

CAPSTONE INFRASTRUCTURE CORPORATION ANNOUNCES FOURTH QUARTER AND FISCAL 2016 RESULTS

Toronto, ON (February 28, 2017) - Capstone Infrastructure Corporation (TSX: CSE.PR.A) (the "Corporation") today reported audited results for the fiscal year and fourth quarter ended December 31, 2016. The Corporation's 2016 Management's Discussion and Analysis and audited consolidated financial statements are available at www.capstoneinfrastructure.com and on SEDAR at www.sedar.com. All amounts are in Canadian dollars.

Financial Review

In millions of Canadian dollars	Quarter ended Dec 31		Variance (%)	Year ended Dec 31		Variance (%)
	2016	2015		2016	2015	
Revenue	40.1	32.8	22%	172.9	118.0	47%
Expenses	15.3	16.5	(7)%	92.1	59.4	55%
Net income⁴	21.6	21.3	1%	(15.5)	26.2	(159)%
Adjusted EBITDA^{1, 2, 4}	31.4	30.3	4%	125.9	115.3	9%
AFFO^{1, 3, 4}	5.2	1.9	174%	23.5	11.2	110%

1 "Adjusted EBITDA" and "Adjusted Funds from Operations" are non-GAAP financial measures and do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS"). As a result, these measures may not be comparable to similar measures presented by other issuers. Definitions of each measure are provided on page 6 of Management's Discussion and Analysis with reconciliation to IFRS measures provided on page 7.

2 Adjusted EBITDA for investments in subsidiaries with non-controlling interests are included at Capstone's proportionate ownership interest.

3 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.

4 Results include continuing operations and discontinued operations for all periods.

Operational and Strategic Highlights

Capstone had an eventful 2016, repositioning itself as a pure play independent power producer. This was marked by significant changes to the senior management team, along with the sale of Bristol Water and taking steps that ultimately led to a binding agreement to sell Capstone's investment in Värmevärden. Capstone successfully completed four wind facilities, on time and on budget, adding 37 MW net installed capacity to the power portfolio. The legal process with the OEFC was concluded with Capstone receiving retroactive payment for amounts owing. In addition, Capstone completed several financings during the year which supported the ongoing development of the power portfolio.

Fiscal 2016 Highlights

Adjusted EBITDA was \$10.6 million, or 9%, higher in 2016. The power segment was the main driver behind these results which were attributable to the net OEFC proceeds awarded for retroactive payments to Cardinal and the Ontario hydro facilities, contributions from four new wind facilities, the full year impact of two facilities built partway through 2015 as well as favourable hydrology conditions. Adjusted Funds from Operations (AFFO) was \$12.3 million, or 110%, higher in 2016. The increase was primarily due to higher Adjusted EBITDA and lower corporate interest paid resulting from the settlement of the convertible debentures and corporate credit facility on April 29, 2016, partially offset by higher debt service payments at the power segment for new debt at Cardinal and CPC, as well as lower dividends from Bristol Water.

Excluding discontinued operations, and large one-time items in 2016 for: a) costs related to the iCON Infrastructure Partners III, L.P. ("iCON III") acquisition and related staff costs, and b) the net OEFC proceeds awarded to Cardinal and the Ontario hydro facilities, Adjusted EBITDA from continuing operations was \$19.4 million, or 34%, higher in 2016. Adjusted Funds from Operations (AFFO) from continuing operations excluding one-time items was \$10.3 million, or 322%, higher in 2016. The strong results demonstrate the year-on-year growth of Capstone's power segment and improved hydrology, wind and solar resource across the portfolio.

Consolidated revenue for the year increased by \$54.9 million, or 47%, due to higher power segment revenue primarily due to the net OEFC proceeds awarded for retroactive payments to Cardinal and the Ontario hydro facilities, contributions from new wind facilities and higher production from more favourable resource conditions from the hydro facilities. This was partially offset by lower revenue at Whitecourt due to lower merchant power rates in Alberta.

Total expenses increased by \$32.7 million, or 55%, primarily due to higher power segment operating expenses due to a one time increase in fuel expenses directly related to contractual obligations from the OEFC settlement, expenses from new wind facilities, higher non-recurring staff costs associated with the iCON III acquisition and higher corporate development costs also related to the iCON III acquisition.

Fourth Quarter Financial Highlights

During the fourth quarter of 2016, revenue increased by \$7.3 million, or 22%, due to higher power segment revenue, primarily because of contributions from the new wind facilities. Expenses decreased by \$1.2 million, or 7%, primarily due to lower costs related to the strategic review conducted in 2015 and lower staff costs, partially offset by higher power segment operating expenses mainly due to the new wind facilities and professional fees. Adjusted EBITDA in the quarter increased by \$1.1 million, or 4%, reflecting the factors noted above. Fourth quarter AFFO increased by \$3.3 million, or 174%, related to Adjusted EBITDA factors and lower corporate interest paid due to the settlement of the convertible debentures and corporate credit facility on April 29, 2016.

Financial Position

As at December 31, 2016, the Corporation had unrestricted cash and cash equivalents of \$62.2 million, including \$56.0 million at the power segment which is accessible to Capstone through distributions and \$6.2 million in total cash and cash equivalents available for general corporate purposes.

Subsequent Events

Whitecourt Bioenergy Producer Program

On February 8, 2017, Whitecourt, Capstone's biomass facility, was notified that the Government of Alberta approved its application to the Bioenergy Producer Program ("BPP"). Whitecourt expects to receive grants of up to \$4.8 million for contributing to Alberta's bioenergy production capacity over the 18 month program, ending September 30, 2017.

Värmevärden Sale

On February 21, 2017, Capstone announced that, alongside its co-shareholder Macquarie European Infrastructure Fund 2 ("MEIF 2"), it has agreed to sell 100% of the Värmevärden group ("Värmevärden"). Capstone expects to receive approximately \$140 million in net proceeds for its 33.3% indirect interest in Värmevärden. A portion of the proceeds from the sale will be used to eliminate the remaining outstanding balance of the promissory note issued by Capstone to Irving Infrastructure Corp. on April 29, 2016.

Sechelt Creek Facility Electricity Purchase Agreement Extension

On February 28, 2017, Capstone's electricity purchase agreement for the Sechelt Creek facility with BC Hydro was extended from its original expiry on an interim basis. The interim arrangement, and any new or amended electricity purchase agreement that may be entered, is expected to provide a lower price for electricity supplied than was paid under the expiring contract and would generate lower revenues than in 2016.

Dividend Declarations

The Board of Directors today declared a quarterly dividend on the Corporation's Cumulative Five-Year Rate Reset Preferred Shares, Series A (the "Preferred Shares") of \$0.2044 per Preferred Share to be paid on or about April 28, 2017 to shareholders of record at the close of business on April 14, 2017. The dividend on the Preferred Shares covers the period from January 31, 2017 to April 29, 2017.

The dividends paid by the Corporation on its Preferred Shares are designated "eligible" dividends for the purposes of the Income Tax Act (Canada). An enhanced dividend tax credit applies to eligible dividends paid to Canadian residents.

About Capstone Infrastructure Corporation

Capstone's mission is to provide investors with an attractive total return from responsibly managed long-term investments in power generation in North America. The Corporation's strategy is to develop, acquire and manage a portfolio of high quality power businesses that operate in a contractually-defined environment and generate stable cash flow. Capstone currently owns, operates and develops thermal and renewable power generation facilities in North America with a total installed capacity of net 505 megawatts. Please visit www.capstoneinfrastructure.com for more information.

Notice to Readers

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 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, 2016 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 further 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 environmental regulations for the power infrastructure facilities or Värmevärden; 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; market prices for electricity in Ontario and the amount of hours that Cardinal is dispatched; the price that 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 power purchase agreement ("PPA") for Sechelt; and that there will be no material changes to the Swedish krona to Canadian dollar exchange rate.

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 (dividends on preferred shares are not guaranteed; volatile market price for the Corporation's preferred shares; and 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 (market price for electricity; 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); and risks related to Värmevärden (operational performance; fuel costs and availability; industrial and residential contracts; environmental; regulatory environment; 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 29, 2016, 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.

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 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.

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