

CORRECTION: Capital Power Reports Second Quarter 2014 Results and Announces a 7.9% Dividend Increase for Its Common Shares

EDMONTON, ALBERTA--(Marketwired - July 25, 2014) - Capital Power Corporation (Capital Power, or the Company) (TSX:CPX) today released its financial results for the second quarter ended June 30, 2014. The Company also announced that its Board of Directors has approved a 7.9% dividend increase for its common shares. Accordingly, effective for the third quarter 2014 dividend payment, the quarterly dividend will increase from \$0.315 to \$0.34 per common share, representing an annualized dividend rate of \$1.36 per share.

Normalized earnings attributable to common shareholders in the second quarter of 2014, after adjusting for one-time items and fair value adjustments, were \$6 million, or \$0.07 per share, compared with \$19 million, or \$0.27 per share, in the comparable period of 2013.

Net income attributable to shareholders in the second quarter of 2014 was \$20 million, or \$0.17 per share, compared with \$20 million, or \$0.20 per share, in the comparable period of 2013. Funds from operations were \$85 million for both the second quarter of 2014 and the second quarter of 2013.

For the six months ended June 30, 2014, normalized earnings attributable to common shareholders were \$32 million, or \$0.39 per share, compared with \$44 million, or \$0.63 per share, in the first six months of 2013. Funds from operations totaled \$177 million compared with \$191 million in the comparable six-month period last year.

"Second quarter financial performance was impacted by seasonally low Alberta power prices, lower generation from the acquired Sundance PPA, and lower generation at Genesee 3 caused by transmission constraints," said Brian Vaasjo, President and CEO of Capital Power. "Alberta power prices have averaged \$51 per megawatt hour in the first six months of 2014 compared to our original full year forecast of \$57 per megawatt hour. With the expected output from our commercial plants fully hedged for the remainder of the year, we expect funds from operations in 2014, including the \$20 million received for the amendment of the Genesee Coal Mine Agreements, to be in the middle of our annual financial target range of \$360 to \$400 million."

"While we are disappointed with this quarter's financial performance, the fundamentals of our business and the additions to our solid asset base continue to strengthen the outlook for the Company," said Mr. Vaasjo. "Capital Power's contracted cash flow base has grown significantly since 2012 with the addition of three contracted wind facilities to our fleet. In addition, the Shepard Energy Centre is expected to begin first fire in early August and the facility is on track to begin commercial operations in early 2015. Seventy-five per cent of our generation from the Shepard facility is contracted for the first 3 years and 50% is contracted from 2018 to 2034. Combined with the expected completion of the K2 Wind project in Ontario later next year, we are forecasting a substantial expansion in our contracted operating margin. Based on this strong cash flow base, I am pleased to announce that the Board of Directors has approved a 7.9% dividend increase."

"With our growing contracted cash flow base and the increasing demand for Alberta power, we are well positioned to continue to grow our cash flows, allowing us to reinvest in growth opportunities such as the Genesee 4 and 5 project, and consistently grow our dividends. We believe both are critical components to delivering long-term shareholder value," continued Mr. Vaasjo.

Operational and Financial Highlights ¹ (unaudited)	Three months ended	
	June 30	
<i>(millions of dollars except per share and operational amounts)</i>	2014	2013
Electricity generation (excluding acquired Sundance PPA) (GWh)	2,711	3,746
Generation plant availability (excluding acquired Sundance PPA) (%)	92%	86%
Revenues	\$ 240	\$ 321
Adjusted EBITDA ²	\$ 78	\$ 104
Net income	\$ 21	\$ 23
Net income attributable to shareholders of the Company	\$ 20	\$ 20
Normalized earnings attributable to common shareholders ²	\$ 6	\$ 19
Basic earnings per share	\$ 0.17	\$ 0.20
Diluted earnings per share	\$ 0.17	\$ 0.19
Normalized earnings per share ²	\$ 0.07	\$ 0.27
Funds from operations ²	\$ 85	\$ 85
Purchase of property, plant and equipment and other assets	\$ 63	\$ 169
Dividends per common share, declared	\$ 0.3150	\$ 0.3150

1. The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the audited Consolidated Financial Statements for the six months ended June 30, 2014.
2. Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses, and gains on disposals (adjusted EBITDA), normalized earnings attributable to common shareholders, normalized earnings per share, and funds from operations are non-GAAP financial measures and do not have standardized meanings under GAAP and are, therefore, unlikely to be comparable to similar measures used by other enterprises. See Non-GAAP Financial Measures.

Significant Events

Dividend increase

On July 25, 2014, the Company announced that its Board of Directors approved a 7.9% increase of the annual dividend for holders of its common shares, from \$1.26 per common share to \$1.36 per common share. This increased common dividend will commence with the third quarter 2014 quarterly dividend payment payable on October 31, 2014 to shareholders of record at the close of business on September 30, 2014.

Genesee coal mine

Capital Power is a party to various agreements with Prairie Mines & Minerals Royalty Ltd. (PMRL) in relation to the operations of the Genesee coal mine (Genesee Coal Mine Agreements). Pursuant to the Genesee Coal Mine Agreements, PMRL operates the Genesee coal mine. In connection with the acquisition by Westmoreland Coal Company (Westmoreland) of PMRL and the acquisition by Altius Minerals Corporation (Altius) of the royalty assets of PMRL, the Genesee Coal Mine Agreements and certain related agreements have, amongst other things, been amended to: (a) confirm the acquisitions by

Westmoreland and Altius; (b) provide for certain amendments to the Genesee Coal Mine Agreements; and (c) provide for a payment to Capital Power of \$20 million upon completion of the acquisitions, which payment was received.

Genesee 4 and 5

On April 24, 2014, Capital Power and ENMAX Corporation (ENMAX) executed a purchase and sale agreement in support of a joint arrangement agreement to jointly develop, construct, and operate the Genesee 4 and 5 power project. The joint arrangement agreement will provide provisions for, among other things, an agreement for ENMAX to purchase approximately 225 MW from Capital Power for eight years. The joint arrangement agreement closing occurred in July 2014.

Construction of K2 Wind Power Project commences

On March 24, 2014, construction of the K2 Wind Power Project (K2 Wind) commenced following the successful completion of an \$850 million financing in the form of a construction loan that will convert to long-term project debt once K2 Wind starts commercial operations. K2 Wind is a 270 megawatt (MW) wind power project located in Goderich, Ontario that is under joint development by Samsung Renewable Energy, Inc., Pattern Energy Group LP and Capital Power with operations expected to commence in the second half of 2015. The total estimated project cost has been revised upward to \$930 million from the previous upper end of range of \$900 million primarily due to foreign exchange changes on U.S. contract deliverables. Capital Power's share is \$310 million. As a higher portion of the project is expected to be financed with project debt than originally forecast, Capital Power expects higher equity returns on the project.

Analyst Conference Call and Webcast

Capital Power will be hosting a conference call and live webcast with analysts on July 28, 2014 at 11:00 AM (Eastern Time) to discuss the second quarter results. The conference call dial-in numbers are:

(604) 681-8564 (Vancouver)

(403) 532-5601 (Calgary)

(416) 623-0333 (Toronto)

(514) 687-4017 (Montreal)

(855) 353-9183 (toll-free from Canada and USA)

Participant access code for the call: 21543#

A replay of the conference call will be available following the call at: (855) 201-2300 (toll-free) and entering conference reference number 1159793# followed by participant code 21543#. The replay will be available until midnight on October 28, 2014.

Interested parties may also access the live webcast on the Company's website at www.capitalpower.com with an archive of the webcast available following the conference call.

Non-GAAP Financial Measures

The Company uses (i) adjusted EBITDA, (ii) funds from operations, (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share as financial performance measures. These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and are, therefore, unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to gross income, net income, net income attributable of shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with

GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective. Reconciliations of adjusted EBITDA to gross income, operating income and net income, funds from operations to net cash flows from operating activities and normalized earnings attributable to common shareholders to net income attributable to shareholders of the Company are contained in the Company's Management's Discussion and Analysis dated July 25, 2014 for the six months ended June 30, 2014 which is available under the Company's profile on SEDAR at www.SEDAR.com.

Forward-looking Information

Forward-looking information or statements included in this press release are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this press release is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes.

Material forward-looking information in this press release includes information with respect to expectations regarding: (i) future cash flows including contracted base, dividend growth, and reinvestment, and (ii) completion of capital projects.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements relate to: (i) electricity and other energy prices, (ii) performance, (iii) business prospects and opportunities including expected growth and capital projects, (iv) status and impact of policy, legislation and regulation, and (v) effective tax rates.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) power plant availability and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's December 31, 2013 annual Management's Discussion and Analysis for further discussion of these and other risks.

CONTACT INFORMATION

- Media Relations:
Michael Sheehan
(780) 392-5222
msheehan@capitalpower.com

Investor Relations:

Randy Mah

(780) 392-5305 or (866) 896-4636 (toll-free)

investor@capitalpower.com