CAPSTONE INFRASTRUCTURE CORPORATION

Financial Report for the Quarter Ended September 30, 2018

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LEGAL NOTICE

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

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

This MD&A is dated November 13, 2018, the date on which this MD&A was approved by the Corporation's Board of Directors.

BASIS OF PRESENTATION

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

Discontinued Operations

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

Business Acquisition

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

Foreign Currency Translation and Presentation

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

ADDITIONAL GAAP PERFORMANCE MEASURES DEFINITIONS

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

CHANGES IN THE BUSINESS

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

Whitecourt Bioenergy Producer Program

On June 7, 2018, the Government of Alberta approved Whitecourt's application to the BPP. Whitecourt expects to receive grant funding of up to $9,172 for contributing to Alberta's bioenergy production capacity over the two and a half year program, which ends in March 2020. As at September 30, 2018, Capstone produced enough power to be eligible for $2,821 of BPP grant funding for the year to date, of which $2,286 was received and the remainder is accrued for in revenue.

Sechelt Creek Facility EPA

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

Project Development

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

RESULTS OF OPERATIONS

Overview

In 2018, Capstone's EBITDA and net income from continuing operations were higher in the third quarter and year to date. Higher year-to-date EBITDA from Capstone's continuing operations reflects:

- Higher power segment results, primarily due to Glen Dhu and Fitzpatrick, which were equity accounted investments prior to the acquisition of the remaining ownership interests on December 31, 2017. In addition, higher revenue from Whitecourt, due to higher power rates, and Cardinal, due to higher market revenues in response to higher demand; and
- Higher interest income from the settlement of a formerly impaired loan receivable; partially offset by
- Lower contributions from Whitecourt as the fair value of the embedded derivative decreased and government grants were earned for fewer months than in 2017.

	Three months ended			Nine months ended		
	Sep 30, 2018	Sep 30, 2017	Change	Sep 30, 2018	Sep 30, 2017	Change
Revenue	39,951	29,089	10,862	133,638	112,602	21,036
Expenses	(16,551)	(13,447)	(3,104)	(45,458)	(40,155)	(5,303)
Other income and expenses [(1)]	7,862	6,579	1,283	5,478	9,079	(3,601)
EBITDA	31,262	22,221	9,041	93,658	81,526	12,132
Interest expense	(9,633)	(9,223)	(410)	(28,807)	(26,768)	(2,039)
Depreciation and amortization	(19,701)	(16,054)	(3,647)	(58,656)	(48,411)	(10,245)
Income tax recovery (expense)	(1,284)	436	(1,720)	(1,805)	(19,374)	17,569
Net income (loss) from continuing operations	644	(2,620)	3,264	4,390	(13,027)	17,417
Net income (loss) from discontinued operations	—	—	—	—	129,317	(129,317)
Net income	644	(2,620)	3,264	4,390	116,290	(111,900)

(1) On September 25, 2018, Capstone received a final payment of $3,348 for full repayment of the Chapais loans and investments, which were previously written down to nil.

The remaining material changes in net income from Capstone's continuing operations were:

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

Seasonality

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

Results by Segment

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

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

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

Revenue

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

Revenue	Three months ended			Nine months ended		
	Sep 30, 2018	Sep 30, 2017	Change	Sep 30, 2018	Sep 30, 2017	Change
Wind [(1)]	19,376	13,743	5,633	80,445	63,967	16,478
Gas	9,186	6,798	2,388	19,664	16,361	3,303
Hydro	2,369	2,319	50	9,741	10,944	(1,203)
Solar	5,125	5,228	(103)	13,116	13,108	8
Biomass [(2)]	3,895	1,001	2,894	10,672	8,222	2,450
Total Revenue	39,951	29,089	10,862	133,638	112,602	21,036

(1) Wind revenue for 2017 excludes the results of Glen Dhu and Fitzpatrick wind facilities, which were equity accounted.
(2) Biomass revenue includes $2,821 of grant funding eligibility for Whitecourt for the year to date (2017 - $4,800).

Power generated (GWh)	Three months ended			Nine months ended		
	Sep 30, 2018	Sep 30, 2017	Change	Sep 30, 2018	Sep 30, 2017	Change
Wind [(1)]	171.5	119.5	52.0	718.0	563.1	154.9
Gas	68.3	37.3	31.0	73.1	37.3	35.8
Hydro	26.7	27.3	(0.6)	116.8	132.5	(15.7)
Solar	12.2	12.3	(0.1)	31.2	31.0	0.2
Biomass [(2)]	46.4	27.2	19.2	140.9	124.7	16.2
Total Power	325.1	223.6	101.5	1,080.0	888.6	191.4

(1) Wind production for 2017 excludes the Glen Dhu and Fitzpatrick wind facilities.
(2) 2017 production was lower because the Whitecourt facility was temporarily shutdown in the third and fourth quarters to progress its refurbishment project.

Capstone's power segment earns revenue from:

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

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

Three months	Nine months	Explanations
3,306	14,464	Higher revenue from the Glen Dhu wind facility, which was an equity accounted investment until December 31, 2017.
1,396	3,952	Higher revenue from Whitecourt due to higher Alberta Power Pool prices.
2,355	3,224	Higher revenue from Cardinal due to more runs as well as higher revenue to operate Ingredion's 15 MW facility, which commenced operations on November 24, 2017.
—	1,155	Higher revenue from Settlers Landing, which reached COD on April 5, 2017.
2,285	669	Higher revenue from the operating wind facilities (excluding Glen Dhu and Fitzpatrick) due to higher production, reflecting higher wind resources in 2018.
398	(1,980)	Lower year-to-date revenue from Whitecourt due to fewer months of BPP funding earned in 2018.
(43)	(1,368)	Lower revenue from the hydro facilities, due to higher production from exceptional hydrological conditions in 2017.
1,165	920	Various other changes.
10,862	21,036	Change in revenue.

Expenses

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

Expenses	Three months ended			Nine months ended		
	Sep 30, 2018	Sep 30, 2017	Change	Sep 30, 2018	Sep 30, 2017	Change
Wind	(4,851)	(4,139)	(712)	(15,633)	(11,686)	(3,947)
Gas	(5,078)	(3,940)	(1,138)	(10,410)	(8,881)	(1,529)
Hydro	(983)	(1,081)	98	(2,999)	(3,192)	193
Solar	(271)	(270)	(1)	(778)	(706)	(72)
Biomass	(2,952)	(1,973)	(979)	(8,446)	(7,339)	(1,107)
Power operating expenses	(14,135)	(11,403)	(2,732)	(38,266)	(31,804)	(6,462)
Power	(302)	(439)	137	(1,284)	(1,395)	111
Corporate	(425)	(54)	(371)	(618)	(312)	(306)
Project development costs	(727)	(493)	(234)	(1,902)	(1,707)	(195)
Administrative expenses	(1,689)	(1,551)	(138)	(5,290)	(6,644)	1,354
Total Expenses	(16,551)	(13,447)	(3,104)	(45,458)	(40,155)	(5,303)

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

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

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

Three months	Nine months	Explanations
(1,129)	(3,314)	Higher operating expenses from the Glen Dhu wind facility, which was an equity accounted investment until December 31, 2017.
(1,684)	(2,497)	Higher operating expenses at Cardinal due to more runs as well as costs to operate Ingredion's 15 MW facility, which commenced operations on November 24, 2017.
—	(1,125)	Higher operating expenses at SkyGen due to insurance recoveries in 2017.
—	1,228	Lower staff costs within administrative expenses related to employee separation costs in 2017.
(291)	405	Various other changes.
(3,104)	(5,303)	Change in expenses.

FINANCIAL POSITION REVIEW

Overview

As at September 30, 2018, Capstone's working capital was $57,120, compared with $10,372 as at December 31, 2017. During the quarter, the SkyGen and Skyway 8 project debt was refinanced, reducing the current portion of long-term debt by $36,253. In addition, Capstone repaid $20,915 on the CPC credit facilities and reduced the letters of credit by $1,194 during the year, increasing the available capacity on the CPC credit facilities to $65,994. Capstone and its subsidiaries continue to comply with all debt covenants.

Liquidity

Working capital

As at	Sep 30, 2018	Dec 31, 2017
Power	56,647	2,409
Corporate	473	7,963
Working capital (equals current assets, less current liabilities)	57,120	10,372

Capstone's working capital was $46,748 higher than December 31, 2017 due to an increase of $54,238 for the power segment, partially offset by a $7,490 decrease at corporate. The power segment increase primarily reflects a decrease in the current portion of long term debt due to a $36,253 refinancing at SkyGen and Skyway 8, as well as $5,247 of debt repayments across Capstone's other entities. In addition, there was higher cash of $10,072, and lower accruals of $5,214 mainly due to payments made upon completing the Whitecourt refurbishment. The corporate decrease primarily reflects lower cash due to contributions for the Whitecourt refurbishment and settling year-end liabilities.

Cash and cash equivalents

As at	Sep 30, 2018	Dec 31, 2017
Power	63,898	53,826
Corporate	2,954	10,257
	66,852	64,083

These funds are available for operating activities, capital expenditures and future acquisitions. The $2,769 increase consists of a $10,072 increase from the power segment, partially offset by a $7,303 decrease at corporate. Higher cash at the power segment reflects accumulation of asset distributions, partially offset by the repayment of $20,915 on the CPC credit facilities. The decrease at corporate reflects contributions to Whitecourt to pay for the refurbishment and settling year-end liabilities. In addition to these funds, the CPC revolving credit facility has an available capacity of $65,994, as at September 30, 2018.

Cash at the power segment of $63,898 is only periodically accessible by corporate through distributions. The power segment's cash and cash equivalents are accessible through distributions under the terms of the CPC credit facilities, which allows for distributions, subject to certain conditions. In turn, CPC receives distributions from its subsidiary power assets, which are subject to the terms of their project-specific credit agreements.

Cash flow

Capstone’s consolidated cash and cash equivalents increased by $2,769 in 2018 compared with an increase of $292 in 2017. The components of the change in cash, as presented in the consolidated statement of cash flows, from both continuing and discontinued operations, are summarized as follows:

Nine months ended	Sep 30, 2018	Sep 30, 2017
Operating activities	67,998	55,707
Investing activities	(5,290)	(18,224)
Financing activities (excluding dividends to shareholders)	(58,099)	(35,351)
Dividends paid to shareholders	(1,840)	(1,840)
Change in cash and cash equivalents	2,769	292

Cash flow from operating activities was $12,291 higher in 2018, and $13,663 higher excluding discontinued operations. The increase from continuing operations consists of $21,795 of higher power segment cash flows, partially offset by $8,132 of lower corporate cash flows. The increase in power segment cash flows reflects higher revenue from Glen Dhu and Fitzpatrick, which were equity accounted investments in 2017, higher market revenues in response to higher demand at Cardinal, and higher interest income from the settlement of a formerly impaired loan receivable. The decrease in corporate cash flows is primarily attributable to changes in current liabilities.

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

Cash flow used in investing activities was $12,934 lower in 2018 primarily due to $18,201 of lower cash used for the construction of Settlers Landing and $2,363 of lower capital asset additions related to payments for the Whitecourt refurbishment. This was partially offset by a lower release of restricted cash of $5,524, which resulted from a change to cash funding certain hydro facilities reserves and the release of construction reserves at GHG, Grey Highlands Clean, Snowy Ridge and Settlers Landing in 2017. In addition, there were lower dividends from equity accounted investments of $2,106 due to the acquisition of Glen Dhu's remaining equity interests.

Cash flow used in financing activities was $22,748 higher in 2018, and $119,450 lower excluding discontinued operations. Cash used in the continuing operations were lower primarily due to a $131,968 return of capital to Irving Infrastructure Corp. ("Irving") and a $10,370 cash repayment of the Irving promissory note in 2017, as well as higher proceeds from debt draws of $19,444 from refinancing SkyGen and Skyway 8 in 2018. These were partially offset by higher debt payments of $41,760, primarily due to higher repayments of the CPC credit facilities and the SkyGen and Skyway 8 project debts in 2018.

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

Long-term Debt

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

	Dec 31, 2017	Additions	Repayments	Other	Sep 30, 2018
Long-term debt [(1), (2)]	833,690	37,246	(89,521)	—	781,415
Deferred financing fees	(15,148)	—	—	678	(14,470)
	818,542	37,246	(89,521)	678	766,945
Less: current portion of long-term debt [(3),(4)]	(86,208)	—	5,000	36,500	(44,708)
	732,334	37,246	(84,521)	37,178	722,237

(1) Repayments of $89,521 include a $15,915 repayment for the CPC revolving credit facility, as well as scheduled repayments.
(2) The power segment has a cumulative $43,315 utilized on its letter of credit facilities.
(3) Repayments are for the CPC term credit facility.
(4) Other reflects a $36,253 decrease in the current portion due to debt refinancing at SkyGen and Skyway 8.

As at September 30, 2018, Capstone's long-term debt consisted of $45,000 for the CPC credit facilities and $736,415 of project debt. The current portion of long-term debt was $44,708, consisting of scheduled debt amortization. Capstone expects to repay the scheduled amortization from income generated by the power assets. On July 17, 2018, the SkyGen and Skyway 8 project debt was refinanced. The new debt matures in 2021 and amortizes over the same period as the prior debt, carrying a fixed interest rate of 4.90%.

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

Equity

Shareholders' equity comprised:

As at	Sep 30, 2018	Dec 31, 2017
Common shares	62,270	62,270
Preferred shares [(1)]	72,020	72,020
Share capital	134,290	134,290
Retained earnings	73,103	72,024
Equity attributable to Capstone shareholders	207,393	206,314
Non-controlling interests	50,843	55,249
Total shareholders' equity	258,236	261,563

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

Contractual Obligations

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

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

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

Income Taxes

The current income tax expense primarily relates to current tax on interest income from the settlement of loans receivable.

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

As at	Sep 30, 2018	Dec 31, 2017
Derivative contract assets	18,701	21,364
Derivative contract liabilities	(596)	(2,144)
Net derivative contract assets (liabilities)	18,105	19,220

Net derivative contract assets decreased by $1,115 from December 31, 2017, due to contractual settlement payments of $2,054 received from Millar Western, partially offset by gains of $939.

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

	Three months ended		Nine months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Whitecourt embedded derivative	967	4,400	(3,695)	6,001
Interest rate swap contracts	3,435	5,318	4,634	4,984
Gain (losses) on derivatives	4,402	9,718	939	10,985

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

RISKS AND UNCERTAINTIES

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

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

ENVIRONMENTAL, HEALTH AND SAFETY REGULATION

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

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

SUMMARY OF QUARTERLY RESULTS

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

		2018			2017			2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue (1)	**39,951**	44,817	48,870	41,561	29,089	40,380	43,133	40,128
EBITDA (1)	**31,262**	31,061	31,335	28,529	22,221	30,176	29,129	36,622
Net income (loss) (2), (3), (4)	**272**	1,386	1,314	1,287	(2,125)	3,285	114,936	18,407
Preferred dividends	**613**	613	613	613	613	613	613	613

(1) Comparative figures for revenue and EBITDA have been adjusted to remove amounts from discontinued operations.
(2) Net income (loss) attributable to the common shareholders of Capstone, which excludes non-controlling interests.
(3) Results include continuing operations and discontinued operations for all periods.
(4) Net income (loss) includes a gain on the sale of Värmevärden of $128,087 in Q1 2017 and a loss on the sale of Bristol Water of $2,803 in Q4 2016.

ACCOUNTING POLICIES AND INTERNAL CONTROLS

Significant Changes in Accounting Standards

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

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

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

Future Accounting Changes

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

Accounting Estimates

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

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

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

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

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

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Sep 30, 2018	Dec 31, 2017
Current assets			
Cash and cash equivalents		66,852	64,083
Restricted cash		22,393	22,438
Accounts receivable		21,769	24,408
Other assets		3,705	4,778
Current portion of derivative contract assets	5	2,209	1,130
		116,928	116,837
Non-current assets			
Derivative contract assets	5	16,492	20,234
Capital assets		846,463	896,377
Projects under development		753	730
Intangible assets		159,242	167,732
Deferred income tax assets		92	—
Total assets		1,139,970	1,201,910
Current liabilities			
Accounts payable and other liabilities		15,100	20,257
Current portion of long-term debt	6	44,708	86,208
		59,808	106,465
Long-term liabilities			
Derivative contract liabilities	5	596	2,144
Deferred income tax liabilities		89,773	89,243
Long-term debt	6	722,237	732,334
Liability for asset retirement obligation		9,320	10,161
Total liabilities		881,734	940,347
Equity attributable to shareholders' of Capstone		207,393	206,314
Non-controlling interest		50,843	55,249
Total liabilities and shareholders’ equity		1,139,970	1,201,910
Commitments and contingencies	12		

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of Capstone			
		Share Capital	Retained Earnings	NCI (1)	Total Equity
Balance, December 31, 2016		112,453	2,800	61,417	176,670
Net income for the period		—	116,096	194	116,290
Conversion of promissory note (2)	4	86,332	—	—	86,332
Return of capital (2)	4	(86,332)	(45,636)	—	(131,968)
Dividends declared to preferred shareholders of Capstone (3)	7	—	(1,893)	—	(1,893)
Dividends declared to NCI		—	—	(2,735)	(2,735)
Convertible debenture repayments (4)		—	—	(2,517)	(2,517)
Balance, September 30, 2017		112,453	71,367	56,359	240,179

	Notes	Equity attributable to shareholders of Capstone			
		Share Capital	Retained Earnings	NCI (1)	Total Equity
Balance, December 31, 2017		134,290	72,024	55,249	261,563
Net income for the period		—	2,972	1,418	4,390
Dividends declared to preferred shareholders of Capstone (3)	7	—	(1,893)	—	(1,893)
Dividends declared to NCI		—	—	(3,174)	(3,174)
Convertible debenture repayments (4)		—	—	(2,650)	(2,650)
Balance, September 30, 2018		134,290	73,103	50,843	258,236

(1) Non-controlling interest (“NCI”).
(2) Refer to note 4 for changes related to the sale of Värmevärden.
(3) Dividends declared to preferred shareholders of Capstone include current and deferred income taxes of $53 (2017 - $53).
(4) Repayments are to the holder of the convertible debenture related to the Ganaraska and Grey Highlands ZEP ("GHG"), Snowy Ridge and Settlers Landing wind facilities. The convertible debenture provides the holder the option to convert its debt into a 50% equity interest in these projects.

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

		Three months ended		Nine months ended	
	Notes	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Revenue	8	39,951	29,089	133,638	112,602
Operating expenses	9	(14,135)	(11,403)	(38,266)	(31,804)
Administrative expenses	9	(1,689)	(1,551)	(5,290)	(6,644)
Project development costs	9	(727)	(493)	(1,902)	(1,707)
Equity accounted income (loss)		—	(768)	—	110
Interest income		3,668	181	4,731	418
Other gains and (losses), net	10	4,197	7,164	757	8,532
Foreign exchange gain (loss)		(3)	2	(10)	19
Earnings before interest expense, taxes, depreciation and amortization		31,262	22,221	93,658	81,526
Interest expense		(9,633)	(9,223)	(28,807)	(26,768)
Depreciation of capital assets		(16,842)	(13,583)	(50,158)	(41,074)
Amortization of intangible assets		(2,859)	(2,471)	(8,498)	(7,337)
Earnings before income taxes		1,928	(3,056)	6,195	6,347
Income tax recovery (expense)					
Current		(543)	719	(478)	(1,634)
Deferred		(741)	(283)	(1,327)	(17,740)
Total income tax recovery (expense)		(1,284)	436	(1,805)	(19,374)
Net income (loss) and total comprehensive income (loss) from continuing operations		644	(2,620)	4,390	(13,027)
Net income and total comprehensive income from discontinued operations, net of tax	4	—	—	—	129,317
Net income and total comprehensive income		644	(2,620)	4,390	116,290
Attributable to:					
Shareholders of Capstone		272	(2,125)	2,972	116,096
Non-controlling interest		372	(495)	1,418	194
		644	(2,620)	4,390	116,290

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended	Notes	Sep 30, 2018	Sep 30, 2017
Operating activities:			
Net income (loss) from continuing operations		4,390	(13,027)
Deferred income tax expense (recovery)		1,327	17,740
Depreciation and amortization		58,656	48,411
Non-cash other gains and losses (net)		1,297	(3,576)
Amortization of deferred financing costs and non-cash financing costs		987	1,412
Equity accounted income		—	(110)
Foreign exchange (gain)/loss		10	(19)
Change in non-cash working capital		1,331	3,504
Cash flows from continuing operations		67,998	54,335
Cash flows from discontinued operations		—	1,372
Total cash flows from operating activities		67,998	55,707
Investing activities:			
Investment in capital assets		(5,312)	(7,675)
Investment in projects under development		(23)	(18,224)
Decrease (increase) in restricted cash		45	5,569
Distributions from equity accounted investments		—	2,106
Total cash flows used in investing activities		(5,290)	(18,224)
Financing activities:			
Repayment of long-term debt		(89,521)	(47,761)
Dividends paid to non-controlling interests		(3,174)	(2,735)
Convertible debenture repayments		(2,650)	(2,517)
Dividends paid to preferred shareholders		(1,840)	(1,840)
Proceeds from issuance of long-term debt		37,246	17,802
Return of capital to Irving	4	—	(131,968)
Repayment of promissory note	4	—	(10,370)
Cash flows used in continuing operations		(59,939)	(179,389)
Cash flows from discontinued operations	4	—	142,198
Total cash flows used in financing activities		(59,939)	(37,191)
Increase (decrease) in cash and cash equivalents		2,769	292
Cash and cash equivalents, beginning of year		64,083	62,246
Cash and cash equivalents, end of period		66,852	62,538
Supplemental information:			
Interest paid		27,035	24,900
Taxes paid		626	1,637

See accompanying notes to these consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

Statement of Compliance

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

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on November 13, 2018. All amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

Discontinued Operations

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

Basis of Measurement

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

Changes in Accounting Standards

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

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

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

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

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

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

Future Accounting Changes

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

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

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

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

3. SEASONALITY

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

4. ACQUISITIONS, DISPOSALS AND DISCONTINUED OPERATIONS

(A) Discontinued Operations - Sale of Värmevärden

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

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

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

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

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

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

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

5. FINANCIAL INSTRUMENTS

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

Recurring measurements	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	Sep 30, 2018	Dec 31, 2017
Derivative contract assets:					
Whitecourt embedded derivative (1)	—	—	7,657	7,657	13,406
Interest rate swap contracts	—	11,044	—	11,044	7,958
Less: current portion	—	(2,209)	—	(2,209)	(1,130)
	—	8,835	7,657	16,492	20,234
Derivative contract liabilities:					
Interest rate swap contracts	—	596	—	596	2,144
	—	596	—	596	2,144

(1) Whitecourt's embedded derivative consists of a $11,629 fair value asset and $3,972 amortized contra-asset, set up on inception (2017 - $17,643 fair value asset, offset by the $4,237 of contra-asset).

Financial instruments not recorded at fair value

Accounts receivable, accounts payable and long-term debt are reported at carrying value on the statement of financial position. The fair values of these items approximate their carrying values with the exception of long-term debt, which has a fair value of $773,813 compared to a carrying value of $766,945.

Fair value determination

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

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

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

6. LONG-TERM DEBT

As at	Sep 30, 2018	Dec 31, 2017
CPC credit facilities	45,000	65,915
Project debt		
Wind - Operating [1], [2]	522,213	544,382
Solar	76,599	81,632
Hydro	75,952	77,502
Gas	61,651	64,259
Power [3]	781,415	833,690
Less: deferred financing costs	(14,470)	(15,148)
Long-term debt	766,945	818,542
Less: current portion [2]	(44,708)	(86,208)
	722,237	732,334

(1) Wind - Operating project debt consists of Amherst, Erie Shores, GHG, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, Settlers Landing, SkyGen, Skyway8, and Snowy Ridge.
(2) On July 17, 2018, SkyGen and Skyway8 project debt was refinanced, decreasing the current portion by $36,253. The new debt matures in 2021 and amortizes over the same period as the prior debt, carrying a fixed interest rate of 4.90%.
(3) The power segment has a cumulative $43,315 utilized on its letter of credit facilities.

7. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

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

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

	Three months ended		Nine months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Preferred shares declared [1]	632	632	1,893	1,893

(1) Includes $17 and $53 of current and deferred income taxes, for the quarter and year to date, respectively (2017 - $17 and $53, respectively).

8. REVENUE BY NATURE

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

	Three months ended		Nine months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Wind (1)	19,376	13,743	80,445	63,967
Gas (2)	9,186	6,798	19,664	16,361
Hydro	2,369	2,319	9,741	10,944
Solar	5,125	5,228	13,116	13,108
Biomass (3)	3,895	1,001	10,672	8,222
Total Revenue	39,951	29,089	133,638	112,602

(1) Wind revenue for 2017 excludes the results of Glen Dhu and Fitzpatrick wind facilities, which were equity accounted.
(2) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.
(3) Biomass revenue includes $2,821 of grant funding eligibility for Whitecourt for the year to date (2017 - $4,800).

9. EXPENSES BY NATURE

	Three months ended Sep 30, 2018				Three months ended Sep 30, 2017			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Maintenance & supplies	4,063	—	—	4,063	2,803	—	—	2,803
Wages and benefits	2,494	1,170	—	3,664	2,205	1,034	74	3,313
Fuel and transportation	3,448	—	—	3,448	2,295	—	—	2,295
Property expenses (1)	2,081	127	28	2,236	1,738	127	—	1,865
Professional fees (2)	259	110	632	1,001	477	109	384	970
Insurance	540	51	—	591	660	30	—	690
Power facility administration	556	—	—	556	627	—	—	627
Other	694	231	67	992	598	251	35	884
Total	14,135	1,689	727	16,551	11,403	1,551	493	13,447

	Nine months ended Sep 30, 2018				Nine months ended Sep 30, 2017			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Maintenance & supplies	12,231	—	—	12,231	6,816	—	—	6,816
Wages and benefits	7,662	3,790	—	11,452	6,843	4,494	457	11,794
Property expenses (1)	6,616	364	66	7,046	5,627	371	—	5,998
Fuel and transportation	5,695	—	—	5,695	4,822	—	—	4,822
Professional fees (2)	999	202	1,746	2,947	1,987	769	995	3,751
Insurance	1,645	96	—	1,741	1,938	91	—	2,029
Power facility administration	1,474	—	—	1,474	1,915	—	—	1,915
Other	1,944	838	90	2,872	1,856	919	255	3,030
Total	38,266	5,290	1,902	45,458	31,804	6,644	1,707	40,155

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

10. OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Unrealized gains and (losses) on derivative financial instruments	4,402	9,718	939	10,985
Losses on disposal of capital assets	(205)	(2,464)	(239)	(2,477)
Other	—	(90)	57	24
Other gains and (losses), net	4,197	7,164	757	8,532

11. SEGMENTED INFORMATION

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

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

	Three months ended Sep 30, 2018			Three months ended Sep 30, 2017				
	Continuing Operations			Continuing Operations			Discontinued Operations (2)	Total
	Power	Corporate	Total	Power	Corporate	Total		
Revenue	39,951	—	39,951	29,089	—	29,089	—	29,089
Expenses	(14,437)	(2,114)	(16,551)	(11,951)	(1,496)	(13,447)	—	(13,447)
EBITDA	33,235	(1,973)	31,262	23,638	(1,417)	22,221	—	22,221
Interest expense	(9,633)	—	(9,633)	(9,223)	—	(9,223)	—	(9,223)
Income tax recovery (expense)	(1,566)	282	(1,284)	(607)	1,043	436	—	436
Net income (loss)	2,381	(1,737)	644	(2,225)	(395)	(2,620)	—	(2,620)
Additions to capital assets, net	1,272	—	1,272	8,468	—	8,468	—	8,468
Additions to PUD	22	—	22	10	—	10	—	10

	Nine months ended Sep 30, 2018			Nine months ended Sep 30, 2017				
	Continuing Operations			Continuing Operations			Discontinued Operations (2)	Total
	Power	Corporate	Total	Power	Corporate	Total		
Revenue (1)	133,638	—	133,638	112,602	—	112,602	—	112,602
Expenses	(39,550)	(5,908)	(45,458)	(33,419)	(6,736)	(40,155)	—	(40,155)
EBITDA	99,254	(5,596)	93,658	88,095	(6,569)	81,526	—	81,526
Interest expense	(28,807)	—	(28,807)	(26,768)	—	(26,768)	—	(26,768)
Income tax recovery (expense)	(3,336)	1,531	(1,805)	(4,361)	(15,013)	(19,374)	—	(19,374)
Net income (loss)	8,544	(4,154)	4,390	8,616	(21,643)	(13,027)	129,317	116,290
Additions to capital assets, net	1,065	—	1,065	9,411	—	9,411	—	9,411
Additions to PUD	23	—	23	14,365	—	14,365	—	14,365

(1) Power revenue includes $2,821 of grant funding eligibility for Whitecourt for the year to date (2017 - $4,800).
(2) Relates to the utilities - DH segment.

12. COMMITMENTS AND CONTINGENCIES

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

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

CONTACT INFORMATION

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