Capital Power Corporation
10423 – 101 Street NW
Suite 1200
Edmonton, AB T5H 0E9

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Capital Power reports fourth quarter and year-end 2022 results

Excellent year highlighted by record cash flow generation and strategic advances in decarbonization

EDMONTON, Alberta – March 1, 2023 – Capital Power Corporation (TSX: CPX) today released financial results for the quarter and year ended December 31, 2022.

Financial Highlights

- In the fourth quarter of 2022, generated:
  - net cash flows from operating activities of $42 million and adjusted funds from operations (AFFO) of $140 million
  - adjusted EBITDA of $303 million and a net loss of $99 million
- For 2022, generated:
  - net cash flows from operating activities of $935 million and AFFO of $848 million
  - adjusted EBITDA of $1,353 million and a net income of $128 million

Strategic Highlights

- Announced a limited notice to proceed for the Genesee Carbon Capture and Sequestration (CCS) Project
- Completed the 75-megawatt Clydesdale Solar project on-schedule with commercial operations beginning in December
- Executed a 15-year renewable energy agreement with Shaw Communications for approximately 30 MW of the output and environmental attributes from Clydesdale Solar
- Executed a 23-year clean electricity supply agreement with Public Services and Procurement Canada for power and renewable energy credits in the first two years followed by renewable energy from the proposed Halkirk 2 Wind project for the remainder of the contract term

“We made great strides in 2022 on our decarbonization strategy and commitment to being off coal in 2023,” said Brian Vaasjo, President and CEO of Capital Power. “This includes significant progress on our Genesee repowering project that is on schedule to meet our off-coal commitment by the end of this year. Once completed, Genesee 1 and 2 will have significantly reduced carbon emissions and will be the most efficient natural gas units in Canada, solidifying their dominant baseload position in the Alberta power market. We also completed modifications to Genesee 3 to operate as a 100% natural gas facility following the closure of the Genesee Mine in late 2023.”

“We are advancing technologies to enable a clean power system with abated natural gas to achieve net zero by 2045”, continued Mr. Vaasjo. “In December, we announced a limited notice to proceed on the Genesee CCS project, which reflects positive results from the ongoing front-end engineering design (FEED) study and continued progress on financial support from the Alberta and Federal governments. CCS is an essential part of the pathway to accelerating and achieving decarbonization of Alberta's power sector while maintaining reliability and affordability. As we move into the next stage of final due diligence and commercial, financing, and technical assessment, we expect to announce a final investment decision later this year.”

“Our growth outlook remains excellent given political support for renewable energy both in the United States and in Canada and we’re well-positioned for potential uprates, expansion and contract extensions for our three natural gas facilities in Ontario in response to the 4,000 megawatts of incremental capacity required in the province. We are targeting $600 million in committed capital for growth in 2023 and expect to make an investment decision on two renewable projects," stated Mr. Vaasjo.

"We delivered record financial performance in 2022 that benefitted from elevated Alberta spot power prices that averaged $162 per megawatt hour (MWh) in the year, the acquisition of the Midland Cogeneration facility, and strong contributions across the fleet," said Sandra Haskins, Senior Vice President, Finance and CFO. "We generated $1,353 million in adjusted EBITDA and $848 million in AFFO that exceeded our higher revised financial guidance and were 17% and 35% above the top end of our original targets, respectively."

"2023 started with one of the warmest winters in history, driving settled power prices well below expectations. As a result, average forward power prices for the year have modestly declined resulting in Capital Power trending towards the lower end of our adjusted EBITDA and AFFO guidance ranges of $1,455 million to $1,515 million and $805 million to $865 million, respectively. Going forward we expect to see similar market volatility as we have seen in recent years and given our competitive fleet of Alberta assets, we are well positioned to capitalize on these opportunities. We will provide further updates with our first quarter 2023 results," added Ms. Haskins.

Operational and Financial Highlights[1]

(unaudited, $ millions, except per share amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Electricity generation (Gigawatt hours)	8,049	6,103	28,573	22,811
Generation facility availability	90%	89%	93%	90%
Revenues and other income	929	672	2,929	1,990
Adjusted EBITDA [2]	303	294	1,353	1,124
Net income (loss) [3]	(99)	(69)	128	87
Net income (loss) attributable to shareholders of the Company	(98)	(65)	138	98
Basic earnings (loss) per share ($)	(0.91)	(0.67)	0.85	0.39
Diluted earnings (loss) per share ($)	(0.91)	(0.67)	0.84	0.39
Normalized earnings attributable to common shareholders [2]	82	55	424	221
Normalized earnings per share ($) [2]	0.70	0.47	3.64	1.97
Net cash flows from operating activities	42	185	935	867
Adjusted funds from operations [2]	140	149	848	605
Adjusted funds from operations per share ($) [2]	1.20	1.28	7.28	5.40
Purchase of property, plant and equipment and other assets, net	179	198	682	622
Dividends per common share, declared ($)	0.5800	0.5475	2.2550	2.1200

1 The operational and financial highlights in this press release should be read in conjunction with the Management's Discussion and Analysis and the audited consolidated financial statements for year ended December 31, 2022.

2 Earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emissions credits (adjusted EBITDA), normalized earnings attributable to common shareholders and adjusted funds from operations (AFFO) are used as non-GAAP financial measures by the Company. The Company also uses normalized earnings per share and AFFO per share which are non-GAAP ratios. These measures and ratios 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 and ratios.

3 Includes depreciation and amortization for the three months ended December 31, 2022 and 2021 of $139 million and $137 million, respectively, and for the year ended December 31, 2022 and 2021 of $553 million and $539 million, respectively. Budgeted depreciation and amortization for 2023 is $135 million per quarter.

Significant Events

Clydesdale Solar begins commercial operations and executed a second 15-year renewable energy agreement

An additional 75 MW from Clydesdale Solar (formerly Enchant Solar), located in the Municipal District of Taber, Alberta, began commercial operations on December 13, 2022. The total project cost is expected to be $124 million compared to the original budget of $102 million due to supply chain pressures and increases in transportation costs.

Capital Power executed a 15-year renewable energy agreement with Shaw Communications for approximately 30 MW of the output and environmental attributes. Combined with a previously announced renewable energy agreement with Labatt Breweries of Canada, Clydesdale Solar is approximately 90% contracted over the next 15 years.

Advancement of carbon capture project at Genesee

On December 1, 2022, we announced that our Board of Directors approved a limited notice to proceed (LNTP) for the Genesee Carbon Capture and Sequestration (CCS) Project. The Genesee CCS Project is positioned for a final investment decision in late 2023 with commercial operations as early as 2027.

On June 27, 2022, we announced our collaboration with Mitsubishi Heavy Industries Group and Kiewit Energy Group on a front-end engineering and design (FEED) study for the Genesee CCS Project advancing the commercial application of CCS technology at our Genesee Generating Station.

$2 million contribution to Boyle Street Community Services

On November 1, 2022, Capital Power announced a $2 million contribution to the Build with Boyle initiative to help fund Boyle Street Community Services' (Boyle Street) *okimaw peyesew kamik* facility in Edmonton. The purpose-built facility will serve as a base for Boyle Street's lifechanging support services for the community's most vulnerable citizens. Capital Power's contribution is dedicated to funding the new facility's community kitchen and on-site housing needs.

Genesee 3 completes 100% natural gas capability upgrades

On November 12, 2022 Genesee 3 completed necessary modifications to operate as a 100% natural gas capable facility. Upon the closure of the Genesee Mine in late 2023, Genesee 3 will operate solely on natural gas.

Genesee 2 approved for 20 MW of additional capacity

On October 1, 2022, 20 MW of additional capacity at Genesee 2 was approved by the AESO increasing its capacity to 450 MW. The additional capacity is a result of stator and low-pressure rotor replacements associated with the 2021 outage.

Subsequent Event

Executed 23-year clean electricity supply agreement for Halkirk 2 Wind

On February 3, 2023, we announced a 23-year clean electricity supply agreement with Public Services and Procurement Canada. The Agreement will provide approximately 250,000 MWh of clean electricity per year initially through Canada-sourced renewable energy credits until Capital Power's proposed Alberta-based Halkirk 2 Wind project is completed, which is expected to be operational by January 1, 2025 (subject to regulatory approval). The 151 MW Halkirk 2 Wind project will provide renewable energy for the remainder of the term – representing approximately 49% of the facility's output. As part of the transaction, Capital Power committed to securing an equity partnership with local Indigenous communities related to the proposed project.

Analyst conference call and webcast

Capital Power will be hosting a conference call and live webcast with analysts on March 1, 2023 at 9:00 am (MT) to discuss the fourth quarter and year end financial results. The conference call dial-in number is:

(800) 319-4610 (toll-free from Canada and USA)

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 conclusion of the analyst conference call.

Non-GAAP Financial Measures and Ratios

The Company uses (i) adjusted EBITDA, (ii) AFFO, and (iii) normalized earnings attributable to common shareholders as financial performance measures.

The Company also uses AFFO per share and normalized earnings per share as performance measures. These measures are non-GAAP ratios determined by applying AFFO and normalized earnings attributable to common shareholders, respectively, to the weighted average number of common shares used in the calculation of basic and diluted earnings per share.

These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, net income attributable to 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.

Adjusted EBITDA

Capital Power uses adjusted EBITDA to measure the operating performance of facilities and categories of facilities from period to period. Management believes that a measure of facility operating performance is more meaningful if results not related to facility operations such as impairments, foreign exchange gains or losses, gains or losses on disposals and other transactions, and unrealized changes in fair value of commodity derivatives and emission credits are excluded from the adjusted EBITDA measure.

A reconciliation of adjusted EBITDA to net income (loss) is as follows:

(unaudited, $ millions)	Year ended December 31		Three months ended							
	2022	2021	Dec 2022	Sep 2022	Jun 2022	Mar 2022	Dec 2021	Sep 2021	Jun 2021	Mar 2021
Revenues and other income	2,929	1,990	929	786	713	501	672	377	387	554
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(2,059)	(1,108)	(909)	(543)	(429)	(178)	(506)	(162)	(176)	(264)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	429	220	247	136	28	18	123	66	24	7
Adjusted EBITDA from joint ventures [1]	54	22	36	4	7	7	5	5	6	6
Adjusted EBITDA	**1,353**	**1,124**	**303**	**383**	**319**	**348**	**294**	**286**	**241**	**303**
Depreciation and amortization	(553)	(539)	(139)	(133)	(139)	(142)	(137)	(133)	(132)	(137)
Unrealized changes in fair value of commodity derivatives and emission credits	(429)	(220)	(247)	(136)	(28)	(18)	(123)	(66)	(24)	(7)
Impairment (losses) reversals	-	(58)	-	-	-	-	(52)	(8)	2	-
(Losses) gains on disposals and other transactions	(37)	36	(33)	(3)	(1)	-	6	31	(3)	2
Foreign exchange (loss) gain	(15)	(9)	3	(12)	(7)	1	(1)	(7)	(2)	1
Net finance expense	(156)	(174)	(44)	(40)	(35)	(37)	(44)	(43)	(46)	(41)
Other items[1,2]	(22)	(13)	(17)	(4)	(1)	-	(4)	(4)	(5)	-
Income tax (expense) recovery	(13)	(60)	75	(24)	(31)	(33)	(8)	(18)	(14)	(20)
Net income (loss)	**128**	**87**	**(99)**	**31**	**77**	**119**	**(69)**	**38**	**17**	**101**
Net income (loss) attributable to:										
Non-controlling interests	(10)	(11)	(1)	(3)	(3)	(3)	(4)	(2)	(3)	(2)
Shareholders of the Company	138	98	(98)	34	80	122	(65)	40	20	103
Net income (loss)	**128**	**87**	**(99)**	**31**	**77**	**119**	**(69)**	**38**	**17**	**101**

1 Total income from joint ventures as per the Company's consolidated statements of income.

2 Includes finance expense, unrealized changes in fair value of commodity derivatives and depreciation expense from joint ventures.

Adjusted funds from operations and adjusted funds from operations per share

AFFO and AFFO per share are measures of the Company's ability to generate cash from its operating activities to fund growth capital expenditures, the repayment of debt and the payment of common share dividends.

AFFO represents net cash flows from operating activities adjusted to:

- remove timing impacts of cash receipts and payments that may impact period-to-period comparability which include deductions for net finance expense and current income tax expense, the removal of deductions for interest paid and income taxes paid and removing changes in operating working capital,

- include the Company's share of the AFFO of its joint venture interests and exclude distributions received from the Company's joint venture interests which are calculated after the effect of non-operating activity joint venture debt payments,
- include cash from off-coal compensation that will be received annually,
- remove the tax equity financing project investors' shares of AFFO associated with assets under tax equity financing structures so only the Company's share is reflected in the overall metric,
- deduct sustaining capital expenditures and preferred share dividends,
- exclude the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty,
- include net expected cash outflows for the Company's share of Line Loss Rule (LLR) Proceeding amounts in the period each tranche is paid by the Company, and
- exclude other typically non-recurring items affecting cash from operations that are not reflective of the long-term performance of the Company's underlying business.

Commencing with the Company's December 31, 2022 quarter-end, the Company refined its AFFO measure to better reflect the purpose of the measure and include in its adjustment to exclude other typically non-recurring items affecting cash from operations that are not reflective of the long-term performance of the Company's underlying business. Comparative AFFO figures have not been restated for this change.

A reconciliation of net cash flows from operating activities to adjusted funds from operations is as follows:

(unaudited, $ millions)	Year ended December 31		Three months ended December 31	
	2022	**2021**	**2022**	**2021**
Net cash flows from operating activities per consolidated statements of cash flows	**935**	**867**	**42**	**185**
Add (deduct) items included in calculation of net cash flows from operating activities per consolidated statements of cash flows:				
Interest paid	89	111	13	13
Realized gains on settlement of hedged interest rate derivatives	(27)	(12)	-	-
Change in fair value of derivatives reflected as cash settlement	213	43	153	26
Distributions received from joint ventures	(16)	(11)	(10)	(3)
Miscellaneous financing charges paid [1]	7	5	2	1
Income taxes paid (recovered)	37	(7)	13	6
Change in non-cash operating working capital	(179)	(100)	(28)	5
	124	29	143	48
Net finance expense [2]	(111)	(121)	(31)	(28)
Current income tax expense [3]	(40)	(44)	(1)	(25)
Sustaining capital expenditures [4]	(133)	(120)	(58)	(21)
Preferred share dividends paid	(37)	(51)	(8)	(13)
Cash received for off-coal compensation	50	50	-	-
Remove tax equity interests' respective shares of adjusted funds from operations	(7)	(7)	2	-
Adjusted funds from operations from joint ventures	36	15	20	3
Other non-recurring items[5]	31	-	31	-
Line Loss Rule Proceeding [6]	-	(13)	-	-
Adjusted funds from operations	**848**	605	**140**	149
Weighted average number of common shares outstanding (millions)	**116.5**	**112.1**	**116.9**	**116.0**
Adjusted funds from operations per share ($)	**7.28**	**5.40**	**1.20**	**1.28**

1 Included in other cash items on the consolidated statements of cash flows to reconcile net income to net cash flows from operating activities.

2 Excludes unrealized changes on interest rate derivative contracts, amortization, accretion charges and non-cash implicit interest on tax equity investment structures.

3 For the year and three months ended December 31, 2022, excludes current income tax recovery related to the Genesee 3 and Keephills 3 swap transaction of $21 million as these amounts are considered investing activities. For the year and three months ended December 31, 2021, excludes current income tax expense of $16 million and $2 million, respectively, related to the Genesee 3 and Keephills 3 swap transaction as these amounts are considered investing activities.

4 Includes sustaining capital expenditures net of partner contributions of $5 million and $1 million for the year and three months ended December 31, 2022, respectively, compared with $10 million and $2 million for the year and three months ended December 31, 2021, respectively.

5 Other non-recurring items include include a write-down of $18 to reflect lower net realizable value of inventory related to the end-of-life of our Genesee's coal operations and a provision of $13 million (US $10 million) for the termination fees related to the existing PPAs of the Bear Branch Solar, Hornet Solar and Hunter's Cove Solar projects

6 Consistent with our definition of AFFO described above pertaining to the LLR Proceeding, AFFO for the year and three months ended December 31, 2021, is impacted only by our net obligations related to the 2006-2009 and 2010-2013 invoice tranches.

Normalized earnings attributable to common shareholders and normalized earnings per share

The Company uses normalized earnings attributable to common shareholders and normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings attributable to common shareholders and normalized earnings per share are based on net income (loss) attributable to shareholders of the Company according to GAAP and adjusted for items that are not reflective of performance in the period such as unrealized fair value changes, impairment charges, unusual tax adjustments, gains and losses on disposal of assets or unusual contracts, and foreign exchange gain or loss on the revaluation of U.S. dollar denominated debt. The adjustments, shown net of tax, consist of unrealized fair value changes on financial instruments that are not necessarily indicative of future actual realized gains or losses, non-recurring gains or losses, or gains or losses reflecting corporate structure decisions.

(unaudited, $ millions except per share amounts and number of common shares)	**Year ended December 31**		**Three months ended**							
	2022	**2021**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**	**Mar 2021**
Basic earnings (loss) per share ($)	**0.85**	**0.39**	**(0.91)**	**0.21**	**0.59**	**0.96**	**(0.67)**	**0.23**	**0.05**	**0.83**
Net income (loss) attributable to shareholders of the Company per Consolidated Statements of Income	**138**	**98**	**(98)**	**34**	**80**	**122**	**(65)**	**40**	**20**	**103**
Preferred share dividends including Part VI.1 tax	(39)	(54)	(8)	(10)	(11)	(10)	(13)	(13)	(14)	(14)
Earnings (loss) attributable to common shareholders	99	44	(106)	24	69	112	(78)	27	6	89
Unrealized changes in fair value of derivatives [1]	310	146	188	110	14	(2)	83	48	25	(10)
Genesee 2 forced outage	-	(17)	-	-	-	-	(5)	(12)	-	-
Provision for contingency	-	-	-	-	-	-	-	(6)	6	-
Impairment losses (reversal)	-	45	-	-	-	-	41	6	(2)	-
Reduction in applicable jurisdictional tax rates	-	-	-	-	-	-	10	-	-	(10)
Provision for Line Loss Rule Proceeding	-	(1)	-	-	-	-	-	-	-	(1)
Others	15	4	-	12	5	(2)	4	-	-	-
Normalized earnings attributable to common shareholders	**424**	**221**	**82**	**146**	**88**	**108**	**55**	**63**	**35**	**68**
Weighted average number of common shares outstanding (millions)	116.5	112.1	116.9	116.7	116.4	116.2	116.0	115.5	109.7	106.8
Normalized earnings per share ($)	**3.64**	**1.97**	**0.70**	**1.25**	**0.76**	**0.93**	**0.47**	**0.55**	**0.32**	**0.64**

1 Includes impacts of the derivatives held within our joint ventures and recorded within income (loss) from joint ventures on our consolidated statements of income.

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 disclosures regarding (i) reduction in carbon emissions from Genesee 1 and 2 following the repowering project, (ii) efficiency of the Genesee 1 and 2 natural gas units in Canada and their baseload position in the Alberta power market following repowering,

(iii) status of and updates to the Company's 2023 AFFO and adjusted EBITDA guidance, (iv) budgeted 2023 depreciation, and (v) the timing of the investment decision for the Company's potential CCS project.

These statements are based on certain assumptions and analyses made by the Company considering its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to: (i) electricity, other energy and carbon prices, (ii) performance, (iii) business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects, (iv) status of and impact of policy, legislation and regulations 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, natural gas and carbon prices in markets in which the Company operates and the use of derivatives, (ii) regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation, (iii) generation facility availability, wind capacity factor and performance including maintenance expenditures, (iv) ability to fund current and future capital and working capital needs, (v) acquisitions and developments including timing and costs of regulatory approvals and construction, (vi) changes in the availability of fuel, (vii) ability to realize the anticipated benefits of acquisitions, (viii) limitations inherent in the Company's review of acquired assets, (ix) changes in general economic and competitive conditions and (x) changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs. See Risks and Risk Management in the Company's Integrated Annual Report for the year ended December 31, 2022, prepared as of February 28, 2023, for further discussion of these and other risks.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the specified approval date. 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.

Territorial Acknowledgement

In the spirit of reconciliation, Capital Power respectfully acknowledges that we operate within the ancestral homelands, traditional and treaty territories of the Indigenous Peoples of Turtle Island, or North America.

Capital Power's head office is located within the traditional and contemporary home of many Indigenous Peoples of the Treaty 6 region and Métis Nation of Alberta Region 4. We acknowledge the diverse Indigenous communities that are located in these areas and whose presence continues to enrich the community.

About Capital Power

Capital Power (TSX: CPX) is a growth-oriented North American wholesale power producer with a strategic focus on sustainable energy headquartered in Edmonton, Alberta. We build, own, and operate high-quality, utility-scale generation facilities that include renewables and thermal. We have also made significant investments in carbon capture and utilization to reduce carbon impacts. Capital Power owns approximately 7,500 MW of power generation capacity at 29 facilities across North America. Projects in advanced development include approximately 151 MW of owned renewable generation capacity in Alberta and 512 MW of incremental natural gas combined cycle capacity, from the repowering of Genesee 1 and 2 in Alberta.

For more information, please contact:

Media Relations:
Katherine Perron
(780) 392-5335
kperron@capitalpower.com

Investor Relations:
Randy Mah
(780) 392-5305 or (866) 896-4636 (toll-free)
investor@capitalpower.com