

MESSAGE FROM THE CHAIRMAN

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Dear Fellow Shareholders,

Fiscal 2012 was a busy year for Capstone during which we tackled various challenges and positioned the company for its next phase of growth.

We strengthened our financial position, welcomed a new international partner and launched a power development subsidiary to help source growth opportunities that will increase the value of our company. We also established a new dividend that is intended to provide stable income for shareholders with the potential for capital appreciation as we realize our vision to be Canada's pre-eminent diversified infrastructure company.

As we pursue that vision, the Board of Directors is committed to ensuring that Capstone is managed and governed — and continues to grow — in a prudent way. We take our role as stewards of your investment very seriously.

The Board's mandate includes working with management to establish Capstone's strategy and objectives, approving significant decisions that affect Capstone and its results, monitoring the company's financial performance and risk management practices, setting the dividend policy and overseeing Capstone's stakeholder relationships and reporting obligations.

A few highlights of our approach to governance include:

- ▶ Audit, Governance and Compensation Committees that must be entirely composed of independent directors (as defined by applicable securities laws);

- ▶ Governance policies and procedures that apply equally to the individual businesses in Capstone's portfolio, which ensures consistency and reliability in reporting and risk management;
- ▶ A Code of Ethics that encourages and promotes a culture of ethical business conduct and must be followed by all directors, executive officers and employees of Capstone;
- ▶ An annual evaluation of the effectiveness of the Board and individual directors to ensure the Board is fulfilling its oversight role in the most effective manner; and
- ▶ A majority voting policy, which requires director nominees to be elected by a majority of shareholder votes.

Our governance practices constantly evolve in step with the business and regulatory environments in which Capstone operates and we regularly seek opportunities to strengthen our governance framework. In 2012, for example, the company reviewed, refined and strengthened its enterprise risk management practices and implemented an internal audit function. Our governance and risk management processes support achievement of our strategic performance objectives.

Resolving the question of Cardinal's future remains a key strategic objective — one that we are working tirelessly to accomplish. At the same time, we are keenly focused on further diversifying our portfolio and increasing its size, scope and long-term value for shareholders. I am optimistic about our company's future for four compelling reasons.

Key Principles

Independence

At all times, a majority of directors must be independent directors (as defined under applicable securities regulations). A director is independent when he or she does not have a direct or indirect material relationship with Capstone or its subsidiaries.

Integrity and Professionalism

We seek out directors who have demonstrated integrity and high ethical standards, a proven record of sound business judgment and who committed to representing the long-term interests of Capstone's shareholders.

Performance

We seek to build a Board on a diversity of backgrounds, skills and experience and annually review the competencies, skills and personal qualities of each director to maintain the composition of the Board in a way that bolsters the overall stewardship of the company.

First, Capstone has a history of meticulous asset management, continues to achieve stable, and in some cases, improving, operational performance and has significantly strengthened its financial position, all of which are pillars vital to the long-term stability of our company, and, accordingly, our dividend.

Second, we have augmented our skill set with proven power development personnel who bring a wealth of capabilities to Capstone and broaden our business development reach. This new initiative puts us in an excellent position to build a pipeline of accretive projects in the years to come.

Third, backed by our strong balance sheet, we expect to be able to access the capital we need to finance investments that meet our strategic and financial return criteria.

And fourth, massive investment and private sector participation is required in Canada and internationally to maintain and build the core infrastructure that is critical to elevating quality of life and economic prosperity. Our company is ready to participate in these opportunities with a leadership team that is knowledgeable, enjoys strong relationships at home and abroad, and has attained a competitive advantage through decades of combined investment and management experience across power generation and transmission businesses, utilities, transportation and toll roads, and public-private partnerships.

Our senior management team is also highly motivated and aligned with shareholders' interests. A significant proportion of management's short-term incentive compensation is bound to financial

performance metrics while compensation under the long-term incentive plan is directly tied to both the performance of our shares and to the total return we deliver to shareholders, consisting of share price performance and dividend yield, relative to a group of comparable peers. This structure promotes responsible decision-making that maximizes long-term value.

I would like to thank my fellow directors for their diligence in guiding Capstone through 2012. I would especially like to recognize Derek Brown, who resigned from the Board in February 2013, for his nine years of distinguished service to Capstone. In addition to being one of our longest-serving directors, Derek made significant contributions to our company during his tenure. We were very fortunate to benefit from Derek's counsel and guidance and we wish him the very best in his future endeavours.

Finally, I must thank our shareholders for their continuing support and confidence in Capstone and the Board of Directors. I also extend my appreciation to our employees at all levels of the organization for their dedication to pursuing excellence. Together, we are working to deliver a superior total return to our shareholders.

Sincerely,



V. JAMES SARDO

Chairman of the Board of Directors



Shareholders can access information about management compensation and governance practices on our website. Please visit: www.capstoneinfrastructure.com/About/Governance.aspx