with a low cost, highly flexible approach to turnkey business solutions will ensure that your company maintains its leadership role in a highly competitive environment.

With a renewed vigor for sustainable growth and innovation, your company's purpose is to be the most reliable, most trusted, cost effective, value add provider in our industries.

Our goal across the breadth of our enterprise is to deliver long-term success well into the next decade by investing in our future today. This will be a difficult strategy for many of our competitors to replicate due to the short-term pressures they continue to face.

Building upon our First Nations and Aboriginal partnerships, your company will strive to capitalize on the infrastructure and logistical support required for large scale liquefied natural gas projects, oil production and mining. Our complementary products and

services offer our customers
the opportunity to have ATCO
Group provide a complete project
solution for non-core services and
investment—much like we provide
to our defence and military clients in
their theatres of deployment.

Of course, none of our achievements of the past, nor any of our achievements of the future, would be possible without the people of your company who bring enormous personal energy and situational leadership to our operations. They are our greatest competitive advantage and strength.

On behalf of all share owners, I would like to recognize the excellence brought to the performance of your company by your senior executive team: Brian Bale, Chief Financial Officer; Susan Werth, Chief Administration Officer; Siegfried Kiefer, Chief Operating Officer and Harry Wilmot, President & Chief Operating Officer, ATCO Structures & Logistics. This team has demonstrated, year after year, their ability to energize our people

with the sincere belief that it is our customers alone who determine our success and that serving them to the very best of our ability is the responsibility of each of us. They bring determination, intelligence, and a 'roll up your sleeves attitude to get things done right!' They have the highest of standards, pay attention to the smallest detail and care deeply about our customers and the communities we serve.

I look forward to working with this remarkable group of executives, our customers, our Boards of Directors and our Founding Chairman, whom I wish to thank once again.

As always, the future will unfold in ways we cannot foresee but our commitment to our share owners is that your company is ready and well prepared for the uncertainties of tomorrow.

Sincerely yours,

[signed] N.C. Southern

Nancy C. Southern

Chair, President & Chief Executive Officer

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HOW IT ALL STARTED

IN THE MATTER of the Partnership Act

carrying on business under the firm name or style of "ALBERTA TRAILER HIRE." IN THE MATTER OF RONALD D. SOUTHERN

DECLARATION

C A N A D A PROVINCE OF ALBERTA

I. RONALD D. SOUTHERN of the City of Calgary, in the Province of Alberta, Student, HEREBY CERTIFY that I have been carrying on business at the City of Calgary in the Province of Alberta since the 14th day of February, A. D. 1947 under the firm name or style of "ALBERTA TRAILER HIRE" and that no other person is associated with me in partnership. The said business is the renting and selling of automobile trailers.

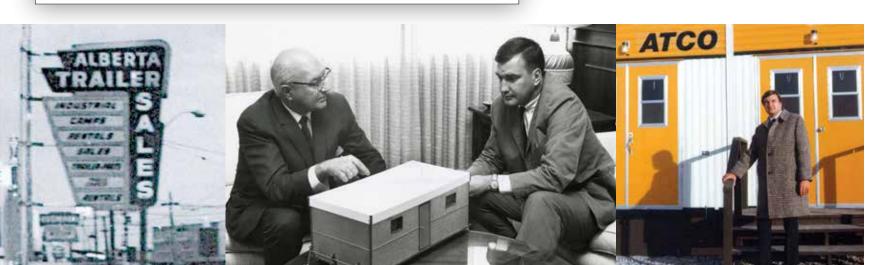
WITNESS my hand at Calgary this 15 04

WITHORDS:

Ames C. mahaffy (1)

IN THE BE	GINNING
Alberta Trailer Hire For the Year Ende Ren	Income Statement d March 31, 1948 tals
Utility Trailers \$2.00 per day \$10.00 per week	Small Sleepers \$3.00 per day \$15.00 per week
Sales Less Cost of Sales Gross Margin	\$ 1,077.65 621.89 \$ 455.76
Expenses Advertising Bank Charges Freight Insurance Legal Postage, Printing Rent Repairs Supplies Taxes Telephone Travel Utilities Wages	\$ 77.16 6.21 257.60 209.22 42.03 197.67 57.50 71.19 41.17 8.05 60.30 10.00 10.05 4.00
Net Loss	\$ <u>(596.39)</u>

(1) Jim Mahaffy, a prominent Calgary lawyer in Calgary in 1947, was appointed as General Manager of the Alberta Gas Trunk Line Company **Limited by the Ernest Manning** government in 1957.



TRANS-GENERATIONAL STATEMENT OF PRINCIPLES

2001

• Of course. . . . none of our achievements of the past. . . . nor any we might contemplate in the future. . . . would be possible without our executives who bring enormous personal energy and situational leadership to our plans. . . . and who have the ability to energize our people with a passionate belief that. . . . it is our customers alone who determine our success. . . . and that serving them to the very best of our ability. . . . is the responsibility of every ATCO Group employee.

• We believe the test of success for any corporation and the differentiating factor in ATCO is the ability to give Share Owners sustainable earnings growth through the business cycles.

 We do not seek maximum growth.... we seek sustainable optimum, profitable growth, which is not quite the same thing.

2004

- Our commitment to excellence has been nurtured through the years by the leaders of your company and today it is ingrained in everything we
- As we look at the future, each of our companies has good opportunities for generic growth in the jurisdictions they serve, and all have enterprising new growth prospects. It is precisely for such opportunities that we have worked long and hard to improve our cash on hand and to strengthen our balance sheet so we can move with full force when the right opportunities come available.

· ...because of our trans-generational beliefs, each of our Executives brings a sense of responsible ownership to

steer our companies across business cycles.

- Our overarching preferred strategy for ATCO Group is to continue improving the strong balance sheet we have
- Business is still about people. It is what we believe gives us our competitive advantage.

2007

• The Corporation's growth depends on our ability to gain an intimate understanding of our clients' objectives and a complete picture of what they are striving to achieve.

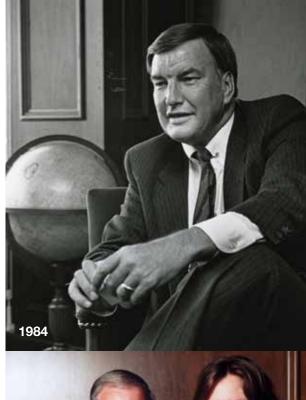
- We have a diverse Board membership of remarkable experience and knowledge, who bring a commitment to our affairs, and guidance, not just during formal Board and Committee sessions, but throughout the year.
- While the profundity of change that is occurring in the economies and financial markets of the world is yet to be fully understood, your ATCO balance sheet remains healthy, and your executive team has preemptively prepared to husband our resources and grow internally with steady improvement in our positions.

2009

 Directors and senior officers started the year off in a timely fashion with an effective strategy conference.... Our tactics flowing from those discussions, has given new found determination to re-structure parts of our organization.

2010

• ...the diversity of the businesses within our enterprise - 'the Piston Effect' as we've referred to it in the past - allowed us to overcome the challenges we faced.





2010



FOUNDER'S LETTER

Ladies and Gentlemen,

In the last year of my service, it is an honour to sincerely salute and compliment the people of ATCO on behalf of the Owners of our shares and your Directors, for their consistency of mind and persistency of purpose, highlighted in your President's letter and emphasized so well by her Senior Executives, who are focused in this annual document.

As the shadows lengthen on my last turn as your Chairman, few things have given me greater pleasure than your President's report of record results and appropriate balances of liquidity for the Group's future financial needs.

Even more important, the outstanding performance over the last decade of our President and her team in creating the architecture of our succession planning so evident in the Office of the Chairman with 30 years average of ATCO Group service and average age of 56, for her five key executives and in your seven Principal Operating Subsidiaries with 24 years average of ATCO Group service and average age of 50 for their executives.

May I express my profound gratitude to our ATCO people and the Owners of our shares, including Directors. for the time you gave to your President, myself, and our Executives to complete with all confidence this trans-generational change in command with its simple principles and strategies, which are easily communicated to all; the firm grip they keep; and their determined execution, all of which drive our performance in good times and bad.

I want all of you to know of the great (by a wide margin) difference in our Share Registry showing your ownership in ATCO Group, which is unique for the extraordinary numbers of individual Share Owners. I refer to you as household equity owners.

That is individual families with direct ownership.

Over all these years, you have had the confidence to invest your hard earned savings in ATCO and Canadian Utilities.

You are also especially notable for where you live.

Consider this - ATCO and Canadian Utilities have a combined total of 71% of Canadian Household Share Owners.

- Of the above amount, 52% are Alberta Household Share Owners.
- We have a small percentage of foreign ownership of less than 1%.
- There are 7,503 employees eligible to participate in the Employee Share Purchase Plan and of this number we have 4,069 participating which is a 54.2% participation rate.

Ernest Hemingway once said, "To be great you have to last!"

I do not write vain or boastful words when I say under Nancy's leadership over the last decade you now have a great company.

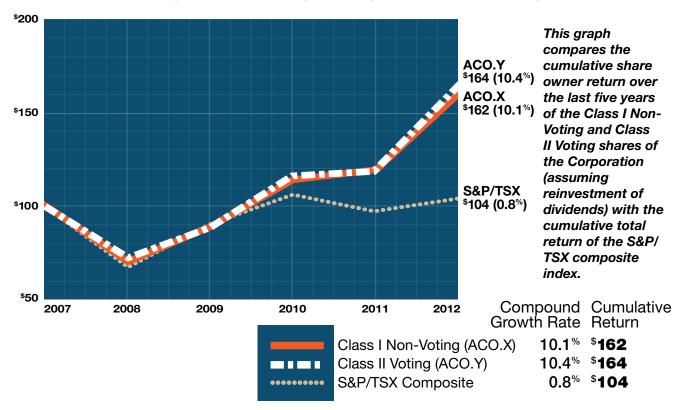
ATCO Group and its subsidiaries are companies of Alberta and National pride who carry with them significant International acclaim.

It only remains for me to express to the people of ATCO and the ownership of our shares my keen appreciation for your confidence and encouragement over these many years.

Thank you.

Ronald D. Southern Founder, ATCO Group

FIVE-YEAR TOTAL RETURN ON \$100 INVESTMENT

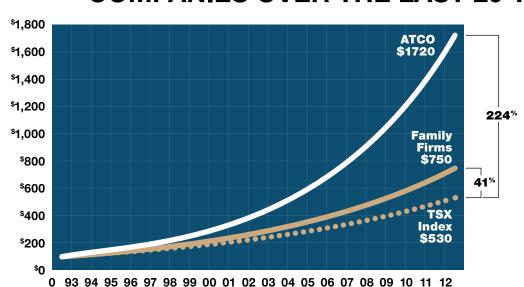


ATCO SHARE OWNERSHIP FOR PRESENT & PROSPECTIVE OWNERS

It is important for prospective owners of ATCO shares
It is also important for present and prospective to understand that ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company.

owners to understand that the ATCO share registry has both non-voting and voting common shares.

ATCO HAS LED CANADA'S FAMILY CONTROLLED **COMPANIES OVER THE LAST 20 YEARS**



Source: Rotman School of Management. University of Toronto. Clarkson Centre for Board Effectiveness.

"Family Firms" are 21 family companies with 30% or more control; second generation "Ready"; listed on TSX.

TSX index excludes the "Family Firms".

This graph represents the present value of a \$100 investment in 1992.

RETURN ON INVESTMENT 8 7 2012 ANNUAL REPORT

year

ATCO STRUCTURES & LOGISTICS IN THE GLOBAL MARKET



Harry G. Wilmot President & Chief Operating Officer, ATCO Structures & Logistics

Headlines in the media and commentary from leading economists continue to speak to the weakness and frailty of the world economy: the Euro zone in recession; uneven growth in China; and the weak recovery in the U.S.

While current global economic conditions pose risks for ATCO Structures & Logistics' business, there are also some encouraging signs of opportunity. Growth in emerging markets remains relatively robust and the demand for raw materials to support that growth also continues, though prices for commodities have receded over the past year. For a number of current and prospective ATCO Structures & Logistics customers, this translates into a requirement for infrastructure support in resource-rich regions of the world.

ATCO has a 65-year track record and experience in more than 100 countries around the world. The ATCO brand is synonymous with integrity, trust and

excellence. Our reputation, along with the strong business relationships we have developed over six decades around the world, are key factors in successfully entering new geographic markets. As well, ATCO has navigated numerous business cycles; our global experience has forged a business model that relies on a thorough assessment of market circumstances and a concise action plan.

Key to our successful entrance into new geographic markets is our ability to evaluate our business and our competitors' businesses through the eyes, mind and heart of the customer. By discovering under-served market segments and identifying hidden growth opportunities, we develop high impact value propositions, take a measured approach in entering these new geographies (through a strategic, low-risk acquisition or partnership) and ramp up based on results. This approach has served us well in the expansion of our business across Canada, Australia and South America, and will continue to be core to our growth as we enter into new markets.

This growth strategy would not be successful without a strong organizational infrastructure that supports execution excellence. This includes development of leaders within the company and implementation of performance drivers consistent with our business strategy. Our ability to develop a strong organization infrastructure, coupled with our history of success, is a strong barrier to our competitors.

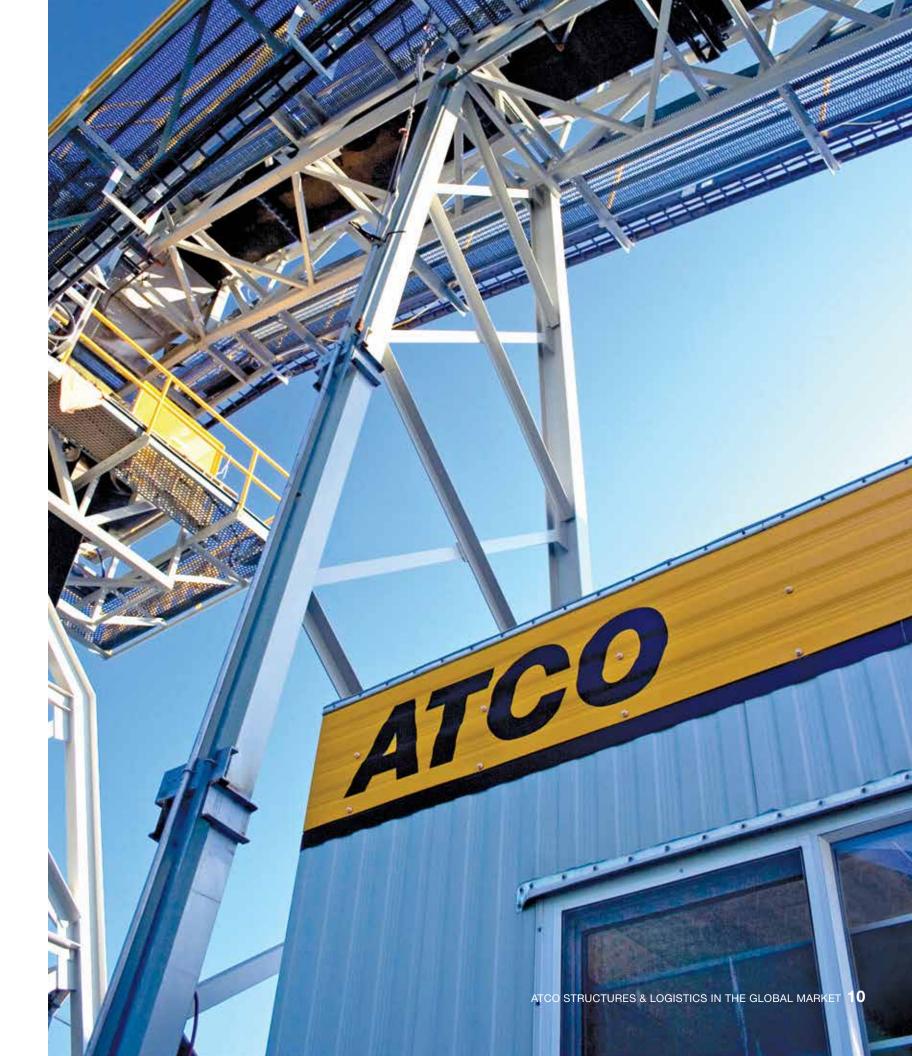
Once we enter a new market, our ability to respond rapidly to market changes in the region is essential. Critical to our ability to do this is having a relatively flat, de-centralized structure that leads to agile decisionmaking at the regional level.

In our highly competitive environment, our success is also dependent on how we differentiate ourselves from the competition and to be innovative to capture future opportunities. Regular review of the competitive landscape in the markets where we operate or plan to operate, and fine-tuning our own differentiated offering is a necessity. This includes evaluation of our core capabilities relative to their alignment against our competitors and markets so that we can effectively compete.

Since the combination of three ATCO companies in 2009 to become ATCO Structures & Logistics, we have expanded our suite of products and service solutions to deliver added value to our customers. We continue to develop and improve a range of products and services through our four respective business lines. Innovation requires that we compete for today and the future. ATCO Structures & Logistics has been successful by maximizing economies of scope through horizontal integration and creating customer value through "bundling" of related products and services. This has been achieved organically and through bolt-on acquisitions - domestically and internationally.

Creating a long-term, sustainable advantage through product and strategic innovation is essential. Through our organizational design, product development strategies, and a keen eye on the competitive landscape, ATCO Structures & Logistics will continue to create value to current and prospective customers in regions worldwide and ultimately to our company and share owners.

ATCO has been providing modular site offices to industrial sites like this one in Vancouver, B.C., for more than 65 years.





STRUCTURES & LOGISTICS

ATCO Structures & Logistics provides complete infrastructure solutions to customers worldwide, including workforce housing, innovative modular facilities, construction, site support services, logistics, operations management and noise & emission reduction solutions.

ATCO Structures & Logistics was awarded three contracts to build workforce accommodation lodges on Curtis Island, Australia. The facilities comprise more than 5,000 beds, dining and recreational amenities for workers constructing liquefied natural gas terminals.



ATCO Structures & Logistics offers modular buildings, site and camp services and industrial noise and emissions control solutions worldwide. With manufacturing facilities in North America, South America and Australia, a global supply chain, and operations on five continents, the company has the expertise to deliver a rapid, turnkey solution anywhere it is needed.



ATCO Structures & Logistics experienced a successful year in 2012 with continued growth in sales and profitability in its core business lines worldwide.

NORTH AMERICA

ATCO Structures & Logistics' business in North America continues to be buoyed by a strong resource sector that requires workforce camps, often in remote areas, to staff their large extraction projects.

In 2012, ATCO Structures & Logistics received its largest North American contract to date. The mandate is to design, build and operate a 2,586-person turnkey workforce housing complex to support the construction of the world's largest potash mine. Located 100 km north of Regina, Sask., construction of the first phase of the accommodation facility is scheduled to be completed in 2013.

In addition to the 160 sq. ft. bedrooms with private washrooms. flatscreen TV, phone and wireless internet capabilities, the development will also include amenities such as a 1,200-person dining room, a lounge, library, convenience store and medical centre. A 20,000 sq. ft. preengineered building will house the

sports complex with gymnasium, squash courts, weight rooms and a raised running track that overlooks the gym. A second pre-engineered building will operate as a 200-seat movie theatre at night and double as a training facility during the day.

For this project, ATCO Structures & Logistics has partnered with the George Gordon First Nation, Kawacatoose First Nation and Day Star First Nation. This partnership works together to provide training and supports indigenous employment for the construction and operation of the facility.

This year also saw the completion of the 1,500-person workforce housing camp for Rio Tinto Alcan's smelter modernization project in Kitimat, B.C. The modular units, which have been designed to meet Kitimat's heavy snow loads, were built at ATCO Structures & Logistics' manufacturing plant in Calgary and transported to Kitimat. ATCO is partnered with the local Haisla First Nation for this project.

In northern Alberta, ATCO Structures & Logistics continued its work to support the large oilsands projects in the Fort McMurray area. In January, ATCO was awarded a second contract at Husky's Sunrise Energy Project (see story about

this project on page 19). ATCO also completed two of three phases to retrofit Barge Landing Lodge near Fort McKay, Alta. Creeburn Lake Lodge, which was built and managed as a joint venture between ATCO Structures & Logistics and the Fort McKay First Nation, received ISO 9001-2008 certification - the first lodge in North America to achieve this standard.

To continue to meet the strong demand for its products and services, ATCO Structures & Logistics completed two major expansion activities this year. In April, the company announced the expansion of its manufacturing capacity in North America with a new 200,000 sq. ft. manufacturing plant in Pocatello, Idaho. The production facility, ATCO's third in the U.S., supports the growing demand for modular workforce housing in the energy and mining industries. More than 85 full-time employees were hired to work at the plant.

In July, ATCO Structures & Logistics opened its third Calgary location to expand its space rentals office and service facility. The new office is dedicated to serving the growing modular space rentals business in Calgary and southern Alberta while enhancing the service capabilities for all customers.

This new office also stands as a testament to ATCO's experience and

Located in Conklin, Alta., the MEG Energy lodge constructed by ATCO is built into a hill and features open web wood trusses and glulam cross beams to create the feel of a high-end ski lodge. The 150-bed lodge is also equipped with a pre-engineered gymnasium, theatre and world-class kitchen.

expertise in modular construction. The company's in-house staff designed the building's architectural, structural, mechanical and electrical components. Additionally, by using ATCO's hybrid construction approach, a combination of permanent modular units and preengineered components expedited occupancy and resulted in more efficient use of resources than traditional construction.

In Canada's North, ATCO Structures & Logistics expanded its operational capabilities in Nunavut by acquiring a fleet of construction vehicles, as well as the South Camp Inn and the Airport Hotel through the purchase of a local company's assets. This acquisition will help ATCO meet the growing demand for operational support services in northern Canada.

ATCO Structures & Logistics also partnered with Sakku Investments Corporation, the development arm

of the Kivalliq Inuit Association to create a new company, Sakku ATCO Buildings & Services, to pursue resource development activities and infrastructure construction in the Kivalliq Region of Nunavut.

Also in Nunavut, the Nasittuq Corporation, a joint venture between ATCO Structures & Logistics and the Pan Arctic Inuit Logistics Corporation, was awarded a contract to provide site support services at Canadian Forces Station Alert for the Government of Canada's Department of National Defence, Alert is a Canadian Forces Base and is the world's most northern permanently inhabited community, only 817 km from the North Pole. The services include facilities maintenance, airfield operations, food services, transport, logistical and administrative support.

In the Northwest Territories, ATCO Structures & Logistics signed a memorandum of understanding with the Naha Dehé Dene Band to jointly pursue resource development opportunities and commercial and industrial projects within the traditional lands of the Band.

In 2012, ATCO Structures & Logistics was recognized with the Modular Building Institute's Award of Distinction for the Home Federal Bank in Bossier City, Louisiana. The project, completed for National Modular Bank Buildings, included the manufacturing, transportation and installation of ATCO's modular units in just five months.

The modern bank design has several distinct features including the installation of an eight-foot bullet resistant window, a drive-through feature including a night depository as well as architectural elements designed to provide natural light and make the modular building aesthetically pleasing to bank clients.



Modular units have been manufactured at the ATCO Industrial Park in Calgary, Alta. since 1965. In 2012, the plant produced 885 units.

AUSTRALIA

Headquartered in Brisbane, Queensland, ATCO Structures & Logistics has nine sales offices and owns manufacturing facilities in Brisbane and Townsville in Queensland; and in Perth, Western Australia.

In November, ATCO completed construction of accommodation facilities for two liquefied natural gas (LNG) processing facilities. The Queensland Curtis LNG project (1,700 persons) and the Gladstone LNG project (1,344 persons) are both located on Curtis Island, Queensland in northeastern Australia. The Gladstone LNG project will be expanded by 300 beds and is scheduled to be completed in early 2013.

ATCO continues work on the accommodation facilities for the Australian Pacific LNG project (2,600 persons), also located on Curtis

Island, and expects to complete construction in early 2013.

The strong demand for workforce housing from Australia's resource sector continued in 2012. To address the growing demand, ATCO purchased two pieces of industrial real estate: one in Perth, Western Australia and the other in Brisbane, Queensland. The sites are intended to establish and consolidate ATCO's current manufacturing facilities in Australia and facilitate cost efficiency improvements.

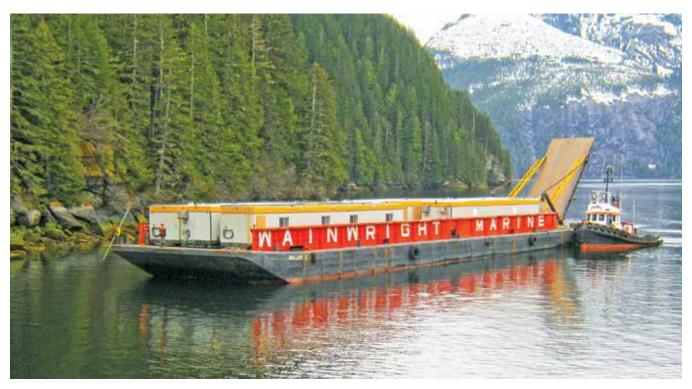
The Western Australian facility will be constructed in 2013 and the Brisbane facility will be constructed in 2014.

In 2012, ATCO was also able to achieve ISO re-accreditation in Safety and Quality as well as new accreditation in environmental systems.

SOUTH AMERICA

In 2012, Tecno Fast ATCO, a joint venture between ATCO Structures & Logistics and Tecno Fast, continued to benefit from a strong mining and resource sector across the continent. Serving South America since 1995, ATCO has manufacturing facilities in Santiago, Chile, and Lima, Peru, as well as operations in Brazil and Colombia.

In February, ATCO expanded into the Colombia market by opening an office in Bogota to meet the country's growing need for modular solutions in mining, energy, infrastructure and urban construction. The new Bogota office offers ATCO's full range of modular building products, including workforce housing, offices, lavatories, dormitories and storage units.



To provide modular units to a construction project in Kemano, B.C., ATCO transported its units 75 km on a barge on the Nechako River.

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ATCO's joint venture in South America, Tecno Fast ATCO, completed the 1,000-person permanent Caserones accommodation facility near Copiapo, Chile.

As a result, ATCO was awarded its first workforce housing camp project in Colombia. ATCO is constructing a 130-person camp for contractor Conciviles S.A. in support of its employees working on the River Amoyá hydro-electric project in central Colombia.

One of ATCO's largest contracts of 2012 was to build the second phase of a workforce accommodation expansion for the Escondida copper mine in the Atacama Desert in northern Chile. ATCO was awarded the contract to build the first phase of the project at the end of 2011.

When complete, the 7,700-person remote camp will feature spacious bedrooms and common facilities that include a dining room and kitchen, a central building with medical clinic, administration offices, gymnasium and fitness centre. ATCO will also provide other

infrastructure at the site including water and sewage treatment systems, utility distribution, fire suppression systems, roads, parking lots and walkways.

ATCO's commitment to safety at the Escondida mine was recognized with a special award for three million person hours without a lost-time incident.

In 2012, ATCO was also recognized with an award for Sustainable Innovation for its work in reconstruction efforts after the devastating effects of the Chilean earthquake and tsunami of 2010. The voluntary relief work included modular schools, community centres and clinics.

MIDDLE EAST / ASIA

ATCO Structures & Logistics, through its wholly owned subsidiary company, ATCO Frontec Europe Ltd., continues to support the North Atlantic Treaty Organization (NATO) and its International Security Assistance Force in Afghanistan. Specifically, ATCO is providing operational utilities support and airfield fire and first responder services at the Kandahar Airfield (KAF) for the more than 25,000 NATO troops from 26 different countries assisting the Government of Afghanistan's nation rebuilding efforts.

In October, ATCO was awarded a contract to provide Fire Protection Services to U.S. Forces operating at Mustang Ramp in KAF, a newly constructed airfield ramp that accommodates a wide range of U.S. Forces helicopters. ATCO serves the U.S. Forces with personnel and equipment that are called on to provide a comprehensive crash/rescue fire

protection program that ensures the safety of all occupants and installations at the designated locations as well as airfield operations.

ATCO is also supporting NATO and European Forces Headquarters in Sarajevo, Bosnia providing Communications and Information Services to approximately 2,500 troops.

ATCO EMISSIONS MANAGEMENT

In May, the consolidation of two business lines - noise control solutions and gas turbine systems solutions - resulted in a new division: ATCO Emissions Management.

One of ATCO Emissions

Management's first contracts was
to design, supply and install a noise
abatement solution for the Ferguson

Replacement Project at Horseshoe
Bay, Texas. ATCO Emissions
Management worked closely with the
plant owner to provide the modern
combined cycle plant with targeted
noise control solutions to meet strict
noise level regulations at nearby
residences.

In 2012, ATCO Emissions
Management completed its first
GE LM6000 gas turbine selective
catalytic reduction (SCR) system at
a major U.S. electric utility provider's
power plant in Smyrna, Delaware.
The system significantly reduced
nitrogen oxide emissions from this
plant to meet US EPA regulations.
Following this project, ATCO received
increased demand for SCR systems
in the U.S.

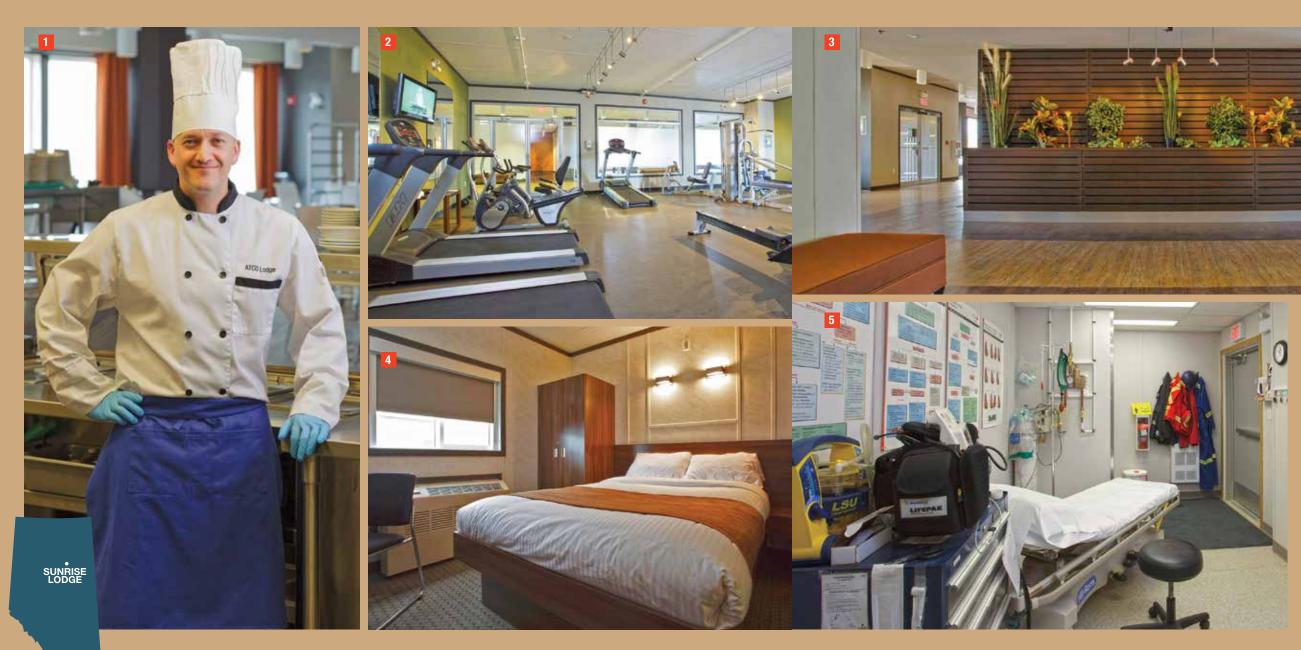
In December, ATCO Emissions Management further expanded its suite of solutions by introducing heat recovery steam generators (HRSGs) to its portfolio. The HRSG is an energy recovery heat exchanger that recovers heat from a hot flue gas stream. It will allow institutions such as hospitals, universities, electricity generation facilities and remote oil and gas operations to be environmentally efficient and energy self-reliant by producing heat or power from recovered waste heat or renewable energy sources.

When integrated with ATCO Emissions Management's nitrogen oxide and noise reduction technology, HRSGs give ATCO the ability to act as a single-source provider of acoustic, air emissions and heat recovery requirements on gas turbine projects.



ATCO's team on the ground at Kandahar Airfield provides airfield fire and first responder services for the more than 25,000 NATO troops from 26 different countries.

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- As part of ATCO's bundled service offering, catering services include wholesome, hearty cuisine prepared by Red Seal certified chefs like Dwayne Tanner.
- The facility's amenities include a games room and fitness centre.
- The natural wood backdrop and built-in planter-boxes enhance the lodge's hotel-like atmosphere.
- Upgraded linens and furnishings complete the bedrooms.
- Medical support to workers on site is provided from an equipped medical room.

HUSKY SUNRISE ENERGY PROJECT

In 2011, Husky contracted ATCO Structures & Logistics to provide common site services at the Sunrise Energy Project – ATCO's first contract of this type in the energy sector. The Sunrise Energy Project is located 60 km northeast of Fort McMurray, Alta. For the contract's duration, ATCO served the project site with fire protection, medical services, security, ground transportation, snow and ice control, dust suppression and general maintenance. ATCO is also providing modular offices and other structures to support the delivery of these services.

Husky also awarded
ATCO Structures & Logistics
a bundled lodging contract to
construct a 112-person permanent
workforce housing complex for
the project. The new permanent
housing facility consists of four
dormitories—featuring large private
bedrooms with ensuite washrooms

as well as a core building that includes a large cafeteria, comfortable lounge, fitness centre and games room.

The facility also features several high-end finishes throughout, including slate and stonework feature walls, built-in planter boxes, tiled floors and walls in the washrooms. This kind of finishing would normally slow a construction project, but with ATCO's experience in creating functional and comfortable spaces from its permanent modular units, the entire project was constructed in just five months. The combination of these two contracts marks a first for ATCO as a sole supplier. This highlights the company's ability to deliver a complete suite of solutions to build and operate remote accommodation facilities, offering further value-added benefits for customers.

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ATCO's tradition of excellence dates back 65 years to 1947 when Alberta **Trailer Hire was founded** by R.D. Southern and his father, S.D. Southern. The small company provided housing accommodations for workers during Canada's first oil boom. Over six decades, the brand and yellow-banded structures have become synonymous



ATCO PROVIDES:

• WORKFORCE HOUSING **ACCOMMODATIONS**

with workforce housing

around the world.

- ACCOMMODATION SERVICES
- Billeting & security services
- Catering & food services
- REMOTE SITE SERVICES
- Telecommunications & radar systems
- Logistics (supply, transport, equipment maintenance)
- Power generation & utilities
- Site operation & maintenance
- FACILITIES OPERATIONS & MAINTENANCE
- MODULAR COMMERCIAL **BUILDINGS & COMPLEXES**
- MODULAR OFFICE UNITS

• GAS TURBINE SYSTEMS

- Anti-icing systems
- Bypass/diverter damper systems
- Catalyst systems
- Exhaust systems
- Intake systems
- Silencing systems
- Heat Recovery Steam Generators

• INDUSTRIAL NOISE CONTROL

- Acoustic buildings
- Acoustic enclosures
- Noise barriers
- Noise impact assessments

• AIRFIELD & AIRPORT OPERATIONS

- Aircraft Cross Servicing
- Airfield Operating Services
- Combined Air Terminal Operations
- Crash Fire & Rescue Services
- PRE-ENGINEERED **METAL BUILDINGS**

ATCO STRUCTURES & LOGISTICS 22 21 2012 ANNUAL REPORT



ATCO Sustainable Communities provides a full-range of pre-fabricated, culturally sensitive building solutions for indigenous and other remote communities.



ATCO Sustainable Communities was launched in 2012 to bring together ATCO's expertise in modular and pre-engineered building solutions and its experience working with Aboriginal communities.

With Aboriginal partnerships dating back to the 1980s, ATCO has developed approximately 26 business relationships across western Canada and the North. ATCO brings to these partnerships a 65-year history of working in some of the most remote locations around the world.

Based on its design and construction expertise of past projects, ATCO Sustainable Communities has the capabilities to design and build an entire community with facilities ranging from offices, schools and day care centres to residential housing, Elders lodges, hockey arenas and retail outlets. In collaboration with other ATCO companies, ATCO Sustainable Communities may also provide utility infrastructure, such as water purification plants and distributed power generation facilities.

Guided by its Holistic Engagement Process, the company takes the

time to build relationships and to truly understand a community so the design of a facility reflects both its cultural and physical needs. ATCO Sustainable Communities' approach to delivering projects takes into account the challenges of living in remote communities to ensure any investment is for the long term. This includes post-construction training of community maintenance personnel and three years of return inspection visits to assist the community to manage and maintain the infrastructure as part of everyday

Building solutions for remote communities include unique design features, such as energy efficiency, low maintenance and high durability, using fire and mold resistant materials. Pre-fabricated modular units are constructed in a controlled factory environment, away from the elements, increasing quality and construction safety, reducing waste and trimming construction time.

PROJECTS IN 2012:

• The 10,000 sq. ft. Ag'amnik Education Centre, located six km north of Cranbrook, B.C. Designed and built with input from the St. Mary's Band, this

modern two-storey facility can accommodate 100 students and be further expanded to include more classrooms and a gymnasium as the community grows. The building heating system is designed to be connected to the future biofuel system, which the community plans to build soon. The project was executed in eight months from the awarding of the contract to completion.

• A 4,500 sq. ft. daycare and Headstart facility for the George Gordon First Nation, located 120 km northeast of Regina, Sask. This bright, colourful building features child-size amenities, offices and baby change stations. It was built using sustainable, low maintenance finishes and a durable metal roof. A number of community members were employed during its construction.

An apartment-style extendedstay hotel in Ft. Smith, N.W.T., an apartment building in Allen, Sask. and apartment accommodations for the Department of National Defense in Resolute Bay, Nunavut, were also successfully completed in 2012 using pre-fabrication methods pioneered by ATCO.

The building components of the Aq'amnik Education Centre in Cranbook, B.C. were constructed and delivered to the site in 13 separate pieces. Once onsite, the building components were assembled in just two days.

CREATING A SUSTAINABLE ELECTRICAL FUTURE



Siegfried W. Kiefer Chief Operating Officer, Energy & Utilities, ATCO Group

It is estimated North America will need to invest close to \$1 trillion in electricity infrastructure over the next decade.

It is a staggering figure. However, with aging infrastructure, population growth and growth in industry, significant investment in new electric generation (including hydroelectric and other renewable forms of generation) will require extensive, transmission and distribution infrastructure to meet growing demand.

In Alberta, growing energy demand from the oilsands in the northeast and shale gas development in the northwest is driving the need for billions of dollars in new infrastructure.

Developing new, environmentally responsible sources of baseload generation will be key to meeting demand from industry while minimizing its environmental footprint; creating a more sustainable electrical future.

Rich in fossil fuels, Alberta has also been blessed with a bounty of renewable energy resources, from wind to hydro. The untapped hydro potential in Alberta's north and the Northwest Territories is thought to be greater than its existing coal capacity. Unlocking it would open up a vast green energy corridor that could carry emissions-free electricity throughout the province.

With zero emissions, hydropower would effectively reduce Alberta's growing greenhouse gas emissions. Even small hydro projects can produce large amounts of clean electricity and unlike wind, hydro is predictable on an hour-by-hour and month-to-month basis.

While wind and solar will undoubtedly play a role in future supply, their role will be limited due to their intermittent nature, as it is not possible to build a reliable grid and have intermittent generation sources play anything other than a secondary role to large base-load generation. Even then, base-load generation in Alberta is limited to coal, nuclear, natural gas, and large scale hydro.

Each generation source comes with its own set of issues. Coal is challenged by new, stringent federal regulations while nuclear has cost and long-term environmental challenges. Natural gas-fired generation remains a viable short-term solution while natural gas prices are low. However, having just one source, a fossil fuel for Alberta's base load electrical supply, is fraught with financial and environmental risk, as it

would leave Alberta under-diversified and vulnerable to market uncertainty.

As a result, the practical, long-term solution is to develop large scale hydroelectric generation as part of a broader portfolio. While no generation source is issue-free, hydro development and interconnection is the most efficient choice to replace Alberta's retiring coal-fired generation. A strong transmission network would enable this clean, generation source to be exploited.

Alberta's high-voltage (HV) transmission system is an enabler of economic development – the backbone of the Alberta Interconnected Electric System – moving electric energy from its source to distribution centres where it can be stepped down to usable voltage levels.

The Alberta Electric System
Operator's (AESO) new, planned
HVDC transmission lines running
north – south will improve the
reliability and capacity of the network.
As shown on the map (page 26),
ATCO believes further geographic
separation, running a line to the
northwest and a line to the northeast,
would enhance reliability and position
the system to meet growing and
evolving economic needs on both
sides of the province.

The AESO has introduced a new competitive procurement model for Critical Transmission Infrastructure (CTI). CTI is just that, critical elements of our transmission grid. It requires the highest standards of operation and availability, ensuring that resources are available to respond immediately to any outages 24 hours a day, 365 days of the year. It is well documented that an outage,

especially to the backbone of the system, results in substantial financial costs to industry and Alberta's economy.

ATCO, unlike many of the potential new entrants to Alberta's transmission business, has extensive experience, resources and a presence throughout Alberta, giving customers confidence that the transmission system will be available when required.

With more than 100 years of experience delivering essential utility services, ATCO's dedication to the hundreds of communities it serves is unsurpassed. Our numerous partnerships with First Nations and other Aboriginal groups are also unmatched.

Canada's Aboriginal Peoples will play an important role in future electricity development. Their deep engagement with the land must be embraced and respected.

ATCO's vision is to find a balance between the responsible development of Alberta's transmission and generation infrastructure, the environment, Aboriginal interests, and the interests of all landowners.

The development of emissions-free hydro and the unlocking of Alberta's Green Energy Corridor could take 10 years or more. Before then, other sources of generation, such as clean burning natural gas and liquefied natural gas, will need to be tapped. ATCO will pursue every opportunity that is both fiscally and environmentally efficient.

ATCO's track record for efficiency and service, as well as its experience in engaging with landowner and Aboriginal groups, strongly positions the company to continue assisting Alberta, the Territories, Australia, the U.K. and countries throughout the world in meeting growing energy needs; developing clean, safe, reliable and affordable electricity for generations to come.

A HIGH VOLTAGE **BACKBONE VISION FOR ALBERTA*** Fort Smith **High Level** Rainbow Lake Fort McMurray Peace River Edmontor **NEW LINES** ---- 500 kV Calgary ---- future 240 kV Brooks **EXISTING LINES** 500 kV HVDC ---- 144 kV 144 kV prebuilt to 240 kV **FUTURE** OIL & GAS DEVELOPMENT *ATCO CONCEPT

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UTILITIES

The Utilities business

segment includes

ATCO Electric,

ATCO Gas and

ATCO Pipelines. These

companies are focused

on the safe, reliable and

efficient transportation

and distribution of natural

gas and electricity.

ATCO Pipelines implements a comprehensive annual preventive inspection and maintenance program to ensure its facilities continue to operate safely and reliably.



ATCO Electric builds, owns and operates electrical transmission and distribution facilities in northern and east-central Alberta. It serves 216,000 customers – including homeowners, business owners and farmers – in 245 communities. The company also serves large industrial and oilfield customers, playing a key role in the development of Alberta's energy-rich industrial sector.



ATCO Electric's safe, reliable electrical system includes approximately 10,000 km of transmission lines and 64,000 km of distribution lines. Additionally, ATCO Electric maintains approximately 9,000 km of distribution lines on behalf of farmer-owned Rural Electrification Associations (REAs). ATCO Electric's service territory includes 245 communities and nearly 216,000 customers.

Ensuring safe, reliable, cost-efficient electricity delivery for customers continued to be a top priority for ATCO Electric in 2012. Population growth, continued development in Alberta's energy industry and the need to invest in Alberta's transmission infrastructure drove significant system expansion and improvement projects.

To manage the work and maintain excellent, caring customer service, ATCO Electric continued to build its workforce, adding more than 600 new employees in 2012. The company also continued its focus on improving efficiency by introducing more automation.

DISTRIBUTION GROWTH

Responding to increases in energy demand from residential, commercial and industrial customers continued to be the driving force behind ATCO Electric's growth. A record number of new customer connections were completed in 2012. In addition, the company welcomed more than 950 new farm customers following completed sales of the assets of five REAs to ATCO Electric.

In October, ATCO Electric celebrated the official opening of a new energy-efficient operations centre in Lloydminster. The facility is designed to enhance customer service and operational efficiencies while reducing energy consumption by approximately 55 per cent. A similar facility is scheduled to open in Grande Prairie in late 2013.

The members of three REAs voted to sell their electrical system assets to ATCO Electric. Sales are pending approval by the Alberta Utilities Commission and all sales conditions being met. ATCO Electric operated and maintained the REA's systems on behalf of the associations' boards and members for many decades. Having a single owner for these electrical systems increases operational efficiencies and will ensure customers receive safe. reliable cost-effective electrical service for decades to come.

TRANSMISSION DEVELOPMENT

Significant progress was made on several large-scale transmission projects. After receiving a permit to construct and licence to operate from the Alberta Utilities Commission in May, ATCO Electric began construction on the largest contiguous portion of the Hanna Region Transmission Development (HRTD) project. More than half of the construction was completed by the end of 2012. The project is ahead of schedule and expected to be in service in spring 2013.

After reviewing plans for the Eastern Alberta Transmission Line (EATL) deemed by the Government of Alberta to be critical transmission infrastructure, the governmentappointed Critical Transmission Review Committee released a report recommending the line proceed as soon as possible. The Government of Alberta accepted the recommendation and requested that regulatory proceedings resume. Proceedings had been temporarily suspended by the Government of Alberta in October 2011 so that plans could be reviewed.

Public hearings for EATL began in July 2012, and in November, the Alberta Utilities Commission granted ATCO Electric permit to construct and licence to operate the 485 km, 500 kilovolt, direct-current line and associated facilities. Construction

A 22-storey transmission tower is erected as part of ATCO Electric's North Fort McMurray Transmission Development Project, which will enhance system reliability for customers and provide capacity for oil and gas operations in the area.



Ben Christians, ATCO Electric Powerline Technician, Vermilion, works with a farm customer to ensure his farm equipment is safely moved under power lines.

began in late 2012 to meet the late-2014 in-service date. The line will extend from the Gibbons-Redwater area northeast of Edmonton to an area near Brooks in southeast Alberta.

Growth in Alberta's northeast, central and central east regions is driving work on a number of other transmission development projects. Four key projects in the Fort McMurray, Bonnyville and Slave Lake areas will enhance system reliability and capacity for oil and gas operations in these resourcerich areas. In-service dates for these projects extend through 2013 and into 2014.

Despite a warm winter season, phase one of the North Fort McMurray Transmission Development project was completed in three months with zero lost-time injuries. This portion of the project serves a large oilsands facility in the region. Work on the remainder of the project continued through 2012, and an in-service date is planned for the second quarter of 2013.

SAFETY

ATCO Electric's commitment to public and employee safety continued in 2012. A refreshed farm safety awareness campaign was launched in farming communities during seeding and harvest seasons. The campaign focused on safely moving tall farm equipment near power lines.

ATCO Electric's teaching resource packages, Teaching Power for Grade 5, was redeveloped. The resource is based on the Alberta Education's curriculum and focuses on electricity, electrical safety, energy efficiency and conservation.

A new contractor safety management program was also launched. The program puts renewed focus on responsibilities and accountabilities for contractor safety, ensuring contractors adopt the same high safety standards as ATCO Electric employees.

ATCO Electric implemented automation technology to streamline requests for locates of underground electrical equipment. Locate requests from Alberta One-Call are now managed out of a central work desk and dispatched to ATCO Electric employees electronically.

ATCO Electric continued to participate with industry partners as part of the Joint Utility Safety Team and actively supported the Where's the Line electrical safety campaign.

ENVIRONMENT

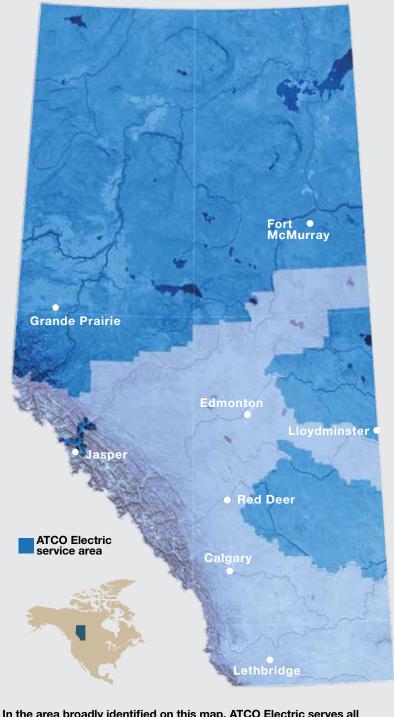
As part of its Avian Protection Plan, ATCO Electric was involved in a number of bird protection initiatives in 2012. In April, an osprey nest was successfully relocated to a custom-built nest platform erected nearby. The large nest was previously perched on a power pole at Edith Lake near Swan Hills.

Flight diverting tags were installed on power lines at Bear Lake near Grande Prairie. The diverters flap in the wind and reflect light, making power lines more visible to trumpeter swans in the region.

In November, ATCO Electric built 34 nesting platforms for ferruginous hawks in southeast Alberta. The project was a collaboration with Alberta Environment and Sustainable Resource Development, a ferruginous hawk expert and other industry and community partners.

Also in November, ATCO Electric added two bucket trucks with hybrid hydraulic lift platforms to its service fleet. The platforms can operate without the vehicle idling. The trucks were deployed in Jasper and Fort McMurray.

ATCO ELECTRIC SERVICE AREA



In the area broadly identified on this map, ATCO Electric serves all customers, with the exception of a small number of farm customers served by one self-operating Rural Electrification Association.

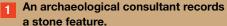
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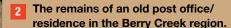












- 3 Area cordoned off after a baby bison skeleton was discovered during excavation.
- The foundation of a historical building.
- This pile of rocks is actually an ancient cairn. Cairns were often used to mark trails. They were also used commemoratively to mark graves.
- The jaw bone of a centuries-old baby bison found by contractors during construction.





PRESERVING HISTORY AND THE ENVIRONMENT IN THE

In 2009, the Alberta Electric System Operator identified the need for new transmission facilities in the Hanna region to reinforce the current electrical system and meet increased demand. ATCO Electric's Hanna Region Transmission Development (HRTD) project consists of adding new substations, transmission lines, upgrading existing substations and salvaging existing transmission lines and equipment. The project will meet regional demand as well as connect to wind power in southern Alberta.

A number of project components have been approved and completed, but in May 2012, the Alberta Utilities Commission approved the facilities application for the largest contiguous portion of the HRTD project. Construction for this portion of the project began in the summer, and facilities are expected to be in service by spring 2013.

To facilitate construction, three full-service work camps were built in Hanna, Oyen and Consort to house more than 500 workers. Once construction of the line is complete, the fully serviced lots will be turned over to the communities for future development.

The HRTD project involves constructing approximately 355 km of 240 kilovolt (kV) and 144 kV transmission line. A significant portion of the project's footprint crosses private land, some of which is environmentally sensitive. As well, the area's rich archeological history means the region is home

HANNA REGION

to archeological and historical resources.

To ensure these sensitive areas and resources are protected,
ATCO Electric developed a robust Environmental Protection Plan (EPP) as well as a Historical and Archeological Resources Protection Plan (HARPP). The successful development and execution of these plans sets a new standard for future transmission projects.

The HRTD EPP describes environmental measures

ATCO Electric employees and contractors must follow during project construction. Each environmentally sensitive feature, including wetlands and important avian nesting areas, was identified, and detailed mitigation plans were developed. ATCO Electric's environment team oversees execution of the EPP.

HARPP is a comprehensive mitigation plan and training program that ensures ATCO Electric employees and contractors know how to protect the more than 140 significant historical resources along the HRTD route. These include fossils, historic buildings and cultural and ceremonial sites. HARPP's value was demonstrated when, soon after construction began, contractors correctly stopped work and notified experts after discovering a centuries-old baby bison skeleton.

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ATCO IN THE NORTH

For more than a century, the ATCO Group of Companies has been building mutually beneficial relationships with northern partners. The northern utilities are active in identifying opportunities and meeting the growing energy needs in the territories through partnerships and alternative technologies.

NORTHLAND UTILITIES

Northland Utilities Enterprises is a full-service electrical company providing retail, distribution, transmission and generation services to customers since 1951. Its ownership is shared between the Denendeh Development Corporation (14 per cent) and ATCO Electric (86 per cent). There are two operating divisions: Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited serving nearly 11,000 customers in nine communities.

In Yellowknife, Northland Utilities completed the multi-year eight-phase 25 kilovolt (kV) conversion project including a retrofit to the existing system, removal of seven old 5 kV substations and the construction of three new 25 kV substations. This eight-year, \$24 million initiative provides the area with greater reliability and efficiencies along with readiness for future growth.

Northland Utilities (Yellowknife) partnered with the City of Yellowknife to begin the installation of more than 300 light-emitting diode (LED) street lights. With 126 lights installed in 2012, this technology provides energy efficiencies as well as reduced equipment replacement and

maintenance costs. This project is a first for a major city in northern Canada.

In November, Northland Utilities participated in the NWT Energy Charette, a forum where community representatives, Aboriginal governments, industry and energy experts came together to discuss the energy issues facing the Northwest Territories, and to reach consensus for addressing challenges and exploring opportunities. The results of this discussion will be published and provides the Government of the Northwest Territories with some valuable input for the 2013 NWT Energy Plan - a vision and plan for the future generation, transmission and use of energy in the Northwest Territories.

YUKON ELECTRICAL

Yukon Electrical Company Limited has been serving customers since 1901, when the original company generated electricity via wood-fired, horizontal piston steam engine. The company serves 16,700 customers in 19 communities from south of the Yukon border to north of the Arctic Circle. The main office and service centre are both in Whitehorse.

In 2012, Yukon Electrical continued to address growth in the area and identify opportunities to manage the increasing demand on the electrical system.

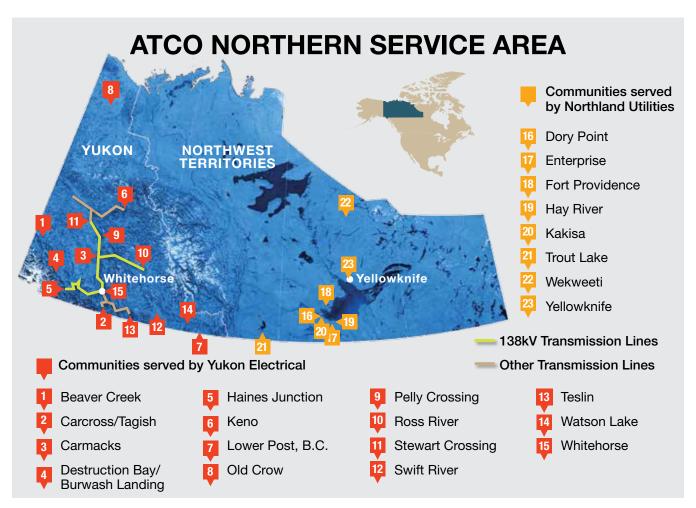
The Whistle Bend Substation in Whitehorse was completed and commissioned to support the high rate of new construction in both residential and commercial buildings. Whistle Bend is the Yukon's biggest residential land



Northland Utilities Powerline Technician, Mitch Wiseman, inspects a recently installed LED streetlight in Yellowknife to improve energy efficiencies.

development project and Yukon Electrical invested a total of \$5 million in the project. A feasibility study is also underway in conjunction with ATCO Gas and the City of Whitehorse to evaluate the potential of a solar thermal district heat system for the subdivision.

The Watson Lake Bi-Fuel Project was announced in partnership with ATCO Gas. This pilot project will occur in the off-grid community of Watson Lake and the first phase will convert one of the six diesel generators to a bi-fuel system able to use both natural gas and diesel fuel. In this pilot, Yukon Electrical is expected to reduce the amount of diesel consumed by this generator



by approximately 50 per cent. Construction is scheduled to begin in spring 2013, with commissioning of the project expected in the fall of 2013.

Yukon Electrical partnered with Yukon Energy to complete a fivevear Demand Side Management Plan for the Yukon to address electricity efficiencies and conservation. The scope of this work included a conservation potential review for both residential and commercial sectors over a 20-year period, from a base year of 2010 to the final milestone year of 2030, and addressed all regions of the Yukon served by the hydro-electric and off-grid diesel sites. This study will act as a resource and is part of a broader effort to find innovative

ways of meeting future individual and corporate electrical needs while being mindful of environmental footprints.

ABORIGINAL EMPLOYMENT

Northland Utilities, Yukon Electrical and ATCO Electric have a longstanding commitment to building a workforce to meet the current and future opportunities in the utility sector. In the Northwest Territories, more than 50 per cent of residents are of Aboriginal descent and represent an important source of skilled labour.

Last year, Northland Utilities launched the Building Capacity Aboriginal Employment Program focused on developing and employing local Aboriginal residents who are interested in the utility sector, and providing them with opportunities in the communities where they live. Candidates are employed in entry-level and apprenticeship roles, and receive a comprehensive northern benefit package along with professional development and mentorship.

SAFETY

As part of the ongoing commitment to safety, Yukon Electrical launched a successful safety program called Caught U Being Safe, which was designed to promote employee safety on the job. Employees are encouraged to recognize each other for their safe behaviour in the workplace and the practical application of safety standards.

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ATCO Gas has been heating homes and warming communities across Alberta since 1912. Today, ATCO Gas provides safe, reliable and cost-effective natural gas delivery to more than one million customers in almost 300 Alberta communities.



As the province's largest natural gas distribution company, ATCO Gas builds, operates and maintains more than 39,000 km of natural gas distribution pipelines. ATCO Gas provides 24-hour response to natural gas emergencies in its service territory. Through the ATCO Blue Flame Kitchen and ATCO EnergySense, ATCO Gas also provides safety and energy efficiency programs and services.

In 2012, ATCO Gas celebrated its 100th year of natural gas delivery to Albertans. Employees brought the celebration to the communities and customers they serve with the 100 Days of Summer Centennial Tour and the 100 Days of Caring volunteer program. (Read more about ATCO Gas's centennial celebrations on page 41.)

In its centennial year, ATCO Gas experienced another year of growth, adding approximately 20,000 new customer connections. Significant progress was made on ATCO Gas's capital infrastructure program, which is focused on enhancing system integrity, maintaining service reliability and ensuring public safety.

CAPITAL INFRASTRUCTURE **PROGRAM**

Work continued on key capital projects, including the Automated Meter Reading project. Since 2011,

more than 922,000 of ATCO Gas's 1.1 million natural gas meters have been replaced or retrofitted with encoder receiver transmitter devices that wirelessly transmit data usage to mobile collectors. This will allow ATCO Gas to accurately read meters every month without entering customers' homes, yards or businesses. The project is expected to be complete in the summer of 2013.

Progress was also made on the urban and rural mains replacement programs, which will see the replacement of aging natural gas infrastructure in urban and rural

In May, construction began on a new environmentally friendly operations centre in Okotoks, which is designed to meet the current and future needs of the community. Operations, construction and customer service will be located under one roof, streamlining service for customers in the growing community. The facility includes a combined natural gas-fuelled heat and power generation system. The system will generate 25 kilowatt hours of electricity as well as deliver exhaust heat to the building's boiler heating system.

ENVIRONMENTAL ACHIEVEMENTS

The Drake Landing Solar Community in Okotoks set a new world record for energy efficiency and innovation by generating 97 per cent of its space heating needs through solar energy. ATCO Gas was involved in the development of the community in 2007 and, since that time, has acted as managing partner and facility operator. A five-year contract extension was signed in 2012 for ATCO Gas to continue in that role.

The engineering firm that designed ATCO Gas's North Edmonton Operations Centre gas-fired geothermal heating, cooling and ventilation system earned the Technology Award from the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

NATURAL GAS AND SAFETY

ATCO Gas's commitment to public safety continued with the annual carbon monoxide awareness campaign and the promotion of safe digging practices around natural gas pipelines. The number of third-party damages to natural gas facilities continued to decrease in 2012.

ATCO Energy Theatre was again the recipient of significant public recognition. The unique program, which teaches school children important safety lessons about natural gas and electricity, received

Scott Patterson, ATCO Gas Distribution Operator - Field, and Rodney John, Distribution Operator - Field, install a new residential natural gas line in Calgary, Alta. an award for Achievement in
Promoting Public Safety from the
Canadian Gas Association. The
program was also recognized by the
City of Edmonton with a Mayor's
Celebration of the Arts award for
innovative use of the arts by a
business.

ATCO BLUE FLAME KITCHEN

ATCO Blue Flame Kitchen's professional home economists continued to provide household advice, cooking tips, recipes and safety information through the ATCO Blue Flame Kitchen Answer Line. In 2012, service hours were

extended and an email answer option was added, enhancing existing service and reaching out to a new generation of customers with an average of 30,000 consumer questions answered each year.

ATCO Blue Flame Kitchen toured the province as part of ATCO Gas's 100 Days of Summer Centennial Tour. The team visited more than 50 Alberta communities, reinforcing longstanding ties and making new connections.

The Calgary Learning Centre added two new programs—children's summer camps and birthday parties— to its complement of hands-on learning programs, which include lunch and learn sessions, corporate team-building events, school programs and weekend classes.

Two new cookbooks were released in 2012. The first was a special edition From the Grill cookbook to celebrate ATCO Gas's 100th anniversary. The second was a new edition of Holiday Collection, featuring holiday recipes from appetizers to desserts.

ATCO Blue Flame Kitchen's Kids Can Cook program received the Calgary Board of Education's Lighthouse Award for October 2012.



Tyson McQuitty, ATCO Gas Jr. Distribution Operator - Field, and crew members excavate a pipeline near Edmonton, Alta.

The award recognizes organizations for providing educational programming and resources for students. More than 1,700 children attended this program compliments of ATCO Gas throughout the school year.

In 2012, the ATCO Blue Flame
Kitchen website experienced a
35 per cent increase in visits and a
30 per cent increase in subscribers
to the monthly What's Hot newsletter
featuring news updates, recipes and
other helpful household advice.

ATCO ENERGYSENSE

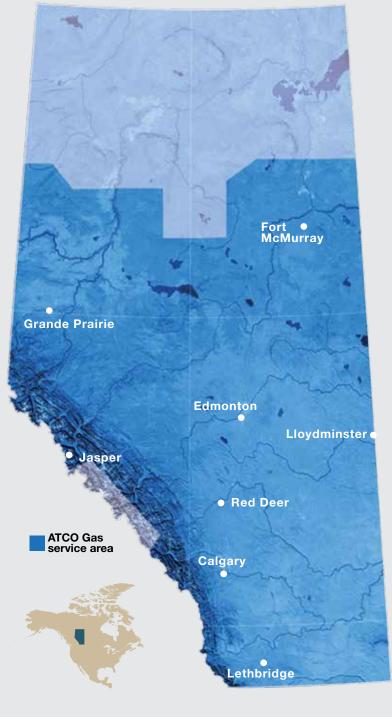
ATCO EnergySense provides
ATCO Electric and ATCO Gas
customers with energy efficiency
advice and energy assessments for
homes and businesses. The benefits
of energy efficiency were delivered to
customers through its website, print
publications and toll-free phone line.

Comprehensive commercial energy assessment services for municipalities and commercial facilities were offered to help customers improve their bottom lines and reduce impact on the environment.

ATCO EnergySense expanded its reach to Alberta communities by participating in ATCO Gas's 100 Days of Summer Centennial Tour. The ATCO Energy Education Mobile visited more than 50 communities, sharing information on energy efficiency and safety.

Since its inception in 2010, the ATCO Energy Education Mobile has visited hundreds of Alberta communities engaging thousands of participants. The interactive classroom on wheels teaches students and the general public about Alberta's energy resources and how to use them wisely.

ATCO GAS SERVICE AREA



In the area broadly identified on this map, ATCO Gas serves the vast majority of communities as well as certain rural franchise areas.

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ATCO GAS CELEBRATES 100 YEARS OF SERVICE

Following the discovery of natural gas near Bow In addition to the centennial tour and community Island, Alta. in 1909, Alberta's first commercial-service projects, special festivities and legacy scale natural gas business was founded as Canadian Western Natural Gas, Light, Heat and communities. Calgary, Nanton, Okotoks, Power Company, Limited—the enterprise that would become ATCO Gas.

In fewer than 90 days, using horsedrawn equipment, Alberta's first natural gas pipeline was laid. At 270 km, the 16-inch diameter pipeline was the longest in North America.

On July 12, 1912, residents of Lethbridge area became among the first Albertans to welcome natural gas into their homes. By the end of that first year, the company was serving approximately 6,400 customers across southern Alberta.

Today, ATCO Gas's pipeline network exceeds 39,000 km and serves 1.1 million customers in nearly 300 communities throughout Alberta. To mark its centennial year, ATCO Gas celebrated the milestone with customers across Alberta.

The 100 Days of Summer Centennial Tour visited more than 50 Alberta communities. More than 17,000 Albertans enjoyed the festivities, which included He's Got the Pipes, a 45-minute live musical theatre performance showcasing the development of natural gas service in Alberta; a free community BBQ; children's activities and more. ATCO Blue Flame Kitchen and ATCO Energy Education Mobile joined the tour, sharing home and energy safety and efficiency information.

To honour ATCO Gas's long history of community giving, ATCO Gas employees made a bold commitment to complete 100 community service projects through the 100 Days of Caring program. By the end of the year, employees went above and beyond, completing more than 125 community service projects. including rebuilding community playgrounds and volunteering at local food banks.

gifts were presented to the original eight Lethbridge, Brooks, Fort Macleod, Granum and Claresholm were the first Alberta communities to receive natural gas service in 1912.

commissioned murals, museum donations and support for improvements at Eugene Coste Park in Calgary's Heritage Park.

A pinnacle celebration took place July 15 at the closing grandstand

ceremony that took place in 1912 when gas was first delivered to Calgarians. ATCO Gas employees designed, built and installed the cauldron for the 1988 Olympic Winter Games in

of Alberta for the 100th anniversary of the Alberta Legislature building. At the Party Under the Dome event, ATCO Gas announced the donation of more than 25,000 early gas industry photos and records to the Provincial Archives of

Home for a Year contest, which offered ATCO Gas customers a chance to win one of five grand prizes of free home heating for a year, in addition to secondary prizes.

While much has changed over the past century, and the company has completed its year of Centennial celebrations, some things remain the same: ATCO Gas's connection to the communities it serves and its dedication to safe, reliable, cost-effective service.

Legacy gifts included specially

show at the Calgary Stampede. A ceremonial lighting of the cauldron atop the Calgary Tower commemorated the flaring

ATCO Gas also partnered with the Government

Completing the festivities was the Heat Your

Atco wins control of Canadian Utilities

> 1940 Canadian Western catches Stampede fever Limited forms as a subsidiary and begins sponsorship of the Calgary Stampede Chuckwagon Championship acquiring power plants. A year later, it is renamed Canadian Trophy. This arrangement has flourished for more than seven decades, making what is now ATCO Gas the Stampede's longest ongoing partner.

1945 Northland Utilities Limited S.D. Southern and his son R.D.

is born to supply gas and electricity in the Peace River 1947 Spotting an opportunity **1967** The gas companies help in Alberta's booming oil industry,

15 trailers for rent.

Northland Utilities.

purchases controlling interest in

celebrate Canada's Centennial by begin Alberta Trailer Hire, offering creating a natural gas flame for the Alberta Legislature grounds. The book Alberta, A Natural **1961** International Utilities moves History is also published by the its headquarters to Canada and companies, which sells 75,000 copies to become the fastest selling Canadian Centennial book.

1964 The advent of plastic pipe finally makes it economical to run natural gas lines in rural areas, and southern Alberta farmers become the first to benefit.

> southern Alberta, crews begin installing gas meters outside so

1971 Major restructuring makes **1980** After two years of Canadian Utilities the holding competitive negotiation, company and parent of Canadian ATCO Ltd. repatriated Canadian Western, Northwestern Utilities Utilities by purchasing it from and Alberta Power Limited. International Utilities out of International Utilities reverts to Philadelphia and returning it to U.S. residency. Canadian ownership. This pivotal acquisition was a turning point 1975 In both northern and for the company and represented

commitment to Alberta. that gas readings can be done even when no one is home. 1988 Canadian Western - now ATCO Gas - designs and builds eight natural gas cauldrons for the Calgary Winter Olympics, including the one atop the Calgary Tower.

a long-term investment and

1999 The distribution arms of Canadian Western and Northwestern Utilities combine to create ATCO Gas, a province-wide natural gas distribution company.

2007 Mike Carson one-millionth meter at

2004 ATCO Gas transfers **2009** As part of an its retail energy business to Direct Energy Regulated Services and becomes Alberta's largest natural gas distribution company.

becomes ATCO Gas's one- Edmonton and Airdrie, Alta. ATCO Gas employees millionth customer, when the company installs its his north Edmonton home.

2012 ATCO Gas stands accelerating drive toward proudly on the foundations environmental stewardship, laid by Alberta's pioneering ATCO Gas uses geothermal gas companies and energy in a new facility at celebrates 100 years Viking, Alta. In the coming of heating homes and years, the technology is warming communities. used at facilities in north

made a bold commitment to complete 100 Days of Caring, and completed more than 125 community service projects. The company also donated more than 25,000 early gas industry photos and records to the Provincial Archives of Alberta.

2012 ATCO Gas

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1912 Discovery of a rich

Island leads to the founding

Gas Light, Heat and Power

Company, Limited - now

ATCO Gas. The company

of Canadian Western Natural

initially supplies natural gas to

Lethbridge and Calgary. Soon

numerous Alberta communities

commercial scale gas business.

benefit from the West's first

natural gas field at Bow

1921+ With demand growing

quickly and the Bow Island gas

field losing pressure, Canadian

Western - now ATCO Gas -

searches for new sources of

natural gas and finds them,

the Turner Valley (1921) and

1923 Natural gas arrives in

Edmonton from a field near

Limited - now ATCO Gas -

International Utilities.

Viking after nearly a decade of

attempts. Northwestern Utilities

succeeds where other ventures

failed, backed by U.S.-based

drilling successful wells in

Foremost (1924) fields.

1927 Mid-West Utilities

of International Utilities

1929 Home Services

departments are created

in both Canadian Western

and Northwestern Utilities

to educate customers about

Blue Flame Kitchen in 1959, it

household tips, recipes and

product information.

became the trusted source for

natural gas. Renamed the

Utilities Limited.

Corporation and begins



ATCO Pipelines owns and operates key natural gas transmission facilities throughout Alberta to transport clean, efficient energy from producers and other pipelines to utilities, power generators and major industries.



With peak delivery of 3.8 billion cubic feet of natural gas per day and approximately 8,500 km of pipeline, ATCO Pipelines serves Alberta customers through nearly 4,000 receipt and delivery points.

ATCO Pipelines has offices in Calgary and Edmonton and facilities across the province. The priorities in 2012 were the Alberta System Integration, enhanced focus on customer service at the field level and the Urban Pipeline Replacement Project.

At ATCO Pipelines, employee and contractor safety is of utmost importance. In 2012, the company achieved 10 consecutive years without a lost-time incident and continues to strive to ingrain a strong safety culture throughout the organization.

ALBERTA SYSTEM INTEGRATION

ATCO Pipelines and Nova Gas Transmission Limited (NGTL) continue to work towards completing the Alberta System Integration. Started in the fall of 2008, this initiative continues to progress through operational and regulatory milestones. The arrangement between the two companies has seen physical assets combined under a single rate and

services structure with a single commercial interface for customers; however, each company will separately own and manage assets within distinct operating territories.

At the end of 2011, all existing ATCO Pipelines commercial contracts were terminated and customers are currently being served by the Integrated Alberta System. NGTL is now responsible for the billing and collection of all tariff revenues from customers on the Alberta system, as well as management of the inventory of natural gas being transported on the system. ATCO Pipelines continues to provide accurate customer measurement data from its facilities to NGTL to bill customers for transportation service.

To ensure system and service reliability, ATCO Pipelines continues to address all operational issues for customers relating to its facilities within the Integrated Alberta System.

Throughout 2012, ATCO Pipelines worked to receive approvals from the Alberta Utilities Commission (AUC) relating to the process and details of the asset swap that will create the service territories. ATCO Pipelines has received approval from the AUC to complete the asset swap; NGTL still requires National Energy Board approval. Once

regulatory approvals are received, the swap of assets will proceed in phases, which could begin in late

PIPELINE EXPANSION AND **UPGRADE PROJECTS**

ATCO Pipelines continued its rigorous annual preventive inspection and maintenance program to ensure its facilities continue to operate safely and reliably. The company conducted several pipeline integrity upgrades and deployed new technology to monitor the integrity of its pipelines and facilities.

In 2012, ATCO Pipelines successfully completed relocations and replacement of pipelines and facilities serving the communities of Calgary, Edmonton, Cold Lake and Nisku.

THE URBAN PIPELINE REPLACEMENT PROJECT

ATCO Pipelines is seeking approval from the AUC to replace and relocate its high-pressure natural gas pipelines that currently run through densely populated areas of Edmonton and Calgary. To accomplish this, ATCO Pipelines is proposing to build a network of new, modern pipelines in the Alberta government's designated **Transportation Utility Corridors** (TUCs), which are designed to accommodate utility infrastructure and ring roads.

In addition to monitoring ATCO Pipelines facilities 24/7 through its control centre, employees like Amy McConnell, Transmission Operator, visit facilities regularly to ensure safe and efficient operations.

Over the past 50 to 60 years, urban development in Calgary and Edmonton has overgrown the existing network of high-pressure pipelines that were originally built on the outskirts of those cities. This has created three areas of serious concern for ATCO Pipelines:

Public Safety – Due to the proximity of these lines to densely populated areas, and the very high pressures at which they operate, an incident involving these lines has the potential for tragic consequences.

Additionally, despite efforts to educate the public, pipelines are still hit by third parties during excavation activities. The current location of these lines leaves them vulnerable to damage and increases the risk that an incident will occur.

Construction Standards - These pipelines were constructed to the standards of 50 years ago and

are more susceptible to failure as they near the end of their expected operating life as high-pressure pipelines.

Pipelines built to today's standards have the advantage of the improvements in materials, inspection capabilities and damage prevention technologies that reduce the risk of an incident.

Demand - As Calgary and Edmonton continue to grow in size and population, the location and capacity of the existing high pressure network will not be able to meet the associated growth in demand for natural gas in these cities.

There have already been serious incidents in other jurisdictions which prompted ATCO Pipelines to take immediate action to evaluate its existing pipeline network in this context.



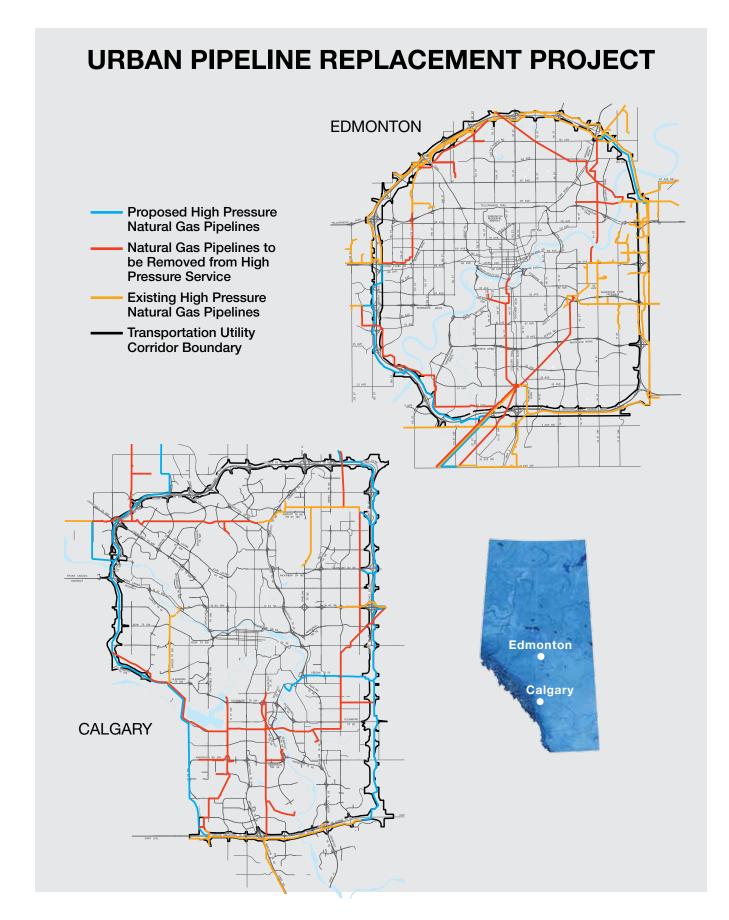
ATCO Pipelines held open houses for the public to learn more and provide feedback about the Urban Pipeline Replacement Project as part of its public consultation program.

The Urban Pipeline Replacement (UPR) Project is composed of several distinct segments, with construction completed for the first segment in 2011 in northwest Edmonton. The AUC had also approved the southeast and east Calgary segments. However, in July 2012, the AUC requested a further review of the UPR Project as a whole and instructed ATCO Pipelines to undertake a public consultation process to engage with the residents of Calgary and Edmonton about the project.

By the end of 2012, ATCO Pipelines had engaged citizens in Calgary and Edmonton through mail outs, an interactive web site, a dedicated call-centre and a series of open houses to inform the public of the need for this project, answer questions and address any concerns. Through the consultation process, the company was able to provide information about the project and explain why this issue is important, while also answering questions and directly responding to concerns from the public.

A summary of the public consultation process and the comments received will be submitted to the AUC as part of the application seeking approval for the remaining phases of the UPR Project. ATCO Pipelines expects to submit its application in the first quarter of 2013. If approved, construction would be scheduled for completion over the next five years.

The ATCO Pipelines UPR Project is the best solution to dramatically reduce the overall risk to public safety while ensuring that customers continue to receive safe, reliable natural gas service for decades to come.



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AUSTRALIA

ATCO Australia includes

ATCO Power Australia,

ATCO Gas Australia and

ATCO I-Tek Australia.

These companies provide

a full range of energy

infrastructure services.

Jason Lilly, Supervisor, Capital Projects, ATCO Gas Australia, works on the new 225mm PE high-pressure pipeline to Yanchep, a coastal suburb 60 km north of Perth, Western Australia.



ATCO Australia Pty Ltd, based in the Western Australian capital, Perth, operates across a range of energy infrastructure products and services, supporting the resource-focused industries in its home state as well as Queensland and South Australia.



2012 marked the first full year of ATCO Australia's operations since ATCO Gas Australia and ATCO I-Tek Australia were established following the acquisition of the regulated assets of WA Gas Networks. It has been a period of consolidation and steady growth, and the business has established a presence and is contributing to the communities in which it operates.

ATCO Australia's model continues to be on developing, building, owning and operating new energy infrastructure assets, utilizing the expertise that has been developed and enhanced over many years across ATCO's worldwide operations. Power generation, the transmission and distribution of electricity and natural gas, as well as natural gas gathering and liquids extraction continue to be the focus for growth as ATCO Australia consolidates its presence in Australia.

The continued strength of the resource-rich Australian economy has contributed to the success of the organization's well-managed, strategic investments in this important market. The burgeoning Southeast Asian economies, and particularly the Chinese economy, continue to demand the natural resources Australia has in abundance. While there will always

be fluctuations in demand over time, the long-term outlook for these trade relationships is for continued growth over many decades. This is particularly true for the iron ore and coal dominated states of Western Australia (WA) and Queensland (Qld), in which the ATCO brand has a strong presence.

Also, in Western Australia, ongoing reform of the electricity market physically separated from the rest of the nation's integrated market due to the vast distances involved - is on the agenda. As part of this reform, a debate is emerging on electricity cost drivers. ATCO Australia is participating in a select industry forum following an invitation from the WA State Government.

ATCO Australia recognizes that its success as a business is based on its ability to operate in a responsible and sustainable manner; therefore, implementation of repeatable processes on Health, Safety, Security and Environment (HSSE) has been a priority during the year.

ATCO's engagement with, and support of, the communities in which it operates is based on the belief that successful companies are a part of successful communities. In 2012, ATCO Australia partnered with the University of Western Australia Business School to develop

new leaders through scholarship programs. ATCO Australia plans to pursue similar opportunities in other communities where ATCO people live and work.

Overall, ATCO Australia is positioned well to align itself with a growing resource base that requires infrastructure assets to produce and deliver Australia's resources to domestic and international consumers. Consumption growth for electricity in Western Australia is anticipated to be 5.6 per cent per year over the period to 2023, driven predominantly by the resource sector. Additionally, significant investment, approximately \$180 billion, in Australian liquefied natural gas (LNG) projects will nearly quadruple the country's LNG exports over the next five years. The LNG growth potential positions Australia on a path to eclipse Qatar as the world's leading gas exporter.

ATCO GAS AUSTRALIA

ATCO Gas Australia serves approximately 667,000 customers in 18 communities, including metropolitan Perth and surrounding regions of Geraldton, Bunbury, Busselton, Kalgoorlie, Albany, Harvey, Pinjarra, Brunswick Junction and Capel.

The ATCO Gas Australia distribution network has seen a year of expansion to approximately 13,300 km of natural gas pipelines. The Perth metropolitan area is

The Bulwer Island 33 megawatt (MW) electrical and 55 MW thermal equivalent Co-generation Station serves the BP Oil Refinery in Queensland, Australia.

growing to meet the city's swelling population—one of the fastest rates in the developed world. A total of 152 km of additional pipe was put in the ground and approximately 13,500 customers were added in 2012.

While the expanding northern, northeastern and southeastern suburbs of the city have been the focus of the network's physical growth, the business has also concentrated on increasing throughput across the network, with an increased effort in business development, and a focus on encouraging a wider usage of gas and gas appliances.

New service connections were installed in 2012 to Perth area hospitals where natural gas is



ATCO Australia Managing Director, Steven Landry (right), at the Jandakot depot, discussing the ongoing network maintenance program with ATCO Gas Australia's Corey Kenney, Gas Distribution Officer, Capital Projects (left) and Andrew Reale, Gas Distribution Officer in training.

becoming the fuel of choice for new co-generation units used to provide electricity and chilled water for building cooling.

In providing a safe, reliable and economic gas delivery service to consumers, ATCO Gas Australia implements a lifecycle asset management program. This year saw the replacement of 22 km of ageing metallic mains in the older, inner-city areas of the network. ATCO Gas Australia plans to replace 250 km of cast iron, galvanized iron and steel mains by 2020.

In accordance with Australian Standards, ATCO Gas Australia inspected its 700 km of high-pressure steel pipelines this year and installed impact protection concrete slabs over approximately 15 km, thereby reducing the risk of damage to the network and ensuring the continued safe and reliable operation of the system.

As part of its commitment to providing a safe workplace, minimizing the impacts of its activities on the environment and delivering high quality and safe natural gas to customers, ATCO Gas Australia has implemented an integrated HSEQ Management System accredited to the standards AS/NZS ISO 9001:2008 (Quality Management Systems); AS/NZS ISO 14001:2004 (Environmental Management Systems) and AS/NZS 4801:2001 (Occupational Health and Safety Management System).

ATCO Gas Australia's network is subject to tariff regulation by the Western Australian Economic Regulation Authority (ERA). In June 2012, the company received a positive decision from the Australian Competition Tribunal related to a previous Access Arrangement

decision by the ERA. The decision affirmed the company's perspective on two key aspects of the review, including determination of certain components of the rate of return on equity formula used by the ERA to set rates, and the recovery of certain financing costs. The decision resulted in a positive impact on earnings.

Late in 2012, the Australian Energy Market Commission (AEMC), which is the Australian regulatory body charged with setting the rules that govern utility rate making in Australia, made a determination of how rates of return on the equity and debt used to finance utility assets are to be determined by Australian regulators. The AEMC has referred the development of rate of return application guidelines to individual regulators, including the ERA. The ERA has published the process for

input on the development of these guidelines with the final determination scheduled for November 2013.

While the ATCO Gas Australia network continues to expand, the company is exploring innovative ways to further grow its network and the use of natural gas in the future, such as fuel cells.

A keen focus of ATCO Gas Australia in 2013 is to increase the volume of natural gas flow through its system by increasing the number of connections and promoting the increased use of gas appliances in homes and commercial businesses.

Most residential homes and businesses in Western Australia are geared toward electricity rather than gas-powered appliances. The running of electric-driven air conditioning units during the extreme heat of summer months is one of the biggest drivers of peak power issues. ATCO Gas Australia is examining deployment of natural gas-fuelled airconditioning units and plans to install these units as it constructs its new operations centre in Jandakot, WA.

ATCO POWER AUSTRALIA

ATCO Power Australia's solid performance in 2012 across the three power stations: Bulwer Island in Queensland; Osborne in South Australia; and Karratha in Western Australia, was reflected by high commercial availability of over 98 per cent across the three facilities.

At Bulwer, two new gas compressor units were commissioned, which was a key year-long initiative. These two units offset a forecast decline in the supply pressure to the BP Oil Refinery caused by increased



In 2012, this gas compressor unit was one of two installed at Bulwer Island. The units provide for any reduction in pressure of natural gas to the BP Oil Refinery which the Bulwer Island Co-generation Station serves.

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demand from the Roma-Brisbane Gas Pipeline. The commissioning of both units was finalized on time and on budget in September.

In mid-2012, the Australian government implemented a new Carbon Pricing Mechanism (the Clean Energy Act 2011). The Carbon Tax regime has meant added costs to the businesses. These costs will be passed through to customers via contractual 'change in law' provisions or the approved tariff mechanisms included in the Access Arrangement where applicable. The business was well prepared for the impacts of the Carbon Tax and will continue to be vigilant in its management.

The Pilbara region in northern WA provides opportunity for growth in the power generation segment due to strong iron ore and other mineral mining activity.

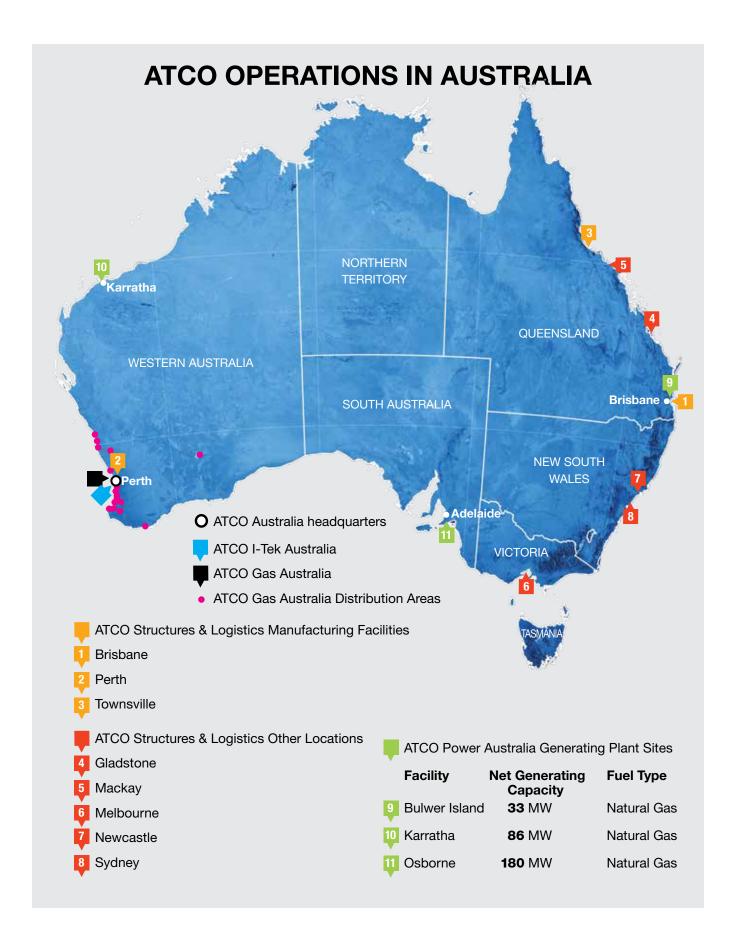
Power generation in the Pilbara is a mixture of small interconnected and isolated systems; however, a more regional approach has been identified as an option for the region. This will create opportunities for ATCO Power Australia to invest in a bigger, scalable multi-user gas-fired power plant rather than having individual resource companies develop their own solutions, usually in diesel. This concept has been well received by potential customers.

ATCO I-TEK AUSTRALIA

Utilizing its strength with SAP solutions, ATCO I-Tek Australia successfully transitioned all of its corporate entities into an integrated SAP system. Further success in 2012 was achieved through the hiring of skilled IT personnel who worked to continuously improve service for ATCO I-Tek Australia's customers, including DBP, the owner of the Dampier to Bunbury Natural Gas Pipeline. These improvements focused on the priority areas of supporting the business service requirements as well as putting in place the necessary building blocks and plans for the future.



ATCO Gas Australia contractor David Shephard (left) and Jason Lilly, Supervisor, Capital Projects, ATCO Gas Australia, inspect the excavation work for the natural gas mains extension to the coastal suburb of Yanchep, located 60 km north of Perth.



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ENERGY

The Energy business

segment includes

ATCO Power and

ATCO Energy Solutions.

These companies are

engaged in power generation

and natural gas gathering,

processing, storage and

liquids extraction.

At ATCO Power's 760 megawatt Sheerness Generating Station, steam turbine blades are inspected as part of regularly scheduled maintenance to ensure maximum efficiency and continued, safe, reliable operation of the facility.



ATCO Power is an experienced builder, owner and operator of independent power generation plants. ATCO Power has a solid reputation of providing industry leading, reliable, responsible and cost-effective solutions for our customers and partners around the world.



ATCO Power operates 15 power generation plants in Canada and the United Kingdom. Its three Australiabased power generation stations were transferred to ATCO Australia in 2011.

ATCO Power has expertise in developing, constructing and operating gas-fired co-generation, combined-cycle, hydro and reliable, economic coal-fired generation. The company has a generating capacity of 4,590 megawatts (MW) and a total ownership interest in 2,550 MW.

FINANCIAL PERFORMANCE

ATCO Power demonstrated strong financial performance in 2012 due to a number of factors including toptier plant availability and ongoing cost management and facilitating the capture of strong Alberta power pool prices with the company's diversified and flexible fleet of assets.

Units operated by ATCO Power performed very well supporting the Alberta Interconnected System requirements during tight market conditions this past year. Extensive planned maintenance programs were undertaken at several plants over the year to ensure improved efficiency and continued safe, reliable operation.

Despite the extensive planned maintenance programs, Canadian plant availability remained very high at 92.6 per cent. Major maintenance programs were carried out at three Alberta facilities: Battle River, near Forestburg, Sheerness near Hanna and Joffre in central Alberta, as well as at McMahon in British Columbia. The turnaround at the 480 MW Joffre co-generation plant, which supplies power and steam to the Nova Chemical petrochemical facility as well as surplus electricity to the Alberta market, was the most significant in 12 years.

In the United Kingdom, a partial, temporary lay-up of the 1,000 MW Barking power station in London took place in response to negative market conditions and low power prices. The laid-up plant is being maintained to enable quick return to service when electricity prices are economically viable. The power station is well positioned to return to full operation as the economy recovers. A highlight during 2012 was Barking's supply of contracted system support to the London area electricity grid during the London Olympic Summer Games.

BUSINESS GROWTH

In 2012, ATCO Power focused on long-term growth and prepared for the development and building of

new generation facilities while maintaining a disciplined effort toward continually improving performance of existing facilities.

In-depth analysis of potential growth opportunities was initiated, especially for environmentally progressive natural gas-fired generating facilities within the resource-driven economies of Saskatchewan, Alberta and British Columbia. The company has existing operations in the three provinces and a successful track record of building generation facilities near, or directly associated with, resource projects.

The Alberta Electric System Operator is forecasting a need for 6,200 MW of new generation by 2022 in Alberta and ATCO Power is well positioned to capture a significant share of this opportunity.

ATCO Power is working on a power development and evaluation agreement as a preferred partner with the Haisla First Nation in British Columbia. The partners will combine their expertise to explore development of generation capacity to support new LNG facilities on Haisla traditional lands.

Work also continues on developing large-scale hydro projects in the Slave River and Athabasca regions where run-of-river generation could significantly help achieve Canada's Greenhouse Gas (GHG) emission reductions.

Neil Finnerty, Facility Manager (left) and Colin Rievelley, Shift Engineer at the 580 MW Brighton Beach natural gas-fired, combined-cycle generating plant in Windsor, Ont.

GREENHOUSE GAS REGULATIONS

Changes to GHG regulations announced by the federal Minister of the Environment in 2012 will allow coal-fired facilities to operate longer than initially proposed. Concerned about the impact on Alberta consumers, ATCO Power worked with industry partners to encourage the government to adopt regulations allowing existing coal-fired plants to continue operating to approximately 50 years of age. This additional time will help assure safe, reliable and reasonably priced power to sustain economic growth in the province. Under the originally proposed regulations, ATCO Power faced the early shutdown (year end 2013) of the Battle River 3 and 4 generating units near Forestburg, Alta. The GHG regulations adopted will now allow sufficient time for new replacement generation to be built causing less economic harm to ATCO Power and reduced economic impact to Alberta's power consumers.

ATCO Power continues to review emissions management options for Battle River 3 and 4 as the increasingly more stringent federal and provincial regulations regarding coal-fired facilities may impact existing generation. The federal government has yet to finalize new regulations regarding certain emissions, including NOx and SO2.

INCREASED CUSTOMER FOCUS

Approximately 300 MW of electricity, currently contracted under Power Purchase Arrangements, shifts to ATCO Power's dispatch control at the end of 2013.

Additionally, in 2012, the company expanded its capability to market electricity. ATCO Power supplemented its ability to sell power in the spot market by entering into contracts to sell power in the forwards market. This has provided additional flexibility in ATCO Power's ability to manage its exposure to the short term variations in Alberta power pool price.

With the increasing requirement for additional electricity, and to

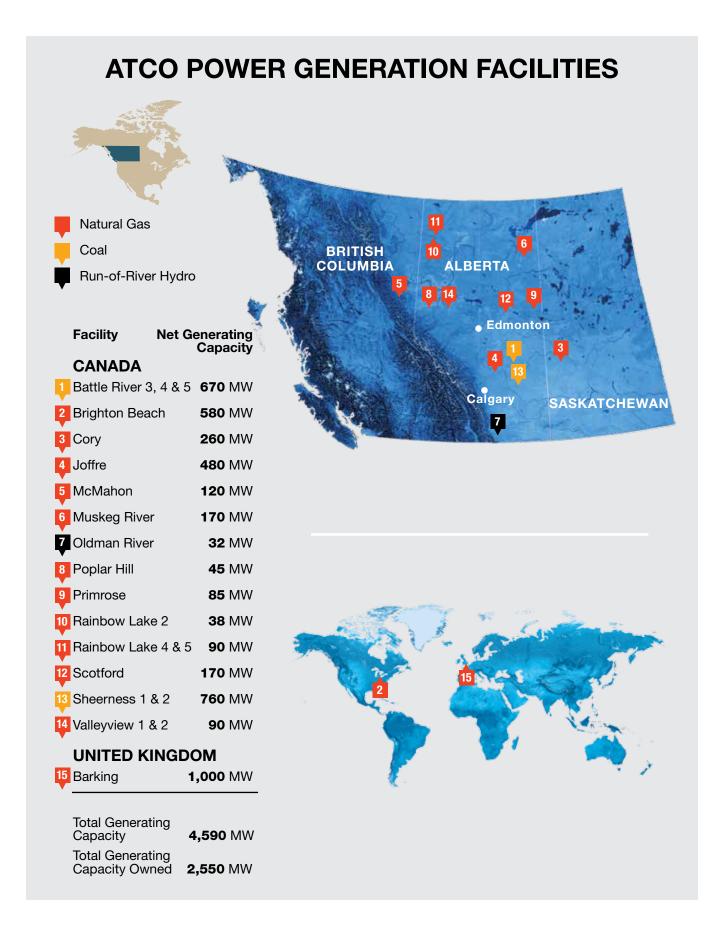
further support the needs of the resource industry and other large industrial and commercial customers, ATCO Power has initiated a program to sell power through term contracts. The commercial and industrial customer electricity sales program is being developed in contemplation of the expiry of the Power Purchase Arrangements and new generation projects.

ASHCOR TECHNOLOGIES

ASHCOR Technologies markets combustion by-products produced at coal-fired power stations operated by ATCO Power. ASHCOR primarily markets fly ash to the oil well servicing sector, ready mixed concrete producers and producers of other cement related products. By collecting the fly ash and using it in cementing materials, ASHCOR is able to create value in a product that would be treated as waste and disposed of in a reclamation site. ASHCOR capped off a stellar year with strong sales and earnings exceeding 2011 results.



Operating in Alberta's deregulated energy marketplace, ATCO Power's power marketing team works alongside ATCO Energy Solutions' storage and energy services team. Foreground: Shad Bendiak, Supervisor, Real Time Desk, ATCO Power.



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ATCO Energy Solutions offers natural gas gathering, processing and storage; natural gas liquids extraction, transportation and services; electric transmission and substations; and industrial water infrastructure solutions to the energy industry.



ATCO Energy Solutions owns or has interests in seven natural gas gathering and processing facilities and four natural gas extraction facilities which, combined, have a total processing capacity of approximately 1.8 billion cubic feet per day.

NEWLY FOCUSED COMPANY

On August 1, ATCO announced the combination of the operations of ATCO Midstream and ATCO Energy Solutions to pursue emerging opportunities and provide a wider range of services to commercial energy customers. Operating under the name ATCO Energy Solutions, the combined expertise and extensive assets position the company to pursue initiatives to serve the growing demand from upgrader operators and for storage and transportation in Western Canada's energy sector.

As part of its focus on nonregulated business opportunities, ATCO Energy Solutions acquired the non-regulated assets of ATCO Pipelines. These assets are a 116 km pipeline transporting gas to the Fort McMurray area and 240 acres of land and associated rights in the Fort Saskatchewan region of Alberta, including a 10 km water pipeline.

The land, located at the centre of Alberta's petrochemical industry,

is core to the company's future growth plans. The Alberta Utilities Commission ruled the land and rights were no longer required for any regulated utility business, which set up the transfer to the non-regulated ATCO Energy Solutions.

In December, ATCO Energy Solutions sold its Watelet Gas Plant, located southwest of Leduc, Alta., to Direct Energy Services. The central Alberta plant and the associated gathering system had been operated by ATCO Energy Solutions since the company acquired it in 1998, with Direct Energy's production flowing through the plant since 2009. Direct Energy has an active oil exploration and production program in the area around the plant.

Sustained low natural gas prices continued to have a significant impact on the company. To counter the low prices, ATCO Energy Solutions focused on the extraction of liquids from rich natural gas and the optimization of storage spreads. Going forward, the newly-combined company will focus on leveraging its other business assets to offset low natural gas prices.

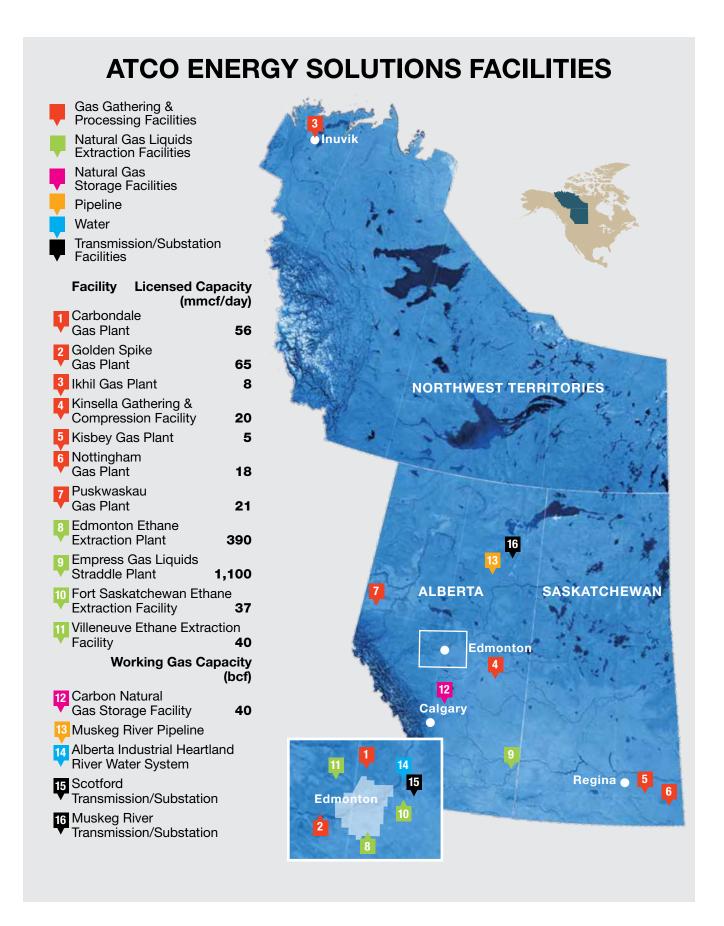
INDUSTRIAL WATER INFRASTRUCTURE

To supply water to the North West Redwater Partnership in Alberta's Industrial Heartland, ATCO Energy Solutions completed construction of a water intake system, which consists of a pump station and pipeline that takes water from the North Saskatchewan River. Sensitive in-river and river bank construction work was completed in 2012.



The Fort Saskatchewan Ethane and **Natural Gas Liquids Extraction Facility.**

Larry Russell, Operations, ATCO Energy Solutions, monitors equipment at the Fort Saskatchewan Ethane and Natural Gas Liquids Extraction Facility.



ATCO I-Tek is an end-to-end service provider that specializes in customer care and billing, managed technology and application services. With a team of more than 770 professionals, two world-class data centres and expertise in more than 900 business applications, ATCO I-Tek supports clients worldwide.



Headquartered in Edmonton, Alta., ATCO I-Tek has one of the largest IT environments in Western Canada.

In 2012, ATCO I-Tek focused on attracting new customers with its asset management solutions and managed infrastructure services, as well as strengthening client, industry and partner relationships.

ASSET MANAGEMENT SOLUTIONS

A certified IBM Business Partner, ATCO I-Tek specializes in Maximo, a platform for enterprise asset management and maintenance life-cycle processes. The company provides consulting, implementation, software-as-a-service, training and support.

Last year, ATCO I-Tek won new customers by targeting asset-intensive industries such as oil and gas, utilities, mining, refining/chemicals and the public sector.

New clients in 2012 included an upstream oil and gas firm, a global chemical supplier, hydro utilities and a food products company as they each sought efficiencies with respect to managing physical assets.

For one utility in Eastern Canada, ATCO I-Tek integrated Maximo with ATCO I-Tek's Asset Health Analysis solution to enable the client to make informed decisions by providing health index values for individual assets, asset classes and total asset health across its organization. The ATCO I-Tek Asset Health Analysis solution provides an intuitive dashboard view of asset health and

trend analysis. This enables clients to meet regulatory requirements and realize savings with their overall maintenance strategy.

MANAGED INFRASTRUCTURE SERVICES

In 2012, ATCO I-Tek made the decision to move its primary Edmonton data centre into a new, state-of-the-art facility. The company expects to begin operations in this new environment in the second quarter of 2013. This new facility will provide a world-class technical platform to offer managed infrastructure services to both existing clients, as well as new clients.

PARTNERSHIPS

ATCO I-Tek expanded its service offerings through two new partnership agreements: Reflective Solutions, a U.K.-based performance software and solutions company; and Actuate – the Business Intelligence and Reporting Tools (BIRT) Company.

As a certified Reflective Solutions partner, ATCO I-Tek provides Maximo application load testing and performance monitoring, filling a void in the software and services market that was preventing companies from effectively managing their applications.

As a partner of Actuate, ATCO I-Tek utilizes Actuate's BIRT technology to provide enhanced reporting and other offerings, including the Asset Health Analysis solution.

2.5 MILLION
APPROXIMATE NUMBER OF
CUSTOMER RELATIONSHIPS

16 MILLION
CUSTOMER CALLS ANSWERED

11.8 MILLION STATEMENTS PRINTED AND DELIVERED

10.4 MILLION
APPROXIMATE NUMBER OF
PAYMENTS PROCESSED

100,000

96%
HELP DESK PROBLEM
RESOLUTION CUSTOMER
SATISFACTION RATING

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ABORIGINAL PARTNERSHIPS

ATCO works to build and maintain mutually beneficial relationships with Aboriginal communities and their people in all aspects of its business. The company's approach is based on respect, trust and understanding of their interests.

The diversity of ATCO's businesses encourages a variety of relationships with Aboriginal communities. Building and sustaining these relationships helps form the foundation of how ATCO does business and this is reflected through both ATCO's longstanding relationships with Aboriginal communities and how the company engages with these communities every day.

Partnerships that stand the test of time involve respect, trust, understanding and transparency. Each party commits to bringing value to the partnership and continues to negotiate in good faith as the relationship evolves over time. ATCO conducts all of its business in this spirit, striving to maintain positive relationships that contribute to sustainable economic and social development in the communities where ATCO and its people work and live.

ATCO's Aboriginal partnerships involve a wide array of businesses and projects, including operating and maintaining the North Warning System in the Arctic, delivering fuel in Igaluit, hydro power generation on the Oldman River, as well as workforce housing for the oilsands, potash mines and liquefied natural gas facilities. Some of the company's first Aboriginal

partnerships have endured for more than 30 years (see map, page 68).

One example of ATCO's commitment to its Aboriginal partnerships is the relationship between the Denendeh Development Corporation (DDC) and Northland Utilities Enterprises (Northland Utilities). DDC is a private company owned by the Dene of the Northwest Territories, specifically the Gwich'in, Sahtu, Dehcho, Tlicho and Akaitcho First Nations communities.

Northland Utilities, a northern subsidiary of ATCO Electric, includes two operating companies, Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited. Northland Utilities (NWT) provides electricity to 2,700 customers in Hay River, Trout Lake, Kakisa, Dory Point, Fort Providence, Wekweeti, Enterprise and K'atlo'deeche First Nation. Northland Utilities (Yellowknife) serves approximately 8,200 customers in Yellowknife and neighbouring N'dilo. Northland Utilities has served Canada's northern communities since 1951.

In 1987, DDC purchased a five per cent share of Northland Utilities, and in 1994, expanded its ownership to 14 per cent, along with adding representatives to the company's Board of Directors. In 2012, the partners introduced the Building

Capacity Aboriginal Employment Program, which is focused on the recruitment and development of Aboriginal residents for successful employment within Northland Utilities.



ATCO Chair, President & Chief **Executive Officer, Nancy Southern,** was named an honorary Chief of the Kainai (Blood Tribe of Alberta) during a traditional ceremony on the Blood Reserve in southern Alberta.

ATCO Gas and ATCO Electric support numerous National Aboriginal Day activities, including St. Albert's annual National Aboriginal Day celebration.



Since 2007, the Piikani Nation has had an ownership interest in ATCO Power's 32 megawatt Oldman River Hydroelectric Plant in southern Alberta.

Successful, long-term relationships like this have opened the door for ATCO to serve many First Nation communities in the North. ATCO believes that sustaining these valuable relationships over the years has enhanced the service the company provides, while furthering opportunities to build partnerships with Aboriginal communities across Canada.

2012 HIGHLIGHTS

In July 2012, the company launched ATCO Sustainable Communities to combine expertise in modular and pre-engineered building solutions with its experience working with long-standing, successful Aboriginal partnerships (read more about the new company on page 24). Other highlights include:

University of Calgary Aboriginal Relations Leadership Certificate Program

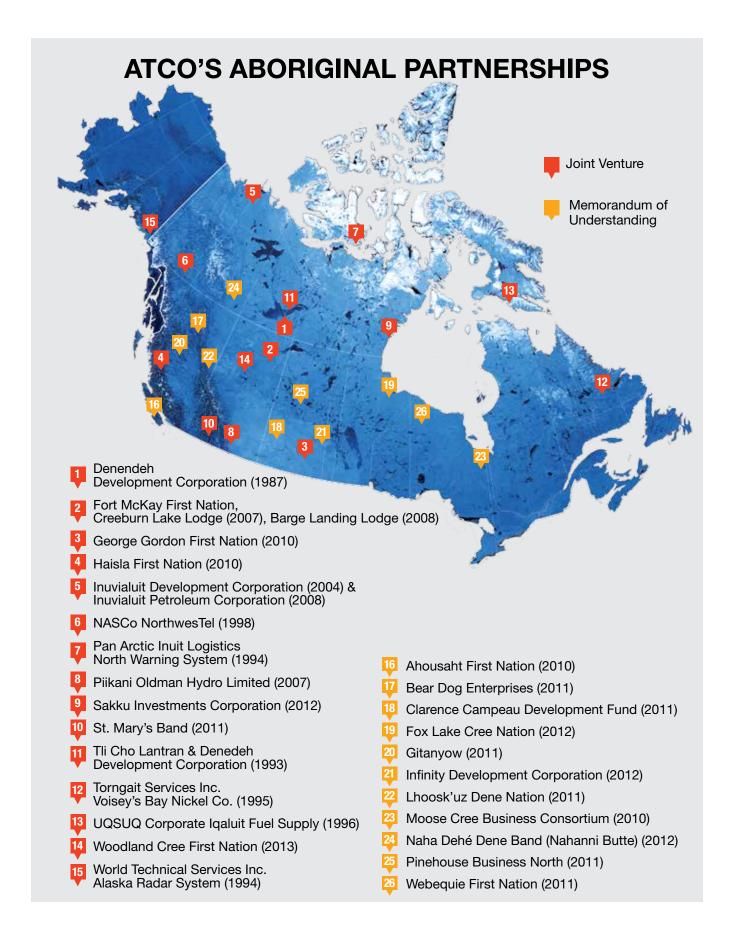
ATCO sponsored the University of Calgary's Aboriginal Relations Leadership Certificate program in 2012. The University of Calgary designed the program for undergraduates, alumni or working professionals whose careers interconnect with Aboriginal communities. ATCO has committed to sending 30 ATCO employees each year to benefit from this in-depth course.

Nancy Southern Kainai Chieftainship

ATCO Chair, President & Chief Executive Officer, Nancy Southern, became an honorary Chief of the Kainai (Blood) Tribe in a ceremony held at the reserve in southern Alberta. Blood Tribe Chief and Grand Chief of Treaty 7, Charles Weasel Head, nominated Ms. Southern for her spirit of entrepreneurship and efforts toward building mutually beneficial relationships with Aboriginal communities.

University of Lethbridge – Ceremonial Room

ATCO Gas helped to establish a unique gathering space on the University of Lethbridge campus for First Nations, Métis and Inuit (FNMI) students. The Native American Students' Lounge and Ceremonial Room is designed to enhance the campus experience of the university's more than 400 FNMI students. The new facility serves not only as a gathering space, but fosters a sense of community among the FNMI student population that is essential in achieving educational success.



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FINANCIAL EXCELLENCE 2012



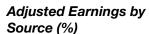
Brian R. Bale Senior Vice President & Chief Financial Officer

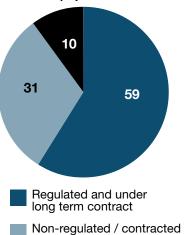
The ATCO Group generated record Adjusted Earnings of \$372 million in 2012 and strengthened its ability to deliver long-term share owner value. These accomplishments were the result of continued strong contributions from ATCO Structures & Logistics, ongoing significant investment in Alberta utility infrastructure, and a full year's earnings contribution from the gas distribution utility in Australia acquired in 2011.

RELIABLE EARNINGS AND CASH FLOWS

The foundation of our business strength comes from the reliable earnings and cash flows generated by our regulated utility businesses in Canada and Australia, and long-term contracted operations in our other businesses. Regulated utility and other long-term contracted operations contributed approximately 59 per cent of total Adjusted Earnings in 2012.

ATCO Structures & Logistics' scale of operations has increased significantly in recent years. Since 2008, Adjusted Earnings contributed by ATCO Structures & Logistics has increased by 125 per cent to \$115 million in 2012. While a component of ATCO Structures & Logistics' operations are under long-term contract, a significant portion of its Adjusted Earnings are more closely associated with activity levels in the global resource extraction industries. Global resource companies continue to make longterm business decisions to develop their investments. This translates into a need for the suite of products and services ATCO Structures & Logistics offers. Due to growing contributions from ATCO Structures & Logistics, ATCO saw the portion of its Adjusted Earnings sourced from "non-regulated/contracted and no commodity exposure" rise from 26 per cent in 2011 to 31 per cent in 2012.





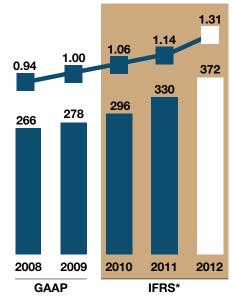
and no commodity exposure

Commodity price exposure

The ATCO Group continues to maintain a moderate level of exposure to select commodity markets through its Energy business.

The high proportion of earnings generated from regulated and long-term contracted operations, along with a significant history of earnings growth, has enabled ATCO to consistently increase its dividend every year since 1993. In January 2013, ATCO announced a first quarter dividend increase of 15 per cent.

Dividends Per Share (\$)



Adjusted Earnings (\$ Millions)

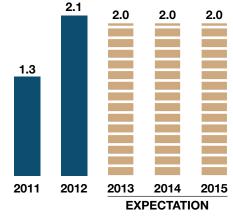
GROWTH

ATCO Structures & Logistics continues to drive the strong performance of ATCO. ATCO Structures & Logistics contributed over 30 per cent of ATCO's consolidated earnings in 2012. The company's success has been underpinned by strong execution and enhanced customer value with integrated product solutions and services.

The significant ongoing investment in the Utilities segment provides a solid foundation for continued growth in Alberta. In 2012, ATCO Electric, ATCO Gas and ATCO Pipelines made investments of \$2.1 billion. ATCO Electric is building new transmission infrastructure to meet Alberta's long-term electricity demand and improve reliability for customers. Two dozen transmission infrastructure projects are either currently approved or under construction. In particular, the Hanna Region Transmission Development project and the Eastern Alberta Transmission Line were approved in 2012 and are expected to add over \$2.3 billion to transmission rate base by the end of 2014. Total Utility capital expenditures are expected to be \$6 billion over the 2013-2015 timeframe. The resulting regulated earnings and cash flow growth will further strengthen our

Utilities Capital Expenditures (\$ Billions)

business profile and earnings.



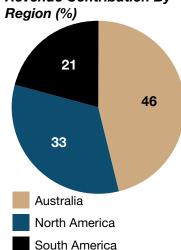
DIVERSIFICATION

Geographic diversification is achieved through ATCO Structures & Logistics and ATCO Australia.

With a 65-year track record and experience in more than 100 countries worldwide, ATCO Structures &

Logistics has developed strong business relationships and expertise in numerous markets. Increased revenues and earnings in 2012, particularly in the modular structures business, are the result of higher manufacturing and rental fleet activity in Australia, North America and South America.

Modular Structures 2012 Revenue Contribution By



2012 marked the first full year of operations at ATCO Gas Australia, which was acquired in July 2011. ATCO Gas Australia provides a utility platform to further build our business in this resource-rich region of the world. There are numerous opportunities across all ATCO's businesses for continued growth in Australia due to strong demand for energy infrastructure in support of resource development activity. The ATCO Group is well positioned to realize on future Australian growth opportunities.

FINANCIAL STRENGTH

ATCO is committed to maintaining strong investment grade credit ratings. This commitment, which is supported by conservative financial policies

and prudent capital management, directly resulted in an improvement to ATCO Gas Australia's credit ratings and the affirmation of ATCO's "A" rating in 2012. These strong ratings and ATCO's stable financial position provide continuing access to capital at competitive rates in the face of uncertain global market conditions.

In 2012, the ATCO Group completed \$1.4 billion of financing activity to support the company's business strategies. This included \$300 million in equity preferred share offerings and \$1.1 billion in debentures, the company's largest ever capital markets debt issuance in a single year. Long-term debentures were issued with various maturities of 10, 30, 40, and 50 years. These debenture maturities provide an appropriate level of matching to the long-lived utility infrastructure assets that ATCO is investing in, and are a reflection of ATCO's conservative financial policies.

In addition to \$508 million of cash on its balance sheet, the ATCO Group funds its growth using cash flow from operations, access to debt and preferred share capital markets, as well as a Dividend Reinvestment Plan that was introduced in the third quarter of 2012. Canadian Utilities' Dividend Reinvestment Plan was implemented to support the large capital program currently underway. ATCO intends on participating in the Plan such that its ownership interest in Canadian Utilities is maintained.

The ATCO Group continues to execute on its business strategies and global growth programs. Through sound execution, a strong financial profile, and a base of reliable earnings with the opportunity for enhanced returns, the ATCO Group is well positioned to continue delivering long-term share owner value.

FINANCIAL EXCELLENCE 70 **69** 2012 ANNUAL REPORT

^{*} Adjusted Earnings under IFRS are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate regulated activities, as well as one-time gains and losses and items that are not in the normal course of business or a result of day to day operations. Descriptions of the adjustments for 2010, 2011 and 2012 are provided in the Segmented Information note of the 2011 and 2012 Financial Statements and for 2008 and 2009 are provided in the Significant Non-Operating Financial Items section of the Management's Discussion & Analysis for those years that is available on SEDAR.

CONSOLIDATED ANNUAL RESULTS

		IFRS(1)		GAAP ⁽²⁾		
(Millions of Canadian dollars, except as indicated)	2012	2011	2010	2009	2008	
EARNINGS STATEMENT						
Revenues	4,362	3,991	3,486	3,109	3,266	
Earnings attributable to Class I and Class II shares	375	327	281	283	272	
Adjusted earnings ⁽³⁾						
- Structures & Logistics	115	89	74	61	51	
- Utilities	148	124	126	102	75	
- Energy	72	86	76	105	123	
- ATCO Australia	23	10	9	5	4	
 Corporate & Other and eliminations 	14	21	11	5	13	
Adjusted earnings ⁽³⁾	372	330	296	278	266	
BALANCE SHEET						
Cash ⁽⁴⁾	508	755	645	1,020	848	
Total assets	14,315	12,453	10,084	9,955	8,669	
Capitalization						
- Long term debt	5,364	4,389	3,090	3,158	2,905	
 Non-recourse long term debt 	339	378	422	497	561	
- Preferred shares	-	-	-	150	150	
 Non-controlling interests 	2,549	2,500	2,202	2,230	1,948	
- Share owners' equity	2,367	2,163	1,978	2,010	1,770	
Capitalization	10,619	9,430	7,692	8,045	7,334	
CASH FLOW STATEMENT						
Funds generated by operations ⁽⁵⁾	1,689	1,514	1,234	935	924	
Capital expenditures ⁽⁶⁾						
- Structures & Logistics	215	132	98	41	90	
- Utilities	2,142	1,316	788	776	853	
- Energy	42	33	26	81	90	
- ATCO Australia	74	23	27	70	28	
 Corporate & Other & eliminations 	30	24	13	19	21	
Capital expenditures ⁽⁶⁾	2,503	1,528	952	987	1,082	
RATIOS						
Return on equity (%)	16.6	15.8	14.6	15.0	16.3	
Earnings per share (\$)	6.51	5.65	4.83	4.89	4.71	
Dividends paid per share (\$)	1.31	1.14	1.06	1.00	0.94	
Equity per share (\$)	41.16	37.47	34.15	34.52	30.64	
Class I Non-Voting closing share price (\$)	80.72	60.24	59.15	46.17	38.00	
Class II Voting closing share price (\$)	80.50	59.31	59.20	45.84	38.46	

Full disclosure of all financial information is available on the SEDAR website - www.sedar.com.

CONSOLIDATED OPERATING SUMMARY

(Millions of Canadian dollars, except as indicated)	2012	2011	2010	2009	2008
Structures & Logistics					
Capital expenditures ⁽¹⁾	215	132	98	41	90
Workforce housing lease fleet (units in thousands)	4	3	3	2	2
Workforce housing lease fleet utilization (%)	88	87	78	74	80
Space rental lease fleet (units in thousands)	22	19	16	13	13
Space rental lease fleet utilization (%)	81	80	78	73	81
Utilities					
Natural gas distribution operations					
Capital expenditures ⁽¹⁾	323	288	197	190	250
Pipelines (thousands of kilometres)	39	38	38	38	37
Maximum daily demand (terajoules)	2,128	2,069	2,169	2,184	2,130
Natural gas distributed (petajoules)	248	247	237	250	238
Average annual use per residential customer (gigajoules)	121	121	120	121	124
Customers at year-end (thousands)	1,096	1,074	1,057	1,037	1,022
Electricity distribution and transmission operations					
Capital expenditures ⁽¹⁾	1,732	916	507	498	518
Power lines (thousands of kilometres)	76	74	73	72	72
Electricity distributed (millions of kilowatt hours)	10,974	10,596	10,532	10,431	10,594
Average annual use per residential customer (kWh)	7,604	7,747	7,555	7,671	7,666
Customers at year-end (thousands)	244	240	237	233	228
Natural gas transmission operations					
Capital expenditures ⁽¹⁾	87	112	84	88	82
Pipelines (thousands of kilometres)	9	9	8	8	8
Energy					
Capital expenditures ⁽¹⁾	42	33	26	81	90
Generating capacity (megawatts)	4,590	4,590	4,658	4,672	4,672
Generating capacity owned (megawatts)	2,550	2,550	2,618	2,625	2,625
Availability (%)	90	91	93	95	92
Natural gas processed (mmcf/day)	398	393	401	401	435
 Natural gas liquids extraction (mmcf/day) 	350	342	337	329	346
 Natural gas gathering and processing (mmcf/day) 	48	51	64	72	89
Natural gas gathering lines (kilometres)	1,097	1,171	1,075	1,000	1,000
ATCO Australia					
Natural gas distribution operations ⁽²⁾					
Capital expenditures ⁽¹⁾	72	18	-	-	-
Pipelines (thousands of kilometres)	13	13	-	-	-
Maximum daily demand (terajoules)	125	106	-	-	-
Natural gas distributed (petajoules)	27	12	-	-	-
Average annual use per residential customer (gigajoules)	15	15	-	-	-
Customers at year-end (thousands)	667	653	-	-	-
Power generation and other operations					
Capital expenditures ⁽¹⁾	2	5	27	70	28
Generating capacity (megawatts)	299	299	299	213	213
Generating capacity owned (megawatts)	193	193	193	107	107
Availability (%)	98	98	90	97	99
		0 " 0			

⁽¹⁾ Includes purchases of property, plant and equipment and intangibles, including capitalized interest. Amounts for the years ended December 31, 2010, 2011 and 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS). Amounts for the years ended December 31, 2008 and 2009 have been prepared in

accordance with Canadian Generally Accepted Accounting Principles in effect prior to the adoption of IFRS.

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⁽¹⁾ Financial results for the years ended December 31, 2010, 2011 and 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS).

⁽²⁾ Financial results for the years ended December 31, 2008 and 2009 have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) in effect prior to the adoption of IFRS.

⁽³⁾ Adjusted Earnings under IFRS are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate regulated activities, as well as one-time gains and losses and items that are not in the normal course of business or a result of day to day operations. Descriptions of the adjustments for 2010, 2011 and 2012 are provided in the Segmented Information note of the 2011

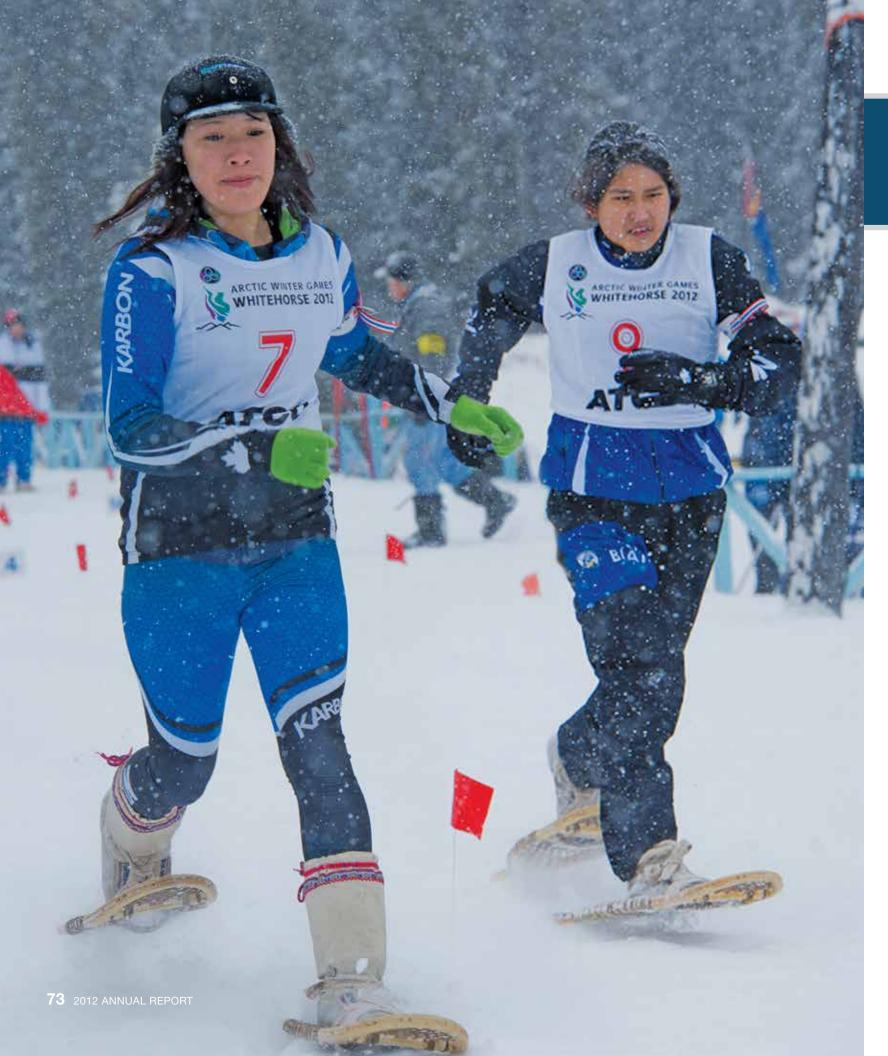
and 2012 Financial Statements and for 2008 and 2009 are provided in the Significant Non-Operating Financial Items section of the Management's Discussion & Analysis for those years that is available on SEDAR.

⁽⁴⁾ Cash is defined as cash and cash equivalents less current bank indebtedness.

⁽⁵⁾ Funds Generated by Operations is defined as cash generated from operations before changes in non-cash working capital. This measure is not defined by IFRS and GAAP and may not be comparable to similar measures used by other companies.

⁽⁶⁾ Includes purchases of property, plant and equipment and intangibles, including capitalized interest.

^{(2) 2011} amounts are for the 5 months of operation since the acquisition of ATCO Gas Australia on July 29, 2011.



MAKING A DIFFERENCE IN OUR COMMUNITIES

We are committed to contributing to the quality of life in the communities where we do business and where our people work and live.

ATCO and its people are committed to helping create healthy, vibrant communities by developing meaningful partnerships with various organizations and by providing time, expertise and financial support.

The many worthy initiatives ATCO invests in are as diverse as our companies; however, education has been a common theme across the ATCO companies around the world. We endeavor to make a positive difference in our communities through programs, scholarships and bursaries that enhance the skills and knowledge of future generations.

2012 HIGHLIGHTS

Showcasing northern culture: **Arctic Winter Games**

The Arctic Winter Games (AWG) brings together young athletes and cultural performers to participate in friendly competition and share cultural values from countries and regions across the Circumpolar North. As a result of ATCO Group's previous commitment to support the past five games, ATCO Group received its designation as a Legacy Sponsor at the March 2012 Arctic Winter Games held in Whitehorse, Yukon. This biennial event saw 2,000 participating athletes and cultural performers, along with hundreds of fans and

volunteers immersed in a week-long celebration of athletics and culture.

In addition to being a Legacy Sponsor, ATCO Group was the presenting sponsor of the Cultural Festival for the 2012 Games. Residents and visitors to Whitehorse enjoyed an eclectic display of visual and performing arts exhibits and activities from nine circumpolar communities participating in the games. From daily live performances on the ATCO Stage at the Canada Games Centre to snow sculpture displays, the Cultural Festival offered something for everyone.

ATCO Group also initiated the ATCO Play Your Part Art Contest, engaging and inspiring nearly 5,000 eligible students from Grades 1-12 across the Yukon to use their artistic talents to capture cultural impressions of northern life.

More than 80 per cent of the schools participated in the contest. Twenty-four prizes of \$1,000 were awarded to be used toward a cultural or artistic activity for each winner's classroom. Honourable mentions went to six

additional entries, which received a \$250 award for their classroom.

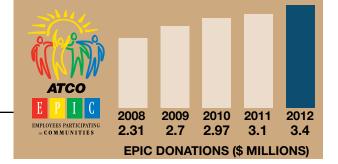
The Arctic Winter Games is a forum for competition in 21 indoor and outdoor sporting events popular throughout the Circumpolar North.

Matching generosity: EPIC donations reach \$3.4 Million

ATCO and its people donated a record \$3.4 million to more than 500 charitable organizations in 2012 through the company's annual ATCO Employees Participating in Communities (EPIC) fundraising and ATCO EPIC Time to Give programs.

The program combines fundraising events, auctions, friendly team competitions and pledges to support charitable organizations across Canada. Employees and pensioners direct their pledges to the charity of their choice and ATCO absorbs all the administrative costs of the program. ATCO further enhances its generosity by matching charitable donations made to human health and wellness organizations.

Beyond supporting the annual ATCO EPIC fundraising campaigns, ATCO EPIC Time to Give was created to recognize the contributions of ATCO employees who volunteer their time



ATCO Group was a Legacy Sponsor of the 2012 Arctic Winter Games. The Games offer a forum for competition in 21 indoor and outdoor sporting events popular throughout the Circumpolar North.



Yukon students Seth, Alice and Timothy proudly display their winning entries in the ATCO Play Your Part Art Contest.

and talents to organizations that make our communities a better place to work and live. In 2012, ATCO employees volunteered more than 34,000 hours to charitable organizations.

Teaching kids life skills: ATCO Blue Flame Kitchen

ATCO Blue Flame Kitchen received a Lighthouse Award from the Calgary Board of Education in 2012 for its enormously popular Kids Can Cook program. Last year, nearly 1,700 students learned cooking and kitchen safety skills through a series of fun, hands-on stations at ATCO's state-of-the-art Calgary Learning Centre.

The Kids Can Cook program was developed by ATCO Blue Flame Kitchen chef instructors in

consultation with ATCO professional home economists and is targeted to students in Grades 5 and 6. The program is designed to:

- introduce students to basic cooking skills and kitchen safety in an interactive format;
- align with the health and life skills curriculum; and
- provide teachers with the tools and resources to incorporate healthy living activities into their classrooms.

Building partnerships: University of Western Australia

ATCO Australia entered into a threeyear partnership with the University of Western Australia (UWA) Business School in 2012. The partnership supports the school's teaching, research, thought leadership and community engagement, while providing financial support for students in need through undergraduate scholarships.

This initiative also provides ATCO Australia the opportunity to invest in programs and initiatives that develop a skilled and sustainable workforce through continuous personal and professional learning.

UWA is one of Australia's research intensive universities, delivering undergraduate and postgraduate courses to approximately 25,000 students.

Supporting our rural communities: Ag for Life

Farm safety is a priority for ATCO's rural customers, so ATCO has a long history of involvement in farm safety

awareness initiatives. This year, ATCO became one of the founding sponsors of Ag for Life to support the great work of the organization's programs.

Ag for Life's mandate is to deliver educational programming that improves rural and farm safety and builds a genuine understanding and appreciation of the positive impact agriculture has on the lives of Albertans.

Ag for Life works in close collaboration with educators and rural industry partners through two independent Program Advisory Councils – one for farm safety and another for education. These expert resources ensure the programs are relevant to both urban and rural Albertans.



Patricia Osoko, Manager, Corporate Secretarial, ATCO Group (right), volunteers with Julie Legaspi of Calgary Meals on Wheels during a Day of Caring.

AN ATCO ELECTRIC HERO

July 12, 2012, is a day ATCO Electric employee Kyle Moser, Construction Team Lead, High Level, will never forget.

Kyle was crossing the Peace River near Fox Lake, Alta., on a vehicle barge when suddenly the barge operator began waving his arms. Along the shore, a pick-up truck with two small children in it had slipped into the river, which was swollen from recent rain.

The driver of the truck jumped into the water, grabbed the two children from the truck and was standing on the back bumper. But the vehicle was sinking. Soon it was fully submerged, and the man and children were in the water. The man lost his grip on one of the children, a three-year-old boy who

was helplessly swept downstream.
The man and the little girl managed to make it to the shore and pull themselves to safety.

Once the barge was close enough, Kyle emptied his pockets and dove into the fast-moving water. He could no longer see the child, but with the barge operator's help, he managed to spot his red shirt. Kyle swam to the boy and ensured he was breathing. The barge operator threw them a life preserver and pulled them on board. The barge then approached the shore and reunited the toddler with his family.

For saving the little boy, Kyle was recognized by the Royal Canadian Humane Association with a Bronze medal for bravery.



Kyle Moser, holding three-year-old Dalton, is joined by Dalton's mother and sister.

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David A. Dodge O.C., LL.D., F.R.S.C. Senior Advisor, Bennett Jones LLP



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Michael R.P. Rayfield
Corporate Director



Robert J. Routs Chairman of the Supervisory Boards of AEGON N.V. and Royal DSM N.V.



Nancy C. Southern Chair, President & Chief Executive Officer, ATCO Ltd.



Ronald D. Southern C.C., C.B.E., LL.D. Founder, ATCO Group



Charles W. Wilson
Corporate Director and
Lead Director

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ATCO Structures & Logistics

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Alan M. Skiffington
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Chief Information Officer

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Vice President, Talent Management

Clinton G. (Clint) Warkentin Vice President & Treasurer

Carol Gear Corporate Secretary

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President, ATCO Pipelines

John W. Ell President, ATCO Power

Scott J. Garvey
President, ATCO I-Tek

Roberta L. (Bobbi) Lambright President, Operations Division, ATCO Electric **Steven J. Landry** *Managing Director & Chief Operating Officer, ATCO Australia*

Arnold G. MacBurnie
Managing Director & President,
ATCO Energy Solutions

Settimio F. (Sett) Policicchio President, Capital Projects Division, ATCO Electric Joseph J. (Joe) Schnitzer
President, ASHCOR Technologies

William C. (Bill) Stephens
President, ATCO Gas

Henry G. (Harry) Wilmot President & Chief Operating Officer, ATCO Structures & Logistics

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ATCO'S BEAUTIFUL ALBERTA HERITAGE



ATCO Group has featured scenes of Alberta in annual reports since 1990, in recognition of its beautiful Alberta Heritage.









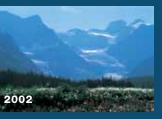


































GENERAL INFORMATION

INCORPORATION

ATCO Ltd. was incorporated under the laws of the Province of Alberta on August 31, 1962.

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Share Owners will be held at 10:00 am on Thursday, May 16, 2013, at The Fairmont Palliser Hotel, 133 - 9th Avenue SW, Calgary, AB.

AUDITORS

PricewaterhouseCoopers LLP Calgary, AB

LEGAL COUNSEL

Bennett Jones LLP Calgary, AB

STOCK EXCHANGE LISTINGS

Class I Non-Voting Shares - Symbol ACO.X Class II Voting Shares - Symbol ACO.Y Listing: The Toronto Stock Exchange

INVESTOR RELATIONS

Email: investorrelations@atco.com Telephone: (403) 292-7500 Fax: (403) 292-7532

MAILING ADDRESS:

ATCO Group c/o Investor Relations 1500, 909 - 11th Avenue SW Calgary, AB Canada T2R 1N6

REGISTRAR & TRANSFER AGENT

Class I Non-Voting and Class II Voting Shares CIBC Mellon Trust Company* Calgary/Montreal/Toronto/Vancouver

TELEPHONE:

8:30 a.m. to 6:30 p.m. ET Monday - Friday

Toll free in North America: 1-800-387-0825 Outside of North America: (416) 682-3860 Fax in North America: 1-888-249-6189 Fax outside of North America: 1-514-985-8843 www.canstockta.com

MAILING ADDRESS:

CIBC Mellon Trust Company* c/o Canadian Stock Transfer Company Inc. P.O. Box 700 Station B Montreal, QC Canada H3B 3K3



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^{*} On November 1, 2010, CIBC Mellon sold its issuer services business to Canadian Stock Transfer Company Inc. (CST), which is currently operating the stock transfer business in the name of CIBC Mellon Trust Company during a transition period.

