Essential

CAPSTONE
INFRASTRUCTURE

FINANCIAL HIGHLIGHTS

PERFORMANCE MEASURES

Earnings Measures ($000s)	Three months ended Mar 31, 2015	Mar 31, 2014
Revenue	90,239	114,397
Net income	5,437	19,457
Basic earnings per share	(0.008)	0.140

Cash Flow Measures ($000s)	Three months ended Mar 31, 2015	Mar 31, 2014
Cash flows from operating activities	42,263	44,443
Adjusted EBITDA [1]	29,549	41,691
Adjusted funds from operations ("AFFO") [1]	6,464	19,873
Payout ratio [1]	112.5%	36.3%

[1] These performance measures are not defined by International Financial Reporting Standards ("IFRS"). Please see page 6 and 7 for a definition of each measure.

Capital Structure – At Fair Value ($000s)	Mar 31, 2015	Dec 31, 2014
Long-term debt – power [1]	442,096	435,808
Long-term debt – utilities – water [1]	396,100	368,223
Long-term debt – corporate	91,215	91,077
Common shares	331,736	299,432
Class B exchangeable units	11,535	10,398
Preferred shares	39,600	51,750
Debt to capitalization	70.8%	71.2%

[1] Capstone's proportionate share based on ownership interest.

INVESTOR INFORMATION

Quick Facts	
Common shares outstanding	93,724,617
Class B exchangeable units	3,249,390
Preferred shares outstanding	3,000,000
2016 - Convertible debentures outstanding	42,749
2017 - Convertible debentures outstanding	27,428
Securities exchange and symbols	Toronto Stock Exchange: CSE, CSE.PR.A, CSE.DB.A, CPW.DB

QUARTERLY TRADING INFORMATION

	High Price	Low Price	Closing Price	Average daily volume
Common shares	$3.72	$3.10	$3.55	249,813
Preferred shares	$17.16	$12.89	$13.20	3,969
2016 - Convertible debentures	$102.99	$100.61	$101.01	338
2017 - Convertible debentures	$102.99	$100.61	$102.24	99

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LEGAL NOTICE

This document is not an offer, solicitation of 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 such investor's particular investment needs, objectives and financial circumstances and such investor should consult investment, legal and tax advisers.

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 Capstone Infrastructure Corporation (the "Corporation") based on information currently available to the Corporation. Forward-looking statements and financial outlook 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 and financial outlook 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 the "Message to Shareholders", “Results of Operations” and "Financial Position Review" concerning the guidance provided on the Corporation. These statements and financial outlook 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 financial outlook and, accordingly, should not be read as guarantees of future performance or results. The forward-looking statements and financial outlook 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, 2014 under the heading “Results of Operations”, 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 and financial outlook 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 there will be no material delays in the Corporation's wind development projects achieving commercial operation; that the Corporation's power infrastructure facilities will experience normal wind, hydrological and solar irradiation conditions, and ambient temperature and humidity levels; that there will be no 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 infrastructure facilities or Värmevärden; that there will be no material changes in rate orders or rate structures for Bristol Water; that Bristol Water will implement rates prescribed in Ofwat's final determination while pursuing a more appropriate outcome through the Competition & Markets Authority; that there will be no material changes in environmental regulations for the power infrastructure facilities, Värmevärden or Bristol Water; 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 and financial outlook relate; market prices for electricity in Ontario and the number of hours Cardinal is dispatched; the price Whitecourt will receive for its electricity production considering the market price for electricity in Alberta, the impact of renewable energy credits and Whitecourt's agreement with Millar Western, which includes sharing mechanisms regarding the price received for electricity sold by the facility; the re-contracting of the PPA for Sechelt; that there will be no material change from the expected amount and timing of capital expenditures by Bristol Water; that there will be no material changes to the Swedish krona to Canadian dollar and UK pound sterling to Canadian dollar exchange rates; and that Bristol Water will operate and perform in a manner consistent with the regulatory assumptions underlying AMP5 and management's assumptions of the final regulatory outcome for AMP6, including, among others: real and inflationary changes in Bristol Water's revenue, Bristol Water's expenses increasing in line with inflation and efficiency measures, and capital investment, leakage, customer service standards and asset serviceability targets being achieved.

Although the Corporation believes that it has a reasonable basis for the expectations reflected in these forward-looking statements and financial outlook, actual results may differ from those suggested by the forward-looking statements and financial outlook for various reasons, including: risks related to the Corporation's securities (dividends on common shares and preferred shares are not guaranteed; volatile market price for the Corporation's securities; shareholder dilution; and convertible debentures credit risk, subordination and absence of covenant protection); risks related to the Corporation and its businesses (availability of debt and equity financing; default under credit agreements and debt instruments; geographic concentration; foreign currency exchange rates; acquisitions, development and integration; environmental, health and safety; changes in legislation and administrative policy; and reliance on key personnel); risks related to the Corporation's power infrastructure facilities (power purchase agreements; completion of the Corporation's wind development projects; operational performance; contract performance and reliance on suppliers; land tenure and related rights; environmental; and regulatory environment); risks related to Värmevärden (operational performance; fuel costs and availability; industrial and residential contracts; environmental; regulatory environment; and labour relations); and risks related to Bristol Water (Ofwat price determinations; failure to deliver capital investment programs; economic conditions; operational performance; failure to deliver water leakage target; service incentive mechanism ("SIM") and the serviceability assessment; pension plan obligations; regulatory environment; competition; seasonality and climate change; and labour relations). For a comprehensive description of these risk factors, please refer to the “Risk Factors” section of the Corporation’s Annual Information Form dated March 24, 2015, 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 and financial outlook. The forward-looking statements and financial outlook 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 and financial outlook.

MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders,

The first quarter of 2015 ushered in a number of changes at Capstone. The Saint-Philémon wind facility was commissioned in January while construction at Goulais progressed steadily, with the site expected to reach commercial operations in May. We also received approvals for two new wind facilities in the first quarter, with an additional two since then. Our Cardinal and Whitecourt power assets are now operating under new contracts, while Bristol Water invested $567 million to complete its previous five-year Asset Management Plan (AMP5), and is now challenging the UK economic regulator, Ofwat, on the final determination for the current five-year AMP6 regulatory period.

Financial highlights

The evolution of our businesses is reflected in the financial results for the quarter. Revenue was 21% lower from the same period a year ago, the result of factors in Capstone's power segment. Cardinal is now operating as a dispatchable facility under its new 20 year contract,our wind facilities experienced lower production, and Whitecourt was affected by reduced power prices. These decreases were partially offset by cash flows from new wind facilities and increased revenue from Bristol Water, driven by higher regulated tariffs and foreign currency appreciation.

Total expenses came in 19% lower compared with the first quarter of 2014, primarily related to lower operating costs from reduced production at Cardinal, the absence of acquisition integration expenditures and lower administrative expenses. These reductions were partially offset by higher project and business development costs, and higher expenses at Bristol Water stemming from foreign currency appreciation, restructuring costs and expenses related to the regulatory review.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) fell 29% compared with the first three months of last year, due to the changes in Capstone's power segment. These declines were partially offset by new production added from Skyway 8 and Saint-Philémon.

Adjusted Funds from Operations (AFFO) fell 67% in the quarter from the same period last year, reflecting the lower Adjusted EBITDA and the result of higher maintenance expenditures at Cardinal, as well as higher debt interest and principal payments for Skyway 8 with the conversion of a construction loan to a term facility.

Our quarterly payout ratio, which is based on AFFO, was 113%, compared with 36% in the first quarter of 2014. This elevated amount was anticipated in Capstone's plan to bring new wind facilities on stream to compensate for lower-margin contracts at Cardinal and Whitecourt. Our long-term target remains an average payout ratio of between 70% and 80%.

We ended the quarter on a sound financial footing, with a debt-to-capitalization ratio of 70.8% and unrestricted cash and equivalents of $55.3 million, of which $24.2 million is available for general corporate purposes, along with $39.3 million in undrawn corporate credit capacity.

Areas of focus

The new 20-year non-utility generator contract with Ontario's Independent Electricity System Operator has commenced at the Cardinal gas cogeneration plant. Cardinal now receives monthly capacity payments to ensure the facility is available to serve the province's power needs at peak times. We anticipate that demand for additional electricity will occur during the warm summer months and as such, Cardinal did not produce electricity during the first quarter. The plant was active, however, in continuing a $30 million maintenance, refurbishment and life-extension project, which included the replacement of its gas turbine rotor.

In Alberta, the Whitecourt biomass facility now has a new 15-year fuel supply agreement, including a revenue sharing and price support mechanism (extendable to 20 years) with Millar Western, the forest products company that provides the wood waste used to generate power at the facility. This arrangement ensures that the plant can operate in an economically sound manner, although lower power pool prices factored into reduced revenue for the quarter.

The first quarter was also the final reporting period in which Bristol Water operated under the five-year period AMP5 regulatory regime. Bristol Water has formally rejected Ofwat's final determination for the AMP6 period, which commenced on April 1, 2015, and the matter is now being reviewed by the Competition and Markets Authority (CMA), with a decision on whether to amend Ofwat's final determination expected in August. In the meantime, Bristol Water must operate under the current plan, with any adjustments from the CMA to be implemented after March 31, 2016. As we noted in the 2015 forecast we issued in December 2014, Bristol Water will face a 14% rate decrease in real terms for the balance of this year. Capstone is working closely with the management team at Bristol Water on the CMA review, and the submissions and hearings are proceeding well. We remain confident that an improved outcome will result from this process, as it did in 2010, when a similar challenge yielded a better outcome.

On the development side, we will soon complete the last of our three near-term wind projects, with the commissioning of Goulais expected in May. The next phase of development is now in view, with approvals secured for four more Ontario-based projects: Ganaraska, Settlers Landing and two at Grey Highlands. We expect to begin construction on those facilities later this year. In addition, three other wind projects are currently working through the approvals process.

We have been actively reviewing M&A transactions and have continued to make progress in this area through relationship building and evaluation of potential acquisitions. Infrastructure assets remain in high demand, and we are taking care to be diligent as we consider external growth opportunities.

Outlook[1]

With the first quarter of fiscal 2015 now complete, we reiterate our forecast of annual Adjusted EBITDA of $115 million to $125 million. Capstone is committed to maintaining our current dividend policy, and we have a clear path to bringing our payout ratio in line with our long-term target of between 70% and 80% by the end of 2017. Our stable portfolio of high-quality power and utilities assets will continue to provide a solid foundation as we pursue our strategy to provide value to shareholders.

Thank you for your continued support.

Sincerely,

Michael Bernstein
President and Chief Executive Officer

[1]Please refer to the Legal Notice on page 2 for a description of various other material factors or assumptions underlying our outlook.

MANAGEMENT’S DISCUSSION AND ANALYSIS

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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 months ended March 31, 2015 with the comparative prior periods and the Corporation’s financial position as at March 31, 2015 and December 31, 2014. 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 months ended March 31, 2015 and the financial statements and MD&A for the year ended December 31, 2014. Additional information about the Corporation can be found in its other public filings, specifically the Corporation’s Annual Information Form dated March 24, 2015 and its Annual Report for the year ended December 31, 2014. 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 May 14, 2015, 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.

Amounts included in the interim 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 interim consolidated financial statements are presented in Canadian dollars (“presentation currency”), which is Capstone’s functional currency. The exchange rates used in the translation to the presentation currency are:

	Swedish Krona (SEK)		UK Pound Sterling (£)	
As at and for the periods ended	**Average**	**Spot**	**Average**	**Spot**
Year ended December 31, 2014	0.1605	0.1483	1.8192	1.8071
Quarter ended March 31, 2015	0.1488	0.1470	1.8781	1.8834

CHANGES IN THE BUSINESS

In early 2015, two wind development projects entered commercial operations, Whitecourt's fuel supply and price support agreement with Millar Western was signed, and Skyway 8's construction debt was converted to a term facility. In addition, Capstone also worked with management of Bristol Water on the regulatory review underway with the Competition and Markets Authority ("CMA").

Saint-Philémon Achieved Commercial Operations

The Saint-Philémon wind development project achieved commercial operations on time and within budget in January 2015. Goulais commissioning is expected in May 2015. Approvals have recently been secured for three more projects that are expected to be completed in 2016.

Whitecourt's New Fuel Supply Agreement

On March 2, 2015, Millar Western and Whitecourt completed an agreement that secures a long-term fuel supply for the facility for an initial term of 15 years, which is extendable to 20 years. The new agreement, which has a commencement date of January 1, 2015, also includes price support and revenue sharing mechanisms that reduce the merchant risk of operating in Alberta's power market.

Skyway 8 - Debt Facility Conversion

On February 17, 2015, the Skyway 8 construction facility converted to a three-year term facility, which has regular principal and interest payments fully amortizing over 20 years bearing a fixed, annual interest rate of 4.80%.

Bristol Water's Regulatory Determination and Review

Capstone owns 50% of Bristol Water, a regulated water utility in the UK. In December 2014, the economic regulator for the UK water sector issued a disappointing final determination for the forthcoming five-year regulatory period. At the request of Bristol Water, the regulator referred the final determination to the CMA in March 2015. The CMA's task is to review the regulator's final determination and potentially implement a revised plan. Capstone anticipates an improved outcome as a result of the review process, which is expected to conclude in August 2015.

SUBSEQUENT EVENTS

Claim Against Ontario Electricity Financial Corporation ("OEFC")

On March 12, 2015, the Ontario Superior Court of Justice determined that the OEFC did not properly calculate the price paid and payable for electricity produced under its power purchase agreements ("PPA") with Capstone and other power producers in Ontario. On April 10, 2015, the OEFC served a Notice of Appeal in respect of the March 12, 2015 decision. Capstone intends to defend the appeal.

Capstone estimates that the Court's decision, if upheld following appeal, would result in a net receipt of approximately $25,000 representing retroactive adjustments for unpaid revenue claimed from the OEFC. Further, the future price paid for electricity at Capstone's Wawatay and Dryden hydro facilities is expected to be calculated in accordance with the original pre-2011 methodology in their respective PPAs, resulting in higher future power rates.

Capstone does not recognize contingent assets such as this claim until it is virtually certain the asset is recoverable.

ADDITIONAL GAAP AND NON-GAAP PERFORMANCE MEASURES

While the accompanying interim consolidated financial statements have been prepared in accordance with IFRS, this MD&A also contains figures that are performance measures not defined by IFRS. These additional GAAP and non-GAAP performance measures do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other issuers. The Corporation believes that these indicators are useful since they provide additional information about the Corporation’s earnings performance and cash generating capabilities and facilitate comparison of results over different periods. The additional GAAP and non-GAAP measures used in this MD&A are defined below.

Additional GAAP Measure

Earnings before Interest Expense, Taxes, Depreciation and Amortization (“EBITDA”)

EBITDA is an additional GAAP financial measure defined as earnings (loss) before financing costs, income tax expense, depreciation and amortization. EBITDA includes earnings (loss) related to the non-controlling interest (“NCI”), interest income and net pension interest. 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 vintage, technological currency, and management’s estimate of their useful life. EBITDA is presented on the unaudited consolidated statement of income.

Non-GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that assists management, investors and other stakeholders in evaluating Capstone's operating performance. Adjusted EBITDA is an indicator of results generated by the business activities, prior to how these operations are financed or taxed and excludes capitalized expenditures and amortization.

Adjusted EBITDA is calculated as revenue less operating and administrative expenses and project development costs plus interest income, contractual settlements included in other gains and (losses) and dividends or distributions received from equity accounted investments. Adjusted EBITDA for investments in subsidiaries with non-controlling interests is included at Capstone’s proportionate ownership interest by deducting amounts attributed to any non-controlling interest. The reconciliation of Adjusted EBITDA to EBITDA is provided below on page 7.

Adjusted Funds from Operations (“AFFO”)

AFFO is a non-GAAP financial measure that assists management, investors and other stakeholders in analyzing the cash flow available for future growth capital investments, acquisitions and dividends to common shareholders.

Capstone’s definition of AFFO measures cash generated by its infrastructure businesses that is available for dividends and general corporate purposes. For wholly owned businesses, AFFO is equal to Adjusted EBITDA less interest paid, repayment of principal on debt, and maintenance capital expenditures. For businesses that are not wholly owned, the cash generated by the business is only available to Capstone through periodic dividends. For these businesses, AFFO is equal to distributions received. Also deducted are taxes paid and dividends on preferred shares.

AFFO is calculated from Adjusted EBITDA by:

Deducting:	Adding:	Deducting items for corporate and businesses without significant NCI:
• Adjusted EBITDA generated from businesses with significant NCI	• Distributions received from businesses with significant NCI • Scheduled repayments of principal on loans receivable from equity accounted investments	• Interest paid • Income taxes paid • Dividends paid on the preferred shares included in shareholders’ equity • Maintenance capital expenditure payments • Scheduled repayments of principal on debt

Payout Ratio

Payout ratio is a non-GAAP financial measure that assists management, investors and other stakeholders in assessing the sustainability of Capstone's dividend policy.

Payout ratio measures the proportion of cash generated that is declared as dividends to common shareholders. The payout ratio is calculated as dividends declared divided by AFFO.

Reconciliation of Non-GAAP Performance Measures

The following table reconciles Adjusted EBITDA and AFFO to the nearest GAAP measures:

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
EBITDA	40,235	58,324
Foreign exchange (gain) loss	262	(1,151)
Other (gains) and losses, net	3,433	(421)
Contractual settlements in other gains and (losses)	891	—
Equity accounted (income) loss	(852)	(1,247)
Distributions from equity accounted investments	1,470	1,225
Net pension interest income	(751)	(638)
NCI portion of Adjusted EBITDA	(15,139)	(14,401)
Adjusted EBITDA (1)	29,549	41,691
Cash flow from operating activities	42,263	44,443
Cash flow from operating activities of businesses with NCI	(23,550)	(20,920)
Distributions paid to Capstone from businesses with NCI	2,552	2,341
Distributions from equity accounted investments	1,470	1,225
Foreign exchange on loans receivable from Värmevärden	(34)	32
Chapais loans receivable principal repayments	326	293
Power maintenance capital expenditures	(640)	(172)
Power and corporate scheduled principal repayments	(3,666)	(3,334)
Power and corporate working capital changes	(11,319)	(3,097)
Dividends on redeemable preferred shares	(938)	(938)
AFFO	6,464	19,873

(1) See page 11 for a reconciliation of Adjusted EBITDA to net income.

RESULTS OF OPERATIONS

Overview

Capstone's Adjusted EBITDA and AFFO were both lower for the first quarter of 2015.

Capstone's Adjusted EBITDA performance reflected the following:

- Lower results for the power segment primarily attributable to the expiry of the Cardinal PPA. Capstone's operating wind facilities experienced generally poor wind conditions and also recorded lower revenue. These declines were partially offset by new contributions from Skyway 8 and Saint-Philémon, which commenced operations on August 14, 2014 and January 16, 2015, respectively; and
- Higher corporate expenses, primarily because of non-recurring project development costs for the pursuit of business development opportunities, partially offset by lower integration-related administrative expenses.

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Revenue	90,239	114,397
Expenses	(48,993)	(60,504)
Interest income	1,081	974
Contractual settlements in other gains and (losses)	891	—
Distributions from equity accounted investments	1,470	1,225
Less: NCI	(15,139)	(14,401)
Adjusted EBITDA	29,549	41,691
Adjusted EBITDA of consolidated businesses with NCI	(15,192)	(14,428)
Distributions from businesses with NCI	2,552	2,341
Principal from loans receivable	326	293
Interest paid	(5,152)	(4,887)
Dividends paid on Capstone's preferred shares	(938)	(938)
Income taxes (paid) recovery	(375)	(693)
Maintenance capital expenditures	(640)	(172)
Scheduled repayment of debt principal	(3,666)	(3,334)
AFFO	6,464	19,873
AFFO per share	0.067	0.207
Payout ratio	112.5%	36.3%
Dividends declared per share	0.075	0.075

Revenue for the quarter was $24,158, or 21%, lower in 2015. The decrease was mainly due to $29,462 of lower revenue from the power segment, primarily due to the expiry of the Cardinal PPA. At Bristol Water, revenue was $5,304 higher, primarily because of $3,699 attributed to higher regulated water tariffs and $1,605 of favourable foreign currency translation.

Expenses for the quarter were $11,511, or 19%, lower in 2015.

- **Operating expenses** for the quarter were $12,024 lower in 2015, mainly due to a $17,095 decrease for the power segment, primarily reflecting lower production at Cardinal. This was partially offset by $5,382 higher expenses at Bristol Water, primarily due to $3,675 of one-time costs and $844 of higher foreign currency translation. The one-time costs include costs of restructuring, submissions for the 2014 price review and participating in the CMA review process.
- **Administrative expenses** for the quarter were $1,300 lower in 2015, primarily reflecting a $686 HST recovery and lower professional fees of $408, related to the integration costs attributable to the acquisition of ReD.
- **Project development costs** for the quarter were $1,813 higher in 2015. The increase consists of $1,502 of non-recurring corporate business development costs and $311 of higher costs to advance the wind development projects.

Contractual settlements in other gains and (losses) relate to cash settlements included in other gains and losses under IFRS in the consolidated statement of income. In 2015, the amount comprises a $1,151 receipt relating to the new Whitecourt fuel supply agreement, partially offset by a $260 payment under Cardinal's gas purchase agreement.

Distributions from equity accounted investments for the quarter were $245, or 20%, higher in 2015, due to distributions from the Glen Dhu wind facility ("Glen Dhu").

Distributions from businesses with non-controlling interests for the quarter were $211, or 9%, higher in 2015, primarily due to $152 higher distributions from the Amherst wind facility, ("Amherst") and $62 higher from Bristol Water, reflecting favourable foreign currency translation.

Interest paid for the quarter was $265, or 5% higher in 2015, mainly due to a higher corporate debt balance.

Interest paid by Bristol Water, Amherst and Saint-Philémon are excluded from Capstone's definition of AFFO and represent the primary difference between interest expense included in consolidated net income and interest paid in AFFO. The remaining difference between interest expense and interest paid was attributable to amortization of financing costs and accrued interest to March 31, 2015.

Income taxes paid for the quarter were $318, or 46%, lower in 2015, primarily because $598 of tax that did not recur in 2015, partially offset by $280 of higher tax paid on the preferred share dividends.

Maintenance capital expenditures for the quarter were $468, or 272%, higher in 2015, primarily related to Cardinal, for improvements unrelated to the conversion to a cycling facility.

Scheduled repayment of debt principal for the quarter were $332, or 10%, higher in 2015, mainly due to higher repayments on the amortizing debt in the power segment.

Results by Segment

Capstone's results are segmented into power in Canada and utilities in Europe. All remaining results relate to corporate activities. The power segment includes gas cogeneration, hydro, wind, biomass and solar power, as well as power development activities. The utilities segments comprise Capstone's 50% interest in Bristol Water, a regulated water utility in the United Kingdom, and a 33.3% interest in Värmevärden, a district heating business in Sweden.

The financial results of Capstone's businesses with non-controlling interest, such as Bristol Water, Amherst and Saint-Philémon, are consolidated with Capstone's other businesses before deducting the portion of Adjusted EBITDA attributable to non-controlling interests. Capstone's non-controlling interest in Värmevärden and other equity accounted investments provide interest income, distributions and management service fees, when applicable.

As at March 31, 2015, Capstone's operating segments by ownership interest are as follows:

Accounting treatment	Control		Significant influence
Ownership	Wholly-owned	Partially owned	Minority interest
Power [(1)]	Cardinal (gas cogeneration), Erie Shores, SkyGen, Glace Bay and Confederation Power (wind facilities), Whitecourt (biomass facility), Amherstburg (solar park) and the hydro facilities.	Amherst and Saint-Philémon (wind facilities)	Glen Dhu and Fitzpatrick (wind facilities)
Utilities - water		Bristol Water	
Utilities - district heating			Värmevärden

(1) The power segment includes several wind development projects in addition to the operating businesses disclosed above.

Non-GAAP performance measures

Non-GAAP performance measures results for each business segment were as follows:

	Adjusted EBITDA				AFFO			
	Three months ended		Change		Three months ended		Change	
	Mar 31, 2015	Mar 31, 2014	$	%	Mar 31, 2015	Mar 31, 2014	$	%
Power	20,074	31,857	(11,783)	(37)%	10,017	23,245	(13,228)	(57)%
Utilities – water	13,381	13,422	(41)	— %	1,992	1,930	62	3 %
Utilities – district heating	663	761	(98)	(13)%	663	761	(98)	(13)%
Corporate	(4,569)	(4,349)	(220)	5 %	(6,208)	(6,063)	(145)	2 %
Total	29,549	41,691	(12,142)	(29)%	6,464	19,873	(13,409)	(67)%

Power

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2014:

Three months	Explanations
(8,931)	Lower operating margin from Cardinal operating under the new non-utility generator ("NUG") contract.
(2,330)	Lower revenue from wind assets (excluding Skyway 8 and Saint-Philémon) due to poor wind resources.
(1,360)	Higher operating expenses for Cardinal due to reservation fees incurred on the gas purchase agreement.
1,732	Adjusted EBITDA contribution from Skyway 8 and Saint-Philémon which reached COD after March 31, 2014.
(604)	Decrease in revenue at Whitecourt due to lower power prices.
(290)	Various other changes.
(11,783)	Change in Adjusted EBITDA.
(815)	Change in Adjusted EBITDA attributable to non-controlling interests.
(404)	Higher maintenance capital expenditures at Cardinal unrelated to converting to a cycling facility.
(320)	Increase in interest and principal repayments due to Skyway 8, which reached COD after March 31, 2014.
94	Various other changes.
(13,228)	Change in AFFO.

Utilities – water

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2014:

Three months	Explanations
3,699	Higher revenue due to annual increase in regulated water tariffs.
(3,675)	Higher operating expenses for non-recurring costs for restructuring, preparing submissions to the 2014 price review and participating in the CMA appeal.
386	Impact of foreign exchange on Adjusted EBITDA.
(451)	Various other changes
(41)	Change in Adjusted EBITDA.
69	Impact of foreign exchange on AFFO.
(7)	Lower dividends received in the quarter.
62	Change in AFFO.

Utilities – district heating

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2014:

Three months	Explanations
(98)	Impact of foreign exchange.
(98)	Change in Adjusted EBITDA and AFFO.

Corporate

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2014:

Three months	Explanations
686	Lower administrative expenses due to HST recovery from prior years.
408	Lower professional fees due to integration of ReD in 2014.
(1,502)	Higher project development expenses due to acquisition analysis and due diligence costs.
188	Various other changes.
(220)	Change in Adjusted EBITDA.
375	Lower income tax paid in 2015.
(280)	Higher Part VI tax on preferred dividends paid in 2015.
(20)	Other
(145)	Change in AFFO.

Net income

Net income for each business segment was:

Net income	Three months ended Mar 31, 2015	Mar 31, 2014
Power	83	12,788
Utilities – water	9,858	9,900
Utilities – district heating	1,387	2,764
Corporate	(5,891)	(5,995)
Total	5,437	19,457

Capstone's net income includes non-cash items as required by IFRS. The major differences between net income and Adjusted EBITDA were:

($000s)	Three months ended Mar 31, 2015	Mar 31, 2014
Adjusted EBITDA	29,549	41,691
Adjustment from distributions from equity accounted investments to equity accounted income	(618)	22
NCI portion of Adjusted EBITDA	15,139	14,401
Other gains and (losses), net	(3,433)	421
Contractual settlements in other gains and (losses)	(891)	—
Foreign exchange gain (loss)	(262)	1,151
Interest expense	(14,328)	(13,766)
Net pension interest income	751	638
Depreciation and amortization	(19,677)	(19,020)
Income tax recovery (expense)	(793)	(6,081)
Net income	5,437	19,457

Infrastructure - Power

Capstone's power facilities produce electricity from gas cogeneration, wind, biomass, hydro and solar resources, and are located in Ontario, Nova Scotia, Alberta, British Columbia and Québec. Results from these facilities were:



Three months ended Mar 31, 2015	Gas	Wind[1]	Biomass[1]	Hydro	Solar	Development [2]	Total
Power generated (GWh)	1.0	146.1	46.6	33.0	8.1	n/a	234.8
Capacity factor	0.6%	31.5%	89.1%	42.2%	19.0%	n/a	n.m.f
Availability	80.8%	95.6%	97.0%	97.6%	97.5%	n/a	n.m.f
Revenue	5,651	14,657	1,685	3,268	3,489	—	28,750
Expenses	(3,080)	(2,348)	(2,431)	(879)	(306)	(619)	(9,663)
Interest income	26	289	34	5	5	—	359
Contractual settlements in other gains and (losses)	(260)	—	1,151	—	—	—	891
Distributions from equity accounted investments	—	1,470	—	—	—	—	1,470
Less: NCI	—	(1,733)	—	—	—	—	(1,733)
Adjusted EBITDA	2,337	12,335	439	2,394	3,188	(619)	20,074
Adjusted EBITDA of consolidated businesses with NCI	—	(1,811)	—	—	—	—	(1,811)
Distributions from businesses with NCI	—	560	—	—	—	—	560
Principal from loans receivable	—	—	326	—	—	—	326
Interest paid	—	(2,195)	—	(1,140)	(1,491)	—	(4,826)
Maintenance capital expenditures	(404)	(46)	(80)	(110)	—	—	(640)
Scheduled repayment of debt principal	—	(2,276)	—	(968)	(422)	—	(3,666)
AFFO	1,933	6,567	685	176	1,275	(619)	10,017

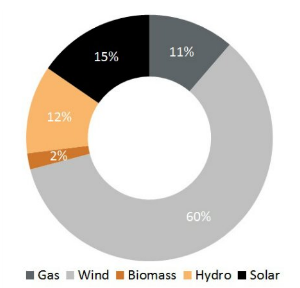
Three months ended Mar 31, 2014	Gas	Wind[1]	Biomass[1]	Hydro	Solar	Development [2]	Total
Power generated (GWh)	327.9	143.9	50.1	29.2	7.7	n/a	558.8
Capacity factor	95.4%	35.6%	99.9%	37.8%	17.8%	n/a	n.m.f
Availability	100.0%	98.2%	100.0%	98.2%	97.4%	n/a	n.m.f
Revenue	34,182	14,160	3,712	2,923	3,235	—	58,212
Expenses	(20,807)	(2,407)	(2,117)	(852)	(267)	(308)	(26,758)
Interest income	24	36	67	4	7	—	138
Distributions from equity accounted investments	—	1,225	—	—	—	—	1,225
Less: NCI	—	(960)	—	—	—	—	(960)
Adjusted EBITDA	13,399	12,054	1,662	2,075	2,975	(308)	31,857
Adjusted EBITDA of consolidated businesses with NCI	—	(1,006)	—	—	—	—	(1,006)
Distributions from businesses with NCI	—	366	—	—	—	45	411
Principal from loans receivable	—	—	293	—	—	—	293
Interest paid	—	(2,054)	—	(1,186)	(1,564)	—	(4,804)
Maintenance capital expenditures	—	(100)	(45)	(27)	—	—	(172)
Scheduled repayment of debt principal	—	(2,108)	—	(862)	(364)	—	(3,334)
AFFO	13,399	7,152	1,910	—	1,047	(263)	23,245

(1) For equity accounted investments, Adjusted EBITDA reflects management fees earned, interest income, as well as distributions paid to Capstone. Principal received on outstanding loans receivable are included in AFFO. The statistics for power generated, capacity factors and availability exclude those of Capstone's equity accounted investments.

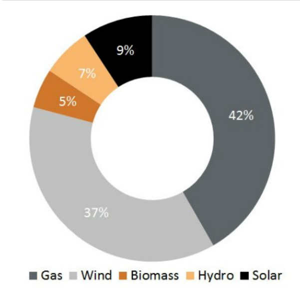
(2) Development includes costs for Capstone's power development team, and development project costs, which are expensed during construction.

The following charts show the composition of Adjusted EBITDA and AFFO for the power segment’s operating businesses:

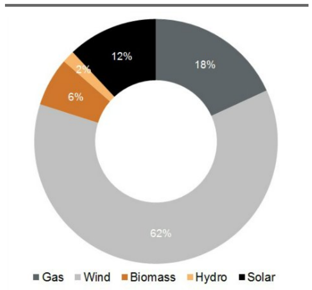
Adjusted EBITDA
YTD 2015



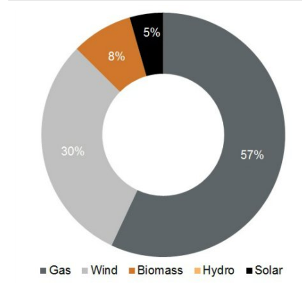
Adjusted EBITDA
YTD 2014



AFFO
YTD 2015



AFFO
YTD 2014



Revenue for the quarter was $29,462, or 51%, lower in 2015, mainly due to a $28,531 decrease at Cardinal on expiry of the previous PPA. Cardinal will operate as a cycling facility under the new NUG contract, which significantly reduces revenue, as the plant previously operated as a baseload facility. Revenue decreased by $1,535 at Erie Shores due to lower production primarily resulting from poor wind conditions. Whitecourt revenue decreased by $2,027 primarily due to lower merchant power rates. These decreases were partially offset by $2,829 of revenue growth from Skyway 8 and Saint-Philémon which reached commercial operation dates ("COD") of August 2014 and January 2015, respectively.

Expenses for the quarter were $17,095, or 64%, lower in 2015, primarily due to a $17,727 decrease at Cardinal reflecting lower gas and gas transportation costs due to lower production under the new NUG contract. This was partially offset by $314 of higher operating costs at Whitecourt, due to higher transportation costs, as well as $311 of higher development expenses.

Interest income for the quarter was $221, or 160%, higher in 2015, primarily due to accrued interest on the loan receivable from the Batchewana Fist Nation of Ojibways ("BFN").

Contractual settlements in other gains and (losses) relate to cash settlements included in other gains and losses under IFRS, in the consolidated statement of income . In 2015, the amount comprises a $1,151 receipt relating to the new Whitecourt fuel supply agreement, partially offset by a $260 payment under Cardinal's gas purchase agreement.

Distributions from equity accounted investments for the quarter were $245 higher in 2015, due to funds received from Glen Dhu.

Non-controlling interest relates to the Adjusted EBITDA attributed to Capstone's partners for the Amherst and Saint-Philémon wind projects.

Distributions from businesses with NCI for the quarter were $149, or 36%, higher in 2015, primarily attributable to $152 higher distributions from Amherst, partially offset by lower accrued management fees from Saint-Philémon.

Interest paid for the quarter was $22, or 0.5%, higher in 2015. Interest paid includes Skyway 8, which reached COD after March 31, 2014 and made interest payments of $263 in 2015, partially offset by lower payments of $241 on amortizing debt balances at Erie Shores, the hydro facilities, Amherstburg, SkyGen and Glace Bay.

Maintenance capital expenditures for the quarter were $468, or 272%, higher in 2015, primarily due to improvements at Cardinal unrelated to the conversion to a cycling facility.

Scheduled repayment of debt principal for the quarter was $332, or 10%, higher in 2015, primarily due to $251 an increase in principal repayments on the amortizing debt of Erie Shores, the hydro facilities and Amherstburg. In addition, Skyway 8, which reached COD after March 31, 2014, made principal payments of $57 in 2015. The remaining variance relates to higher repayments by SkyGen and Glace Bay.

Project development

The construction of the Saint-Philémon wind development project reached COD consistent with its targeted date and without cost over-runs, and Goulais commissioning is expected in May 2015. Skyway 8 and Saint-Philémon began contributing to Capstone's operating results since their respective COD's in January and May 2015.

As at March 31, 2015, Capstone's development pipeline, included the rights to net 65 MW across seven projects, six of which are progressing through the regulatory approvals process and Goulais, which is expected to commission in May 2015. These projects are being developed under PPAs in Ontario and Saskatchewan and are currently expected to achieve their CODs in 2016 and 2017, assuming the projects receive the relevant regulatory approvals required to proceed, and that approvals are issued within anticipated project time-lines.

Capstone expects to fund these six development projects with a combination of equity from Capstone and, on certain projects, equity partners as well as project-level debt financing, which will be non-recourse to Capstone.

Seasonality

In 2015, Cardinal's new NUG contract changed how the facility contributes to Capstone economically. Under the new contract, Cardinal earns a portion of its revenue by supplying electricity to the Ontario grid only when profitable to do so. Cardinal is no longer a baseload facility, so historical production is not indicative of seasonal impacts upon production. The new contract is not expected to have a material seasonality impact.

Overall the results for Capstone's power segment fluctuate during the year because of seasonal factors that affect quarterly production of each facility. These factors include scheduled maintenance and environmental factors such as water flows, sunlight, wind speeds and 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 as shown in the following table:

	Contract	Actual	Average long-term production (GWh) [1]				
Type	Expiry	Q1	Q1	Q2	Q3	Q4	Annual
Wind [2]	2020 - 2037	146.1	159.6	96.9	82.3	140.8	479.6
Biomass [2]	2029	46.6	49.8	45.6	50.4	49.1	194.9
Hydro	2017 - 2042	33.0	31.5	57.3	29.8	41.6	160.2
Solar	2031	8.1	7.1	12.9	9.9	4.6	34.5
Total		233.8	248.0	212.7	172.4	236.1	869.2

(1) Average long-term production for each of the assets included is for periods greater than five years, except for businesses acquired or built within the last five years. This means that Amherstburg, the wind facilities acquired by Capstone on October 1, 2013, and Skyway 8 and Saint-Philémon have a shorter period than five years in calculating the average long-term production.

(2) The average long-term production excludes Capstone's equity investments (Chapais biomass facility, and the Glen Dhu and Fitzpatrick wind facilities).

Outlook [3]

In 2015, the power segment will benefit from contributions from the near-term wind development projects as they reach COD. Skyway 8 will contribute a full year, along with Saint-Philémon, which commenced operations in January of 2015 and Goulais, which is expected to reach COD in May of 2015. Capstone expects Adjusted EBITDA for development to be similar to 2014, as costs to advance the remaining near-term development projects, and new development projects are expected to be comparable with costs incurred in 2014.

Overall, all operating facilities are expected to perform consistently with their long-term average production, subject to variations in wind, water flows, ambient temperatures and sunlight, with the exception of Cardinal.

We anticipate a lower contribution from Cardinal, reflecting conversion to a cycling facility under its new non-utility generator contract. Whitecourt is expected to generate lower revenue based on a lower outlook for realized power prices compared with 2014.

Overall, Capstone expects the net impact of these factors to result in lower Adjusted EBITDA for the power segment in 2015 compared with 2014.

(3) See page 2 for a description of various other material factors or assumptions underlying our outlook.

Infrastructure - Utilities

Water

Capstone's water utilities segment includes a 50% ownership interest in Bristol Water, which is located in the United Kingdom. The remaining ownership is 30% held by Sociedad General de Aguas de Barcelona ("Agbar"), a subsidiary of Suez Environnement, and 20% held by a subsidiary of ITOCHU Corporation ("ITOCHU").

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Water supplied (megalitres)	19,482	19,638
Revenue	61,489	56,185
Operating expenses	(34,741)	(29,359)
Interest income	39	37
Adjusted EBITDA before non-controlling interest	26,787	26,863
Less: NCI	(13,406)	(13,441)
Adjusted EBITDA	13,381	13,422
Adjusted EBITDA of consolidated businesses with NCI	(13,381)	(13,422)
Dividends from businesses with NCI	1,992	1,930
AFFO	1,992	1,930

Revenue for the quarter was $5,304, or 9%, higher in 2015. Excluding foreign currency, revenue increased by $3,688, or 6%, primarily attributable to $3,699 in higher water tariffs following the annual increase on April 1, 2014.

Operating expenses for the quarter were $5,382, or 18%, higher in 2015. Excluding foreign currency, operating expenses increased by $4,538, or 15%. This increase was mostly due to costs for restructuring, submissions for the 2014 price review including the CMA review process.

Non-controlling interest relates to the Adjusted EBITDA attributed to Capstone's partners, Agbar and ITOCHU.

Dividends paid to Capstone by Bristol Water for the quarter were $62 higher in 2015 primarily due to the effect of foreign currency translation.

Capital expenditures

Bristol Water's cumulative capital expenditures over the recently completed asset management plan ("AMP5") complied with the regulator-approved amount totalling approximately $567,000, or £301,000 (base price of £261,000 adjusted for inflation for new regulatory fiscal year). Beginning April 1, 2015, Bristol Water will operate under AMP6, the five-year asset management plan that runs from April 1, 2015 to March 31, 2020. The approved capital expenditures under AMP6 are approximately $437,000, or £232,000, which may change for the outcome of the CMA review.

Seasonality

Bristol Water experiences little seasonal variation in demand, resulting in stable revenue throughout the year. Operating expenses fluctuate depending on the availability of water from various sources, the quantity of water requiring treatment as a result of dry weather, and pipe bursts, which are more common in periods when freezing and thawing occur, leading to higher repairs and maintenance costs.

Regulatory

Bristol Water is a regulated utility subject to supervision by the UK water industry regulator, the Water Services Regulation Authority ("Ofwat").

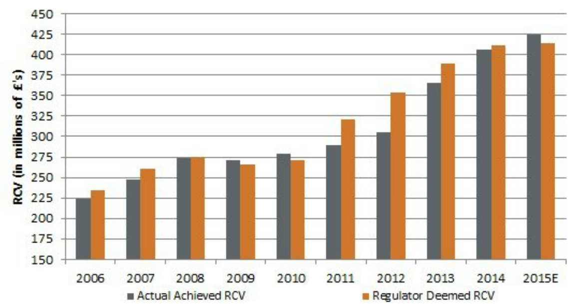
In December 2013, Bristol Water put forward a five-year business plan covering the AMP6 period, which runs from April 1, 2015 to March 31, 2020, as part of Ofwat's 2014 price review ("PR14"). A revised business plan was submitted in June 2014, and a response to Ofwat's August 29, 2014 draft determination was filed on October 3, 2014. The response was based on feedback from Ofwat as well as expert commentary and independent reviews commissioned by Bristol Water. Ofwat issued its final determination on the AMP6 business plan on December 12, 2014. The final determination fell short of expectations and was formally rejected by Bristol Water's Board of Directors on February 5, 2015. This rejection initiated a process whereby the final determination was referred for review to the CMA, the UK agency responsible for considering regulatory references and appeals. The CMA review is underway and proceeding well, with a final determination on this matter expected in August 2015. Any price adjustments arising from the CMA's decision would come into effect on April 1, 2016.

Management continues to focus on achieving regulatory output targets, including leakage of less than 50 million litres of water per day ("Ml/d") in 2014/2015, as well as strong performance in the Service Incentive Mechanism ("SIM"), which is measured through customer satisfaction surveys and quantitative data related to customer contacts.

For the regulatory year ended March 31, 2015, Bristol Water achieved leakage levels of 48* Ml/d (for regulatory year ended March 31, 2014 - 44 Ml/d) and had a SIM score of 81* (for the regulatory year ended March 31, 2014 - 85, which ranked fifth overall out of 18 companies in the industry).

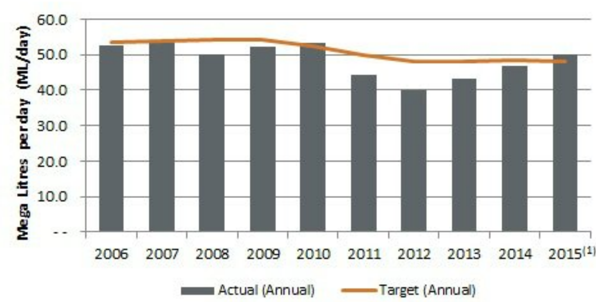
* Subject to regulatory audit. The SIM score measure in 2014/15 differs from 2013/14 as the weighting of qualitative and quantitative components, as well as the survey questions, have changed. Ranking in the industry will be announced in June 2015

Growth in Regulated Capital Value



All data above reflects fiscal years ended March 31.

Water Leakage Versus Target



(1) For the three months ended March 31, 2015.

Outlook [2]

After the first quarter of 2015 Bristol Water will operate under the final determination issued by Ofwat while pursuing a more appropriate outcome through the CMA process which is expected to conclude in August 2015. Capstone expects Bristol Water's financial results in 2015 to reflect:

- Lower revenue from a 14% (real) decrease in the regulated water tariff commencing April 1, 2015; and
- Slightly lower operating costs from cost containment efforts and a reduced level of preventative maintenance and network expansion activity until the CMA process ends.

Overall, Capstone expects these factors to contribute to lower Adjusted EBITDA for the utilities-water segment in 2015 compared with 2014.

(2) See page 2 for a description of various other material factors or assumptions underlying our outlook.

Infrastructure - Utilities

District Heating

Capstone's district heating utilities segment comprises a 33.3% interest in Värmevärden, located in Sweden. Capstone's investment includes shareholder loans receivable and equity.

Värmevärden's overall financial performance in the first three months of 2015 was lower than 2014 primarily due to lower revenue attributed to warmer weather conditions.

Overall, Värmevärden's cash flow to support interest and dividend payments to shareholders remains strong.

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Heat and steam production (GWh)	364	367
Equity accounted income (loss)	458	815
Interest income	663	761
Adjusted EBITDA and AFFO	663	761

Interest income

Interest is earned on the outstanding balance of the shareholder loan receivable from Värmevärden. Capstone received $663 in interest income from Värmevärden during the first three months of 2015, which was $98 lower than 2014, due to unfavourable foreign exchange translation.

Dividends

For the three months ended March 31, 2015 and 2014, no dividends were received or expected.

Equity accounted income (loss)

Equity accounted income included in Capstone's net income for the quarter was $357 lower in 2015. The decrease was primarily due to lower net income at Värmevärden attributed to warm weather conditions in 2015 and unfavorable foreign exchange translation.

Seasonality

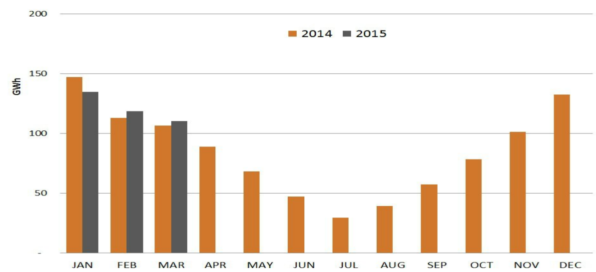
Heat production is typically highest during the first quarter, which represents the coldest months of the year. The first and fourth quarters combined have historically accounted for approximately 65% of Värmevärden's annual revenue.

Outlook [1]

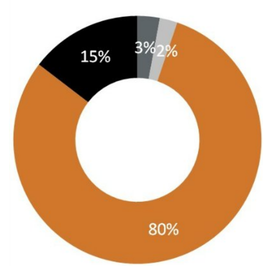
Interest income from the shareholder loan is expected to be consistent with 2014 while we expect to return to normal dividends in 2015, resulting in lower Adjusted EBITDA from the district heating segment compared with 2014.

(1) See page 2 for a description of various other material factors or assumptions underlying our outlook.

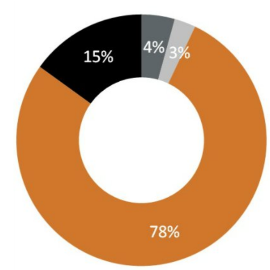
Heat and Steam Production



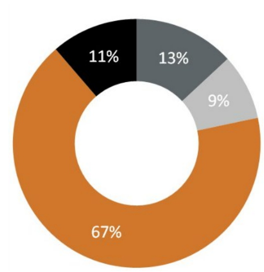
Fuel Mix Breakdown by MWh - YTD 2015



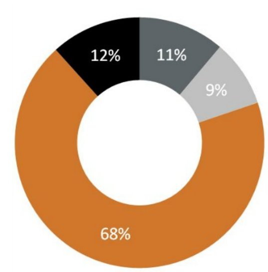
Fuel Mix Breakdown by MWh - YTD 2014



Fuel Mix Breakdown by Cost (SEK) - YTD 2015



Fuel Mix Breakdown by Cost (SEK) - YTD 2014



Electricity Fossil Fuel Bio and Waste Fuel Industrial Heat

Corporate

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

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Administrative expenses	(3,038)	(4,338)
Project development costs	(1,551)	(49)
Interest income	20	38
Adjusted EBITDA	(4,569)	(4,349)
Interest paid	(326)	(83)
Dividends paid on Capstone’s preferred shares	(938)	(938)
Income taxes (paid) recovery	(375)	(693)
AFFO	(6,208)	(6,063)

Administrative expenses decreased by $1,300, or 30% primarily reflecting lower other administrative expenses.

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Staff costs	2,391	2,363
Other administrative expenses	647	1,975
	3,038	4,338

Staff costs for the quarter were consistent with 2014.

Other administrative expenses for the quarter were $1,328, or 67%, lower in 2015. The decrease primarily reflects a $686 HST refund and $408 lower professional fees because 2014 included costs for the integration of ReD. Other administrative expenses include audit fees, tax compliance and advisory, investor relations costs, office administration and premises costs, as well as professional fees other than for business development.

Project development costs for the quarter were $1,502, higher in 2015, due to acquisition analysis and due diligence costs.

Interest paid for the quarter was $243, or 293%, higher in 2015, primarily due to a higher corporate credit facility balance.

Preferred share dividends paid and taxes paid
Dividends paid on Capstone's preferred shares relate to a quarterly fixed-rate payment equivalent to 5.0% per year. Taxes paid include amounts on the preferred share dividends, which are available to offset future income taxes of the Corporation.

Taxes paid for the quarter were $318, or 46%, lower in 2015, primarily because $598 of tax that did not recur in 2015, partially offset by $280 of higher tax paid on the preferred share dividends.

Outlook [1]

In 2015, Capstone expects financial results for corporate to reflect:

- Higher corporate project development costs in 2015;
- Higher staffing costs as headcount increased in the second half of 2014 to support business development initiatives; and
- Lower professional fees in 2015 as the one-time costs related to ReD integration are not expected to recur.

Overall, Capstone expects these factors to result in slightly higher corporate expenses compared with 2014.

(1) See page 2 for a description of various other material factors or assumptions underlying our outlook.

FINANCIAL POSITION REVIEW

Overview

As at March 31, 2015, Capstone had a consolidated working capital surplus of $20,235, compared with $69,694 at December 31, 2014. The decrease of $49,459 was primarily due to changes within the power segment, mainly attributable to a reduction in restricted cash as funds were drawn for the construction of the wind development projects.

Unrestricted cash and cash equivalents, totaling $55,346 on a consolidated basis, was comparable with December 31, 2014.

As at March 31, 2015, Capstone's debt to capitalization ratio (refer to page 20) decreased from 71.2% to 70.8% on a fair value basis and increased from 61.3% to 61.4% on a book value basis. The fair value decrease was primarily due to a 10.9% appreciation of the share price since December 31, 2014. The share price appreciation was partially offset by a $34,303 increase in outstanding debt, which was mainly due to a $27,877 increase for Bristol Water, attributable to appreciation of the UK pound sterling.

As at March 31, 2015, Capstone and its subsidiaries complied with all debt covenants and expects to remain in compliance.

Liquidity

Working capital

As at	Mar 31, 2015	Dec 31, 2014
Power	19,933	68,452
Utilities – water	6,895	8,586
Corporate	(6,593)	(7,344)
Working capital	20,235	69,694

Capstone's working capital was $49,459 lower than December 31, 2014, primarily due to decreases of $48,519 for the power segment and $1,691 for Bristol Water, partially offset by a $751 increase at Corporate.

The power segment working capital decrease was primarily due to a $31,607 reduction in restricted cash which was used to fund construction of the Saint-Philémon and Goulais wind development projects. Power working capital also decreased by $9,965 due to an increase in the current portion of long-term debt, due to SkyGen promissory notes which mature in February 2016. Working capital decreased by $13,922 due to lower accounts receivable and payable at Cardinal based on lower production since operating under the new contract. These working capital decreases were partially offset by lower accounts payable at the wind development projects.

On a consolidated basis, the working capital decrease was primarily attributable to a $48,497, or 20.7%, decrease in current assets primarily due to lower restricted cash balances and accounts receivable.

Cash and cash equivalents

As at	Mar 31, 2015	Dec 31, 2014
Power	38,305	36,637
Utilities – water	11,067	13,271
Corporate	5,974	8,934
Unrestricted cash and cash equivalents	55,346	58,842
Less: cash with access limitations		
Power	(20,074)	(18,174)
Utilities – water	(11,067)	(13,271)
Cash and cash equivalents available to corporate	24,205	27,397

Unrestricted cash represents funds available for operating activities, capital expenditures and future acquisitions. The cash decrease of $3,496 was due to decreases of $2,960 at corporate and $2,204 at Bristol Water, partially offset by a $1,668 increase for the power segment.

For Bristol Water, fluctuations in cash are primarily related to the timing of payments to fund the capital projects. In addition to cash and cash equivalents, Bristol Water also had $131,838 of available credit to fund the longer-term cash requirements of the capital projects as at March 31, 2015.

For the power segment, $20,074 is only periodically accessible to Capstone through distributions under the terms of credit agreements. Power facilities subject to this restriction are the hydro facilities, Erie Shores, Amherstburg, Glace Bay, SkyGen, Skyway 8, Saint-Philémon and Amherst.

Cash and cash equivalents available to corporate of $24,205 are funds available for general purposes, including payment of dividends to shareholders, funding the wind development projects and other growth initiatives.

Restricted cash

Restricted cash decreased by $31,214, primarily to fund construction of Goulais and Saint-Philémon. The remaining difference mainly relates to foreign exchange translation on Bristol Water's restricted cash.

Cash flow

Capstone’s consolidated cash and cash equivalents decreased by $3,496 in the first three months of 2015 compared with an increase of $21,542 for the same period in 2014. The components of the change in cash, as presented in the consolidated statement of cash flows, are summarized as follows:

Three months ended	Mar 31, 2015	Mar 31, 2014
Operating activities	42,263	44,443
Investing activities	(31,025)	(26,698)
Financing activities (excluding dividends to shareholders)	(7,656)	10,872
Dividends paid to shareholders	(7,729)	(7,608)
Effect of exchange rate changes on cash and cash equivalents	651	533
Change in cash and cash equivalents	(3,496)	21,542

Cash flow from operating activities generated $2,180 less cash and cash equivalents during 2015. Operating cash flows from the power and utilities segments decreased by $2,777 and $1,684 respectively. This was partially offset by an increase of $2,281 at corporate. Lower cash flow from the power segments was primarily attributable to Cardinal, under its new contract. Corporate cash flow increased primarily due to timing of corporate expense payments.

Cash flow used in investing activities increased by $4,327 during 2015. In 2015, cash of $35,895 (2014 - $32,504) was used to fund capital asset additions, primarily for Cardinal and Bristol Water. In addition, $28,576 (2014 - $6,594) of cash was used primarily for construction of the projects under development in the power segment. These uses were partially offset by $31,607 (2014 - $11,278) transfered from restricted cash to unrestricted cash for the power segment.

Cash flows from financing activities decreased by $18,528 during 2015. Proceeds from debt draws for Bristol Water's capital expenditures was $16,431 lower in 2015. In addition, repayments of debt principal was $1,888 higher in 2015 primarily due to a payment on Skyway 8 debt conversion.

Dividends paid to shareholders were $121 higher during first three months of 2015, due to additional shares issued as part of the dividend reinvestment program.

Capital Structure

Capstone considers shareholders’ equity and long-term debt (proportionately attributable to Capstone’s shareholders), both the current and non-current portions, to be the basis of its capital structure. Capstone measures its capitalization ratio based on the fair values of long-term debt and shareholders’ equity. Capstone’s capitalization ratio using fair values and carrying values was as follows:

	Mar 31, 2015		Dec 31, 2014	
As at	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt				
Power (1)	442,096	418,227	435,808	423,365
Utilities – water (1)	396,100	329,079	368,223	315,447
Corporate	91,215	89,491	91,077	89,393
Deferred financing fees	—	(8,941)	—	(9,272)
	929,411	827,856	895,108	818,933
Equity				
Shareholders’ equity (2)	382,871	520,249	361,580	516,706
Total capitalization	1,312,282	1,348,105	1,256,688	1,335,639
Debt to capitalization	70.8%	61.4%	71.2%	61.3%

(1) Only Capstone's proportionate interest in the consolidated long-term debt has been included in the calculation.
(2) The carrying value of shareholders’ equity does not include the amount attributed to the non-controlling interest.

Power

The composition of the power segment's long-term debt was as follows:

			Mar 31, 2015		Dec 31, 2014	
As at	Maturity	Interest Rate	Fair Value	Carrying Value	Fair Value	Carrying Value
Project debt						
Wind - Operating [1]	2015 - 2034	3.99 - 6.36%	279,879	258,617	213,179	202,060
Wind - Development [2]	2034	5.16%	81,997	76,386	141,805	136,921
Hydros	2040 - 2041	4.56 - 7.00%	92,985	88,934	90,064	89,902
Solar	2016	7.32%	82,196	82,196	82,618	82,618
			537,057	506,133	527,666	511,501
Less: non-controlling interest			(94,961)	(87,906)	(91,858)	(88,136)
Capstone share of long-term debt			442,096	418,227	435,808	423,365

(1) Wind - Operating project debt consists of Erie Shores, Amherst, SkyGen, Skyway 8 and Glace Bay for both periods. In 2015, on COD Saint-Philémon's project debt was transfered from wind - development.
(2) Wind - Development project debt consists of Goulais as at March 31, 2015 and Saint-Philémon and Goulais as at December 31, 2014.

During the first three months of 2015, the Skyway 8 construction debt was converted to a term facility and the $60,535 project debt for Saint-Philémon was transferred from the wind - development to wind - operating on COD. The Saint-Philémon construction debt facility matures no later than September 30, 2015. On maturity, $56,102 of Tranche A debt will convert to a term facility and $4,433 of Tranche B debt will be repaid, primarily from proceeds to be received from Hydro-Québec.

As at March 31, 2015, approximately 98% of the power segment's long-term debt was scheduled to amortize over the term of the facilities' respective PPAs. All of the power segment's project debt is non-recourse to Capstone, except for limited recourse guarantees provided to the lenders of the various wind projects ($11,500).

Utilities – Water

The composition of the utilities – water segment's long-term debt was as follows:

			Mar 31, 2015		Dec 31, 2014	
As at	Maturity	Interest Rate	Fair Value	Carrying Value	Fair Value	Carrying Value
Bank loans	2017 - 2019	1.27 - 5.73%	128,460	131,247	122,836	125,877
Term loans [1]	2032 - 2041	3.90 - 6.14%	624,093	493,851	576,696	473,301
Debentures	Irredeemable	3.50 – 4.25%	3,038	2,454	2,805	2,351
Cumulative preferred shares	Irredeemable	8.75%	36,609	30,605	34,109	29,365
Consolidated long-term debt			792,200	658,157	736,446	630,894
Less: non-controlling interest			(396,100)	(329,079)	(368,223)	(315,447)
Capstone share of long-term debt			396,100	329,079	368,223	315,447

(1) Certain of the term loans are index-linked debt. The effective interest rate disclosed in the table is the sum of the real interest rates on the debt (2.701 - 3.635%) plus the Retail Price Index ("RPI"). Bristol Water pays interest on these loans based on the real interest rate, and the principal amount of the loan is indexed to RPI.

As at March 31, 2015, approximately 78% of the utilities – water segment's long-term debt had a maturity date greater than 10 years. The earliest maturity is in 33 months on December 7, 2017 for $37,668.

Long-term debt for the utilities – water segment is used to fund the ongoing capital expenditures to expand Bristol Water's network. In the first three months of 2015, the carrying value of Bristol Water's debt increased by $27,263, primarily due to foreign currency translation. As at March 31, 2015, $131,838 of undrawn credit capacity remained available to fund future capital expenditures.

The preferred shares are classified as long-term debt on the basis that they are irredeemable. All Bristol Water debt is non-recourse to Capstone.

Corporate

The composition of Capstone's corporate long-term debt was as follows:

			Mar 31, 2015		Dec 31, 2014	
As at	Maturity	Interest Rate	Fair Value	Carrying Value	Fair Value	Carrying Value
Corporate credit facility	2017	3.05%	20,000	20,000	20,000	20,000
Convertible debentures	2016	6.50%	43,172	41,852	42,963	41,728
Convertible debentures	2017	6.75%	28,043	27,639	28,114	27,665
			91,215	89,491	91,077	89,393

Equity

Shareholders' equity comprised:

As at	Mar 31, 2015	Dec 31, 2014
Common shares	713,893	713,412
Class B exchangeable units	26,710	26,710
Preferred shares	72,020	72,020
Share capital	812,623	812,142
Other equity items (1)	9,284	9,284
Accumulated other comprehensive income (loss)	29,411	19,994
Deficit	(331,069)	(324,714)
Equity attributable to Capstone shareholders	520,249	516,706
Non-controlling interests	201,307	190,073
Total shareholders' equity	721,556	706,779

(1) Other equity items include the equity portion of convertible debentures.

Capstone is authorized to issue an unlimited number of common shares as well as a limited number of preferred shares equal to 50% of the outstanding common shares. The year-to-date increase in common shares outstanding was as follows:

(000s of shares and $000s)	Shares	Amount
Opening balance	93,573	713,412
Dividend reinvestment plan (DRIP)	152	481
Ending balance	93,725	713,893

The composition of shareholders' equity at fair value was:

As at		Mar 31, 2015			Dec 31, 2014	
($000s, except per share amounts)	Market price per share	Outstanding amount	Fair Value	Market price per share	Outstanding amount	Fair Value
Common shares	$3.55	93,725	331,736	$3.20	93,573	299,432
Class B units	$3.55	3,249	11,535	$3.20	3,249	10,398
Preferred shares	$13.20	3,000	39,600	$17.25	3,000	51,750
			382,871			361,580

Deficit reflects the aggregate of Capstone's net income (loss) since formation of the Corporation less cumulative dividends paid to shareholders and cumulative distributions paid to Class B exchangeable unitholders.

Contractual Obligations

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

- leases, including finance and operating leases;
- purchase obligations, including capital expenditure commitments, natural gas purchase contracts, operations and management agreements; and
- Other commitments, including management services agreements, wood waste agreements, electricity savings agreements and guarantees.

Generally, there have been no significant changes to the specified contractual obligations that are outside the ordinary course of business, except for Whitecourt's new fuel supply agreement and Confederation Power's asset sale agreement. Details of these changes are further disclosed in the Annual Information Form dated March 24, 2015.

Capstone is not engaged in any off-balance sheet financing transactions.

Equity Accounted Investments

Capstone's equity accounted investments are summarized as follows:

Name of entity	Principal place of business and country of incorporation	Ownership at Mar 31, 2015	Ownership at Dec 31, 2014	Principal activity
Värmevärden AB ("Värmevärden") (1)	Sweden	33.3%	33.3%	District heating
Glen Dhu Wind Energy Limited Partnership ("Glen Dhu") (2)	Canada	49%	49%	Power generation
Fitzpatrick Mountain Wind Energy Inc. ("Fitzpatrick")	Canada	50%	50%	Power generation
Macquarie Long Term Care L.P. ("MLTCLP") (3)	Canada	45%	45%	Holding company
Chapais Électrique Limitée ("Chapais") (4)	Canada	31.3%	31.3%	Power generation

(1) Värmevärden is further detailed in the results of operations on page 17 of this MD&A.
(2) Under the limited partnership agreement, Capstone has the option to acquire an additional 1% interest from November 2017 to November 2018 at a price based on a predetermined calculation.
(3) MLTCLP had no significant activity.
(4) No income has been recorded on the investment since its acquisition. Capstone does not expect to earn any future equity accounted income from this investment.

Capital Asset Expenditure Program

Capstone's $57,881 of capital expenditures include $38,368 of capital asset additions and $19,513 of additions to projects under development. The breakdown by operating segment was:

	Three months ended Mar 31, 2015	Three months ended Mar 31, 2014
Power	35,187	14,274
Utilities – water	22,694	29,875
	57,881	44,149

In 2015, capital expenditures for the power segment primarily related to $14,270 invested by Cardinal, primarily to convert the plant to operate as a cycling facility and $12,355 of costs to construct the Goulais wind project. The remaining balance primarily relates to amounts accrued for liquidated damages required to be incurred to develop the remaining wind development projects. In 2014, capital expenditures for the power segment were primarily related to $9,351 to develop and construct the Skyway 8 and Saint-Philémon wind projects and $3,314 to begin converting the Cardinal facility.

Capital expenditures for the utilities – water segment included both growth and maintenance initiatives as planned under Bristol Water's regulatory capital expenditure program for AMP5.

Retirement Benefit Plans

Only Bristol Water has a defined benefit plan for current and former employees. The plan is closed to new employees. There are also defined contribution plans for employees of Bristol Water and Cardinal.

As at March 31, 2015, the defined benefit plan was in an $87,265 surplus position for accounting purposes. During the first three months of 2015, the surplus increased by $8,515, primarily attributable to increases in the fair value of plan assets and foreign exchange. The surplus is subject to a number of critical accounting estimates that can materially impact the balances, including foreign exchange translation. The fair values included in the surplus are calculated with the assistance of an actuary and management considers the assumptions used to be reasonable.

The total defined contribution pension expense recorded in the consolidated statement of income for the three months ended March 31, 2015 was $596. The expense comprised $551 for Bristol Water and $45 for Cardinal. Employer contributions paid in the three months ended March 31, 2015 to the defined benefit plan were $1,032 for Bristol Water.

Income Taxes

The first quarter current income tax recovery of $1,125 primarily relates to Bristol Water.

Deferred income tax assets and liabilities are recognized on Capstone's interim 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 presented on a net basis where there is a legal right of offset within the same tax jurisdictions.

Deferred income tax liabilities of $200,483 (December 31, 2014 - $192,829) represent $65,291 (December 31, 2014 - $67,157) for Capstone's Canadian operations and $135,192 (December 31, 2014 - $125,672) for Bristol Water. Deferred income tax liabilities primarily relate to differences between the accounting and tax amortization of intangible and capital assets.

Capstone's net deferred income tax liability increased by $7,654 during the first three months of 2015, primarily due to differences between accounting and tax depreciation for capital assets. This was partially offset by the recognition of tax loss carry forwards for Capstone's Canadian operations. The deferred tax expense of $1,918 on the consolidated statement of income comprises the increase in the net deferred income tax liability and amounts recorded in other comprehensive income, primarily related to foreign exchange and the temporary differences in Bristol Water's retirement benefit surplus.

DERIVATIVE FINANCIAL INSTRUMENTS

Capstone has exposure to market, credit and liquidity risks from its use of financial instruments as described in notes 8 (Financial Instruments) and 9 (Financial Risk Management) in the consolidated annual financial statements for the year ended December 31, 2014. These notes contain further details on the implicit risks and valuation methodology employed for Capstone's financial instruments and are updated in the subsequent interim financial statements, if necessary.

To manage certain financial risks inherent in the business, Capstone enters into derivative contracts to mitigate the economic impact of the fluctuations in interest rates, foreign exchange rates and gas commodity prices. The fair value of these contracts, as reported in Capstone's interim consolidated statements of financial position, were:

As at	Mar 31, 2015	Dec 31, 2014
Derivative contract assets	1,248	5,047
Derivative contract liabilities	(19,082)	(17,863)
Net derivative contract liabilities	(17,834)	(12,816)

The net derivative contract liabilities were $5,018 lower than at December 31, 2014, mainly because of the $3,866 loss shown below, reflecting the change in the fair value of the underlying instruments, as well as a $1,150 settlement payment attributed to Whitecourt's new fuel supply agreement.

On March 2, 2015, Whitecourt entered into a new fuel supply agreement with Millar Western for 15 years, which is extendable to 20 years. The new agreement, which commenced on January 1, 2015, includes a power price support and revenue sharing mechanisms that reduce Whitecourt's exposure to merchant price risk in Alberta.

The price support and revenue sharing mechanisms are embedded derivatives that are measured at fair value and result in an asset during periods when the forecasted merchant power price is forecast to be lower than the price support and a liability during periods when the merchant power price is forecast to be higher.

The gains (losses) attributable to fair value changes of derivatives in the interim consolidated statements of income and comprehensive income comprised:

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Forward gas sale and purchase contracts	(3,329)	—
Interest rate swap contracts	(2,868)	(2,002)
Foreign currency contracts	(470)	(404)
Whitecourt embedded derivative	(467)	—
Cardinal gas purchase agreement	3,709	—
Cardinal embedded derivatives	127	3,978
Gains (losses) on derivatives in net income	(3,298)	1,572
Interest rate swap contracts in OCI	(568)	(38)
Gains (losses) on derivatives in comprehensive income	(3,866)	1,534

The loss on derivatives for the first three months of 2015 was primarily attributable to the decreases in the fair value of interest rate swaps and the forward gas sale and purchase contracts. This was partially offset by gains on the Whitecourt embedded derivative and the Cardinal gas purchase agreement.

The fair value changes on the Whitecourt embedded derivative was primarily due to a decline in the estimated forward Alberta power pool prices from inception to March 31, 2015.

The fair value changes on the forward gas sale and purchase contracts and the Cardinal gas purchase agreement were primarily due to the passage of time as these derivatives either expired during the quarter or expired in April 2015.

The fair value decrease on the interest rate swap contracts was attributable to the Amherstburg contract. The fair value decreased due to a decline in long-term interest rates.

FOREIGN EXCHANGE

The foreign exchange loss of $262 for the first quarter of 2015 is primarily due to unrealized translation of Capstone's SEK - denominated shareholder loan receivable with Värmevärden. Capstone's foreign exchange loss was $1,413 lower than the gain in the first quarter of 2015. The losses primarily reflect depreciation of the Swedish krona against the Canadian dollar, thereby decreasing the carrying value of the loan in Canadian dollars.

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 dividends to shareholders and/or the price of Capstone's securities. For a comprehensive description of these risks, please refer to the disclosure in the Corporation's Annual Report for the year ended December 31, 2014 and the "Risk Factors" section of the Annual Information Form dated March 24, 2015 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. Please refer to the Corporation's prior environmental, health and safety regulation disclosure in its Annual Report for the year ended December 31, 2014 and "Environmental, Health and Safety Matters" section of the Corporation's Annual Information Form dated March 24, 2015, 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.

($000s, except for per share amounts)	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	90,239	116,683	104,085	106,413	114,397	110,291	91,418	93,539
Net income (loss) (1)	222	(7,599)	532	2,097	14,437	10,441	8,887	10,015
Adjusted EBITDA	29,549	47,017	32,159	39,492	41,691	37,992	26,253	31,834
AFFO	6,464	19,022	5,384	12,133	19,873	13,930	3,346	9,014
Common dividends (2)	7,273	7,261	7,252	7,244	7,220	7,208	5,720	5,709
Preferred dividends	938	938	938	938	938	938	938	938
Earnings Per Share – Basic	(0.008)	(0.089)	(0.005)	0.012	0.140	0.099	0.104	0.119
Earnings Per Share – Diluted	(0.008)	(0.089)	(0.005)	0.012	0.132	0.096	0.102	0.117
AFFO per share	0.067	0.196	0.056	0.125	0.207	0.145	0.044	0.119
Dividends declared per common share	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075

(1) Net income (loss) attributable to the shareholders of Capstone, which excludes non-controlling interests.
(2) Common dividends include amounts declared for both the common shares of the Corporation and the Class B exchangeable units.

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, 2014 consolidated financial statements included in the Annual Report.

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, 2014. Capstone continues to monitor changes to IFRS and has implemented applicable IASB changes to standards, new interpretations and annual improvements, none of which had a material impact in 2015.

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, 2014 for greater detail 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, intangibles and goodwill	• Future cash flows and discount rate.
Retirement benefits	• 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	• Interest rate, natural gas price, direct consumer rate, forward Alberta power pool prices, volatility, credit spreads, cost and inflation escalators and fuel supply volumes and electricity sales.
Accounts receivable	• Probability of failing to recover amounts when they fall into arrears.
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, 2014, no material changes have occurred in Capstone’s policies and procedures and other processes that comprise its internal control over financial reporting and disclosure controls and procedures.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Mar 31, 2015	Dec 31, 2014
Current assets			
Cash and cash equivalents		55,346	58,842
Restricted cash		34,664	65,878
Accounts receivable		84,631	94,555
Other assets		9,735	9,600
Current portion of loans receivable	5	1,122	1,448
Current portion of derivative contract assets	6	607	4,279
		186,105	234,602
Non-current assets			
Loans receivable	5	44,948	45,244
Derivative contract assets	6	641	768
Equity accounted investments	7	28,274	29,056
Capital assets	8	1,535,686	1,418,187
Projects under development	9	110,988	151,361
Intangible assets	10	348,531	342,012
Retirement benefit surplus	11	87,265	78,750
Total assets		2,342,438	2,299,980
Current liabilities			
Accounts payable and other liabilities		125,632	132,445
Current portion of derivative contract liabilities	6	3,073	6,620
Current portion of finance lease obligations		769	693
Current portion of long-term debt	12	36,396	25,150
		165,870	164,908
Long-term liabilities			
Derivative contract liabilities	6	16,009	11,243
Deferred income tax liabilities		200,483	192,829
Deferred revenue		24,444	21,600
Finance lease obligations		3,581	3,407
Long-term debt	12	1,205,936	1,194,850
Liability for asset retirement obligation		4,559	4,364
Total liabilities		1,620,882	1,593,201
Equity attributable to shareholders' of Capstone		520,249	516,706
Non-controlling interest		201,307	190,073
Total liabilities and equity		2,342,438	2,299,980
Commitments and contingencies	19		
Subsequent events	20		

See accompanying notes to these interim consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of Capstone				NCI [4]	Total Equity
		Share Capital [1]	Other Equity Items [2]	AOCI [3]	Deficit		
Balance, December 31, 2013		809,392	9,428	17,013	(306,283)	138,613	668,163
Other comprehensive income (loss)		—	—	9,121	945	7,107	17,173
Net income for the period		—	—	—	14,437	5,020	19,457
Release of share option reserve		—	(144)	—	144	—	—
Dividends declared to common shareholders of Capstone		550	—	—	(7,220)	—	(6,670)
Dividends declared to preferred shareholders of Capstone [5]	13b	—	—	—	(980)	—	(980)
Dividends declared to NCI		—	—	—	—	(2,225)	(2,225)
Balance, March 31, 2014		809,942	9,284	26,134	(298,957)	148,515	694,918

	Notes	Equity attributable to shareholders of Capstone				NCI [4]	Total Equity
		Share Capital [1]	Other Equity Items [2]	AOCI [3]	Deficit		
Balance, December 31, 2014		812,142	9,284	19,994	(324,714)	190,073	706,779
Other comprehensive income (loss)		—	—	9,417	1,676	8,453	19,546
Net income for the period		—	—	—	222	5,215	5,437
Dividends declared to common shareholders of Capstone	13a&b	481	—	—	(7,273)	—	(6,792)
Dividends declared to preferred shareholders of Capstone [5]	13b	—	—	—	(980)	—	(980)
Dividends declared to NCI		—	—	—	—	(2,434)	(2,434)
Balance, March 31, 2015		812,623	9,284	29,411	(331,069)	201,307	721,556

(1) Share capital includes common and preferred shares and class B exchangeable units.
(2) Other equity items include the equity portion of convertible debentures.
(3) Accumulated other comprehensive income (loss) (“AOCI”).
(4) Non-controlling interest (“NCI”).
(5) Dividends declared to preferred shareholders of Capstone include $42 of deferred income taxes (2014 - $42).

See accompanying notes to these interim consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

($000s, except per share amounts)	Notes	Three months ended Mar 31, 2015	Mar 31, 2014
Revenue		90,239	114,397
Operating expenses	16	(43,785)	(55,809)
Administrative expenses	16	(3,038)	(4,338)
Project development costs	16	(2,170)	(357)
Equity accounted income (loss)	7	852	1,247
Interest income		1,081	974
Net pension interest income		751	638
Other gains and (losses), net		(3,433)	421
Foreign exchange gain (loss)		(262)	1,151
Earnings before interest expense, taxes, depreciation and amortization		40,235	58,324
Interest expense		(14,328)	(13,766)
Depreciation of capital assets	8	(16,603)	(15,228)
Amortization of intangible assets	10	(3,074)	(3,792)
Income before income taxes		6,230	25,538
Income tax recovery (expense)			
Current		1,125	(515)
Deferred		(1,918)	(5,566)
Total income tax recovery (expense)		(793)	(6,081)
Net income		5,437	19,457
Net income attributable to:			
Shareholders of Capstone		222	14,437
Non-controlling interest		5,215	5,020
		5,437	19,457
Earnings per share	14		
Basic		(0.008)	0.140
Diluted		(0.008)	0.132

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended Mar 31, 2015	Mar 31, 2014
Cumulative differences on translation of foreign operations		16,816	15,315
Other comprehensive income on equity accounted investments	7	(164)	16
Gains (losses) on financial instruments designated as cash flow hedges (net of tax in 2015 – $89 recovery, 2014 – $12 expense, respectively)		(458)	(48)
Total of items that may subsequently be reclassified to net income		16,194	15,283
Actuarial gains (losses) recognized in respect of retirement benefit obligations (net of tax in 2015 – $838 expense, 2014 – $472 expense, respectively) - will not be reclassified to net income		3,352	1,890
Other comprehensive income (loss)		19,546	17,173
Net income		5,437	19,457
Total comprehensive income		24,983	36,630
Comprehensive income attributable to:			
Shareholders of Capstone		11,315	24,503
Non-controlling interest		13,668	12,127
		24,983	36,630

See accompanying notes to these interim consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended	Notes	Mar 31, 2015	Mar 31, 2014
Operating activities:			
Net income		5,437	19,457
Deferred income tax expense		1,918	5,566
Depreciation and amortization		19,677	19,020
Non-cash other gains and losses (net)		4,324	(421)
Amortization of deferred financing costs and non-cash financing costs		1,154	1,331
Equity accounted (income) loss	7	(852)	(1,247)
Unrealized foreign exchange (gain) loss on loan receivable	5	296	(1,184)
Change in non-cash working capital	18	10,309	1,921
Total cash flows from operating activities		42,263	44,443
Investing activities:			
Investment in capital assets and intangibles	8	(35,895)	(32,504)
Investment in projects under development	9	(28,576)	(6,594)
Decrease in restricted cash		31,650	11,278
Distributions received from equity accounted investments	7	1,470	1,225
Repayments of loan receivable		326	293
Purchase of foreign currency contracts		—	(396)
Total cash flows used in investing activities		(31,025)	(26,698)
Financing activities:			
Dividends paid to common and preferred shareholders		(7,729)	(7,608)
Repayment of long-term debt and finance lease obligations		(5,222)	(3,334)
Dividends paid to non-controlling interests		(2,434)	(2,225)
Proceeds from long-term debt		—	16,431
Total cash flows from (used in) financing activities		(15,385)	3,264
Effect of exchange rate changes on cash and cash equivalents		651	533
Increase (decrease) in cash and cash equivalents		(3,496)	21,542
Cash and cash equivalents, beginning of year		58,842	45,768
Cash and cash equivalents, end of period		55,346	67,310
Supplemental information:			
Interest paid		17,193	14,819
Taxes paid (recovery)		1,314	693

See accompanying notes to these interim consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Capstone is incorporated and domiciled in Canada and principally located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. The mission of Capstone Infrastructure Corporation and its subsidiaries (together the "Corporation" or "Capstone") is to provide investors with an attractive total return from responsibly managed long-term investments in core infrastructure in Canada and internationally. As at March 31, 2015, Capstone has investments in utilities businesses in Europe and owns, operates and develops thermal and renewable power generation facilities in Canada with a total installed net capacity of 462 megawatts.

2. 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, 2014. 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 2014 annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on May 14, 2015.

All amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

3. SEASONALITY

The seasonality of wind speed and density, volume of water flows, sunlight, ambient temperatures and pricing provisions within the power purchase agreements ("PPA") with counterparties may result in fluctuations in revenue and net income during the period.

Operating expenses of the regulated water utility in the United Kingdom can fluctuate depending on the availability of water from various sources, the quantity of water requiring treatment as a result of dry weather, and pipe bursts, which are more common in periods when freezing and thawing occur leading to higher repairs and maintenance.

Warm weather reduces demand for heat from the Swedish district heating business.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to Capstone's accounting policies during the first three months of 2015.

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.

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, 2014.

Capstone is assessing the material standards described in the annual financial statements, which include IFRS 15, "Revenue from Contracts with Customers" and IFRS 9, "Financial Instruments" which have an effective implementation dates beginning on January 1, 2017 and January 1, 2018, respectively.

Capstone continues to monitor changes to IFRS and has implemented applicable IASB changes to standards, new interpretations and annual improvements, none of which had a material impact in 2015.

5. LOANS RECEIVABLE

The following table summarizes the loans receivable from Värmevärden, Batchewana First Nation of Ojibways ("BFN"), Chapais and MLTCLP:

As at	Mar 31, 2015	Dec 31, 2014
Värmevärden	33,448	33,744
BFN	11,500	11,500
Chapais	1,033	1,359
Macquarie Long Term Care L.P. ("MLTCLP")	89	89
	46,070	46,692
Less: current portion	(1,122)	(1,448)
Total long-term loans receivable	44,948	45,244

The following table summarizes the change in the loan receivable from Värmevärden during the period:

Three months ended	Mar 31, 2015		Mar 31, 2014	
	SEK	$	SEK	$
Opening balance	227,541	33,744	227,541	37,658
Unrealized foreign exchange gain (loss)	—	(296)	—	1,184
Ending balance	227,541	33,448	227,541	38,842

6. FINANCIAL INSTRUMENTS

(A) Classification by Level

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	Mar 31, 2015	Dec 31, 2014
Derivative contract assets:					
Foreign currency contracts	—	1,248	—	1,248	1,717
Forward gas sale contract	—	—	—	—	3,330
Less: Current portion	—	(607)	—	(607)	(4,279)
	—	641	—	641	768
Derivative contract liabilities:					
Interest rate swap contracts	—	13,375	—	13,375	10,507
Interest rate swap contracts for hedging	—	3,392	—	3,392	2,824
Whitecourt embedded derivative			1,619	1,619	—
Cardinal gas purchase agreement	—	—	654	654	4,364
Cardinal embedded derivative	—	—	42	42	168
Less: Current portion	—	(2,377)	(696)	(3,073)	(6,620)
	—	14,390	1,619	16,009	11,243

Whitecourt embedded derivative

On March 2, 2015, Whitecourt entered into a new fuel supply agreement with Millar Western for 15 years, which is extendable to 20 years. The new agreement, which has a commencement date of January 1, 2015, includes a power price support and revenue sharing mechanisms that reduces Whitecourt's exposure to merchant price risk in Alberta.

The price support and revenue sharing mechanisms are embedded derivatives that are measured at fair value and result in an asset during periods when the forecasted merchant power price is forecast to be lower than the price support and a liability during periods when the merchant power price is forecast to be higher.

Cardinal gas purchase agreement and embedded derivative

As at March 31, 2015, the gas purchase agreement and related embedded derivative were reported based on their fair values. In April 2015, Cardinal's gas purchase agreement and the related embedded derivative expired.

Financial instruments not recorded at fair value

Financial instruments that are not reported at fair value on the statement of financial position are accounts receivable, loans receivable, accounts payable, finance lease obligations and long-term debt. The fair values of these items approximate their carrying values, except for finance lease obligations and long-term debt, which are summarized in the following table:

	Fair value	Carrying value
Finance lease obligations	3,583	4,350
Long-term debt	1,420,472	1,242,332

(B) Fair Value Determination

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

Foreign currency contracts	• Fair value of foreign currency contracts fluctuate with changes in the relative currencies to the Canadian dollar. • A Black-Scholes model, based on the current spot price, discount rate, volatility in the underlying currency and time to maturity, is used to determine fair value.
Interest rate swap	• The interest rate swap contract's fair value fluctuates with changes in market interest rates. • A discounted cash flow analysis based on a forward interest rate curve was used to determine its fair value.
Forward gas sale contract	• Fair value of the forward gas sale contract fluctuate with changes in the market price of gas. • A discounted cash flow analysis based on a forward gas prices curve was used to determine its 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 and fuel supply volumes and electricity sales.
Cardinal gas purchase agreement	• The gas purchase contract's fair value primarily fluctuates with changes in market gas prices and DCR price. • A discounted cash flow analysis based on a forward gas prices curve was used to determine its fair value.
Cardinal embedded derivative	• The determination of the fair value of the Corporation's embedded derivatives requires the use of option pricing models involving significant judgment based on management's estimates and assumptions.

The Corporation, with the assistance of third-party experts, determines the fair value 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.

(C) Significant Assumptions

Due to the lack of observable market quotes for the Corporation's embedded derivatives and gas purchase agreement, their fair values are classified as Level 3 financial instruments.

The fair value of the Whitecourt embedded derivative was determined by using valuation models that rely on a combination of observable and unobservable inputs, including forecasted forward Alberta power pool prices and volatility based on historical averages, credit spreads, cost and inflation escalators and estimates of fuel supply volumes and electricity sales.

The fair value of the Cardinal gas purchase agreement and embedded derivative rely on a combination of observable and unobservable inputs, which no longer have a material impact on the valuation of these derivative liabilities, given the short time remaining to expiry.

The table below summarizes the impact on fair value of changes in the significant unobservable inputs:

	Fair value at Mar 31, 2015	Unobservable inputs	Estimated input	Relationship of input to fair value
Whitecourt embedded derivative	(1,619)	Forward Alberta power pool prices	From \$28/MWh to \$105/MWh over the next 15 years.	A reasonably possible increase in estimated forward prices of 5% or a decrease of 5%, would cause fair value to decrease by \$5,036 and increase by \$3,861, respectively.
Cardinal gas purchase agreement	(654)	DCR price	OEFC rate of 7.7539 dollars.	Impact of a reasonable change to the estimated input is immaterial.
Cardinal embedded derivative	(42)	DCR price	OEFC rate of 7.7539 dollars.	Impact of a reasonable change to the estimated input is immaterial.
	(2,315)			

(D) Level 3 Fair Value Continuity

	Net, level 3 derivatives
Opening balance, December 31, 2014	(4,532)
Change in value of the Whitecourt embedded derivative included in other gains and (losses) in net income	(557)
Settlement of Whitecourt embedded derivative during the period	(1,150)
Amortization of Whitecourt embedded derivative inception value included in other gains and (losses) in net income	88
Change in value of the Cardinal gas purchase agreement included in other gains and (losses) in net income	3,709
Change in value of the Cardinal embedded derivative included in other gains and (losses) in net income	127
Closing balance, March 31, 2015	(2,315)

(E) Fuel Supply Agreement Inception Value

On March 2, 2015, Capstone recognized \$5,297 as the fair value of the Whitecourt fuel supply agreement, which is equal to and offsets the fair value of the embedded derivative included in Whitecourt's fuel supply agreement. Capstone will amortize the inception value to income over 15 years, representing the life of the fuel supply agreement.

7. EQUITY ACCOUNTED INVESTMENTS

As at	Ownership %	Mar 31, 2015 Carrying value	Dec 31, 2014 Carrying value
Värmevärden	33.3%	4,219	3,924
Glen Dhu (1)	49.0%	23,415	24,477
Others (2)	31.3 - 50.0%	640	655
		28,274	29,056

(1) Under the limited partnership agreement, Capstone has the option to acquire an additional 1% interest in Glen Dhu from November 2017 to November 2018 at a price based on a predetermined calculation.
(2) Others are Capstone's investment in Fitzpatrick, MLTCLP and Chapais.

See note 5 for detail on loans receivable with Värmevärden, Chapais and MLTCLP.

The change in the Corporation’s total equity accounted investments for the periods ended March 31 were as follows:

Three months ended	Opening balance	Equity accounted income (loss)	Equity share of OCI	Distributions	Ending balance
March 31, 2015	29,056	852	(164)	(1,470)	28,274
March 31, 2014	39,051	1,247	16	(1,225)	39,089

8. CAPITAL ASSETS

As at January 1, 2015	1,418,187
Additions	38,368
Disposals	(620)
Transfers (1)	58,334
Depreciation	(16,603)
Foreign exchange	38,020
As at March 31, 2015	1,535,686

(1) Includes transfers of $59,886 for Saint-Philémon at the commercial operation date ("COD") from projects under development, less $1,552 of transfers to intangibles from Bristol Water. Refer to notes 9 and 10, respectively.

The reconciliation of capital asset additions on an accrual basis to additions on a cash basis on the consolidated statement of cash flows was:

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Additions	38,368	33,959
Adjustment for change in capital amounts included in accounts payable and accrued liabilities	(7,437)	(2,404)
Adjustment for change in capital amounts included in accounts receivable	4,254	—
Net foreign exchange difference	710	949
Cash additions	35,895	32,504

9. PROJECTS UNDER DEVELOPMENT

As at January 1, 2015	151,361
Capitalized costs during the period (1)	19,513
Transferred to capital assets (2) (refer to note 8)	(59,886)
As at March 31, 2015	110,988

(1) Includes $853 of capitalized borrowing costs during the construction of Goulais mainly using the interest rate of the long-term debt (2014 - nil).
(2) Amounts were transfered on COD of Saint-Philémon.

The reconciliation of additions to projects under development ("PUD") on an accrual basis to additions on a cash basis on the consolidated statement of cash flow was:

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Additions	19,513	10,190
Adjustment for change in PUD included in accounts payable and accrued liabilities	9,063	(3,596)
Cash additions	28,576	6,594

10. INTANGIBLES

As at January 1, 2015	342,012
Transfers (1)	1,552
Amortization	(3,074)
Disposals	—
Foreign exchange	8,041
As at March 31, 2015	348,531

(1) Includes transfers of $1,552 from capital assets for Bristol Water. Refer to note 8.

11. RETIREMENT BENEFIT PLANS

Employees of the Corporation's operating businesses participate in various retirement benefit plans as follows.

Defined Contribution Plan

The total expense recorded in the consolidated statement of income for the three months ended March 31, 2015 was $596 (March 31, 2014 - $521). The expense is composed of $551 for Bristol Water and $45 for Cardinal.

Defined Benefit Plan

The retirement benefit surplus on the consolidated statements of financial position at March 31, 2015 was $87,265 (December 31, 2014 - $78,750).

Employer contributions paid in the three months ended March 31, 2015 to the defined benefit plan were $1,032 (March 31, 2014 - $1,073). The contributions were entirely incurred at Bristol Water.

12. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Mar 31, 2015	Dec 31, 2014
Project debt		
Wind - Operating (1)	258,617	202,060
Wind - Development (2)	76,386	136,921
Hydros	88,934	89,902
Solar	82,196	82,618
Power	506,133	511,501
Bank loans	131,247	125,877
Term loans	493,851	473,301
Debentures	2,454	2,351
Irredeemable cumulative preferred shares	30,605	29,365
Utilities – water	658,157	630,894
Corporate credit facility	20,000	20,000
Convertible debentures - 2016	41,852	41,728
Convertible debentures - 2017	27,639	27,665
Corporate	89,491	89,393
	1,253,781	1,231,788
Less: deferred financing costs	(11,449)	(11,788)
Long-term debt	1,242,332	1,220,000
Less: current portion	(36,396)	(25,150)
	1,205,936	1,194,850

(1) Wind - Operating project debt consists of Erie Shores, Amherst, SkyGen, Skyway 8 and Glace Bay for both periods. In 2015, on COD Saint-Philémon's project debt was transfered from wind - development.
(2) Wind - Development project debt consists of Goulais as at March 31, 2015 and Saint-Philémon and Goulais as at December 31, 2014.

(B) Skyway 8 - Term Facility Conversion

On February 17, 2015, the Skyway 8 construction facility converted to a three-year term facility, which has regular principal and interest payments fully amortizing over 20 years and bears interest at a rate of 4.80%.

(C) Long-term Debt Covenants

For the three months ended and as at March 31, 2015, the Corporation and its subsidiaries complied with all financial and non-financial debt covenants.

13. SHAREHOLDERS' EQUITY

The share capital of the Corporation was as follows:

As at	Mar 31, 2015	Dec 31, 2014
Common shares	713,893	713,412
Class B exchangeable units	26,710	26,710
Preferred shares	72,020	72,020
	812,623	812,142

(A) Common Shares

	Three months ended Mar 31, 2015	
($000s and 000s shares)	Shares	Carrying Value
Opening balance	93,573	713,412
Dividend reinvestment plan	152	481
Ending balance	93,725	713,893

(B) Dividends Declared

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Common shares	7,029	6,976
Class B exchangeable units	244	244
	7,273	7,220
Preferred shares [(1)]	980	980

(1) Includes $42 of deferred income taxes, for the quarter to date (2014 - $42).

14. EARNINGS PER SHARE ("EPS")

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Net income	5,437	19,457
Non-controlling interest	(5,215)	(5,020)
Dividends declared on preferred shares	(980)	(980)
Net income available to common shareholders	(758)	13,457
Weighted average number of common shares (including Class B exchangeable units) outstanding	96,923	96,212
Basic EPS	(0.008)	0.140
Basic net income	(758)	13,457
Effect of dilutive securities:		
2016 convertible debentures	—	514
2017 convertible debentures	—	431
Diluted Net income	(758)	14,402
Basic weighted-average number of shares outstanding	96,923	96,212
Effect of dilutive securities:		
2016 convertible debentures [(1)]	—	6,107
2017 convertible debentures [(1)]	—	6,900
Diluted weighted average number of common shares (including Class B exchangeable units) outstanding	96,923	109,219
Diluted EPS	(0.008)	0.132

(1) The 2016 and 2017 convertible debentures were anti-dilutive for the quarter ended March 31, 2015.

15. SHARE-BASED COMPENSATION

(A) Deferred Share Units ("DSU")

Capstone granted DSUs to directors of the Corporation during the first three months of 2015 as follows:

Grants during the:	Three months ended March 31, 2015
	DSUs
Number of units granted at a 3.17 dollar five-day VWAP on January 2, 2015	13,790

(1) Volume weighted average price ("VWAP")

As at March 31, 2015, the carrying value of all outstanding DSUs was $379 based on a market price of 3.55 dollars.

(B) Long-term Incentive Plan ("LTIP")

Corporate LTIP

Capstone granted Restricted Stock Units ("RSU") and Performance Share Units ("PSU"), to corporate personnel, during the first three months of 2015 as follows:

Grants during the:	Three months ended March 31, 2015	
	RSUs	PSUs
Number of units granted at a 3.17 dollar five-day VWAP on January 2, 2015	225,489	205,001
Number of units granted at a 3.38 dollar five-day VWAP on March 13, 2015	164,869	—

As at March 31, 2015, the carrying value of all outstanding RSUs was $1,283 and $715 for the PSUs based on a VWAP of 3.59 dollars.

Power Development LTIP

Capstone granted RSUs, based on milestones reached for power development projects, during the first three months of 2015 as follows:

Grants during the:	Three months ended March 31, 2015
	RSUs
Number of units granted at a 3.17 dollar five-day VWAP on January 2, 2015	58,664

As at March 31, 2015, the carrying value of all outstanding RSUs was $175 based on a VWAP of 3.59 dollars.

16. EXPENSES BY NATURE

	Three months ended Mar 31, 2015				Three months ended Mar 31, 2014			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Raw materials, chemicals and supplies	25,263	—	—	25,263	22,471	—	—	22,471
Wages and benefits	7,774	2,391	270	10,435	6,707	2,363	185	9,255
Professional fees for legal, audit, tax and other advisory	3,135	422	1,723	5,280	874	1,154	74	2,102
Maintenance	2,291	—	—	2,291	1,279	—	—	1,279
Bad debts	1,396	—	—	1,396	1,346	—	—	1,346
Fuel	728	—	—	728	19,512	—	—	19,512
Insurance	550	—	—	550	589	45	—	634
Leases	437	91	—	528	490	104	—	594
Manager fees	436	—	—	436	389	—	—	389
Property taxes	417	—	—	417	360	—	—	360
Other	1,358	134	177	1,669	1,792	672	98	2,562
Total	43,785	3,038	2,170	48,993	55,809	4,338	357	60,504

17. SEGMENTED INFORMATION

Management has organized the Corporation's business into three reportable segments in order to assess performance and to allocate capital. Cash generating units within each reportable 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.

Management evaluates the performance of these segments primarily on revenue and cash flows from operations.

Infrastructure segments consist of:	Geographical Location
Power The Corporation's investments in gas cogeneration, wind, hydro, biomass and solar power, as well as project development.	Canada
Utilities – water The regulated water services business (Bristol Water), in which the Corporation holds a 50% indirect interest.	United Kingdom
Utilities – district heating ("DH") The district heating business (Värmevärden), in which the Corporation holds a 33.3% indirect interest.	Sweden

	Three months ended Mar 31, 2015					Three months ended Mar 31, 2014				
		Utilities					Utilities			
	Power	Water	DH	Corporate	Total	Power	Water	DH	Corporate	Total
Revenue	28,750	61,489	—	—	90,239	58,212	56,185	—	—	114,397
Depreciation of capital assets	(7,911)	(8,660)	—	(32)	(16,603)	(8,129)	(7,067)	—	(32)	(15,228)
Amortization of intangible assets	(2,121)	(939)	—	(14)	(3,074)	(2,799)	(970)	—	(23)	(3,792)
Interest income	359	39	663	20	1,081	138	37	761	38	974
Interest expense	(6,408)	(6,241)	—	(1,679)	(14,328)	(5,534)	(6,367)	—	(1,865)	(13,766)
Income tax recovery (expense)	798	(2,327)	21	715	(793)	(5,354)	(2,635)	53	1,855	(6,081)
Net income (loss)	83	9,858	1,387	(5,891)	5,437	12,788	9,900	2,764	(5,995)	19,457
Cash flow from operations	22,909	20,625	(2,807)	1,536	42,263	25,686	20,920	(1,418)	(745)	44,443
Additions to capital assets	15,674	22,694	—	—	38,368	4,084	29,875	—	—	33,959
Additions to PUD	19,513	—	—	—	19,513	10,190	—	—	—	10,190

	As at Mar 31, 2015					As at Dec 31, 2014				
		Utilities					Utilities			
	Power	Water	DH	Corporate	Total	Power	Water	DH	Corporate	Total
Total assets	970,504	1,325,749	38,461	7,724	2,342,438	998,130	1,255,890	40,610	5,350	2,299,980
Total liabilities	614,039	904,796	—	102,047	1,620,882	631,283	860,521	—	101,397	1,593,201

Certain comparative figures for the period ended March 31, 2014 have been adjusted to conform with the presentation in the current year.

18. NON-CASH WORKING CAPITAL

The change in non-cash working capital comprised the following:

	Three months ended	
	Mar 31, 2015	Mar 31, 2014
Accounts receivable	16,583	13,257
Other assets	(1,121)	(1,856)
Accounts payable and other liabilities	(5,153)	(9,480)
	10,309	1,921

19. 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, 2014. Generally, there have been no significant changes to the specified contractual obligations that are outside the ordinary course of business except for Whitecourt's new fuel supply agreement and Confederation Power's asset sale agreement. Details of these changes are further disclosed in the Annual Information Form dated March 24, 2015.

20. SUBSEQUENT EVENTS

Claim Against Ontario Electricity Financial Corporation ("OEFC")

On March 12, 2015, the Ontario Superior Court of Justice determined that the OEFC, did not properly calculate the price paid and payable for electricity produced under its PPAs with Capstone and other power producers in Ontario. On April 10, 2015, the OEFC served a Notice of Appeal in respect of the March 12, 2015 decision. Capstone intends to defend the appeal.

Capstone estimates that the Court's decision, if upheld following appeal, would result in a net receipt of approximately $25,000 representing retroactive adjustments for revenue claimed from the OEFC. Further, the future price paid for electricity at Capstone's Wawatay and Dryden hydro facilities is expected to be calculated in accordance with the original pre-2011 methodology in their respective PPAs, resulting in higher future power rates.

Capstone does not recognize contingent assets such as this claim until it is virtually certain the asset is recoverable.

PORTFOLIO*

UTILITIES

POWER INFRASTRUCTURE

Utilities

REGULATED WATER UTILITY
UK • Bristol Water

DISTRICT HEATING
SE • Värmevärden

Operating

WIND
ON • Erie Shores
• Skyway 8
• Three other facilities
PQ • Saint-Philémon
NS • Glace Bay
• Amherst
• Glen Dhu
• Four other facilities

BIOMASS
AB • Whitecourt
QC • Chapais

HYDRO
BC • Sechelt
• Hluey Lakes
ON • Wawatay
• Dryden

GAS COGENERATION
ON • Cardinal

SOLAR
ON • Amherstburg

Development projects

WIND
ON • Goulais
• Five other projects
SK • Riverhurst

* As of May 14, 2015.

POWER

Type of Facility	Province	Year Built	Ownership Interest	Total Net Capacity (MW)	PPA Counterparty	PPA Expiry	Fuel Supply Counterparty	Fuel Supply Expiry	Employees
Gas Cogeneration									
Cardinal [1]	ON	1994	100%	156	IESO	2034	Husky	2015	18
Wind									
Operating	ON	2002 - 2015	100%	131	IESO	2026 - 2035	n/a	n/a	12
	NS	2006 - 2012	49% - 100%	74	NSPI	2020 - 2037	n/a	n/a	2
	PQ	2015	51%	12	Hydro Québec	2035	n/a	n/a	n/a
Development	ON	2015-2016E	50% - 100%	55	IESO	2035-2036E	n/a	n/a	n/a
	SK	2017E	100%	10	SaskPower	2037E	n/a	n/a	n/a
Biomass									
Whitecourt [2]	AB	1994	100%	32.8	(3)	(3)	Millar Western	2030	33
Hydro									
Sechelt and Hluey Lakes	BC	1997 and 2000	100%	19	BC Hydro	2017 and 2020	n/a	n/a	n/a
Wawatay and Dryden[4]	ON	1992 and 1986	100%	17	OEFC	2042 and 2020	n/a	n/a	n/a
Solar									
Amherstburg	ON	2011	100%	20	IESO	2031	n/a	n/a	n/a

(1) On January 1, 2015, Cardinal's new 20-year non-utility generator contract with the Ontario Power Authority was effective.

(2) Whitecourt total net capacity includes Capstone's 31.3% equity accounted interest in Chapais.

(3) Whitecourt's PPA with TransAlta expired on December 31, 2014. Effective March 2, 2015, Millar Western and Whitecourt completed a new fuel supply agreement which replaces the existing agreement and has a term of 15 years, extendable to 20 years. The new agreement also includes a power price support and revenue sharing mechanisms regarding the price received for electricity sold by Whitecourt.

(4) Year built for Wawatay and Dryden represent the date of significant refurbishments.

UTILITIES

Business	Ownership Interest	Capacity	Counterparties	Length of Network	Approximate Population Served	Regulated	Employees
Värmevärden	33.3%	Heat production capacity of 639 MWth	Mix of industrial and retail customers.	300 kilometres	163,000	No	92
Bristol Water	50%	Average daily supply of 267 million litres	Mix of commercial and residential customers.	6,671 kilometres	1.2 million	Ofwat	520

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