“Change is the law of life. And those who look only to the past or the present are certain to miss the future.”

– John F. Kennedy

Nasdaq Ticker: CPST
This presentation contains “forward-looking statements” regarding future events or financial performance of Capstone Turbine Corporation (Capstone), within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements may be identified by words such as “believe,” “expect,” "objective," "intend," "targeted," "plan" and similar phrases.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Capstone's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other periodic filings with the Securities and Exchange Commission that may cause Capstone's actual results to be materially different from any future results expressed or implied in such statements. Because of the risks and uncertainties, Capstone cautions you not to place undue reliance on these statements, which speak only as of the date of this presentation. We undertake no obligation, and specifically disclaim any obligation, to release any revision to any forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events.
Agenda

• Introduction – Darren Jamison, President & CEO
• Sales & Marketing – Jim Crouse, EVP of Sales & Marketing
• Aftermarket Overview – Jeff Foster, SVP of Customer Service
• Operations Overview – Kirk Petty, VP of Manufacturing
• Future Programs & Roadmap – Darren Jamison, President & CEO
• Q&A – All
• Factory Tour – Kirk Petty, VP of Manufacturing
• Conclusion of Event at 12:00 pm
INTRODUCTION

Darren Jamison
President & Chief Executive Officer
CAPSTONE FY2018 RESULTS
FY2018 vs. FY2017 Revenue, Gross Margin & Adjusted EBITDA

Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>$77.2M</td>
</tr>
<tr>
<td>FY18</td>
<td>$82.8M</td>
</tr>
</tbody>
</table>

Gross Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>(21.9M)</td>
</tr>
<tr>
<td>FY18</td>
<td>(5.2M)</td>
</tr>
</tbody>
</table>

Adjusted EBITDA*

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBITDA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>$(21.9M)</td>
</tr>
<tr>
<td>FY18</td>
<td>$(5.2M)</td>
</tr>
</tbody>
</table>

*See Appendix, Slide 85
Improved Diversity in FY2018

ENERGY EFFICIENCY
- Large Retailers
- Hospitality
- Office Buildings
- Recreation

NATURAL RESOURCES
- Oil & Gas (onshore and offshore)
- Land Rigs
- Water Conversion
- Gas Compression

RENEWABLE ENERGY
- Wastewater Treatment Plants
- Farm Digesters
- Landfills
- Food Processing Plants

CRITICAL POWER SUPPLY
- Data Centers
- Hospitals
- Telecom
- Power Rentals

MICROGRID
- Manufacturing
- Retail
- Hospitality
- Data Center
Microturbines Are Going Global

Capstone has transformed from a small single product, single market, U.S. only business to a global multi-product, multi-market comprehensive product & services enterprise.

NEW MANAGEMENT TEAM

TOTAL 893 MW SHIPPED

Cumulative MW Shipped by Global Region, by Fiscal Year

- Latin America
- North America
- Russia
- Europe
- Africa
- Middle East
- Asia
- Australia
**FY2018 Delivered on Capstone Value Proposition**

**RESILIENCY**
96.4% Global Availability in FY18

**CARBON SAVINGS**
FY18 314,000 Tons in Carbon Savings

**FINANCIAL SAVINGS**
$194 Million Dollars Saved in FY18
Q2 FY2019 Business Highlights

- Product revenue year-over-year increase of approximately 22%
- Product revenue was the highest in five quarters
- Total revenue for the quarter increased approximately 12% year-over-year
- Cash usage during the quarter was 78% lower compared to same period last year
- Book-to-bill ratio was 0.7:1 for the second quarter up from year-ago second quarter, which was a 0.5:1
- Previously negotiated royalty settlement of $3 million was paid in full to Carrier during the quarter

Q2 FY2019 Continued Strong Execution of Management’s Growth Strategy
CAPSTONE FUTURE BUSINESS
Microturbines Are Benefitting from Multiple Growth Catalysts

- Corporate Focus on Reducing Costs
- Sustained Low Cost Natural Gas
- Increasing Microgrid Adoption
- New Gas Flaring Regulations
- New Engine Emissions Requirements
- Green Building & Energy Efficiency (LEED)
- Severe Weather – Hurricanes & Floods
- Increasing Global Crude Oil Prices
- Federal & State Subsidies
- Electrification of Emerging Markets
U.S. CHP Installations by Technology
100 kW – 5 MW

Source: ICF International
Total Revenues
Fiscal 2007 - 2018

Fiscal Year


Total Revenues

2007: $21.0
2008: $31.3
2009: $43.9
2010: $61.6
2011: $81.9
2012: $81.9
2013: $127.6
2014: $133.1
2015: $115.5
2016: $85.2
2017: $77.2
2018: $82.8
1. **Improve quarterly working capital, cash flow and balance sheet**
   - New “Bundled Solutions” program
   - Continued “War on Costs” and increased distributor marketing effort
   - Increased margins in aftermarket accessories, parts and service business
   - Continue to collect the fully reserved BPC receivable

2. **Double digit revenue growth through accelerating global product sales**
   - Increased marketing and customer acquisition with new Distributor Support System initiative

3. **Continued diversification into new market verticals and new geographies**
   - Product modification for Microgrid and Marine markets
   - Continue focus on Africa, Latin America and Middle East
   - Continue to rebuild Russia and CIS Region distributor business

4. **Increased Service/OpEx absorption percentage driving towards targeted 100% absorption**
   - Increased remanufacturing of spare parts in UK and USA
   - Higher FPP attachment rates in oil and gas vertical
   - Sell air bearings into adjacent products and technologies
# Q3FY2018 vs. New Target Business Model

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>Q3 FY2018 Results</th>
<th>Management’s New Target Model</th>
<th>Capstone Initiatives and Management Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microturbine Product</td>
<td>$14.6</td>
<td>$25.0</td>
<td>Crude Oil Strengthening, USD Weakening, Hurricane Activity</td>
</tr>
<tr>
<td>Accessories, Parts &amp; Service</td>
<td>$8.2</td>
<td>$15.0</td>
<td>Higher FPP and Accessory Revenue on CHP Market Growth</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$22.8</strong></td>
<td><strong>$40.0</strong></td>
<td>New Signature Series Products and New Bundled Solution program</td>
</tr>
<tr>
<td>Cost of Good Sold</td>
<td>$17.8</td>
<td>$26.3</td>
<td>Lower Signature Series Cost – Higher Purchase Volumes</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td><strong>$5.0</strong></td>
<td><strong>$13.7</strong></td>
<td>Growing Product Sales &amp; FPP - Lower Warranty and FPP COGS</td>
</tr>
<tr>
<td>Gross Margin Percent</td>
<td>22%</td>
<td>34%</td>
<td>Aftermarket Business Margin Expanding from 42% to 50%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$5.0</strong></td>
<td><strong>$6.0</strong></td>
<td>OpEx up on Increased Marketing Spend and Sales Commissions</td>
</tr>
<tr>
<td>Adjusted EBITDA*</td>
<td>$0.4</td>
<td>$7.7</td>
<td>Minimal Tax Impact with Approx. $678M in Federal NOLs</td>
</tr>
</tbody>
</table>

*See Appendix, Slide 85

**Adjusted EBITDA Grows from 1% to 19% in New Target Model**
Technology Adoption Timelines

30+ HIGHER COST TECHNOLOGIES

Source: Forbes Magazine
CAPSTONE VS. BLOOM ENERGY
## Technology Comparison

<table>
<thead>
<tr>
<th>Technical Performances</th>
<th>Capstone Microturbines</th>
<th>Bloom Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System Designation</strong></td>
<td>-</td>
<td>1 x C1000S</td>
</tr>
<tr>
<td><strong>Baseload Output</strong></td>
<td>kW</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>System Efficiency (LHV)</strong></td>
<td>%</td>
<td>70-85% (power and heat)</td>
</tr>
<tr>
<td><strong>Heat Rate</strong></td>
<td>Btu/kWh</td>
<td>10,300</td>
</tr>
<tr>
<td><strong>CO2 Emissions</strong></td>
<td>lbs./MWh</td>
<td>625</td>
</tr>
<tr>
<td><strong>Weight</strong></td>
<td>Tons</td>
<td>27</td>
</tr>
<tr>
<td><strong>Dimensions (W x D x H)</strong></td>
<td>x'y&quot;</td>
<td>9'9&quot; x 30' x 13'11&quot;</td>
</tr>
<tr>
<td><strong>Noise</strong></td>
<td>dBA</td>
<td>&lt; 85 @ 3.3 feet</td>
</tr>
<tr>
<td><strong>Heat Recovery</strong></td>
<td>kW</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Inlet Fuel Pressure</strong></td>
<td>psig</td>
<td>75-80</td>
</tr>
</tbody>
</table>
## Technology Comparison (cont.)

<table>
<thead>
<tr>
<th>Operations</th>
<th>Capstone Microturbines</th>
<th>Bloom Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Flexibility</td>
<td>Natural gas, biogas, landfill gas, digester gas, sour gas, associated gas, LPG, propane, butane, liquid fuel, etc.</td>
<td>Natural gas, biogas (high sensitivity to sulfur in fuels)</td>
</tr>
<tr>
<td>Load Flexibility</td>
<td>High efficiency over wide operating range, part load power redundancy</td>
<td>High operating temperature requires long start-up times and limits load following applications</td>
</tr>
<tr>
<td>Annual Power Production</td>
<td>MWh</td>
<td>8,754</td>
</tr>
<tr>
<td>Annual Heat Production</td>
<td>MWh</td>
<td>13,130</td>
</tr>
<tr>
<td>Annual Fuel Consumption</td>
<td>MMbtu</td>
<td>90,200</td>
</tr>
<tr>
<td>Power Availability</td>
<td>-</td>
<td>99% availability</td>
</tr>
<tr>
<td>Service Downtime</td>
<td>day/year</td>
<td>0.25</td>
</tr>
<tr>
<td>Product Life Expectancy</td>
<td>Years</td>
<td>20</td>
</tr>
<tr>
<td>Installation Base</td>
<td>MW</td>
<td>893 MW</td>
</tr>
</tbody>
</table>
## Technology Comparison (cont.)

### Economics

<table>
<thead>
<tr>
<th></th>
<th>Capstone Microturbines</th>
<th>Bloom Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total System Cost $/kW</td>
<td>2,100</td>
<td>6,440</td>
</tr>
<tr>
<td>Investment Tax Credit $/kW</td>
<td>210</td>
<td>1,930</td>
</tr>
<tr>
<td>Annual Maintenance Cost $/kW</td>
<td>140</td>
<td>200</td>
</tr>
</tbody>
</table>

### Simple Payback Comparison @ Gas Price = 6 $/MMBtu

![Graph showing simple payback comparison](image)
## Capstone vs. Bloom Energy
### Financial Comparison

<table>
<thead>
<tr>
<th>Amounts in millions, except megawatts</th>
<th>Capstone(1) (Nasdaq: CPST)</th>
<th>Bloom Energy(2) (NYSE: BE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$83</td>
<td>$376</td>
</tr>
<tr>
<td>Product Revenue</td>
<td>$51</td>
<td>$180</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>18%</td>
<td>(5%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>($8)</td>
<td>($66)</td>
</tr>
<tr>
<td>Enterprise Value (EV)</td>
<td>$71</td>
<td>$2,219 at IPO Midpoint</td>
</tr>
<tr>
<td>EV/Revenue</td>
<td>0.9x</td>
<td>5.9x</td>
</tr>
<tr>
<td>Megawatts Deployed</td>
<td>49.3</td>
<td>62.2</td>
</tr>
<tr>
<td>Revenue per megawatt</td>
<td>$1.0</td>
<td>$4.0</td>
</tr>
<tr>
<td>Market Cap</td>
<td>$65.2</td>
<td>$1,485 at IPO Midpoint</td>
</tr>
<tr>
<td>Cash, Cash Equiv. &amp; Restricted</td>
<td>$19</td>
<td>$207</td>
</tr>
<tr>
<td>Debt</td>
<td>$9</td>
<td>$941</td>
</tr>
</tbody>
</table>

(1) Source: Capstone Turbine Corporation June 2018 Form 10-K filing
(2) Source: Bloom Energy Corporation June 2018 Form S-1/A filing
New Air Bearing Business

- **Approach** – Offer existing Capstone air bearings plus engineering support to qualified non-competitive companies for integration into their products

- **Application** – Using existing Capstone air bearings requires customer product redesign and qualification

- Interested Companies Include:
  - Solar energy turbine company
  - Motor company, turbocharger manufacturer
  - ORC vapor compression company
  - Auxiliary power unit manufacturer
  - Fuel cell air compressor company
  - Air compressor
  - Turbine expander
  - Food processing blower
  - Downhole pump

- **First Commercial Success Timeline with Praxair:**
  - Feasibility discussions started 2009
  - First development parts order 2013
  - Second development parts order 2015
  - Production order for bearing sets 2018
SALES & MARKETING

Jim Crouse
Executive Vice President, Sales & Marketing
MARKET SEGMENTS
In FY18 Energy Efficiency was 47% of our Total Revenue

ENERGY EFFICIENCY

- Energy efficiency is utilization of both electrical and thermal energy.
- Capstone microturbines can be integrated to capture thermal energy to provide a significant economic advantage.
- Broad Suite of Applications:
  - Large Retailers
  - Hospitality
  - Office Buildings
  - Recreation
- Recent REIT LEED Buildings:
  - Related Properties
  - Tishman Speyer
  - Brandywine
  - Capreit
In FY18 Oil & Gas was 38% of our Total Revenue

**OIL & GAS**

- Capstone microturbines are currently used in all phases of oil production including upstream, midstream, and downstream operations in both onshore and offshore applications.

- Broad Suite of Applications:
  - Oil & Gas (onshore/offshore)
  - Land Rigs
  - Water Conversion
  - Gas Compression

- Recent Oil & Gas Customers:
  - EQT Corporation
  - California Resource Corp
  - Williams Companies
  - Anadarko Petroleum
  - Gazprom
  - Occidental Petroleum
  - Pioneer Natural Resources
  - Pacific Coast Resources
  - Shell
Capstone microturbines are able to cleanly and effectively run on methane gas from landfills, wastewater treatment facilities and food processing facilities, as well as agriculture waste.

- **Broad Suite of Applications:**
  - Wastewater Treatment Plants
  - Farm Digesters
  - Landfills
  - Food Processing Plants

- **Recent Renewable Installations:**
  - City of Durango WWTP
  - Oneida County WWTP
  - Dallas WWTP
  - Tuscany WWTP
  - Carmel WWTP
  - Taiwan Swine Farms
  - Malaysian Palm Oil Farms
CRITICAL POWER SUPPLY

- Mission critical facilities require a power generation solution that is more reliable and efficient than what a typical utility can provide.

- Microturbine-powered Uninterruptible Power Source (UPS) solution that delivers the reliability and performance.

- Recent Critical Power Installations:
  - Intel Data Center
  - Kaiser Hospital, Downey
  - Memorial Sloan Kettering
  - Kings County Hospital
  - Pertimina Hospital
  - Dryden Hospital
  - Auburn Hospital

In FY18 Critical Power was 4% of our Total Revenue
A microgrid is a distribution network that incorporates a variety of possible distributed energy resources that can be optimized and aggregated into a single system that can balance loads and generation with or without energy storage and is capable of islanding whether connected or not connected to a traditional utility power grid.

- Multiple generation resources and loads
- Clearly defined electrical boundaries to a utility grid
- Able to operate island mode
- Controllable as a single entity

Recent Microgrid Installations:
- Goldwind, China
- Sierra Nevada Brewery
- Open Access Technology Int.
- Plaza Extra Supermarket
- Philadelphia Navy Yard
- Gordon Bubolz Nature Center
- Mali, Africa
MOBILE PRODUCTS

- Electric vehicles are clean and efficient, but limited in the distance they can travel between battery charges.

- Capstone microturbines can be used in marine applications to provide onboard auxiliary power or as a range extender for both luxury yachts and commercial vessels.

Current List of Active Discussions:
- Transit Buses
- Heavy-duty Trucks
- Hybrid Electric Vehicles
- HEV Charging Stations
- Work Boats
- Cargo Ships

In FY18 Mobile Products were Customer Demonstrations Only
PRODUCT OVERVIEW
Product Lineup

<table>
<thead>
<tr>
<th>Features</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only one moving part</td>
<td>Longer service intervals, low operating cost</td>
</tr>
<tr>
<td>Patented air bearing technology</td>
<td>No lubricants or coolants needed</td>
</tr>
<tr>
<td>Stand alone or grid connect</td>
<td>Multiple applications and industries</td>
</tr>
<tr>
<td>Wide fuel range</td>
<td>Operates on gaseous, renewable, and liquid fuels</td>
</tr>
<tr>
<td>High power density</td>
<td>Compact footprint, small modular design</td>
</tr>
<tr>
<td>Advanced Combustion Controls</td>
<td>Low emissions, no exhaust aftertreatment</td>
</tr>
<tr>
<td>Clean waste heat</td>
<td>Thermal energy for cogeneration/trigeneration</td>
</tr>
<tr>
<td>Remote monitoring</td>
<td>View performance and diagnostic 24/7</td>
</tr>
</tbody>
</table>
Engine Components

- Simple System: only one moving part
- No liquid, oils or coolants needed due to patented air bearing technology
- No oil consumption or disposal
- Air bearings are maintenance free
- Cleaner exhaust emissions
- Inverter-based power electronics
DISTRIBUTOR SUPPORT PROGRAM
Capstone has a network of:

- Strong
- Motivated
- Capable
- Dedicated Distributors
Supports mutual growth via:

- Communication
  - Capstone to Distribution
  - Distribution to Capstone
  - Distributor to Distributor
- Market Education
- Lead Generation
- Market Analysis
- Business Plan Development
- Training
  - Sales/Product
  - Applications
  - ASP
- Sharing of success stories
  - Share file case studies
  - White papers
- Sharing of best practices
Distributor Support Program

- Annual 2% fee charged to distributors based on their previous calendar year annual revenue to Capstone
  - Floor of $5,000 for new distributors

- Includes:
  - Regularly scheduled ASP, Applications or sales training
  - Software licenses required to be a Capstone distributor
  - Basic distributor website and hosting with content linked to Capstone
  - Business development (e.g. business analysis for growth, joint sales and marketing events, corporate membership in industry organizations, policy/regulatory advocacy, etc.)
  - Lead generation and brand awareness (e.g. case studies, ads, newsletters, press releases, social media, expanded reference site list)
  - Marketing services (e.g. graphic design resources for logos, graphics, marketing collateral, posters, business cards, web banners, etc.)
Paths to Future Growth

Capstone Turbine

Distributor

OEM

National Accounts

Direct

OEM

Key Accounts

National Accounts
U.S. CHP OVERVIEW & CHP GROWTH OPPORTUNITIES
CHP Market Sectors

Industrial CHP Sector

- E.g. refineries, food processing facilities, and manufacturing facilities
- In 2013, installed global capacity reached $19.7 billion annual revenue (317.9 GW)
- Expected to realize moderate to strong growth during the next decade
- New capacity additions are expected to average 16.3 GW per year
- By 2023, the market is expected to reach $29.8 billion in annual revenue (483.7 GW)

Source: Navigant Research, 2014

Commercial CHP (comCHP) Sector

- E.g. hospitals, universities, hotels, high rises, airports, etc.
- In 2015, installed global capacity reached $3.5 billion in annual revenue (~33 GW)
- Global average capacity is ~2 MW per installation
- Experiencing steadily increasing growth
- Expansion fueled in by rapidly urbanizing populations (esp. China)
- Small and large commercial buildings are expected to gain increasing market share over the next decade
- By 2024, the market is expected to reach >$14 billion in annual revenue (74.4 GW)

Source: Navigant Research, 2015
U.S. Technical Potential by State (100 kW – 5 MW)

ICF CHP Technical Potential Database, 2017
Electricity Prices on The Rise

Average Electricity Price for Commercial Customers

Projected 20 Year Growth in Electricity Prices

Energy Information Administration, Electricity Price Data, 2017 and Annual Energy Outlook
Major Utility Power Outages, 2010-2016

Source: U.S. DOE
Microturbines Benefiting From New Incentives

At least 20 utilities are administering incentive programs specifically for CHP

Source: ICF International
Distributed Generation Benefits with CHP Capacity Additions

Growth in Overall CHP Market Driven by Smaller Commercial Applications

Source: ICF International internal forecast using our CHPower model to calculate the expected CHP deployment through the U.S. over the next decade. The increase is mainly due to an increased spark spread caused by stable gas prices and increasing electric rates.
Trends in CHP

- Move Toward Smaller, Packaged Systems
- Utility Involvement
  - CHP Programs in EE Portfolios
  - Ownership of CHP at customer sites
- Electrification and Renewable Energy Trends – What role can CHP play?
  - Hybrid CHP/Renewable Systems
  - Resilience for Microgrids
  - Flexible CHP
The Logan Philadelphia Hotel

- Curio Collection by Hilton, formerly Four Seasons
- 391 rooms and suites, 8 stories
- Amenities:
  - Restaurant
  - Bar/lounge (indoor and rooftop)
  - Laundry/dry cleaning
  - Fitness center, business center
  - Pool, spa
  - 14,000 sqft of event space
- Connected to utility electrical grid
- Importing district heat (hot water, steam) and consuming natural gas
- Running (x3) Capstone C65 ICHP commissioned in 2009
Energy Displacement

Note: Chilled water for space cooling is provided by the adjacent building, the electrical load profile does not reflect any space cooling load.
Central Thermal System Installation
Project Key Highlights

- **Project economics (based on 2008 energy rates):**
  - ROI = 4.2 years
  - 30% savings on energy bills

- **Environmental Benefits:**
  - 425 metric tons of CO2 equivalent emissions are avoided each year, equivalent to 70 cars removed off the road
  - 44% district steam import savings, which equals to 1,000 gallons of potable water saved per year

- **Energy Efficiency:**
  - Source energy use intensity decreased by 20%
  - Very high likelihood to satisfy Energy Star certification requirements if 1-2 additional microturbines are installed

- **TripAdvisor:**
  - Green Leaders Partners, Bronze level award
  - Rank #11 Green Hotel in Philadelphia
The Logan Philadelphia Hotel

- **New Urbanism with Capstone**

- A thriving example of successful initiative

“Assembly Rooftop Lounge” opened in April 2016.

Planned herb garden which would supply the hotel’s restaurant “Urban Farmer”.

(x3) Capstone C65 ICHP in operation at a 100 ft distance from the lounge and directly above presidential suites.
AFTERMARKET SERVICE BUSINESS

Jeff Foster
Senior Vice President, Customer Service
Aftermarket Parts & Service (AP&S) Business Summary

• Capstone’s Aftermarket Business Overview
  – Delivering through a Worldwide Distribution Enterprise:
    ➢ Warranty parts & service
    ➢ Factory Protection Plans (FPP)
    ➢ Spare Parts
    ➢ Training
    ➢ Installation & Commissioning Support
    ➢ Overhauls & Upgrades
    ➢ Service Management Tools & Software
    ➢ Technical Services

• Capstone’s Aftermarket Key Performance Indicators (KPIs)
  – Availability ($A_0$)
  – Mean Time to Repair (MTTR)
  – Customer Satisfaction

• Dedicated Team of 30 Service, Quality, and IT Professionals
  – Plus hundred's more within Worldwide Distribution
• >9,000 Units Shipped Enabling Scalability
  ‒ Growing Revenue: Up 11% FY17 to FY18
    FY17 – $28.9M
    FY18 – $32M (+$3.1M)
  ‒ Growing Gross Margin: Up 39% FY17 to FY18
    • FY17 – $8.7M
    • FY18 – $12.1M (+$3.4M)

• Healthy FPP Contract Backlog (>6 years)
  ‒ >226MW placed under FPP contract in past 10 years, increasing FPP attachment rate:
    • From 32% to 37%

• Lower Product Warranty Expense
  ‒ After Signature Series product launch: <1.5%
Aftermarket AP&S Today Has Grown to Cover 77% OpEx vs. the Goal of 100%

Capstone Absorption Strategy

Aftermarket Accessories, Parts and Service (AP&S)/OPEX Absorption Timeline vs. Net Loss Timeline

- FY18 Q3/Q4 POSITIVE ADJUSTED EBITDA
- 25% ABSORPTION
- 77% ABSORPTION
- 100% ABSORPTION

Capstone OPEX ($M) and Capstone AP&S Gross Margin ($M)
Aftermarket Parts & Service (AP&S) Operational Summary

Increasing Aftermarket Support

• Expanding Capstone UK Service Hub
  • Growing remanufacturing capability
  • Increase testing capability
  • Lowering logistics costs

• Improved Product Availability
  • Flagship C200/C1000: 96% (Trailing 12 months)
  • Legacy C30/C65: 98% (Trailing 12 months)

• Improved Alignment Between Sales, Operations and Aftermarket
  • Bundled Solutions (Product + Accessories + FPP)

Capstone UK (Serving EMEA)

Improved Availability (Trailing 12 months)

<table>
<thead>
<tr>
<th>System Availability Monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
</tr>
<tr>
<td>Grand Average</td>
</tr>
</tbody>
</table>
Aftermarket Parts & Service (AP&S) Future

Capstone’s Aftermarket Strategic Areas of Interest

- Full absorption of all Capstone G&A
  - >50% Gross Margin
  - Increased Remanufacturing Capability
  - Mature & Capable Distributors
  - Optimized Delivery & Shipping

- State of the Art Long Term Service Programs
  - Increased Adoption of FPP
  - Innovative FPP options to accommodate different geographic and market verticals

- Growing Refurbishment Fleet
- Ever-improving Remote Monitoring Capabilities
- 100% Paperwork Reduction

World Class Customer Service for all Capstone Turbine Corporation Customers
OPERATIONS UPDATE

Kirk Petty
Vice President, Manufacturing
OPERATIONS OVERVIEW
Capstone’s Operations Model

Achieving Competitive Advantage

- First to Market / Short Product Lead Times
- Lower DMC & Overall Product Costs
- Lean Manufacturing / Waste Reduction
- Driving Margin Improvements into Aftermarket

Serve All Our Customers

Win The War on Costs
Operations Goals & Objectives

- **Develop Supplier Relationships and Partnerships**
  - Secure Long-Term Agreements with Critical Suppliers
  - Work with those that want to grow with us
  - Consolidate and Vertically Integrate Processes & Tier I

- **Manufacturing: Do What Makes Sense**
  - Leverage our core competencies
  - Find cost-effective solutions to non-core competencies
  - Cost reduction and Waste Elimination
  - Expand Aftermarket Capability and Capacity

- **Improve our Processes**
  - Focus on communication improvement
  - Leverage best-in-class technology
  - Train and Improve our People
FY2018 OPERATIONS ACHIEVEMENTS
# Operations Achievements

<table>
<thead>
<tr>
<th>Goals &amp; Objectives</th>
<th>Then (FY17)</th>
<th>Now (FY18)</th>
<th>Results</th>
</tr>
</thead>
</table>
| 1) Reorganize and restructure to meet business needs | - No Dedicated Reman Op.  
- Lots of titles, unclear roles  
- Fragmented Structure | - Functional Reman Dept.  
- Consolidated Roles  
- Clear Org Structure | 1) Increased Capacity, Production and Service Output, reduced waste |
| 2) Achieve Build Linearity | - No Daily or Qtrly Build Plans  
- FY17 Linearity <25%  
- FY18 Overtime out of control | - 3 year, Qtrly, and Daily Plans  
- FY18 Linearity ↑ >75%  
- FY18 Overtime ↓ >50% | 2) An informed organization, reduced overtime and increased linear outputs |
| 3) Reduce Waste (Lean) | - Two dispersed facilities  
- Unorganized workflow | - Facility Move Completed in four months  
- Lean, Linear, optimized workflow | 3) Reduced cycle times and increased capacity |
| 4) Increase Focus on Daily Issues | - “Surprise” shortages  
- Siloes hindering progress  
- Slow response to changes | - Daily Shortage Boards  
- Collaborative Team Meetings | 4) A learning organization that collaborates to address issues in a timely manner |
| 5) Capstone Culture: Increase Morale and Team Spirit | - Less than Ideal Morale  
- Less than Ideal Teamwork  
- No Performance Standards or Measurement | - Improved Camaraderie  
- Establishing a “One Capstone” culture  
- Performance Standards and Accountability in place | 5) A workforce that understands its value and is pleased to come to Capstone each day and contribute |
| 6) Improve Vendor Relationships | - Only 5% of spend under LTA  
- On the “exit” with several Class “A” part suppliers | - Now 35% of spend under LTA  
- Reestablished positive collaboration with critical vendors | 6) More secure component deliveries with cost-reductions built into LTAs |
FACILITY CONSOLIDATION OVERVIEW
Facility Move Summary

Facility Move Completed: November 2017

Consolidated Product Lines

C200 / C1000 Work Cells

Finance

Operations

Information Technology

Sales & Marketing

Quality

Remanufacturing Work Cells

C30 / C65 Work Cells

Warehouse

Shipping

Technical Services & Training

Customer Service

Engineering

Executive Offices
## Capacity Assessment (Qtr)

<table>
<thead>
<tr>
<th>Production Line</th>
<th>Design Quarter Capacity</th>
<th>Yield/Efficiency</th>
<th>Effective Capacity</th>
<th>Current</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1000 Sys</td>
<td>24</td>
<td>100%</td>
<td>24</td>
<td>12</td>
<td>50%</td>
</tr>
<tr>
<td>C65 Sys</td>
<td>180</td>
<td>100%</td>
<td>180</td>
<td>45</td>
<td>25%</td>
</tr>
<tr>
<td>C200 Engines</td>
<td>390</td>
<td>50%</td>
<td>195</td>
<td>110</td>
<td>56%</td>
</tr>
<tr>
<td>Recuperator Cores</td>
<td>169</td>
<td>98%</td>
<td>166</td>
<td>143</td>
<td>86%</td>
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</table>

### +2nd Shift

<table>
<thead>
<tr>
<th>Production Line</th>
<th>Design Quarter Capacity (2 Shifts)</th>
<th>Yield/Efficiency</th>
<th>Effective Capacity</th>
<th>Current</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1000 Sys</td>
<td>48</td>
<td>100%</td>
<td>48</td>
<td>12</td>
<td>25%</td>
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<tr>
<td>C65 Sys</td>
<td>360</td>
<td>100%</td>
<td>360</td>
<td>45</td>
<td>13%</td>
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<tr>
<td>C200 Engines</td>
<td>780</td>
<td>50%</td>
<td>390</td>
<td>110</td>
<td>28%</td>
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<tr>
<td>Recuperator Cores</td>
<td>338</td>
<td>98%</td>
<td>331</td>
<td>143</td>
<td>43%</td>
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</table>

### 3rd Shift

<table>
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<tr>
<th>Production Line</th>
<th>Design Quarter Capacity (2 Shifts)</th>
<th>Yield/Efficiency</th>
<th>Effective Capacity</th>
<th>Current</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1000 Sys</td>
<td>67</td>
<td>100%</td>
<td>67</td>
<td>12</td>
<td>18%</td>
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<tr>
<td>C65 Sys</td>
<td>504</td>
<td>100%</td>
<td>504</td>
<td>45</td>
<td>9%</td>
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<tr>
<td>C200 Engines</td>
<td>1092</td>
<td>50%</td>
<td>546</td>
<td>110</td>
<td>20%</td>
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<tr>
<td>Recuperator Cores</td>
<td>473</td>
<td>98%</td>
<td>464</td>
<td>143</td>
<td>31%</td>
</tr>
</tbody>
</table>
SUPPLY CHAIN DEVELOPMENT
Majority of Spend Involves Domestic Sourcing of Recuperators & Machined Parts
Top 25 Vendors Account for Largest Partnerships...We Can Move More to These Partners
2019 Supplier Relationship Improvements

- Externally facing “Supplier Portal” incorporated on our corporate website
- 2019 Supplier Symposium hosted by Capstone Turbine
DMC FUTURE ROADMAP
Fighting the DMC Battle...

Steel Component Content:
- All Enclosures & Frames ~100%
- HRM Cores
  - Moving to 100%
- Fuel Lines ~100%

Copper Component Content:
- High Power Cabling ~ 100%

Mitigation Strategy:
- LTAs
- Volume Incentives
- DMC Offsets
- Vertical Integration
- Supplier Consolidation
OPERATIONS CULTURE IMPROVEMENTS
### CROSS FUNCTIONAL TRAINING

THE TRAINING MATRIX TRACKS EMPLOYEES
- CURRENT SKILL LEVEL
- TRAINING COMPLETED
- TRAINING PROGRESS

<table>
<thead>
<tr>
<th>Start Date</th>
<th>Department Cert</th>
<th>Process Certs</th>
<th>Technician</th>
<th>Area Procedure</th>
<th>Qualified</th>
<th>Hours Trained</th>
<th>Hours required</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/15/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C65 Powerhead build</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 ECM / LCM Installation</td>
<td>No</td>
<td>4</td>
<td>24</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 ECM Installation</td>
<td>No</td>
<td>4</td>
<td>24</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 Battery Installation</td>
<td>No</td>
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<td>24</td>
</tr>
<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 UCB Installation</td>
<td>No</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 FMM Installation</td>
<td>No</td>
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<td>24</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C30 / C65 FMM Build</td>
<td>No</td>
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<td>40</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 UCB Box Build</td>
<td>No</td>
<td>0</td>
<td>40</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 Display, Fuel Lines and Cable Installation</td>
<td>No</td>
<td>4</td>
<td>40</td>
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<tr>
<td>5/21/18</td>
<td>C65/C30 Line</td>
<td>C65 System Build</td>
<td>Francis Hakakha</td>
<td>C65 Engine Installation</td>
<td>No</td>
<td>16</td>
<td>40</td>
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<tr>
<td>3/15/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C65 Recuperator build</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>3/15/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C65 Powerhead and Recuperator integration</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>3/15/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C65 Magnatizing and Assembly</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2/12/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C30 / C65 Thrust Foils Coining</td>
<td>Yes</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>4/8/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C30 / C65 Bearing Assemblies</td>
<td>No</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td>2/12/18</td>
<td>C65/C30 Line</td>
<td>C65 Engine Build</td>
<td>Francis Hakakha</td>
<td>C65 Powerhead Build</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>3/12/18</td>
<td>Reman (xv. 4 N/A)</td>
<td>Reman Process</td>
<td>Francis Hakakha</td>
<td>C65 Tear Down</td>
<td>Yes</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>3/12/18</td>
<td>Reman (xv. 4 N/A)</td>
<td>Reman Process</td>
<td>Francis Hakakha</td>
<td>C200 Reman. V. Th. Repair</td>
<td>No</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>3/12/17</td>
<td>Reman (xv. 4 N/A)</td>
<td>Reman Process</td>
<td>Francis Hakakha</td>
<td>C200 Magshaft Evaluation</td>
<td>Yes</td>
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<td>24</td>
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<tr>
<td>3/12/17</td>
<td>Reman (xv. 4 N/A)</td>
<td>Reman Process</td>
<td>Francis Hakakha</td>
<td>C200 Thrust Shaft &amp; Rotor Shaft Rework</td>
<td>Yes</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>3/12/17</td>
<td>Reman (xv. 4 N/A)</td>
<td>Reman Process</td>
<td>Francis Hakakha</td>
<td>C200 Tear Down</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>3/12/17</td>
<td>Reman (xv. 4 N/A)</td>
<td>Reman Process</td>
<td>Francis Hakakha</td>
<td>Cleaning Processes</td>
<td>Yes</td>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>
Kaizen Event – C65 VWIs

Cross-Departmental Effort, 30+ New Work Instructions in Two Days
Trained 22 New Six Sigma Green Belts To Help Drive Improvement Projects
PROGRAMS & ROADMAP

Darren Jamison
New Technology Roadmap

6 STEPS TO SUCCESS

C65 SIGNATURE SERIES
Integration of improvements and features from the C1000S Series along with improved Microgrid and battery storage capabilities

UNIVERSAL BOARDS
Modernizing microturbine electronics with state-of-the-art technology & communications for improved reliability & performance

NEW FUELS CAPABILITIES
High energy content fuels for all microturbine systems

NEW C250S & C1250S
New microturbine architecture for improved Power, Efficiency and Cost per kW

MICROGRID PRODUCT
Plug and play Microgrid product for integration in a wide range of Microgrid applications

ADVANCED TECHNOLOGY
Productizing organically developed technology improvements for both microturbine system and microturbine accessory performance gains and improved reliability, improved maintainability and lower first cost

High energy content fuels for all microturbine systems
Q&A
CAPSTONE FACTORY TOUR

Kirk Petty
APPENDIX
To supplement the Company’s unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used EBITDA and Adjusted EBITDA, non-GAAP measures. These non-GAAP measures are among the indicators management uses as a basis for evaluating the Company’s financial performance as well as for forecasting future periods. Management establishes performance targets, annual budgets and makes operating decisions based in part upon these metrics. Accordingly, disclosure of these non-GAAP measures provides investors with the same information that management uses to understand the Company’s economic performance year-over-year. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or other measures prepared in accordance with GAAP.

EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA before stock-based compensation expense, restructuring charges, leadership incentive program, the change in warrant valuation and warrant issuance expenses. Restructuring charges includes facility consolidation costs and one-time costs related to the company’s cost reduction initiatives. Leadership incentive program is the payout to the company’s executive leadership team upon successfully achieving positive Adjusted EBITDA for two consecutive quarters. This program was put into place only for fiscal 2018 and as such it is included in the Adjusted EBITDA items for this one-time program. EBITDA and Adjusted EBITDA are not measures of the company’s liquidity or financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of its liquidity.

While management believes that the non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these measures. The measures are not prepared in accordance with GAAP and may not be directly comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation. Management compensates for these limitations by relying primarily on the company’s GAAP results and by using EBITDA and Adjusted EBITDA only supplementally and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

Non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The Company’s non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company’s consolidated financial statements prepared in accordance with GAAP.

### Reconciliation of Non-GAAP Financial Measure

<table>
<thead>
<tr>
<th>Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA</th>
<th>Three months ended December 31,</th>
<th>Fiscal year ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Net loss, as reported</td>
<td>$(323)</td>
<td>$(10,026)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>170</td>
<td>606</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>—</td>
<td>18</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>272</td>
<td>1,170</td>
</tr>
<tr>
<td>EBITDA</td>
<td>119</td>
<td>(8,232)</td>
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<tr>
<td>Stock-based compensation</td>
<td>102</td>
<td>586</td>
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<tr>
<td>Restructuring charges</td>
<td>58</td>
<td>764</td>
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<tr>
<td>Leadership incentive program</td>
<td>—</td>
<td>981</td>
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<tr>
<td>Change in warrant valuation</td>
<td>84</td>
<td>741</td>
</tr>
<tr>
<td>Warrant issuance expenses</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$363</td>
<td>$(5,160)</td>
</tr>
</tbody>
</table>

To supplement the Company’s unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used EBITDA and Adjusted EBITDA, non-GAAP measures. These non-GAAP measures are among the indicators management uses as a basis for evaluating the Company’s financial performance as well as for forecasting future periods. Management establishes performance targets, annual budgets and makes operating decisions based in part upon these metrics. Accordingly, disclosure of these non-GAAP measures provides investors with the same information that management uses to understand the Company’s economic performance year-over-year. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or other measures prepared in accordance with GAAP.

EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA before stock-based compensation expense, restructuring charges, leadership incentive program, the change in warrant valuation and warrant issuance expenses. Restructuring charges includes facility consolidation costs and one-time costs related to the company’s cost reduction initiatives. Leadership incentive program is the payout to the company’s executive leadership team upon successfully achieving positive Adjusted EBITDA for two consecutive quarters. This program was put into place only for fiscal 2018 and as such it is included in the Adjusted EBITDA items for this one-time program. EBITDA and Adjusted EBITDA are not measures of the company’s liquidity or financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of its liquidity.

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Non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The Company’s non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company’s consolidated financial statements prepared in accordance with GAAP.
For more information on Capstone Turbine Corporation please visit www.capstoneturbine.com