CAPSTONE INFRASTRUCTURE CORPORATION

Financial Report for the Quarter Ended June 30, 2018

TABLE OF CONTENTS

LEGAL NOTICE

This document is not an offer or invitation for the subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of any investors. Before making an investment in Capstone Infrastructure Corporation (the "Corporation"), an investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained within this document are forward-looking and reflect management's expectations regarding the future growth, results of operations, performance and business of the Corporation based on information currently available to the Corporation. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "intend", "estimate", "plan", "believe" or other similar words, and include, among other things, statements found in "Results of Operations" and "Financial Position Review". These statements are subject to known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results. The forward-looking statements within this document are based on information currently available and what the Corporation currently believes are reasonable assumptions, including the material assumptions set out in the management's discussion and analysis of the results of operations and the financial condition of the Corporation ("MD&A") for the year ended December 31, 2017 under the headings "Changes in the Business", "Results of Operations" and "Financial Position Review", as updated in subsequently filed MD&A of the Corporation (such documents are available under the Corporation's SEDAR profile at www.sedar.com).

Other potential material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: that the business and economic conditions affecting the Corporation's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates; that the preferred shares will remain outstanding and that dividends will continue to be paid on the preferred shares; that there will be no material delays in the Corporation's wind development projects achieving commercial operation; that the Corporation's power facilities will experience normal wind, hydrological and solar irradiation conditions, and ambient temperature and humidity levels; that there will be no further material changes to the Corporation's facilities, equipment or contractual arrangements; that there will be no material changes in the legislative, regulatory and operating framework for the Corporation's businesses; that there will be no material delays in obtaining required approvals for the Corporation's power facilities; that there will be no material changes in environmental regulations for the power facilities; that there will be no significant event occurring outside the ordinary course of the Corporation's businesses; the refinancing on similar terms of the Corporation's and its subsidiaries' various outstanding credit facilities and debt instruments which mature during the period in which the forward-looking statements relate; that the conversion rights pursuant to the convertible debenture issued in connection with the Ganaraska, Grey Highlands ZEP, Snowy Ridge and Settlers Landing wind facilities are exercised; market prices for electricity in Ontario and the amount of hours that the Cardinal Facility is dispatched; and the price that the Whitecourt Biomass Facility will receive for its electricity production considering the market price for electricity in Alberta, and the Whitecourt Biomass Facility's agreement with Millar Western, which includes sharing mechanisms regarding the price received for electricity sold by the facility.

Although the Corporation believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including: risks related to the Corporation's securities (controlling shareholder, dividends on common shares and preferred shares are not guaranteed; and volatile market price for the Corporation's securities); risks related to the Corporation and its businesses (availability of debt and equity financing; default under credit agreements and debt instruments; geographic concentration; acquisitions, development and integration; environmental, health and safety; changes in legislation and administrative policy; and reliance on key personnel); and risks related to the Corporation's power facilities (power purchase agreements; operational performance; market price for electricity; contract performance and reliance on suppliers; completion of the Corporation's wind development projects; land tenure and related rights; environmental; and regulatory environment).

For a comprehensive description of these risk factors, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated March 21, 2018, as supplemented by disclosure of risk factors contained in any subsequent annual information form, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim management's discussion and analysis and information circulars filed by the Corporation with the securities commissions or similar authorities in Canada (which are available under the Corporation's SEDAR profile at www.sedar.com).

The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. The forward-looking statements within this document reflect current expectations of the Corporation as at the date of this document and speak only as at the date of this document. Except as may be required by applicable law, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management's discussion and analysis ("MD&A") summarizes Capstone Infrastructure Corporation's (the "Corporation" or "Capstone") consolidated operating results and cash flows for the three and six months ended June 30, 2018 with the comparative prior period and the Corporation's financial position as at June 30, 2017 and December 31, 2017.

This MD&A should be read in conjunction with the accompanying unaudited interim consolidated financial statements of the Corporation and notes thereto as at, and for the three and six months ended June 30, 2018, and the financial statements and MD&A for the year ended December 31, 2017. Additional information about the Corporation can be found in its other public filings, specifically the Corporation's Annual Information Form dated March 21, 2018 and its MD&A and audited annual financial statements for the year ended December 31, 2017. These filings are available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

This MD&A is dated August 9, 2018, the date on which this MD&A was approved by the Corporation's Board of Directors.

BASIS OF PRESENTATION

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") and amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

Discontinued Operations

On March 3, 2017, Capstone sold its interest in Värmevärden, resulting in the *utilities - district heating* segment being presented as a discontinued operation in the statements of income and cash flows for the six months ended June 30, 2017.

Business Acquisition

On December 31, 2017, Capstone acquired the remaining interests in the Glen Dhu and Fitzpatrick wind facilities, resulting in the consolidation of these entities' balances and results for the periods ended June 30, 2018 with Capstone's other subsidiaries.

Foreign Currency Translation and Presentation

Amounts included in the consolidated financial statements of each entity in the Corporation are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Canadian dollars ("presentation currency"), which is Capstone's functional currency. Capstone used a rate of 0.1484 to translate amounts in Swedish Krona relating to the disposal of its interest in Värmevärden. Since the disposal Capstone holds limited amounts of foreign currency.

ADDITIONAL GAAP PERFORMANCE MEASURES DEFINITIONS

While the accompanying consolidated financial statements have been prepared in accordance with IFRS, this MD&A also contains EBITDA, a performance measure not defined by IFRS. EBITDA is an additional GAAP performance measure and does not have a standardized meaning prescribed by IFRS and is, therefore, unlikely to be comparable to similar measures presented by other issuers. The Corporation believes that this indicator is useful since it provides additional information about the Corporation's earnings performance and facilitates comparison of results over different periods. EBITDA is defined as earnings (loss) before financing costs, income tax expense, depreciation and amortization. EBITDA includes earnings (loss) related to the non-controlling interest ("NCI"), impairment charges, interest income, and other gains and losses (net). EBITDA represents Capstone's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible capital assets and intangible assets, which vary according to their age, technology, and management's estimate of their useful life. EBITDA is presented on the consolidated statement of income.

CHANGES IN THE BUSINESS

In 2018, Capstone was successful in its application to Alberta's extended Bioenergy Producer Program ("BPP") at Whitecourt, in addition to executing a new long-term Electricity Purchase Agreement ("EPA") in the first quarter for the Sechelt Creek facility.

Whitecourt Bioenergy Producer Program

On June 7, 2018, the Government of Alberta approved Whitecourt's application to the BPP. Whitecourt expects to receive grant funding of up to $9,172 for contributing to Alberta's bioenergy production capacity over the two and a half year program, which ends in March 2020. As at June 30, 2018, Capstone produced enough power to be eligible for $2,286 of BPP grant funding, which is accrued for in revenue.

Sechelt Creek Facility EPA

On February 1, 2018, the Sechelt Creek facility executed a new long-term EPA with BC Hydro, subject to regulatory approval. The new EPA extends to March 1, 2058 at a price lower than the original EPA, which expired on February 28, 2017.

Project Development

Capstone continues to pursue projects at all stages of development and is actively progressing a number of projects. As at June 30, 2018, Capstone's contracted development pipeline includes the Riverhurst wind project, a 10 MW facility located in Saskatchewan which is expected to reach commercial operation ("COD") in 2020.

RESULTS OF OPERATIONS

Overview

In 2018, Capstone's EBITDA was higher and net income from continuing operations was lower in the second quarter, while EBITDA and net income from continuing operations were both higher for the year-to-date period. Higher year-to-date EBITDA from Capstone's continuing operations reflects:

- Higher power segment results, primarily due to Glen Dhu and Fitzpatrick, which were equity accounted investments prior to the acquisition of the remaining ownership interests on December 31, 2017, and Settlers Landing, which reached COD on April 5, 2017; partially offset by
- Lower contributions from Whitecourt as the fair value of the embedded derivative decreased and government grants were earned for fewer months than in 2017.

	Three months ended			Six months ended		
	Jun 30, 2018	Jun 30, 2017	Change	Jun 30, 2018	Jun 30, 2017	Change
Revenue	44,817	40,380	4,437	93,687	83,513	10,174
Expenses	(14,899)	(11,935)	(2,964)	(28,907)	(26,708)	(2,199)
Other income and expenses	1,143	1,731	(588)	(2,384)	2,500	(4,884)
EBITDA	31,061	30,176	885	62,396	59,305	3,091
Interest expense	(9,485)	(8,901)	(584)	(19,174)	(17,545)	(1,629)
Depreciation and amortization	(19,935)	(16,988)	(2,947)	(38,955)	(32,357)	(6,598)
Income tax recovery (expense)	(104)	(1,111)	1,007	(521)	(19,810)	19,289
Net income (loss) from continuing operations	1,537	3,176	(1,639)	3,746	(10,407)	14,153
Net income (loss) from discontinued operations	—	—	—	—	129,317	(129,317)
Net income	1,537	3,176	(1,639)	3,746	118,910	(115,164)

The remaining material changes in net income were:

- Higher interest expense, depreciation and amortization, primarily due to Glen Dhu and Fitzpatrick;
- Lower income tax expense, primarily attributable to the sale of Värmevärden in 2017; and
- Lower net income from discontinued operations, primarily reflecting the 2017 gain on sale of Värmevärden.

Seasonality

Overall, the results for Capstone’s power segment fluctuate during the year because of seasonal factors that affect the production of each facility. These factors include environmental factors such as water flows, solar irradiation, wind speeds and air density, ambient temperature and humidity, which affect the amount of electricity generated. In aggregate, these factors have historically resulted in higher electricity production during the first and fourth quarters.

Results by Segment

The MD&A discusses the results of Capstone's power segment in Canada, as well as corporate activities. The power segment facilities produce electricity from natural gas, wind, biomass, hydro and solar resources, and are located in Ontario, Nova Scotia, Alberta, British Columbia and Québec. This segment also includes power development activities.

Corporate activities primarily include growth initiatives, capital structure expenses not specifically attributed to the facilities and costs to manage, oversee and report on the facilities.

The *utilities - district heating* segment is presented as a discontinued operation resulting from Capstone's sale of the investment in 2017.

Revenue

Capstone's revenue is mainly driven by the generation and sale of electricity through long-term power contracts.

Revenue	Three months ended			Six months ended		
	Jun 30, 2018	Jun 30, 2017	Change	Jun 30, 2018	Jun 30, 2017	Change
Wind (1)	25,160	23,560	1,600	61,069	50,224	10,845
Gas	5,387	4,782	605	10,478	9,563	915
Hydro	4,397	4,763	(366)	7,372	8,625	(1,253)
Solar	5,044	5,142	(98)	7,991	7,880	111
Biomass (2)	4,829	2,133	2,696	6,777	7,221	(444)
Total Revenue	44,817	40,380	4,437	93,687	83,513	10,174

(1) Wind revenue for 2017 excludes the results of Glen Dhu and Fitzpatrick wind facilities, which were equity accounted.
(2) Biomass revenue includes $2,286 of grant funding eligibility for Whitecourt, for the quarter and year to date (2017 - $964 and $4,664, respectively).

Power generated (GWh)	Three months ended			Six months ended		
	Jun 30, 2018	Jun 30, 2017	Change	Jun 30, 2018	Jun 30, 2017	Change
Wind [(1)]	224.6	207.2	17.4	546.5	443.4	103.1
Gas	4.8	—	4.8	4.8	—	4.8
Hydro	56.3	67.1	(10.8)	90.1	105.2	(15.1)
Solar	12.0	12.2	(0.2)	19.0	18.8	0.2
Biomass	43.7	48.1	(4.4)	94.5	97.5	(3.0)
Total Power	341.4	334.6	6.8	754.9	664.9	90.0

(1) Wind production for 2017 excludes the Glen Dhu and Fitzpatrick wind facilities.

Capstone's power segment earns revenue from:

- The wind facilities, which are located in Ontario, Nova Scotia and Québec, by producing and selling electricity in accordance with their PPAs with government agencies or regulated credit-worthy counterparties. On a megawatt ("MW") weighted-average-basis, the wind facilities have 14 years remaining on the current PPAs, with the earliest expiry in 2020.
- Cardinal, a natural gas peaking facility located in Ontario, from fixed payments for providing capacity and availability to the IESO with a 2034 power contract expiry and by supplying electricity to the Ontario grid when it is profitable to do so. In addition, Cardinal receives a fixed amount (subject to escalation) to provide operational and maintenance services to Ingredion's plant.
- Amherstburg Solar Park, a solar facility located in Ontario, and the four hydro facilities located in Ontario and British Columbia, by generating and selling electricity under long-term PPAs. On a MW weighted-average-basis, the hydro facilities have 28 years remaining on the current PPAs. The Amherstburg Solar Park PPA expires in 2031.
- Whitecourt, a biomass facility located in Alberta, by selling electricity at market rates to the Alberta Power Pool. Whitecourt also earns a portion of its revenue from government grants and the sale of renewable energy credits. These are supplemented by a revenue sharing agreement with Whitecourt's fuel supplier, Millar Western, where contractual settlements are included in other gains and losses in the consolidated statement of income.

The following table shows the significant changes in revenue from 2017:

Three months	Six months	Explanations
4,993	11,158	Higher revenue from the Glen Dhu wind facility, which was an equity accounted investment until December 31, 2017.
1,743	2,470	Higher revenue from Whitecourt due to higher Alberta Power Pool prices.
—	1,155	Higher revenue from Settlers Landing, which reached COD on April 5, 2017.
1,322	(2,378)	Lower year to date revenue from Whitecourt due to fewer months of BPP funding earned in 2018.
(3,461)	(1,622)	Lower revenue from the operating wind facilities (excluding Glen Dhu, Fitzpatrick and Settlers Landing) due to lower production, reflecting lower wind resource in the second quarter of 2018.
(366)	(1,253)	Lower revenue from the hydro facilities, due to higher production from exceptional hydrological conditions in 2017.
206	644	Various other changes.
4,437	10,174	Change in revenue.

Expenses

Expenses consist of expenditures within the power segment relating to operating expenses and costs to develop new projects, as well as corporate business development and administrative expenses.

Expenses	Three months ended			Six months ended		
	Jun 30, 2018	Jun 30, 2017	Change	Jun 30, 2018	Jun 30, 2017	Change
Wind	(5,495)	(3,220)	(2,275)	(10,782)	(7,547)	(3,235)
Gas	(2,673)	(2,368)	(305)	(5,332)	(4,941)	(391)
Hydro	(1,029)	(1,202)	173	(2,016)	(2,111)	95
Solar	(298)	(211)	(87)	(507)	(436)	(71)
Biomass	(2,844)	(2,716)	(128)	(5,494)	(5,366)	(128)
Power operating expenses	(12,339)	(9,717)	(2,622)	(24,131)	(20,401)	(3,730)
Power	(746)	(316)	(430)	(982)	(956)	(26)
Corporate	(88)	(83)	(5)	(193)	(258)	65
Project development costs	(834)	(399)	(435)	(1,175)	(1,214)	39
Administrative expenses	(1,726)	(1,819)	93	(3,601)	(5,093)	1,492
Total Expenses	(14,899)	(11,935)	(2,964)	(28,907)	(26,708)	(2,199)

Expenses for the operation and maintenance ("O&M") of the power facilities mainly consist of wages and benefits and payments to third party providers. The hydro facilities are operated and maintained under an O&M agreement. Capstone's wind facilities are operated by Capstone's workforce and maintained under service agreements, typically with the original equipment manufacturers, except for the Erie Shores wind facility, which has an internalized service function. In addition, Cardinal, Whitecourt and Amherstburg rely on the internal capabilities and experience of Capstone's workforce. The remaining significant costs include fuel, transportation, insurance, utilities, land leases, raw materials, chemicals, supplies and property taxes.

Project development costs consist of professional fees and other costs to pursue greenfield opportunities, as well as costs to explore and execute transactions. Administrative expenses comprise of staff costs, professional fees for legal, audit and tax, as well as certain office administration and premises costs.

The following table shows the significant changes in expenses from 2017:

Three months	Six months	Explanations
(1,110)	(2,185)	Higher operating expenses from the Glen Dhu wind facility, which was an equity accounted investment until December 31, 2017.
(1,125)	(1,125)	Higher operating expenses at SkyGen due to insurance recoveries in 2017.
—	1,228	Lower staff costs within administrative expenses related to employee separation costs in 2017.
(729)	(117)	Various other changes.
(2,964)	(2,199)	Change in expenses.

FINANCIAL POSITION REVIEW

Overview

As at June 30, 2018, Capstone's working capital was $15,989, compared with $10,372 as at December 31, 2017. In addition, Capstone repaid $20,915 on the CPC credit facilities and reduced the letters of credit by $906, increasing the available capacity on the CPC credit facilities to $68,094 and Capstone and its subsidiaries continue to comply with all debt covenants.

Liquidity

Working capital

As at	Jun 30, 2018	Dec 31, 2017
Power	14,628	2,409
Corporate	1,361	7,963
Working capital (equals current assets, less current liabilities)	15,989	10,372

Capstone's working capital was $5,617 higher than December 31, 2017 due to an increase of $12,219 for the power segment, partially offset by a $6,602 decrease at corporate. The power segment increase reflects lower accruals of $7,039 mainly due to payments made upon completing the Whitecourt refurbishment, as well as a $6,676 decrease in the current portion of long term debt primarily because of repayments. The corporate decrease primarily reflects contributions for the Whitecourt refurbishment.

Cash and cash equivalents

As at	Jun 30, 2018	Dec 31, 2017
Power	55,937	53,826
Corporate	3,493	10,257
	59,430	64,083

These funds are available for operating activities, capital expenditures and future acquisitions. The $4,653 decrease consists of a $6,764 decrease at corporate, partially offset by a $2,111 increase from the power segment. The decrease at corporate reflects contributions to Whitecourt to pay for the refurbishment and settling year-end liabilities. The power segment increase was due to increases in cash across power assets due to receipt of revenue from high production periods, offset by the repayment of $20,915 on the CPC credit facilities. In addition to these funds, the CPC revolving credit facility has an available capacity of $68,094, as at June 30, 2018.

Cash at the power segment of $55,937 is only periodically accessible by corporate through distributions. The power segment's cash and cash equivalents are accessible through distributions under the terms of the CPC credit facilities, which allows for distributions, subject to certain conditions. In turn, CPC receives distributions from its subsidiary power assets, which are subject to the terms of their project-specific credit agreements.

Cash flow

Capstone’s consolidated cash and cash equivalents decreased by $4,653 in 2018 compared with an increase of $10,723 in 2017. The components of the change in cash, as presented in the consolidated statement of cash flows, from both continuing and discontinued operations, are summarized as follows:

Six months ended	Jun 30, 2018	Jun 30, 2017
Operating activities	49,914	44,486
Investing activities	(4,227)	(15,451)
Financing activities (excluding dividends to shareholders)	(49,114)	(17,086)
Dividends paid to shareholders	(1,226)	(1,226)
Change in cash and cash equivalents	(4,653)	10,723

Cash flow from operating activities was $5,428 higher in 2018 and $6,800 higher, excluding discontinued operations. The increase from continuing operations consists of $11,516 of higher power segment cash flows, partially offset by $4,716 of lower corporate cash flows. The increase in power segment cash flows reflects higher revenue from Glen Dhu and Fitzpatrick, which were equity accounted investments in 2017, and Settlers Landing, which reached COD on April 5, 2017. The decrease in corporate cash flows is primarily attributable to changes in current liabilities.

Cash flows from discontinued operations consisted of the Värmevärden results prior to its sale in March 2017.

Cash flow used in investing activities was $11,224 lower in 2018 primarily due to $18,213 of lower cash used for the construction of Settlers Landing. This was partially offset by $3,426 of higher capital assets additions, related to payments for the Whitecourt refurbishment, an increase in restricted cash of $1,947, mainly resulting from a change to cash funding certain hydro facilities reserves, and lower dividends from equity accounted investments of $1,616, since the acquisition of Glen Dhu's remaining equity interests.

Cash flow used in financing activities was $32,028 higher in 2018 and $110,170 lower, excluding discontinued operations. Cash used in the continuing operations were lower primarily due to a $131,968 return of capital to Irving Infrastructure Corp. ("Irving") in 2017 and a $10,370 cash repayment of the Irving promissory note in 2017. These were partially offset by lower proceeds from debt draws of $17,500, because there were no new debt draws in 2018, and higher debt payments of $13,731, primarily due to higher repayments of the CPC credit facilities in 2018.

Cash flows from discontinued operations in 2017 consisted of $142,198 of proceeds received on the sale of Värmevärden.

Long-term Debt

Capstone's long-term debt continuity for the six months ended was:

	Dec 31, 2017	Repayments	Other	Jun 30, 2018
Long-term debt [1], [2]	833,690	(44,902)	—	788,788
Deferred financing fees	(15,148)	—	1,077	(14,071)
	818,542	(44,902)	1,077	774,717
Less: current portion of long-term debt [3]	(86,208)	5,000	1,676	(79,532)
	732,334	(39,902)	2,753	695,185

(1) Repayments of $44,902 include a $15,915 repayment for the CPC revolving credit facility, as well as scheduled repayments.
(2) The power segment has a cumulative $41,215 utilized on its letter of credit facilities.
(3) Repayments are for the CPC term credit facility.

As at June 30, 2018, Capstone's long-term debt consisted of $45,000 for the CPC credit facilities and $743,788 of project debt. The current portion of long-term debt was $79,532, consisting of scheduled debt amortization and upcoming maturities for SkyGen and Skyway 8 of $19,461 and $17,989, respectively. Capstone expects to repay the scheduled amortization from income generated by the power assets. On July 17, 2018, the SkyGen and Skyway 8 project debt was refinanced with existing lenders. The new debt matures in 2021 and amortizes over the same period as the prior debt, carrying a fixed interest rate of 4.90%.

CPC is subject to customary covenants, including specific limitations on leverage and interest coverage ratios. All of the power segment's project debt is non-recourse to Capstone, except for certain limited recourse guarantees provided to the lenders of the various wind facilities.

Equity

Shareholders' equity comprised:

As at	Jun 30, 2018	Dec 31, 2017
Common shares	62,270	62,270
Preferred shares [1]	72,020	72,020
Share capital	134,290	134,290
Retained earnings	73,463	72,024
Equity attributable to Capstone shareholders	207,753	206,314
Non-controlling interests	52,083	55,249
Total shareholders' equity	259,836	261,563

(1) Capstone has 3,000 publicly listed Series A preferred shares on the Toronto Stock Exchange.

Contractual Obligations

Capstone enters into contractual commitments in the normal course of business, summarized as follows:

- Long-term debt, financial instruments and operating leases;
- Purchase obligations, including capital expenditure commitments, operations and management agreements; and
- Other commitments, including management services agreements, wood waste agreements and guarantees.

There have been no other significant changes to the specified contractual obligations that are outside the ordinary course of business. In addition, Capstone is not engaged in any off-balance sheet financing transactions.

Income Taxes

Deferred income tax assets and liabilities are recognized on Capstone's consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities. Deferred income tax assets and liabilities are calculated on a net basis where there is a legally enforceable right of offset within the same tax jurisdictions.

Capstone's deferred income tax liabilities primarily relate to the differences between the amortization of intangible and capital assets for tax and accounting purposes.

DERIVATIVE FINANCIAL INSTRUMENTS

To manage certain financial risks inherent in the business, Capstone enters into derivative contracts primarily to mitigate the economic impact of the fluctuations in interest rates. The fair values of these contracts, as well as the Whitecourt embedded derivative included in the consolidated statement of financial position, were:

As at	Jun 30, 2018	Dec 31, 2017
Derivative contract assets	15,637	21,364
Derivative contract liabilities	(1,617)	(2,144)
Net derivative contract assets (liabilities)	14,020	19,220

Net derivative contract assets decreased by $5,200 from December 31, 2017, due to losses of $3,463, and contractual settlement payments of $1,737 received from Millar Western.

Fair value changes of derivatives in the consolidated statements of income and comprehensive income comprised:

	Three months ended		Six months ended	
	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
Whitecourt embedded derivative	(106)	(590)	(4,662)	1,601
Interest rate swap contracts	490	2,069	1,199	(334)
Gain (losses) on derivatives	384	1,479	(3,463)	1,267

The decrease in the Whitecourt embedded derivative relates to the introduction of Emission Performance Credits ("EPC's"). This is partially offset by gains from the interest rate swap contracts due to higher long-term interest rates since December 31, 2017.

RISKS AND UNCERTAINTIES

Capstone is subject to a variety of risks and uncertainties. These risks and uncertainties could impact future operating results and financial condition, which could adversely affect Capstone's ability to pay preferred dividends.

For a comprehensive description of risks, please refer to the disclosure in the Corporation's MD&A for the year ended December 31, 2017 and the "Risk Factors" section of the Annual Information Form dated March 21, 2018 as supplemented by risk factors contained in any material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim MD&A and information circulars filed by the Corporation with securities commissions or similar authorities in Canada, which are available on the SEDAR website at www.sedar.com.

ENVIRONMENTAL, HEALTH AND SAFETY REGULATION

Capstone monitors developments with respect to environmental, health and safety regulation. On July 3, 2018, the newly elected Ontario government announced the revocation of Ontario's cap-and-trade program. The federal government has stated that in 2019, it will impose a national minimum carbon price on provinces that have not adopted their own pricing system, pursuant to the Greenhouse Gas Pollution Pricing Act. Capstone continues to monitor potential implications of this change on its business.

Refer to the Corporation's prior environmental, health and safety regulation disclosure in its MD&A for the year ended December 31, 2017 and the "Environmental, Health and Safety Matters" section of the Corporation's Annual Information Form dated March 21, 2018, which are available on the SEDAR website at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of the previous eight quarters of Capstone's financial performance.

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue [(1), (2)]	**44,817**	48,870	41,561	29,089	40,380	43,133	40,128	66,145
EBITDA [(1), (2)]	**31,061**	31,335	28,529	22,221	30,176	29,129	36,622	54,608
Net income (loss) [(3), (4), (5)]	**1,386**	1,314	1,287	(2,125)	3,285	114,936	18,407	(9,488)
Preferred dividends	**613**	613	613	613	613	613	613	938

(1) Comparative figures for revenue and EBITDA have been adjusted to remove amounts from discontinued operations.
(2) Revenue for Q3 2016 includes proceeds awarded of $33,288 for retroactive adjustments from the OEFC for Cardinal and the Ontario hydro facilities. In addition, EBITDA for Q3 2016 includes $2,288 of interest income and $12,049 of associated operating expenses, which is a net impact of $23,527 in EBTIDA.
(3) Net income (loss) attributable to the common shareholders of Capstone, which excludes non-controlling interests.
(4) Results include continuing operations and discontinued operations for all periods.
(5) Net income (loss) includes a gain on the sale of Värmevärden of $128,087 in Q1 2017 and a loss on the sale of Bristol Water of $2,803 in Q4 2016.

ACCOUNTING POLICIES AND INTERNAL CONTROLS

Significant Changes in Accounting Standards

Capstone's accounting policies are consistent with those disclosed in the notes to the December 31, 2017 consolidated financial statements, except to adopt the new standards effective January 1, 2018 as follows:

- IFRS 9, *Financial Instruments*
- IFRS 15, *Revenue from Contracts with Customers*

Refer to note 2 "Summary of Significant Accounting Policies" to the June 30, 2018 interim consolidated financial statements for detail of the nature of these standards. The adoption of these accounting standards did not change any comparative figures presented in the interim consolidated financial statements.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has not issued any significant accounting changes that impact the Corporation since the standards described in the most recent annual financial statements for the year ended December 31, 2017. Refer to note 2 of the interim consolidated financial statements for discussion of the implementation of the upcoming material change to standards: IFRS 16, "Leases". Capstone continues to monitor changes to IFRS, applicable IASB changes to standards, new interpretations and annual improvements.

Accounting Estimates

The interim consolidated financial statements are prepared in accordance with IFRS, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies.

Refer to note 2, "Summary of Significant Accounting Policies" in the most recent annual financial statements for the year ended December 31, 2017 for greater details of the areas of significance and the related critical estimates and judgments.

The following accounting estimates included in the preparation of the interim consolidated financial statements are based on significant estimates and judgments, which are summarized as follows:

Area of Significance	Critical Estimates and Judgments
Capital assets, projects under development and intangible assets:	
• Purchase price allocations.	• Initial fair value of net assets.
• Depreciation on capital assets.	• Estimated useful lives and residual value.
• Amortization on intangible assets.	• Estimated useful lives.
• Asset retirement obligations.	• Expected settlement date, amount and discount rate.
• Impairment assessments of capital assets, projects under development and intangible assets.	• Future cash flows and discount rate.
Deferred income taxes	• Timing of reversal of temporary differences, tax rates and current and future taxable income.
Financial instruments and fair value measurements	• Forward Alberta power pool prices, volatility, credit spreads, cost and inflation escalators, fuel supply volumes, electricity sales, carbon pricing and EPC generation.
Accounting for investments in non-wholly owned subsidiaries	• Determine how relevant activities are directed (either through voting rights or contracts); • Determine if Capstone has substantive or protective rights; and • Determine Capstone's ability to influence returns.

Management's estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from those estimates.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Since December 31, 2017, no material changes have occurred in Capstone's policies and procedures and other processes that comprise its internal controls over financial reporting and disclosure controls and procedures.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Jun 30, 2018	Dec 31, 2017
Current assets			
Cash and cash equivalents		59,430	64,083
Restricted cash		22,685	22,438
Accounts receivable		20,900	24,408
Other assets		4,079	4,778
Current portion of derivative contract assets	5	1,561	1,130
		108,655	116,837
Non-current assets			
Derivative contract assets	5	14,076	20,234
Capital assets		862,121	896,377
Projects under development		731	730
Intangible assets		162,101	167,732
Total assets		1,147,684	1,201,910
Current liabilities			
Accounts payable and other liabilities		13,134	20,257
Current portion of long-term debt	6	79,532	86,208
		92,666	106,465
Long-term liabilities			
Derivative contract liabilities	5	1,617	2,144
Deferred income tax liabilities		89,170	89,243
Long-term debt	6	695,185	732,334
Liability for asset retirement obligation		9,210	10,161
Total liabilities		887,848	940,347
Equity attributable to shareholders' of Capstone		207,753	206,314
Non-controlling interest		52,083	55,249
Total liabilities and shareholders' equity		1,147,684	1,201,910
Commitments and contingencies	12		

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of Capstone			
		Share Capital	Retained Earnings	NCI [1]	Total Equity
Balance, December 31, 2016		112,453	2,800	61,417	176,670
Net income for the period		—	118,221	689	118,910
Conversion of promissory note [2]	4	86,332	—	—	86,332
Return of capital [2]	4	(86,332)	(45,636)	—	(131,968)
Dividends declared to preferred shareholders of Capstone [3]	7	—	(1,261)	—	(1,261)
Dividends declared to NCI		—	—	(2,057)	(2,057)
Convertible debenture repayments [4]		—	—	(1,218)	(1,218)
Balance, June 30, 2017		112,453	74,124	58,831	245,408

	Notes	Equity attributable to shareholders of Capstone			
		Share Capital	Retained Earnings	NCI [1]	Total Equity
Balance, December 31, 2017		134,290	72,024	55,249	261,563
Net income for the period		—	2,700	1,046	3,746
Dividends declared to preferred shareholders of Capstone [3]	7	—	(1,261)	—	(1,261)
Dividends declared to NCI		—	—	(2,212)	(2,212)
Convertible debenture repayments [4]		—	—	(2,000)	(2,000)
Balance, June 30, 2018		134,290	73,463	52,083	259,836

(1) Non-controlling interest (“NCI”).
(2) Refer to note 4 for changes related to the sale of Värmevärden.
(3) Dividends declared to preferred shareholders of Capstone include current and deferred income taxes of $36 (2017 - $36).
(4) Repayments are to the holder of the convertible debenture related to the Ganaraska and Grey Highlands ZEP ("GHG"), Snowy Ridge and Settlers Landing wind facilities. The convertible debenture provides the holder the option to convert its debt into a 50% equity interest in these projects.

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

		Three months ended		Six months ended	
	Notes	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
Revenue	8	44,817	40,380	93,687	83,513
Operating expenses	9	(12,339)	(9,717)	(24,131)	(20,401)
Administrative expenses	9	(1,726)	(1,819)	(3,601)	(5,093)
Project development costs	9	(834)	(399)	(1,175)	(1,214)
Equity accounted income (loss)		—	80	—	878
Interest income		801	96	1,063	237
Other gains and (losses), net	10	349	1,538	(3,440)	1,368
Foreign exchange gain (loss)		(7)	17	(7)	17
Earnings before interest expense, taxes, depreciation and amortization		31,061	30,176	62,396	59,305
Interest expense		(9,485)	(8,901)	(19,174)	(17,545)
Depreciation of capital assets		(16,676)	(14,516)	(33,316)	(27,491)
Amortization of intangible assets		(3,259)	(2,472)	(5,639)	(4,866)
Earnings before income taxes		1,641	4,287	4,267	9,403
Income tax recovery (expense)					
Current		65	199	65	(2,353)
Deferred		(169)	(1,310)	(586)	(17,457)
Total income tax recovery (expense)		(104)	(1,111)	(521)	(19,810)
Net income (loss) and total comprehensive income (loss) from continuing operations		1,537	3,176	3,746	(10,407)
Net income and total comprehensive income from discontinued operations, net of tax	4	—	—	—	129,317
Net income and total comprehensive income		1,537	3,176	3,746	118,910
Attributable to:					
Shareholders of Capstone		1,386	3,285	2,700	118,221
Non-controlling interest		151	(109)	1,046	689
		1,537	3,176	3,746	118,910

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended	Notes	Jun 30, 2018	Jun 30, 2017
Operating activities:			
Net income (loss) from continuing operations		3,746	(10,407)
Deferred income tax expense (recovery)		586	17,457
Depreciation and amortization		38,955	32,357
Non-cash other gains and losses (net)		5,177	2,614
Amortization of deferred financing costs and non-cash financing costs		1,276	619
Equity accounted income		—	(878)
Foreign exchange gain		7	(17)
Change in non-cash working capital		167	1,369
Cash flows from continuing operations		49,914	43,114
Cash flows from discontinued operations		—	1,372
Total cash flows from operating activities		49,914	44,486
Investing activities:			
Investment in capital assets		(3,980)	(554)
Decrease (increase) in restricted cash		(247)	1,700
Investment in projects under development		—	(18,213)
Distributions from equity accounted investments		—	1,616
Total cash flows used in investing activities		(4,227)	(15,451)
Financing activities:			
Repayment of long-term debt		(44,902)	(31,171)
Dividends paid to non-controlling interests		(2,212)	(2,057)
Convertible debenture repayments		(2,000)	(1,218)
Dividends paid to preferred shareholders		(1,226)	(1,226)
Return of capital to Irving	4	—	(131,968)
Repayment of promissory note	4	—	(10,370)
Proceeds from issuance of long-term debt		—	17,500
Cash flows used in continuing operations		(50,340)	(160,510)
Cash flows from discontinued operations	4	—	142,198
Total cash flows used in financing activities		(50,340)	(18,312)
Increase (decrease) in cash and cash equivalents		(4,653)	10,723
Cash and cash equivalents, beginning of year		64,083	62,246
Cash and cash equivalents, end of period		59,430	72,969
Supplemental information:			
Interest paid		18,143	16,533
Taxes paid		386	1,043

See accompanying notes to these consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Capstone is incorporated and domiciled in Canada and located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. Capstone Infrastructure Corporation and its subsidiaries (together the "Corporation" or "Capstone") mission is to provide investors with an attractive total return from responsibly managed long-term investments in power generation in North America. Capstone's strategy is to develop, acquire and manage a portfolio of high quality power assets. As at June 30, 2018, Capstone owns and operates an approximate net installed capacity of 541 megawatts across 23 facilities in Canada, including wind, hydro, solar, biomass, and natural gas power plants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to Capstone's accounting policies during the first six months of 2018, except as noted in the following section "Changes in Accounting Standards".

Basis of Preparation

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2017. In accordance with IAS 34, certain information and footnote disclosures included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the audited 2017 annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on August 9, 2018. All amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

Discontinued Operations

On March 3, 2017, Capstone sold its interest in Värmevärden, resulting in the *utilities - district heating* segment being presented as a discontinued operation in the statements of income and cash flows for the six months ended June 30, 2017.

Basis of Measurement

The interim consolidated financial statements have been prepared on a going concern basis of accounting and primarily under the historical cost basis, except for the revaluation of certain financial instruments, which are measured at fair value.

Changes in Accounting Standards

Capstone has adopted the following new IFRS standards effective January 1, 2018. These changes are summarized as follows:

IFRS 9, *Financial Instruments*, replaces IAS 39, *Financial Instruments: Recognition and Measurement* as the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of financial assets and if elected, hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, *Financial Instruments: Disclosures*.

Derivative contract assets and liabilities remain measured at fair value through profit and loss. All other financial assets and liabilities are measured at amortized cost. The adoption of IFRS 9 did not require any changes to existing recognition, classification, measurement and disclosure of Capstone's financial assets and liabilities.

IFRS 9 introduces the concept of expected credit losses for financial asset impairment assessment. Capstone does not expect this to affect any measurement of financial assets as its customer base is predominantly government entities with no expected credit losses.

IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue* and outlines a single comprehensive model to account for revenue arising from contracts with customers. In addition, IFRS 15 requires enhanced disclosure that will detail the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard provides a principles-based five-step model to be applied to all contracts with customers. The adoption of IFRS 15 did not require any changes to Capstone's revenue recognition approach and did not result in any measurement adjustments. Additional disclosure requirements are included in note 8.

The adoption of both these accounting standards did not change any comparative figures presented in the interim consolidated financial statements.

Future Accounting Changes

The IASB has not issued any significant new accounting standards that impact the Corporation since the standards described in the most recent annual financial statements for the year ended December 31, 2017.

Capstone is assessing the following material standard described in the annual financial statements:

Title of the New IFRS	Status of Capstone's adoption
IFRS 16, Leases Effective: Jan 1, 2019	Capstone has reviewed its contracts for leases to determine the impact that the adoption of IFRS 16 will have on its financial statements. Capstone will adopt IFRS 16 prospectively using the cumulative catch-up approach and expects there will be an equal lease asset and liability recognized on transition. Capstone continues to evaluate the measurement and disclosure impacts the adoption will have in the consolidated financial statements.

Capstone continues to monitor changes to IFRS, applicable IASB changes to standards, new interpretations and annual improvements.

3. SEASONALITY

The seasonality of environmental factors such as water flows, solar irradiation, wind speeds and air density, ambient temperature and humidity, which affect the amount of electricity generated, may result in fluctuations in power segment revenue and net income during the period.

4. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS

(A) Discontinued Operations - Sale of Värmevärden

On March 3, 2017, Capstone and its co-shareholder Macquarie European Infrastructure Fund 2 ("MEIF 2") sold 100% of Värmevärden. Capstone received proceeds of $142,198, net of transaction costs, for its 33.3% indirect interest in Värmevärden and the related outstanding loans receivable.

On March 31, 2017, Irving Infrastructure Corp. ("Irving") converted its 552,700 SEK tranche of the promissory note into 76,876 Class A shares of the Corporation, with a carrying value of $86,332, and the $10,370 Canadian denominated tranche of the promissory note was repaid. As a result, no promissory note payable to Irving remains. Capstone then distributed $131,968 to Irving as a return of capital, which included a $45,636 reduction to retained earnings and $86,332 to the Class A shares. The impact of these transactions did not change the carrying value of the Class A shares.

Capstone's interim consolidated statements of income and cash flows for the six months ended June 30, 2017 include results for the discontinued operations of the *utilities - district heating* segment.

(B) Business Acquisition - Glen Dhu and Fitzpatrick Wind Facilities

In December 2017, through a series of transactions, Capstone acquired the remaining (approximately 50%) ownership interests in the Glen Dhu and Fitzpatrick wind facilities for $21,837, bringing Capstone's ownership interest to 100%. The acquisition of the remaining interest was initially completed by a subsidiary of iCON Infrastructure Partners III, LP ("iCON III"), who then contributed the acquired assets to Capstone on December 31, 2017 in return for an additional capital contribution, recorded as an increase in shareholders' equity.

Beginning December 31, 2017, the balances in Capstone's consolidated statement of financial position include amounts from Glen Dhu and Fitzpatrick; prior to this transaction these investments were equity accounted.

The transaction was accounted for as a step acquisition using the acquisition method of accounting. Under this method, total assets and liabilities are initially recognized at their fair values on the date of acquisition and the equity accounted investment is derecognized. The allocation of the purchase price is preliminary and may be revised up to 12 months after the acquisition date.

5. FINANCIAL INSTRUMENTS

The following table summarizes the Corporation's financial instruments that have been recorded at fair value:

Recurring measurements	**Level 1** Quoted prices in active markets for identical assets	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs	Jun 30, 2018	Dec 31, 2017
Derivative contract assets:					
Whitecourt embedded derivative (1)	—	—	7,007	7,007	13,406
Interest rate swap contracts	—	8,630	—	8,630	7,958
Less: current portion	—	(1,561)	—	(1,561)	(1,130)
	—	7,069	7,007	14,076	20,234
Derivative contract liabilities:					
Interest rate swap contracts	—	1,617	—	1,617	2,144
	—	1,617	—	1,617	2,144

(1) Whitecourt's embedded derivative consists of a $11,068 fair value asset and $4,061 amortized contra-asset, set up on inception (2017 - $17,643 fair value asset, offset by the $4,237 of contra-asset).

Financial instruments not recorded at fair value

Accounts receivable, accounts payable and long-term debt are reported at carrying value on the statement of financial position. The fair values of these items approximate their carrying values with the exception of long-term debt, which has a fair value of $789,815 compared to a carrying value of $774,717.

Fair value determination

The Corporation has determined the fair value of Level 2 and 3 financial instruments as follows:

Interest rate swap	• The interest rate swap contract's fair value fluctuates with changes in market interest rates. • A discounted cash flow valuation based on a forward interest rate curve was used to determine their fair value.
Whitecourt embedded derivative	• The determination of the fair value of the embedded derivative requires the use of option pricing models involving significant judgment based on management's estimates and assumptions, including estimates on the forward Alberta power pool prices, volatility, credit spreads, cost and inflation escalators, fuel supply volumes, electricity sales, carbon pricing and Emission Performance Credits ("EPC") generation.

Capstone, with the assistance of third-party experts, is responsible for performing the valuation of financial instruments, including Level 3 fair values. The valuation processes and results are reviewed and approved each reporting period. These critical estimates are discussed as part of the Audit Committee's quarterly review of the financial statements.

6. LONG-TERM DEBT

As at	Jun 30, 2018	Dec 31, 2017
CPC credit facilities	45,000	65,915
Project debt		
Wind - Operating (1), (2)	526,542	544,382
Solar	78,661	81,632
Hydro	76,064	77,502
Gas	62,521	64,259
Power (3)	788,788	833,690
Less: deferred financing costs	(14,071)	(15,148)
Long-term debt	774,717	818,542
Less: current portion	(79,532)	(86,208)
	695,185	732,334

(1) Wind - Operating project debt consists of Amherst, Erie Shores, GHG, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, Settlers Landing, SkyGen, Skyway8, and Snowy Ridge.

(2) On July 17, 2018, SkyGen and Skyway8 project debt was refinanced with existing lenders. The new debt matures in 2021 and amortizes over the same period as the prior debt, carrying a fixed interest rate of 4.90%.

(3) The power segment has a cumulative $41,215 utilized on its letter of credit facilities.

7. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Jun 30, 2018	Dec 31, 2017
Common shares	62,270	62,270
Preferred shares	72,020	72,020
	134,290	134,290

Capstone maintains its preferred shares which declared dividends during the quarter as follows:

	Three months ended		Six months ended	
	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
Preferred shares declared (1)	630	630	1,261	1,261

(1) Includes $18 and $36 of current and deferred income taxes, for the quarter and year to date, respectively (2017 - $18 and $36, respectively).

8. REVENUE BY NATURE

Capstone's power segment revenue is generated through long-term power contracts which vary in nature as disaggregated below. The corporate activities do not generate revenue.

	Three months ended		Six months ended	
	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
Wind (1)	25,160	23,560	61,069	50,224
Gas (2)	5,387	4,782	10,478	9,563
Hydro	4,397	4,763	7,372	8,625
Solar	5,044	5,142	7,991	7,880
Biomass (3)	4,829	2,133	6,777	7,221
Total Revenue	44,817	40,380	93,687	83,513

(1) Wind revenue for 2017 excludes the results of Glen Dhu and Fitzpatrick wind facilities, which were equity accounted.
(2) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.
(3) Biomass revenue includes $2,286 of grant funding eligibility for Whitecourt, for the quarter and year to date (2017 - $964 and $4,664, respectively).

9. EXPENSES BY NATURE

	Three months ended Jun 30, 2018				Three months ended Jun 30, 2017			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Maintenance & supplies	4,289	—	—	4,289	1,635	—	—	1,635
Wages and benefits	2,633	1,265	—	3,898	2,303	1,036	173	3,512
Property expenses (1)	2,226	125	25	2,376	2,112	126	—	2,238
Fuel and transportation	1,111	—	—	1,111	1,299	—	—	1,299
Insurance	539	11	—	550	644	30	—	674
Power facility administration	435	—	—	435	530	—	—	530
Professional fees (2)	381	21	803	1,205	489	397	158	1,044
Other	725	304	6	1,035	705	230	68	1,003
Total	12,339	1,726	834	14,899	9,717	1,819	399	11,935

	Six months ended Jun 30, 2018				Six months ended Jun 30, 2017			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Maintenance & supplies	8,168	—	—	8,168	4,013	—	—	4,013
Wages and benefits	5,168	2,620	—	7,788	4,638	3,460	383	8,481
Property expenses (1)	4,535	237	38	4,810	3,889	244	—	4,133
Fuel and transportation	2,247	—	—	2,247	2,527	—	—	2,527
Insurance	1,105	45	—	1,150	1,278	61	—	1,339
Power facility administration	918	—	—	918	1,288	—	—	1,288
Professional fees (2)	740	92	1,114	1,946	1,510	660	611	2,781
Other	1,250	607	23	1,880	1,258	668	220	2,146
Total	24,131	3,601	1,175	28,907	20,401	5,093	1,214	26,708

(1) Property expenses include leases, utilities, and property taxes.
(2) Professional fees include legal, audit, tax and other advisory services.

10. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
Unrealized gains and (losses) on derivative financial instruments	384	1,479	(3,463)	1,267
Other	(35)	59	23	101
Other gains and (losses), net	349	1,538	(3,440)	1,368

11. SEGMENTED INFORMATION

The Corporation's business has one reportable segment, which contains the power operations in order to assess performance and allocate capital, as well as the remaining corporate activities. Management evaluates performance primarily on revenue, expenses and EBITDA. In 2017, there was one other reporting segment which was sold on March 3, 2017 and thus presented as discontinued operations. Cash generating units within the power segment have similar economic characteristics based on the nature of the products or services they provide, the customers they serve, the method of distributing those products or services and the prevailing regulatory environment.

Segments consist of:	Geographical Location
Power The Corporation's investments in natural gas, wind, hydro, biomass and solar power, as well as project development.	Canada
Discontinued operations (refer to note 4)	
Utilities – district heating ("DH") The district heating business (Värmevärden), in which the Corporation held a 33.3% indirect interest until March 3, 2017.	Sweden

	Three months ended Jun 30, 2018			Three months ended Jun 30, 2017				
	Continuing Operations			Continuing Operations				
	Power	Corporate	Total	Power	Corporate	Total	Discontinued Operations [2]	Total
Revenue [1]	44,817	—	44,817	40,380	—	40,380	—	40,380
Expenses	(13,086)	(1,813)	(14,899)	(10,060)	(1,875)	(11,935)	—	(11,935)
EBITDA	32,802	(1,741)	31,061	31,994	(1,818)	30,176	—	30,176
Interest expense	(9,485)	—	(9,485)	(8,901)	—	(8,901)	—	(8,901)
Income tax recovery (expense)	(818)	714	(104)	(1,610)	499	(1,111)	—	(1,111)
Net income (loss)	2,607	(1,070)	1,537	4,517	(1,341)	3,176	—	3,176
Additions to capital assets, net	(78)	—	(78)	(374)	—	(374)	—	(374)
Additions to PUD	—	—	—	5,358	—	5,358	—	5,358

	Six months ended Jun 30, 2018			Six months ended Jun 30, 2017				
	Continuing Operations			Continuing Operations				
	Power	Corporate	Total	Power	Corporate	Total	Discontinued Operations [2]	Total
Revenue [1]	93,687	—	93,687	83,513	—	83,513	—	83,513
Expenses	(25,113)	(3,794)	(28,907)	(21,468)	(5,240)	(26,708)	—	(26,708)
EBITDA	66,019	(3,623)	62,396	64,457	(5,152)	59,305	—	59,305
Interest expense	(19,174)	—	(19,174)	(17,545)	—	(17,545)	—	(17,545)
Income tax recovery (expense)	(1,770)	1,249	(521)	(3,754)	(16,056)	(19,810)	—	(19,810)
Net income (loss)	6,163	(2,417)	3,746	10,841	(21,248)	(10,407)	129,317	118,910
Additions to capital assets, net	(207)	—	(207)	943	—	943	—	943
Additions to PUD	1	—	1	14,355	—	14,355	—	14,355

(1) Power revenue includes $2,286 of grant funding eligibility for Whitecourt, for the quarter and year to date (2017 - $964 and $4,664, respectively).
(2) Relates to the utilities - DH segment.

12. COMMITMENTS AND CONTINGENCIES

The Corporation, either directly or indirectly through its subsidiaries, has entered into various material contracts and commitments as disclosed in the annual consolidated financial statements for the year ended December 31, 2017.

There have been no significant changes to the specified contractual obligations that are outside the ordinary course of business.

CONTACT INFORMATION

Address:
155 Wellington Street West, Suite 2930
Toronto, ON M5V 3H1
www.capstoneinfrastructure.com
Email: info@capstoneinfra.com

Contacts:

Andrew Kennedy
Chief Financial Officer
Tel: 416-649-1300
Email: akennedy@capstoneinfra.com