MESSAGE FROM CHIEF FINANCIAL OFFICER

Shareholders can be confident in Capstone's strong fundamentals, which include a high quality portfolio, financial flexibility and an active approach to capital management.

"OF CAPSTONE'S CONSOLIDATED DEBT, APPROXIMATELY 88% IS EITHER SCHEDULED TO AMORTIZE DURING THE PPA TERM OR HAS A MATURITY LONGER THAN 10 YEARS."

Dear Fellow Shareholders,

In 2012, Capstone delivered Adjusted EBITDA of $120.7 million, which was slightly ahead of our expectations and reflected the diverse mix and inherent characteristics of our infrastructure businesses.

A key focus for us in the first half of the year was to refinance or repay the approximately $200 million in debt coming due under various corporate and power segment credit facilities in 2012. I am pleased to report that we have successfully reduced our total leverage, lowered our refinancing risk and have limited exposure to movements in interest rates. Our financing initiatives included:

- The recapitalization of Värmevärden in March 2012, which enabled us to repatriate approximately $49.5 million of capital;
- The sale of a 20% interest in Bristol Water to ITOCHU Corporation in May 2012 for net proceeds of $68 million, representing an attractive premium to our original investment;
- The recapitalization of our hydro power facilities, through which we raised approximately $100 million in senior secured and subordinated secured bonds; and
- The establishment of a new corporate credit facility, which includes a $15 million revolving facility that is available along with cash on hand to support development and growth initiatives.

Our outstanding debt is almost entirely fixed rate or linked to inflation and is predominantly secured at the operating business level, which means it is non-recourse to Capstone. In our power segment, approximately 95% of debt is scheduled to amortize over the various PPA terms. At Bristol Water, which is a long-term, perpetual business, our debt primarily consists of non-amortizing debt, which means we pay interest over the term but the principal is due at maturity. Approximately 92% of Bristol Water's debt has a term greater than 10 years. Overall, this debt profile represents a significant de-risking of our balance sheet.

Another priority in the first half of the year was to set a new dividend that is intended to provide stable income to our shareholders with the potential for capital appreciation.

Our new dividend reflects what we believe are reasonable possible outcomes at Cardinal, and accordingly, the long-term cash flow profile of that facility. It also provides some buffer in the unlikely event we receive less cash flow from Cardinal than we currently expect or if we experience unforeseen events in our business. Based on our current portfolio and outlook, we expect this dividend level to result in a long-term average payout ratio of 70% to 80%, which will allow us to retain cash that can be reinvested in growth. Our payout ratio in 2013 and 2014 will be significantly lower than this level and it may be slightly higher in 2015 and beyond depending on the final outcome at Cardinal.

Key Principles

Financial Risk Management
We continually monitor, analyze and seek to minimize the risks within our capital structure with a view to maintaining an optimal financing mix that suits the nature of our businesses and that generates value for shareholders.

Results-Orientation
Our team is squarely focused on meeting — and exceeding — planned business performance expectations, which improves our company's stability, value and future prospects.

Flexibility
We seek to manage our capital structure so that it remains flexible and offers room for expansion.

View Capstone's historical financial reports to shareholders at www.capstoneinfrastructure.com/InvestorCentre/FinancialReports/AnnualReports.aspx

62.7%

Our debt to capitalization ratio at year end, which is conservative relative to the low risk profile and long life of our businesses.

In the second half of 2012, we shifted our focus back to pursuing acquisition opportunities. A key part of my job is to direct capital management planning to make sure we have the resources to support growth, including:

- Ensuring an appropriate capital structure at the corporate and subsidiary level that aligns with the cash flow profile and duration of our businesses;
- Maintaining sufficient liquidity to meet short- and medium-term operating needs; and
- Establishing relationships with investors and lenders, including establishing a new corporate credit facility, to enhance our capacity to seize growth opportunities as they arise.

For 2013, we expect to achieve Adjusted EBITDA of approximately $110 million to $120 million, which, while consistent with our 2012 performance, represents an approximately 5% increase in Adjusted EBITDA over 2012 on a pro forma basis had we held our 50% interest in Bristol Water for the full 2012 year. This anticipated performance will support our new dividend level while allowing us to retain cash. At the same time, we now have a much stronger balance sheet to support our growth strategy.

Shareholders can be confident in Capstone's strong fundamentals, which include a high quality portfolio, financial flexibility and an active approach to capital management. In addition, we are well positioned to participate in the burgeoning infrastructure opportunity that is emerging in our target markets. We are just beginning to write Capstone's next chapter and are optimistic about the possibilities before us to create enduring value for shareholders: today, tomorrow and for years to come.

Sincerely,

MICHAEL SMERDON
Executive Vice President and Chief Financial Officer