# Annual Meeting of Shareholders

1:00 p.m., April 29, 2011

Capital Power Corporation

# Today's presenters and panelists

**Donald Lowry**
Chairman

**Brian Vaasjo**
President & CEO

**Stuart Lee**
SVP, Finance & CFO

**Kate Chisholm, QC**
SVP, General Counsel and Corporate Secretary

Capital Power Corporation

# Agenda

1. Call to Order by Donald Lowry, Chairman
2. Introduction of Scrutineers
3. Notice of Meeting
4. Scrutineers' Report on Attendance
5. Receipt of Consolidated Financial Statements
6. Election of Directors
7. Election of EPCOR Nominees
8. Introduction of Directors
9. Appointment of Auditors
10. Termination of Meeting

*Following adjournment of the meeting, management's year-in-review presentation will be delivered by President & CEO Brian Vaasjo. A question-and-answer session will follow, during which Shareholders present in person may pose questions to the Chairman and to management.*

# Agenda

## Introduction of Scrutineers

- Kyle Gould, Computershare
- Phillip Munday, Computershare

## Notice of Meeting

- Notice and the Management Proxy Circular and form of Proxy mailed April 5, 2011 to those who were shareholders at the close of business March 21, 2011
- Posted on www.capitalpower.com
- Affidavit of mailing provided; copy to be filed with Minutes

# Agenda

## Scrutineers' Report on Attendance

- Confirms quorum present; copy to be filed with Minutes

## Consolidated Financial Statements and Auditor's Report

- Declared received

# Election of Directors

## Common Shareholder Nominees

- Albrecht Bellstedt
- Brian Bentz
- Richard Cruickshank
- Brian MacNeill
- Brian Vaasjo
- William Bennett
- Philip Lachambre
- Janice Rennie

## EPCOR Nominees

- Donald Lowry
- Robert Phillips
- Hugh Bolton
- Allister McPherson

# Introduction of Directors

Capital Power Corporation

# Agenda

## Appointment of Auditors

- KPMG, LLP

## Adjournment

*Following adjournment of the meeting, management's year-in-review presentation will be delivered by President & CEO Brian Vaasjo. A question-and-answer session will follow, during which Shareholders present in person may pose questions to the Chairman and to management.*

# The power of momentum

Presentation by President & CEO Brian Vaasjo following the 2011 Annual Meeting of Shareholders

Capital Power Corporation

# Forward-looking Information

## Cautionary statement

Certain information in today's presentations and in responses to questions contain forward-looking information. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information.

Please refer to the Forward-Looking Information slides at the end of this presentation and in our disclosure documents filed with securities regulators on SEDAR, which contain additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.

# PRESENTATION OVERVIEW

- Capital Power overview
- 2010 Year in Review
- 2011: Accelerating momentum
- 2011 Operating and Financial Targets
  - Q1 2011 financial results
- Question & Answer session

Capital Power Corporation

# Capital Power

- North American power producer (TSX:CPX)
- Headquartered in Edmonton, Alberta
- 34 facilities across Canada and the US[(1)]
- 4,855 MW of capacity owned or operated[(1)]
- Develop, acquire and optimize power generation

(1) Number of facilities and generation capacity updated to reflect acquisitions of three facilities in New England



Capital Power Corporation

# Capital Power operations(1)


(1) Weather Dancer facility was recently divested.

Capital Power Corporation

# Corporate strengths aligned with mission and growth targets

- Platform for growth
- Financial strength with access to capital
- Combination of long-term contracts & merchant
- Young fleet, proven operating and construction history
- Large, high quality generation portfolio

**Mission**

**The development, acquisition, construction, operation and optimization of power generation**

**Goal**

**To grow to 10,000 MW by 2020 on a consistently accretive basis**

# 2010 HIGHLIGHTS

# 2010 Performance Highlights

## *Growing ahead of plan*

- Exceeded development targets, with $1B committed to 522 MW of projects
- On-track at Ontario and B.C. wind projects; Island Generation integration successful; first fire at Keephills 3

## *High-performing fleet*

- 2010 CPC plant availability 90%

## *Giving confidence to your investment*

- 16.6% Total Shareholder Return (Jan 1 - Dec 31, 2010)
- $1.40 normalized EPS exceeded guidance of $1.20
- Successful debt, common equity and preferred equity offerings

# OPERATING PERFORMANCE

# Strong operating performance

| 2010 Targets | Performance |
|---|---|
| Operational targets | |
| • Plant availability of ≥ 94% | 90% |
| • Sustaining capex of $60M | $56 million |

- 90% plant availability in 2010 strong by industry standards; below internal target of 94% availability due to Clover Bar Unit 2 outage
- Availability and maintenance spend reflect a planned maintenance turnaround completed at Genesee 3 in Q4 2010

**Full-year availability of 90%, backed by continuous investment in plant maintenance**

# Operating highlights (Full year 2010)

| | |
|---|---|
| **Alberta commercial plants** | |
| **Genesee 3** | **88%** |
| Joffre | 95% |
| **Clover Bar** | **71%** |
| Taylor Coulee Chute | 97% |
| Clover Bar Landfill Gas | 93% |
| Weather Dancer | 20% |
| | 84% |
| **Alberta contracted plants** | |
| Genesee 1 | 100% |
| Genesee 2 | 92% |
| | **96%** |
| **Ontario and BC contracted plants** | |
| Kingsbridge 1 | 99% |
| Miller Creek | 60% |
| Brown Lake | 97% |
| **Island Generation** | **99%** |
| | **90%** |
| **Average excluding CPILP plants** | **90%** |
| Capital Power Income L.P. plants | 95% |
| **Average all plants** | **92%** |

Lower availability due to planned maintenance turnaround completed in H2 2010

Reflects unplanned maintenance outage at Clover Bar Unit 2; maintenance performed under manufacturer's warranty and outage covered by business interruption insurance

High availability at baseload units Genesee 1 and Genesee 2

Acquisition closed Q4 2010; modern facility with proven ability to deliver high availability

Capital Power Corporation

# FINANCIAL AND INVESTMENT PERFORMANCE

# Capital Power's commitments to investors

- ***Capital Power seeks to deliver Total Shareholder Return that exceeds the median of our peer group***
- Capital Power is pursuing disciplined growth. Our goal is to triple size to 10,000 MW by 2020 on a consistently accretive basis
- We are committed to maintaining an investment-grade credit rating and balancing contracted and merchant operating margins
- Our financial strategy is designed to maintain ongoing access to cost-competitive capital to fund sustainable growth throughout the business cycle

**Capital Power is committed to transparent communication with investors and all stakeholders**

# Normalized earnings reflect solid underlying business performance

- **Full year normalized 2010 EPS[1] of $1.40**

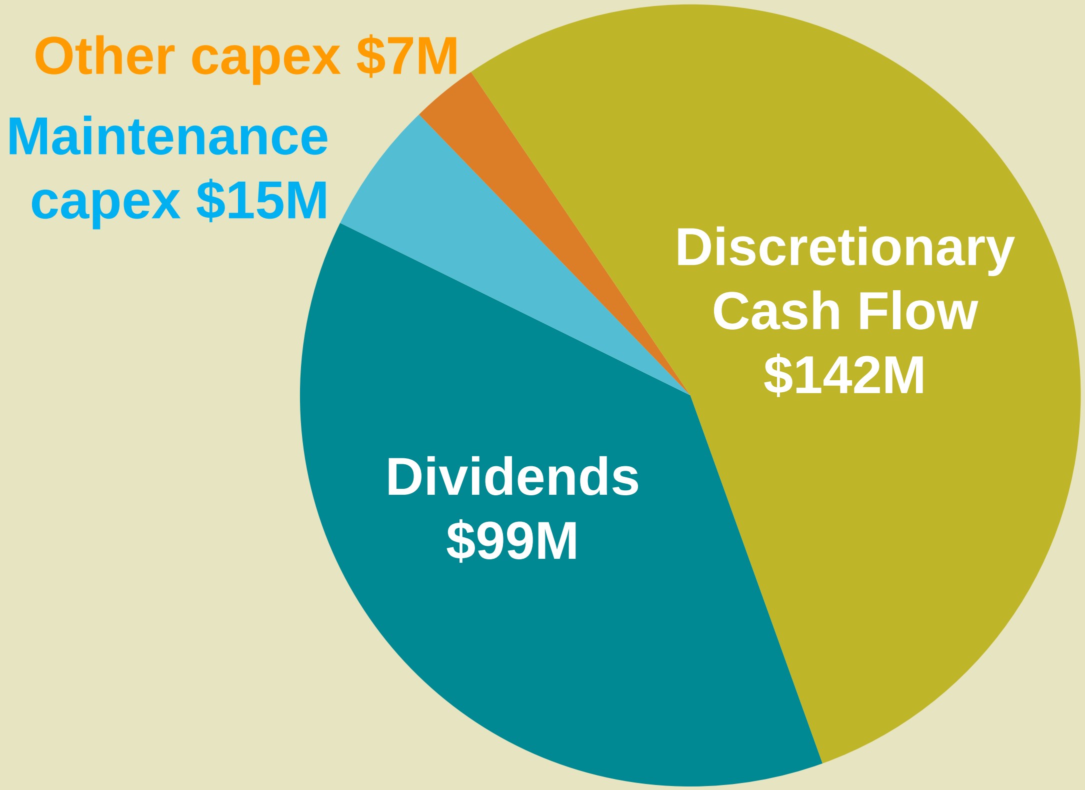
| ($M, except earnings per share) | Q4/10 | Q3/10 | Q2/10 | Q1/10 |
|---|---|---|---|---|
| Revenues and other income[2] | $481 | $462 | $387 | $484 |
| EBITDA[1, 2] | $95 | $59 | $91 | $134 |
| Net income (loss) | $22 | ($3) | ($34) | $92 |
| Earnings (loss) attributable to common shareholders | ($3) | $16 | ($8) | $12 |
| **Normalized earnings per share[1]** | **$0.21** | **$0.64** | **$0.05** | **$0.51** |

(1) The consolidated financial information, except for EBITDA and normalized earnings per share, has been prepared in accordance with IFRS. See Non-IFRS Financial Measures on slides 49-52.

(2) Before unrealized fair value changes in derivative instruments, natural gas inventory held for trading, and foreign exchange and natural gas contracts.

# Strong cash flow generation

## 2010 Funds from operations $263 million(1,2)




**Dividend coverage ratio(3)**

**2.7 times**

(1) The consolidated financial information, except for funds from operations, has been prepared in accordance with Canadian GAAP. See Non-GAAP Financial Measures in the 2010 Annual Report.
(2) FFO excludes non-controlling interests in CPILP.
(3) Ratio calculated based on consolidated financial results except for CPILP which is accounted for on an equity basis.

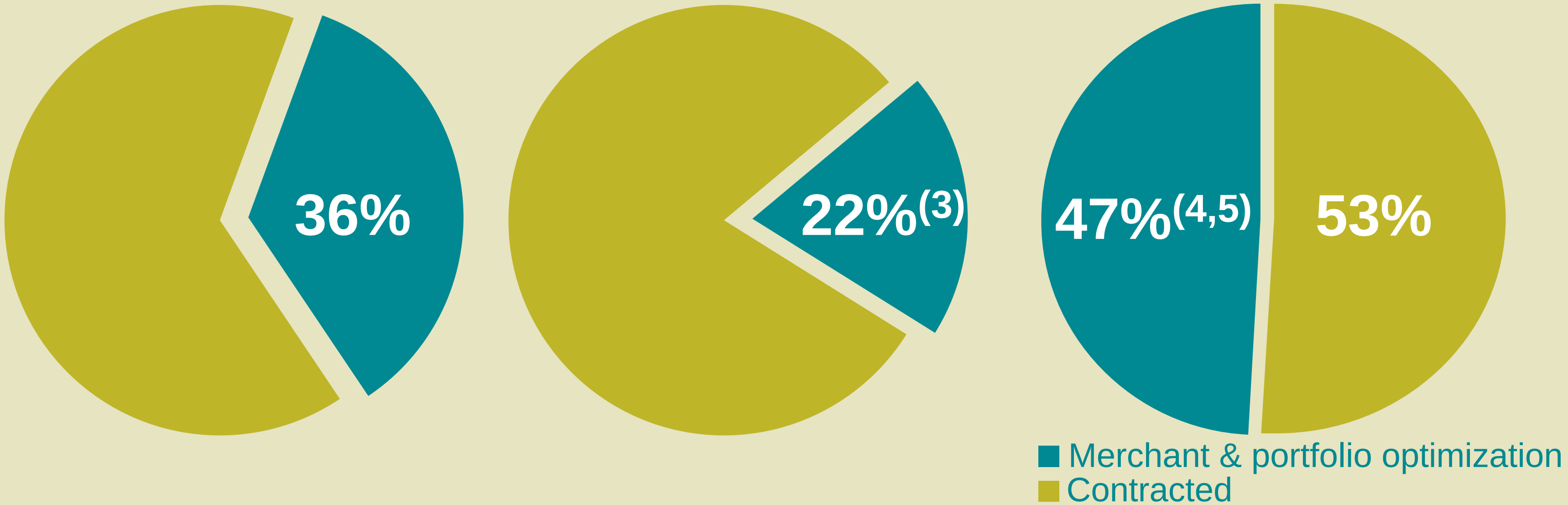


Capital Power Corporation

# Continued financial discipline[1]

| Debt to capital ratio[2] | FFO to total debt ratio | Operating margin split |
|---|---|---|
| **Targets** | | |
| 40% - 50% | Minimum 20% | 50% contracted vs. merchant and portfolio optimization |

**As of December 31, 2010**




(1) The consolidated financial information, except for funds from operations, normalized earnings per share, and operating margin, has been prepared in accordance with Canadian GAAP. See Non-GAAP Financial Measures in the 2010 Annual Report.
(2) Ratio calculated on a consolidated basis except for CPILP which is accounted for on the equity basis.
(3) Funds from operations excluding non-controlling interests in CPILP divided by total debt.
(4) Operating margin excluding unrealized changes in fair value of derivatives and interplant category transaction eliminations.
(5) Pro-rata ownership interest in CPILP generation of 29.6% incl. in contract portion; other portfolio activities incl. with merchant & portfolio optimization.

Capital Power Corporation

# Ongoing access to capital markets
## 2010 financing activities

### $221 million secondary offering of common shares

- 42% increase in public float following EPCOR's successful sale of 9.2 million shares enhanced trading liquidity and is non-dilutive
- Sale reduced EPCOR's interest in the business to 60.5%

### $125 million offering of preferred shares

- Yield at offering of 4.6%, which resets every 5 years

### $300 million offering of 10-year debt

- Yield at offering of 5.276%

**Nearly $650 million in successful financing activities during 2010**

# GROWTH

Capital Power Corporation

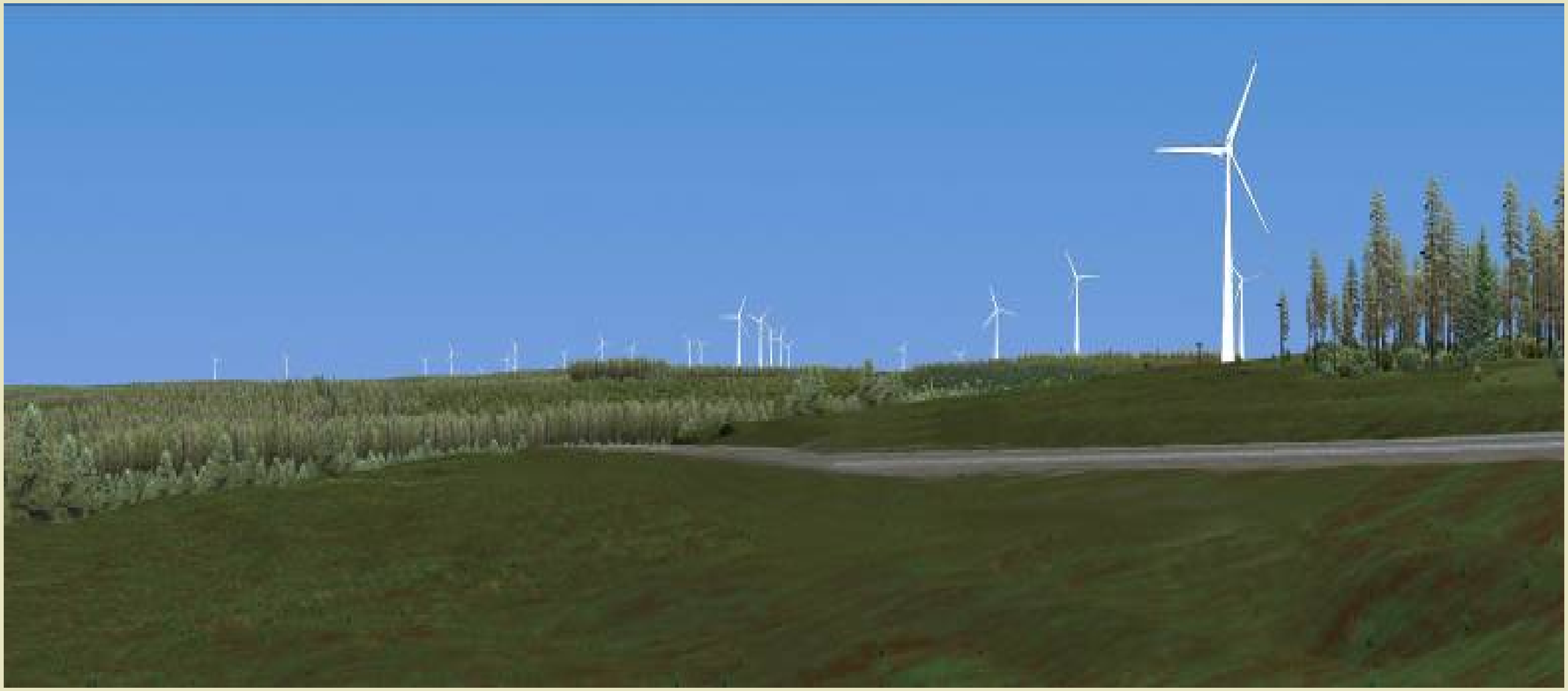
# 2010 growth highlights
## Acquisition of Island Generation

- 275 MW
- Combined-cycle natural gas
- Fully contracted to 2022 - BC Hydro
- 99% availability in 2010
- Successfully integrated

Capital Power Corporation

# 2010 growth highlights
## 25-year contract for Quality Wind

- 142 MW
- Vestas turbines
- Estimated completion Q4, 2012
- Accretive to earnings



Capital Power Corporation

# 2010 growth highlights

## 20-year contract for Port Dover & Nanticoke

- 105 MW
- Currently in permitting stage
- Expected completion Q4, 2012
- Accretive to earnings

**Region has strong, stable wind resource and access to transmission**



Capital Power Corporation

# 2010 construction highlights

## Keephills 3

- Jointly owned with TransAlta
- CPC - 247.5 MW
- TransAlta to operate

Pictured above: first fire of boiler and beginning of steam blows (December 2010).

Capital Power Corporation

# 2011: ACCELERATING OUR ADVANTAGE

# Disciplined growth strategy

## We focus on opportunities in selected target markets

- Networked hub strategy is to acquire and build assets on a portfolio basis

## We pursue larger facilities and a limited number of technologies

- Our focus creates opportunities for economies of scale and core competencies in asset construction, operation and maintenance

## We demand both near and long-term earnings accretion

- We target unlevered after-tax IRR of 11% for uncontracted/merchant assets and 9% for contracted assets, and earnings accretion

## We balance merchant and contracted generation

- Secure foundation of cash flows for investors, and opportunities for growth from rising power prices and portfolio management

# Executing on strategy

## Building a networked hub in New England

**Investing US$670 million to acquire 1,069 MW of power generation in New England**

- Rhode Island, Maine, and Connecticut
- Combined-cycle natural gas
- Strong fit with technology and operating focus
- Networked hub
- Expected to exceed IRR for merchant assets
- Accretive to earnings

# Executing on strategy

## Maine & Rhode Island

### Rumford, Maine
### Tiverton, RI

- 265 MW each
- 11 years in operation
- Expected to add on average \$0.02 - \$0.07 in EPS(1) per year during first 2 years

(1) Estimate based on previous Canadian GAAP at the time acquisition was announced in March, 2011.

Capital Power Corporation

# Executing on strategy

## Connecticut

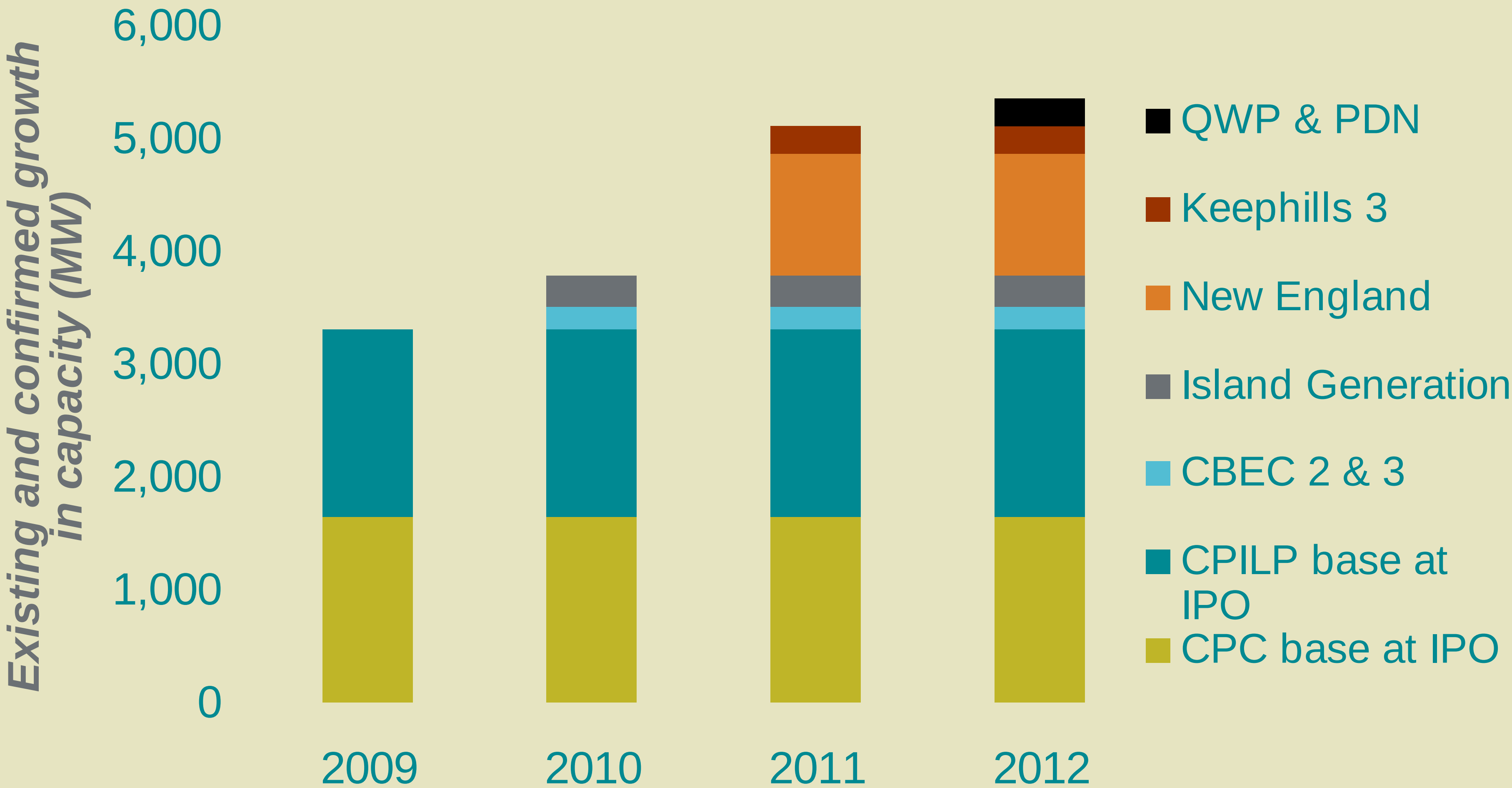
### Bridgeport

- 520 MW
- Young, mid-merit
- Expected to add an average of \$0.03 annually in EPS[1] during first full 5 years

(1) Estimate based on previous Canadian GAAP at the time acquisition was announced in March, 2011.

# Accelerating momentum

***2,039 MW added or placed into development since July 2009***




Capital Power Corporation

# Financing Capital Power's growth

**$232 million common share offering**

- Issued ~9.3 million shares in Q1/11 at $24.90 per share
- 86% increase in public float since July 2009 IPO
- EPCOR's interest in the business now 54%

**$300 million offering of unsecured medium term notes**

- Coupon of 4.60% maturing Dec 1, 2015
- Proceeds used for general corporate purposes and to fund growth

**Markets demonstrate continued interest in Capital Power's investment proposition**

Capital Power Corporation

# LOOKING AHEAD: 2011 OPERATING AND FINANCIAL TARGETS

Capital Power Corporation

# 2011 Objectives

## Operational

| | |
|---|---|
| ≥ 94% | CPC capacity-weighted plant availability |
| ≤ $56M[1] | Maintenance capital |

## Development and construction

| | |
|---|---|
| ≥ $1.5B | Capital committed |
| ≤ $955M | Costs for Keephills 3; commissioning Q2 2011 |
| On time<br>On budget | Quality and Port Dover & Nanticoke wind projects |

(1) Updated for International Financial Reporting Standards (IFRS)

# 2011 Objectives (cont'd)

## Financial targets[1,2]

| | |
|---|---|
| ~$1.20 | Normalized earnings per share |
| Modestly higher than 2010 | Funds from operations<br>Cash flow per share |

## Overall investment performance

Total Shareholder Return that exceeds the median of Capital Power's peer group

(1) Based on a forecasted average Alberta power price of $50/MWh.
(2) Financial targets based on previous Canadian generally accepted accounting principles (CGAAP).

# Financial performance – Q1/11

## Expect full year 2011 normalized EPS of ~$1.40

| $M, except earnings per share | Q1/11 | Q1/10 | % Change |
|---|---|---|---|
| Revenues and other income[1] | **$504** | $484 | 4.1% |
| EBITDA[1,2] | **$114** | $134 | (15%) |
| Earnings attributable to common shareholders | **$2** | $12 | (83%) |
| Earnings per share | **$0.06** | $0.55 | (89%) |
| Earnings per share (normalized)[2] | **$0.33** | $0.51 | (35%) |
| Funds from operations[2] | **$99** | $99 | - |
| Funds from operations excluding non-controlling interests in CPILP[2] | **$78** | $71 | 10% |

(1) Before unrealized fair value changes in derivative instruments, natural gas inventory held for trading, and foreign exchange and natural gas contracts.

(2) The consolidated financial information, except for EBITDA, normalized earnings per share, funds from operations and funds from operations excluding non-controlling interests in CPILP has been prepared in accordance with IFRS. See Non-IFRS Financial Measures on slides 49-52.

Capital Power Corporation

# Investing in Edmonton

- Art Gallery of Alberta
- Careers, The Next Generation
- Citadel Theatre
- Military Family Resource Centre
- Edmonton Oilers
- Grey Cup 2010
- STARS Air Ambulance
- TELUS World of Science
- United Way


Capital Power Corporation

# The power of momentum

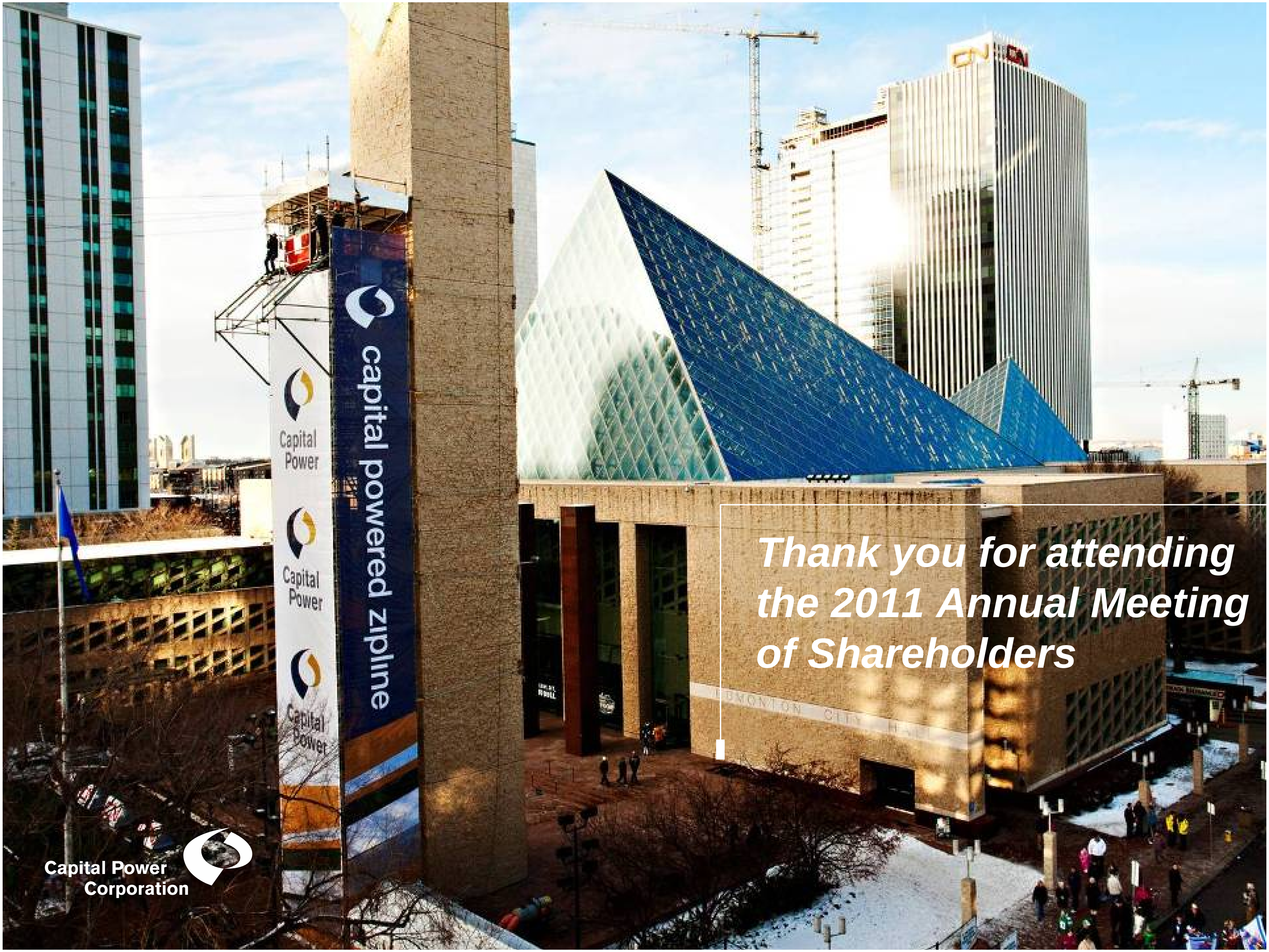
- Solid platform for growth
- Diverse portfolio of assets in key markets
- Proven operating history
- Young fleet
- Strategic balance of contracted & merchant cash flows
- Financial strength



Capital Power Corporation

# Question & Answer Session

Capital Power Corporation


Thank you for attending
the 2011 Annual Meeting
of Shareholders
capital powered zipline
Capital
Power
Capital
Power
Capital Power
Corporation
CN

# Forward-looking information

Certain information in this presentation is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial performance, events or strategies. When used in this context, words such as will, anticipate, believe, plan, intend, target, and expect or similar words suggest future outcomes.

Forward-looking information includes, among other things, information relating to: (i) expectations regarding timing of anticipated updates on the review of strategic alternatives for CPILP; (ii) expectations for the Company's and CPILP's sources of capital and use, adequacy and availability of committed bank credit facilities and potential future borrowings; (iii) the Company's and CPILP's cash requirements for 2011, including interest and principal repayments, capital expenditures, distributions and dividends; (iv) expectations regarding repair costs and ability to recover costs under warranty for the outage of Clover Bar Energy Centre Unit 3; (v) expectations regarding timing of spending on the Port Dover & Nanticoke project and the impact on the commercial operation date and total project cost; (vi) expectations regarding the impact and timing of Keephills 3 coming on-line on earnings and normalized earnings per share for 2011; (vii) expected total capital project costs and expenditures as well as expected project completion dates and expected payments under contractual obligations; (viii) expected funding of the Quality Wind and Port Dover & Nanticoke wind projects during construction and once completed while maintaining overall leverage in the range of 40% - 50%; (ix) expected impact of IFRS transition adjustments on earnings in future periods; (x) the expected impact on depreciation as a result of the extension in useful life of the Genesee and Keephills 3 plants; (xi) expected impact on capitalization and full year depreciation as a result of maintenance costs which are capitalized under IFRS; (xii) expected impact on earnings after depreciation expense and before financing and income tax expenses as a result of the three New England plant acquisitions in 2011; (xiii) expected impact on interest due to the issuance of $300 million medium-term notes debentures in April 2011 and expected use of proceeds; (xiv) expectations regarding normalized earnings per share for 2011 being approximately $1.40 per common share and expectations regarding full year earnings in 2011; (xv) expectations regarding Alberta power prices for 2011; (xvi) expectations regarding total contribution of the New England plant acquisitions to the Company's committed capital in 2011; (xvii) expectations that the New England acquisitions will exceed the targeted rate of return Capital Power seeks from merchant assets; (xviii) expectations regarding allocated capital, plant availability targets, capital expenditures for plant maintenance and the Genesee mine extension, and total shareholder return in 2011; (xix) expectations regarding the impact of Clover Bar Energy Centre Unit 3 being offline on plant availability and on financial results; (xx) expected timing of return of service date of Clover Bar Energy Centre Unit 3 and expected timing of Unit 2 outage in 2011, and estimated business interruption insurance recovery from the Unit 2 outage in 2010; (xxi) expectations regarding the timing and impact on capitalization, depreciation, and maintenance expense of the scheduled maintenance outage at Genesee 1 in 2011; (xxii) expectations regarding the impact of the acquisition of the New England facilities on EBITDA and depreciation expense in 2011, and earnings in 2012 and subsequent years; (xxiii) expectations regarding the purchase price and timing of closing of the Tiverton and Rumford acquisition; (xxiv) expectations regarding the interim and permanent financing of the New England plant acquisitions using a combination of debt and equity; (xxv) expectations regarding the ability to attain the goal of 10,000 MW of assets by 2020; (xxvi) expectations that the Tiverton, Rumford and Bridgeport power plants will provide Capital Power with the foundation of a networked hub in the U.S. Northeast; (xxvii) expectations that the Tiverton, Rumford and Bridgeport power plants will contribute to a balanced portfolio of contracted and merchant assets; (xxviii) expectations in respect of new PPAs at the North Carolina facilities and expectations with respect to

# Forward-looking information (cont'd)

CPILP's long-term outlook for the North Carolina plants; (xxix) expectations that Bridgeport can maximize energy and ancillary services revenue through operational flexibility; (xxx) expectations regarding the Company's strategy, including the Company's expectation to commit at least $1.5 billion of new development or acquisitions in 2011; (xxxi) expectations regarding CPILP's income taxes in the third and fourth quarter of 2011; and (xxxii) expectations regarding the impact of the delay in commercial operation date of Keephills 3 on capital costs, net income and cash from operating activities.

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 include, but are not limited to: (i) the operation of the Company's facilities; (ii) power plant availability and dispatch, including Sundance which is subject to an acquired PPA; (iii) the Company's financial position and credit facilities and sources of funding; (iv) the Company's assessment of commodity and power markets, including power prices for 2011; (v) the Company's assessment of the markets and regulatory environments in which it operates; (vi) weather; (vii) availability and cost of labour and management resources; (viii) performance of contractors and suppliers; (ix) availability and cost of financing; (x) foreign exchange rates; (xi) management's analysis of applicable tax legislation; (xii) currently applicable and proposed tax laws will not change and will be implemented; (xiii) currently applicable and proposed environmental regulations will be implemented; (xiv) counterparties will perform their obligations; (xv) renewal and terms of PPAs; (xvi) ability to successfully integrate and realize benefits of its acquisitions; (xvii) ability to implement strategic initiatives which will yield the expected benefits; (xviii) ability to obtain necessary regulatory approvals for development projects; (xix) the Company's assessment of capital markets, common share ownership distribution, and ability to complete future share and debt offerings; (xx) locations of projects and the areas of which they will be developed, including the availability and use of certain optioned lands; (xxi) costs of construction and development; (xxii) current risk management strategies including hedges will be in place; and (xxiii) factors and assumptions noted under Outlook in respect of the forward looking statements and information noted in that section.

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 risks and uncertainties include, but are not limited to, risks relating to: (i) operation of the Company's facilities; (ii) power plant availability and performance, including unplanned plant outages at facilities of other market participants; (iii) unanticipated maintenance and other expenditures; (iv) availability and price of energy commodities; (v) electricity load settlement; (vi) regulatory and government decisions including changes to environmental, financial reporting and tax legislation; (vii) weather and economic conditions; (viii) competitive pressures; (ix) construction; (x) availability and cost of financing; (xi) foreign exchange; (xii) availability and cost of labour, equipment and management resources; (xiii) performance of counterparties, partners, contractors and suppliers in fulfilling their obligations to the Company; (xiv) developments in the North American capital markets; (xv) compliance with financial covenants; (xvi) ability to successfully realize the benefits of acquisitions and investments; (xvii) the tax attributes of and implications of any acquisitions; (xviii) the outcome of CPILP's strategic review; (xix) ability to secure new contracts and terms of such contracts; and (xx) risks and uncertainties noted under Outlook in respect of the

# Forward-looking information (cont'd)

forward looking information and statements noted in that section. See also Business Risks in the Company's December 31, 2010 annual MD&A. If any such risks actually occur, they could materially adversely affect the Company's business, financial condition or results of operations. In that case the trading price of the Company's common shares could decline, perhaps materially.

This MD&A includes the following updates to previously disclosed forward-looking statements: (i) expectations regarding capital expenditures have been revised to reflect a change in the timing of spending on the Port Dover & Nanticoke project from 2011 to 2012; (ii) expectations regarding normalized earnings per share have been updated to include revised expectations regarding Alberta power prices in 2011, IFRS transition adjustments, a change in the estimated useful life of the Genesee and Keephills 3 plants, the addition of the three New England plants, and higher financing costs and equity dilution as a result of the medium-term debt issuance and equity offering, respectively, in the first quarter of 2011; (iii) estimates for capital expenditures in 2011 have been updated to include changes in the estimated plant maintenance capital expenditures due to the impact of capitalizing major maintenance costs under IFRS, the inclusion of maintenance capital expenditures for the three New England plants, and the delay in spending on the Port Dover and Nanticoke project; (iv) Capital Power's and EPCOR's expected share of net income has been updated to include the changes to the current common share ownerships as a result of the 9.3 million common shares equity offering in March 2011; (v) the expected commercial operation date for Keephills 3 has been revised from the second quarter to the third quarter of 2011; and (vi) capital expenditures on Keephills 3 has been revised to include additional costs associated with cleaning of the boiler.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Forward-looking statements are provided for the purpose of providing information about management's current expectations, and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

# Non-IFRS Financial Measures

The Company uses (i) EBITDA, (ii) funds from operations, (iii) funds from operations excluding non-controlling interests in CPILP, (iv) normalized earnings attributable to common shareholders and (v) normalized earnings per share as financial performance measures. These terms are not defined financial measures according to IFRS and do not have standardized meanings prescribed by IFRS, and therefore may not be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of the Company's results of operations from management's perspective.

**EBITDA**

Capital Power uses EBITDA to measure the operating performance of plants and groups of plants from period to period. A reconciliation of EBITDA to net income is as follows:

# Non-IFRS Financial Measures (cont'd)

| (unaudited, $millions) | Three months ended | | | | |
|---|---|---|---|---|---|
| | Mar 31, 2011 | Dec 31, 2010 | Sept 30, 2010 | June 30, 2010 | Mar 31, 2010 |
| Revenues | $ 440 | $ 429 | $ 493 | $ 301 | $ 484 |
| Other income | 18 | 8 | 18 | 12 | 17 |
| Energy purchases and fuel | 291 | 232 | 278 | 196 | 284 |
| **Gross income** | **167** | **205** | **233** | **117** | **217** |
| Other raw materials and operating charges | 29 | 43 | 20 | 22 | 19 |
| Staff costs and employee benefits expense | 39 | 43 | 44 | 47 | 41 |
| Other administrative expenses | 10 | 19 | 17 | 11 | 10 |
| Property taxes | 5 | 4 | 5 | 4 | 5 |
| Impairment charges | - | 1 | 66 | (2) | - |
| Foreign exchange losses (gains) | 2 | 1 | 1 | (2) | 1 |
| Gains on acquisitions and disposals | - | (2) | - | - | (28) |
| **EBITDA** | 82 | 96 | 80 | 37 | 169 |
| Depreciation and amortization | 58 | 66 | 56 | 62 | 57 |
| Finance expense | 9 | 13 | 26 | 20 | 19 |
| Income taxes expense (recovery) | 1 | (5) | 1 | (11) | 1 |
| **Net income** | **14** | **22** | **(3)** | **(34)** | **92** |
| **Attributable to:** | | | | | |
| Non-controlling interests | 11 | 25 | (19) | (26) | 80 |
| Shareholders of the Company | 3 | (3) | 16 | (8) | 12 |

**Funds from operations and funds from operations excluding non-controlling interests in CPILP**

Capital Power uses funds from operations to measure the Company's ability to generate funds from current operations. Funds from operations are cash provided by operating activities, including financing and current income tax expenses, and excluding changes in working capital. Changes in working capital are impacted by the timing of cash receipts and payments and are not comparable from period to period. As a result of the transition to IFRS, interest paid, excluding capitalized interest, and income taxes paid and recovered have been moved into the body of the consolidated statement of cash flows as part of operating activities. These amounts were previously disclosed as supplementary information and captured within the consolidated statement of cash flows within changes in non-cash operating working capital. In its funds from operations and funds from operations excluding non-controlling interests in CPILP, the Company includes interest and current income tax expense recorded

Capital Power Corporation

# Non-IFRS Financial Measures (cont'd)

during the period, rather than interest and taxes paid as these differences are impacted by the timing of cash receipts and payments and are not comparable from period to period. Therefore, the Company uses funds from operations as its primary operating cash flow measure. The Company measures its interest in cash flows by excluding the non-controlling interest in CPILP's cash flows. A reconciliation of (i) funds from operations and (ii) funds from operations excluding non-controlling interests in CPILP, to cash provided by operating activities is as follows:

| (unaudited, $millions) | Three months ended | |
|---|---|---|
| | Mar 31, 2011 | Mar 31, 2010 |
| **Funds from operations excluding non-controlling interests in CPILP** | **$ 78** | **$ 71** |
| Funds from operations due to non-controlling interests in CPILP | 21 | 28 |
| **Funds from operations** | **99** | **99** |
| Adjustments: | | |
| Unrealized changes in the fair value of forward bond contracts | 10 | - |
| Finance expense | 9 | 19 |
| Interest paid | (12) | (12) |
| Income taxes (paid) / recovered | (9) | 8 |
| Current income tax expense excluding future income taxes | 4 | 14 |
| Change in non-cash operating working capital | - | (1) |
| **Cash provided by operating activities** | **101** | **127** |

**Normalized earnings and normalized earnings per share**

The Company uses normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings per share is based on earnings used in the calculation of earnings per share according to IFRS adjusted for items that are not reflective of performance in the period such as fair value changes, impairments, unusual tax adjustments and gains or losses on disposal of assets or on unusual contracts such as the contract for maintenance of EPCOR's Rossdale plant. A reconciliation of net income (loss) attributable to shareholders to normalized earnings attributable to common shareholders, and earnings (loss) per share to normalized earnings per share is as follows:



Capital Power Corporation

# Non-IFRS Financial Measures (cont'd)

| (unaudited, $millions except earnings (loss) per share) | Three months ended Mar 31, 2011 | Year ended Dec 31, 2010 | Three months ended Dec 31, 2010 | Sept 30, 2010 | June 30, 2010 | Mar 31, 2010 |
|---|---|---|---|---|---|---|
| **Earnings (loss) per share** | **$ 0.06** | **$ 0.77** | **$ (0.13)** | **$ 0.73** | **$ (0.37)** | **0.55** |
| Net income (loss) attributable to shareholders | 3 | 17 | (3) | 16 | (8) | 12 |
| Preferred share dividends | (1) | - | - | - | - | - |
| **Earnings (loss) attributable to common shareholders** | **2** | **17** | **(3)** | **16** | **(8)** | **12** |
| Adjustments | | | | | | |
| Unrealized changes in fair value of CPLP's derivative instruments and natural gas held for trading | 9 | 9 | 3 | (2) | 8 | - |
| Unrealized changes in fair value of CPILP's derivative instruments | - | - | (1) | - | 1 | - |
| Obligation to EPCOR for Rossdale plant | - | 2 | - | 2 | - | - |
| Acquisition loss for Island Generation acquisition | - | 6 | 6 | - | - | - |
| Change in prior quarters' adjustments, for change in non-controlling percentage interest | - | 1 | 1 | - | - | - |
| Impact of asset impairments recognized by subsidiaries | - | (5) | - | (5) | - | - |
| Income tax adjustments | - | 1 | (1) | 3 | - | (1) |
| | 9 | 14 | 8 | (2) | 9 | (1) |
| **Normalized earnings attributable to common shareholders** | **11** | **31** | **5** | **14** | **1** | **11** |
| **Normalized earnings per share** | **$ 0.33** | **$ 1.40** | **$ 0.21** | **$ 0.64** | **$ 0.05** | **$ 0.51** |

Capital Power Corporation