Atlantic Power Corporation

# Atlantic Power Corporation Announces Second Quarter 2008 Results and 2008 Cash Flow Guidance

TORONTO, ONTARIO -- (MARKET WIRE) -- 08/13/08 -- Atlantic Power Corporation (TSX: ATP.UN)(TSX: ATP.DB) (the "Company") today announced strong results for the three and six months ended June 30, 2008. All amounts are in U.S. dollars unless otherwise indicated.

Q2 2008 Highlights:

- Cash Flow Available for Distribution rises to $27.2 million

- Management forecasts increase in distributions from Projects in 2008 over prior year in excess of 5%

- Conservative 60% payout ratio on cash distributions

- Company buyback of Income Participating Securities commenced in July

"Our power generating facilities and transmission line continue to perform strongly and generate stable and growing cash available for distribution," commented Barry Welch, President and CEO. "Looking ahead, Atlantic Power possesses a number of key strengths that we are confident will lead to enhanced value over the long term. Our average power contract term runs for approximately 11.5 years, and the Path 15 transmission line has over 26 years of regulatory term remaining, providing us with sustainable long-term cash flows. Over the long term, changes in natural gas, coal or oil prices do not produce material changes to the portfolio's overall cash flow. Virtually all Project debt fully amortizes before the respective power agreement expires, significantly de-leveraging the balance sheet over time. In addition, continued demand growth combined with increases in Project construction costs, have significantly enhanced the inherent value of our existing facilities."

"We expect to receive distributions from the ownership interests in our Projects in the range of $103 million to $108 million in 2008, an increase in excess of 5% over the prior year. Additionally, our projected cash available for distribution, based on management estimates of the cash flows from existing Projects and cash on hand, is sufficient to sustain our current level of cash distributions at least through 2014, " Mr. Welch added. "In addition, we are continuing to actively evaluate selective growth opportunities, and with our strong balance sheet we have sufficient capacity to act on potential acquisitions without accessing the public equity markets."

Cash Flow Available for Distribution

For the three months ended June 30, 2008, Cash Flow Available for Distribution rose to $27.2 million compared to $4.8 million for the same period last year. Distributions declared in the second quarter of 2008 were $16.2 million, resulting in a payout ratio of 60% in the quarter. For the six months ended June 30, 2008, Cash Flow Available for Distribution rose to $57.0 million compared to $25.8 million for the same period last year. Distributions declared for the first six months of 2008 were $32.4 million, resulting in a conservative payout ratio of 57%. The increases in Cash Flow Available for Distribution are primarily attributable to the increased operating cash flow generated in 2008, primarily as a result of the increased ownership in the Pasco project acquired in December 2007, and a $9.7 million decrease in cash tax payments in the second quarter of 2008 compared to the prior year second quarter.

Strong Operating Performance

For the first six months of 2008, Adjusted EBITDA at the Projects increased approximately 10% to $92,657 million compared to the same six-month period last year. The increases in Adjusted EBITDA were due to a number of factors, including:

- Higher Adjusted EBITDA in 2008 at Pasco due to the acquisition of the additional interest in the Project in December 2007

- Increased Adjusted EBITDA at Pasco and Lake in 2008 due to higher power prices and, in the case of Lake, due to higher plant efficiency and output as a result of the turbine upgrades performed in the fourth quarter of 2007

- The $8.9 million distribution received from the Gregory Project in the first half of 2008

These increases in Adjusted EBITDA were partially offset by the following factors:

- Lower Adjusted EBITDA at Chambers due to a planned boiler outage in the second quarter of 2008

- One-time costs associated with the shut-down of the Onondaga plant in the second quarter of 2008

- The absence of Adjusted EBITDA from Jamaica in 2008 due to the sale of the Project in the fourth quarter of 2007

- Reduced Adjusted EBITDA at Stockton attributable to a planned outage in the second quarter of 2008

- The unplanned outage at Orlando that began in late January and ended in mid-May

Recent Developments

The Company's Onondaga Project was formally taken offline on April 30, 2008 although payments continued under the Project's swap and indexed hedge agreements through June. The Project has sold its gas turbines and other equipment and spare parts no longer being used. Proceeds from these equipment sales in the amount of $1.0 million were received in the second quarter of 2008 and an additional $6.1 million was received in July 2008. The Company is continuing its feasibility analysis with an experienced developer for redeveloping the site into a 40 MW biomass plant.

On July 25, 2008, the Toronto Stock Exchange ("TSX") approved a normal course issuer bid to purchase up to four million IPSs, representing approximately 8% of the Company's public float. As of August 1, 2008, the Company had acquired and cancelled 157,280 IPSs at an average price of Cdn$8.44 under the terms of the issuer bid.

"We continue to believe that the market price for our IPS is considerably lower than the value of our Company. Our assets are operating as expected, our growth prospects are bright, and our strong cash position and balance sheet provide us with the ability to support this issuer bid, sustain our current level of cash distributions and act on growth opportunities without accessing the public equity market," Mr. Welch concluded.

The calculation of Cash Flow Available for Distribution and a summary of Adjusted EBITDA by individual project for the three and six months ended June 30, 2008 are attached to this news release.

The Company's financial statements for the period and management's discussion and analysis for the three and six months ended June 30, 2008 are available on the Company's website at www.atlanticpowercorporation.com and on SEDAR at www.sedar.com.

Atlantic Power Corporation owns interests in a diversified portfolio of 13 power generation projects and one transmission line located in major markets in the United States. Atlantic Power's objectives are to sustain and grow its cash distributions over the long term by enhancing the performance of its existing assets and by making accretive acquisitions.

Certain statements in this news release may constitute "forward-looking statements", which reflect the expectations of Atlantic Power Management, LLC (the "Manager") regarding future growth, results of operations, performance and business prospects and opportunities of Atlantic Power Corporation (the "Company"), Atlantic Power Holdings, LLC ("Atlantic Holdings") and the Projects (as defined below). Examples of such statements include: the expectation that the Company's cash on hand and projected future cash flows will be adequate to meet the current level of cash distributions to IPS holders through 2014; the amount of distributions expected to be received from the Projects for the full year 2008; the Company's current forecast of expected annual cash distributions from the Lake Project through 2012; and the expected cash distributions from the Pasco Project for the remainder of 2008. Such forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date of this news release. Such forward looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to the assumption that the Projects will operate and perform in accordance with the Company's expectations. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. In addition to the assumption described above, reference should also be had to the factors discussed under "Risk Factors" section in this the Company's management's discussion and analysis for the three months ended June 30, 2008 and under "Risk Factors" in the Company's annual information form dated March 28, 2008. Although the forward-looking statements contained in this news release are based upon what are believed to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this news release and, except as expressly required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances. The financial outlook information contained in this MD&A is presented to provide readers with guidance on the cash distributions expected to be received by the Company and to give readers a better understanding of the Company's ability to pay its current level of distributions into the future. Readers are cautioned that such information may not be appropriate for other purposes.

Cash Flow Available for Distribution is not a measure recognized under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Management believes Cash Flow Available for Distributions is a relevant supplemental measure of the Company's ability to earn and distribute cash returns to investors. A reconciliation of Cash Flows from Operating Activities to Cash Flow Available for Distributions is attached to this news release and is also included in the Company's management's discussion and analysis for the three months ended June 30, 2008. Investors are cautioned that the Company may calculate this measure in a manner that is different from other companies.

Adjusted EBITDA, earnings before interest, taxes, depreciation and amortization (including non-cash impairment charges), is not a measure recognized under GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers and does not have a standardized meaning prescribed by GAAP. Management uses Adjusted EBITDA at the Project-level to provide comparative information about Project performance. Investors are cautioned that the Company may calculate this measure in a manner that is different from other issuers.

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Cash Flow Available for Distribution(2)
(In thousands of U.S. dollars, except as otherwise stated)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (unaudited) | 2008 | 2007(1) | 2008 | 2007(1) |
| Cash flows from operating activities | 30,328 | 11,927 | 57,756 | 30,709 |
| Project-level debt repayment | (12,226) | (15,093) | (18,017) | (19,782) |
| Interest on IPS portion of Subordinated Notes | 9,690 | 9,015 | 19,394 | 17,369 |
| Purchase of property, plant and equipment | (573) | (1,034) | (2,104) | (2,459) |
| Cash flow available for distribution, US$ | 27,219 | 4,815 | 57,029 | 25,837 |
| Interest on IPS Subordinated Notes | 9,690 | 9,015 | 19,394 | 17,369 |
| Dividends on IPS Common Shares | 6,507 | 6,054 | 13,024 | 11,664 |
| Total IPS distributions, US$ | 16,197 | 15,069 | 32,418 | 29,033 |
| Cash flow available for distribution per IPS, US$ | | | | |
| - basic | 0.44 | 0.08 | 0.93 | 0.42 |
| - diluted | 0.44 | 0.10 | 0.88 | 0.42 |
| Total distribution declared per IPS, US$ | 0.26 | 0.25 | 0.53 | 0.47 |
| Cash flow available for distribution, Cdn$ | 27,488 | 5,345 | 57,425 | 28,818 |
| Total IPS distributions, Cdn$ | 16,303 | 16,296 | 32,598 | 32,590 |
| Cash flow available for distribution per IPS, Cdn$ | | | | |
| - basic | 0.45 | $0.09 | 0.93 | $0.47 |
| - diluted | 0.44 | $0.11 | 0.89 | $0.47 |
| Total distribution declared per IPS, Cdn$ | 0.27 | $0.27 | 0.53 | $0.53 |

(1). Amounts previously reported in 2007 have been revised to conform to the calculation of Cash Available for Distribution adopted in 2008, which does not include any adjustment for income taxes recoverable. Through the end of 2007, the Company was required to pay tax installments based on estimates of taxable income without the benefit of the interest deduction related to the Subordinated Notes and Debentures. This requirement resulted in the payment of significant tax installments to the IRS, followed by a refund of most of the installment payments when the actual tax returns were filed in subsequent periods with the full benefit of the interest deductions on the Subordinated Notes and Debentures. As of January 1, 2008, the Company is permitted to calculate tax installment payments with the full benefit of these interest payments factored into estimated taxable income. As a result, management expects significant fluctuations in working capital related to tax installments and subsequent refunds to decrease and the adjustment to Cash Flow Available for Distribution is no longer needed.

(2). Cash Flow Available for Distribution is not a recognized measure under GAAP and does not have any standardized meaning prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other issuers. See "Non-GAAP Financial Measures".

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Project Adjusted EBITDA(1) (in thousands of U.S. dollars)

| | Three months ended June 30, | | Six months ended June 30 | |
|---|---|---|---|---|
| (unaudited) | 2008 | 2007 | 2008 | 2007 |
| Adjusted EBITDA from consolidated and proportionately consolidated Projects | | | | |
| Badger Creek | 675 | 850 | 2,287 | 2,126 |
| Chambers | 5,172 | 7,371 | 13,456 | 15,167 |
| Koma Kulshan | 420 | 513 | 319 | 685 |
| Lake | 9,215 | 7,293 | 16,698 | 14,255 |
| Mid-Georgia | 1,172 | 1,351 | 1,975 | 1,793 |
| Onondaga | 4,206 | 6,094 | 8,646 | 11,848 |
| Orlando | 1,523 | 1,758 | 304 | 4,010 |
| Pasco | 8,474 | 3,616 | 16,002 | 6,933 |
| Stockton | (508) | 662 | 588 | 1,658 |
| Topsham | 570 | 731 | 1,255 | 1,146 |
| Path 15 | 7,360 | 7,857 | 14,424 | 15,237 |
| Other | 282 | 265 | 541 | 465 |
| Total adjusted EBITDA from consolidated and proportionately consolidated Projects | 38,561 | 38,361 | 76,495 | 75,323 |
| Amortization | 11,638 | 12,745 | 24,956 | 25,503 |
| Interest expense, net | 6,489 | 4,490 | 12,747 | 10,647 |
| Change in the fair value of derivative instruments | 94,411 | 29,200 | 120,472 | 83,196 |
| Other income | (1,358) | (10,041) | (1,881) | (10,032) |
| Earnings (loss) from consolidated and proportionately consolidated Projects | (72,619) | 1,967 | (79,799) | 33,991 |
| Adjusted EBITDA from equity and cost method Projects | | | | |
| Delta-Person | 508 | 525 | 1,002 | 1,123 |
| Gregory | 791 | - | 8,933 | - |
| Jamaica | - | (1,278) | - | (2,260) |
| Rumford | 601 | 677 | 1,192 | 1,273 |
| Selkirk | 4,457 | 4,667 | 5,197 | 4,667 |
| Other | - | (228) | (162) | (269) |
| Total adjusted EBITDA from equity and cost method Projects | 6,357 | 6,919 | 16,162 | 9,054 |
| Amortization | 463 | 514 | 926 | 999 |
| Interest expense, net | 147 | 348 | 372 | 701 |
| Other expense | 0 | 4,994 | 0 | 4,994 |
| Income tax | - | 370 | - | 582 |
| Income from equity and cost method projects | 5,747 | 693 | 14,864 | 1,778 |

| | | | | |
|---|---|---|---|---|
| Project income | | | | |
| Total adjusted EBITDA from all Projects | 44,918 | 45,280 | 92,657 | 84,377 |
| Amortization | 12,101 | 13,259 | 25,882 | 26,502 |
| Interest expense, net | 6,636 | 4,838 | 13,119 | 11,348 |
| Other (income) expense | (1,358) | (5,047) | (1,881) | (5,038) |
| Change in fair value of derivative instruments | 94,411 | 29,200 | 120,472 | 83,196 |
| Income tax | - | 370 | - | 582 |
| Project income (loss) as reported in the statement of income | (66,872) | 2,660 | (64,935) | (32,213) |
| Earnings (loss) from consolidated and proportionately consolidated Projects | (72,619) | 1,967 | (79,799) | (33,991) |
| Income from long-term investments | 5,747 | 693 | 14,864 | 1,778 |
| Project income (loss) as reported in the statement of income | (66,872) | 2,660 | (64,935) | (32,213) |

(1). Adjusted EBITDA is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization (including non-cash impairment charges) and changes in fair value of derivative instruments. Management uses adjusted EBITDA at the Projects to provide comparative information about Project performance. See "Non-GAAP Financial Measures" in this MD&A.

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