

## FOURTH QUARTER 2012 HIGHLIGHTS

	Three months ended	
	Dec 31, 2012	Dec 31, 2011
<b>Revenue</b>	<b>94,654</b>	91,663
Operating expenses	(51,533)	(48,598)
Administrative expenses	(3,037)	(3,074)
Project development costs	(279)	(4,309)
Equity accounted income (loss)	3,596	320
Interest income	893	2,123
Other gains and (losses), net	(378)	(7,918)
Foreign exchange gain (loss)	676	(2,735)
<b>Earnings before, interest, taxes, depreciation and amortization</b>	<b>44,592</b>	27,472
Interest expense	(11,184)	(15,377)
Depreciation of capital assets	(12,194)	(11,912)
Amortization of intangible assets	(2,582)	(2,478)
Income (loss) before income taxes	18,632	(2,295)
Income tax recovery (expense)		
Current	1,237	(179)
Deferred	(3,533)	32
Total income tax recovery (expense)	(2,296)	(147)
<b>Net income</b>	<b>16,336</b>	(2,442)
<b>Net income attributable to:</b>		
Shareholders of Capstone	12,612	(4,891)
Non-controlling interest	3,724	2,449
	<b>16,336</b>	(2,442)

Capstone's EBITDA was \$17,120, or 62.3%, higher compared with the fourth quarter of 2011.

**Revenue** was \$2,991, or 3.3%, higher compared with 2011, primarily due to increases of \$2,035 from Bristol Water and \$956 from the power segment. Bristol Water's revenue increased primarily due to regulated increases in the water tariff charged to customers, which adjusts annually on April 1. The power segment increase was primarily due to increased power generation of 9.9 GWh, or 34.3%, at the hydro facilities, contributing \$1,373. In addition, Cardinal contributed \$773 due to higher power rates and increased production. Lower power generation at Erie Shores partially offset revenues by \$1,165 due to poor wind conditions.

**Expenses** were \$1,132, or 2.0%, lower compared with 2011.

- **Operating expenses** increased \$2,935, primarily related to Bristol Water. Bristol Water's operating expenses increased primarily due to \$1,080 of increased repairs and maintenance expenditures coinciding with the capital program, \$670 of higher consultancy fees for the capital program and \$350 of higher bad debts, as a result of collection experience.
- **Administrative expenses** were consistent with the fourth quarter of 2011.
- **Project development costs** declined by \$4,030 as Capstone incurred costs in 2011 for the acquisition of Bristol Water.

**Equity accounted income (loss)** was \$3,276, or 1,024%, higher than in 2011, due to higher earnings reported by Värmevärden.

**Interest income** was \$1,230, or 57.9%, lower than in 2011, due to lower interest on the loan receivable with Värmevärden as a result of the partial repayment in the first quarter of 2011.

**Other losses** were \$7,540, or 95%, lower compared with 2011. The change was primarily attributable to \$7,931 greater reduction in the 2011 fair value of Capstone's financial instruments, primarily for interest rate swap contracts which expired in 2011.

**Foreign exchange gain (loss)** in 2012 was \$3,411 favourable to 2011. The favourable change was attributable to the loan receivable with Värmevärden in Sweden. During the fourth quarter of 2012, the Swedish krona appreciated marginally against the Canadian dollar.

**Interest expense** was \$4,193, or 27.3%, higher in 2011, due to additional interest on the senior debt facility used to acquire Bristol Water in 2011. The senior debt facility was repaid in the second quarter of 2012.

**Income tax provision was a net expense** in both years. The current portion income tax provision was a \$1,237 recovery in 2012 due to Bristol Water which achieved recoveries from prior year tax return refilings. The deferred portion of the income tax provision was an expense in 2012 primarily attributable to fair value adjustment and the difference between accounting and income tax depreciation for financial instruments.