

A wide-angle photograph of a city skyline at sunset. The sun is low on the horizon, casting a golden glow over the water and the buildings. A large steel arch bridge is visible on the right side of the frame. The sky is a mix of blue and orange, with some wispy clouds. The water in the foreground is dark blue with some ripples.

Management Presentation

Reliable power when and where you need it.
Clean and simple.



Safe Harbor Statement



This presentation contains “forward-looking statements” regarding future events or financial performance of the Company, within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

These statements relate to, among other things, achievement of Company’s three-pronged business profitability plan, including: continued cost reductions, adoption of Company’s Signature Series product and accessories offerings, and the success of Capstone Energy Finance; increasing revenues from: geographic and market diversification, Capstone Energy Finance, Aftermarket Service growth, the Sell-to-Win Program, FPP Contracts, new spare parts programs, spare parts price increases, and Signature Series upgrade kits; attainment of Company’s continuous improvement business initiatives, including: capitalizing on Capstone Energy Finance, cost reductions, increase CHP product sales, increase in FPP service revenue, increase in spare parts revenue, closing out of the C200 reliability program, continuous and ongoing product development efforts, balance sheet management and cash burn minimization efforts; and achievement of Adjusted EBITDA breakeven and profitability.

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 Company's Form 10-K, Form 10-Q and other recent filings with the Securities and Exchange Commission that may cause Company's actual results to be materially different from any future results expressed or implied in such statements. Because of the risks and uncertainties, Company cautions you not to place undue reliance on these statements, which speak only as of today. The Company undertakes no obligation, and specifically disclaims any obligation, to release any revision to any forward-looking statements to reflect events or circumstances after the date of this conference call or to reflect the occurrence of unanticipated events.



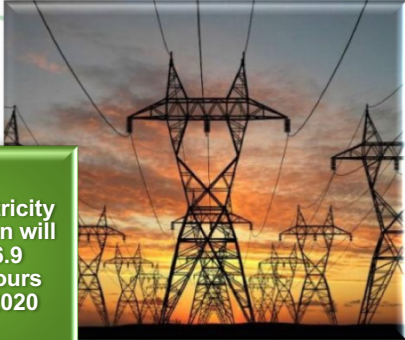
Distributed Generation Megatrend




Driven by attractive economics and resiliency, power users are increasingly searching for ways to reduce their dependence on grid power. Capstone can solve this problem by providing a highly reliable and efficient power source to solve power demand issues for users across numerous industries.



Annual distributed generation power additions will grow to 200 GW in 2020 from 150 GW currently



Global electricity consumption will rise to 26.9 terawatt-hours (Twh) by 2020



Microgrids account for 27 GW of current distributed generation



\$205 billion will be invested in global distributed power generation annually by 2020 - 42% of total power additions



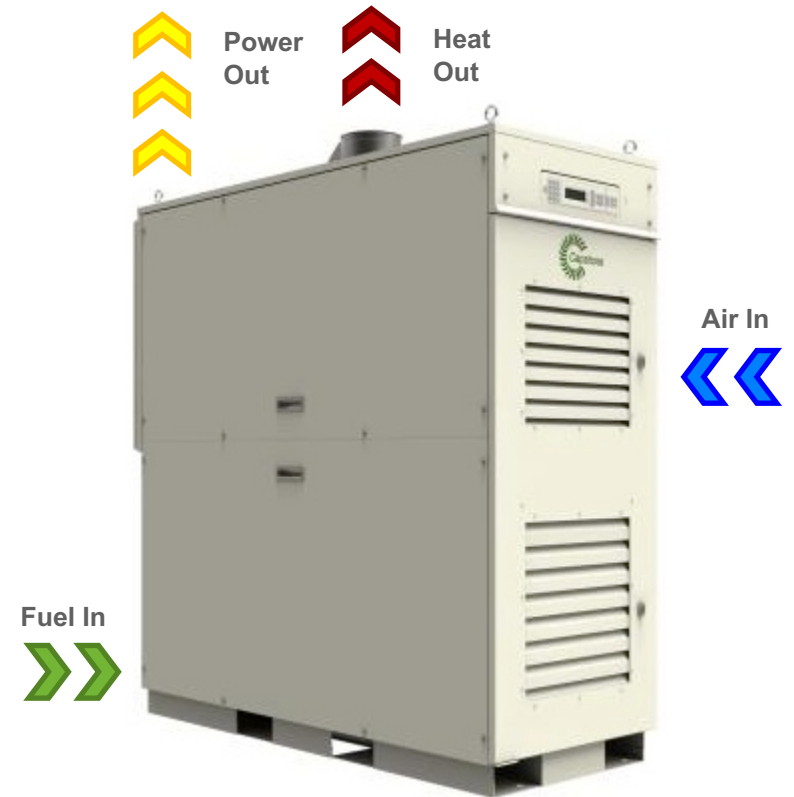
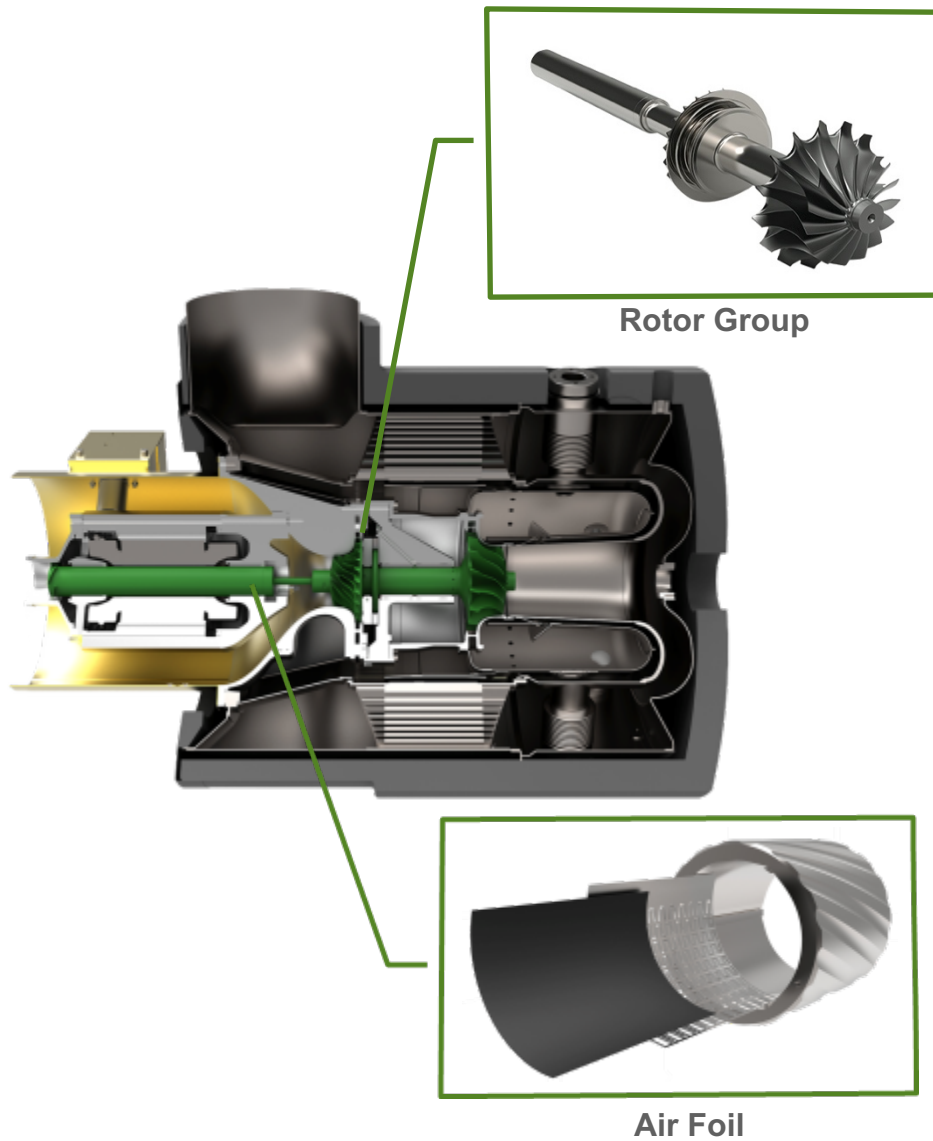
65% of global electricity consumption will be located in emerging markets (Asia, Africa & Middle East) by 2020

Source: GE - Rise of Distributed Power - 2014

Capstone Has Competitive Advantage Over Incumbent Technology.



What is a Microturbine?



CHP/TYPE	EFFICIENCY	
	ELECTRIC	TOTAL
Hot Water	33.0%	85.0%
Steam	33.0%	60.0-95.0%
Chilled Water	33.0%	85.0%



Competitive Advantages



Features

Benefits



Inverter based with one moving part

Factory guaranteed low operating costs



Patented air bearing technology

No lubricants or coolants needed - unmanned projects



Stand alone or grid connect

Supports aging utility infrastructure



Fuel availability

Operates on gaseous, renewable and liquid fuels



High power density

Compact footprint, small modular design



Low emissions

No exhaust aftertreatment



Free clean waste heat

Thermal energy for cogeneration/trigeneration



Remote monitoring

View performance and diagnostics 24/7



Scalable to match demand

Multiple applications and industries



Global Market Verticals



Energy Efficiency



Generate on-site power capture thermal energy from the clean exhaust in CHP and CCHP applications.

- Hotels
- Large Residential Complexes
- Retail Buildings
- Office Buildings



Oil, Gas & Other Natural Resources



Produce on-site power for all phases of oil and gas production in both onshore and offshore applications.

- Drilling Operations
- Flare Gas Reduction
- Gas Compression
- Mining
- Water Conversion



Renewable Energy



Cleanly and efficiently generate onsite power operating on biogas and other waste products to create high-efficiency renewable power and heat.

- Farm Digesters
- Landfills
- Solid Waste Management
- Wastewater Treatment
- Food Waste



Critical Power Supply



Mission critical businesses have an uninterruptible power source with the world's only microturbine-powered UPS solution.

- Data Centers
- Telecom
- Power Rentals
- Hospitals



Transportation



Operate in conjunction with battery packs to provide onboard battery charging and vehicle range extension.

- Commercial Trucks
- Heavy-duty Vehicles
- Supercars
- Transit Buses
- Delivery Vehicles



Marine



Provide onboard power, vessel range extension and utilize thermal energy for onboard heating and cooling.

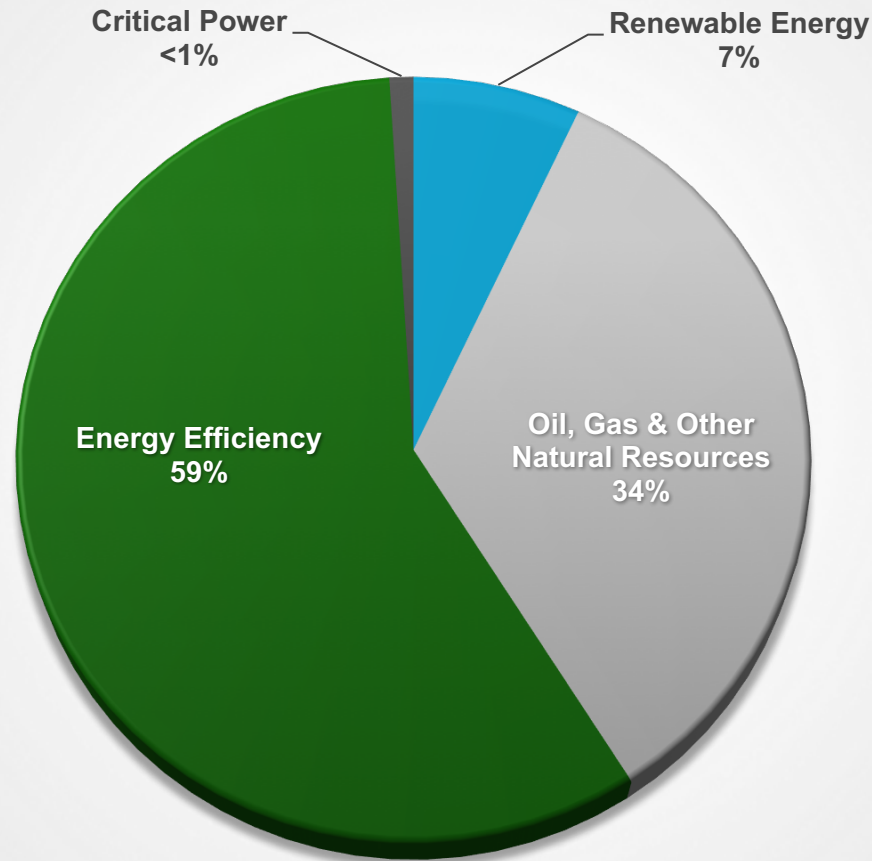
- Work Boats
- Cargo Ships
- Commercial Vessels
- Tour Boats



Market Diversification Initiative



Fiscal Year 2017



Record Energy Efficiency as a Percentage of Sales
Goal is 50%-30%-20%



Examples of New York Metro Area Installations



Energy Efficiency
Residential



Residential Complex
Bronx, New York

Natural gas-fueled combined heat and power (CHP) microturbine provides primary power and hot water to the multi-family residential complex.

(1) C1000 | DM*
1MW Electricity

Projected ROI: 3.5 yrs

Commissioned: 9/16



Energy Efficiency
Healthcare



Residential Healthcare
Wyckoff, New Jersey

Assisted living facility with 292-bed capacity. Four natural gas-fueled microturbines provide combined cooling, heat and power (CCHP) to residents.

(4) C65 | DM*
Absorption Chiller
260kW Electricity

Commissioned: 8/08



Energy Efficiency
Retail



Retail Wine Store
New York, New York

2011 AEE Energy Project winner. Exhaust heat from two microturbines is used to provide 40 tons of chilling year round.

(2) C65 ICHP | GC*
40-Ton Absorption Chiller
130kW Electricity
Projected ROI: 4 yrs

Commissioned: 12/05



Energy Efficiency
Hospitality



Luxury Hotel
New York, New York

Twelve integrated combined heat and power (ICHP) microturbine array supplies electricity and hot water to the building and also feeds an absorption chiller.

(12) C65 ICHP
200-Ton York Absorption Chiller
780kW Electricity
Projected ROI: 4.5 yrs

Commissioned: 10/13



Renewable Energy
Waste Water Treatment



WWTP
New York, New York

Two microturbines fueled by digester gas and natural gas blend provide power and heat to the waste water treatment plant (WWTP).

(2) C65 ICHP
130kW Electricity

Projected ROI: 6 yrs

Commissioned: 9/14



Energy Efficiency
Residential



Residential Complex
New York, New York

Four microturbines provide combined heat and power (CHP) to multi-family high rise building. Also feeds into an integrated heating loop for winter months.

(4) C65 ICHP | GC*
260kW Electricity

Projected ROI: 4 yrs

Commissioned: 12/10

*DM – Dual Mode System (Emergency backup power feature)

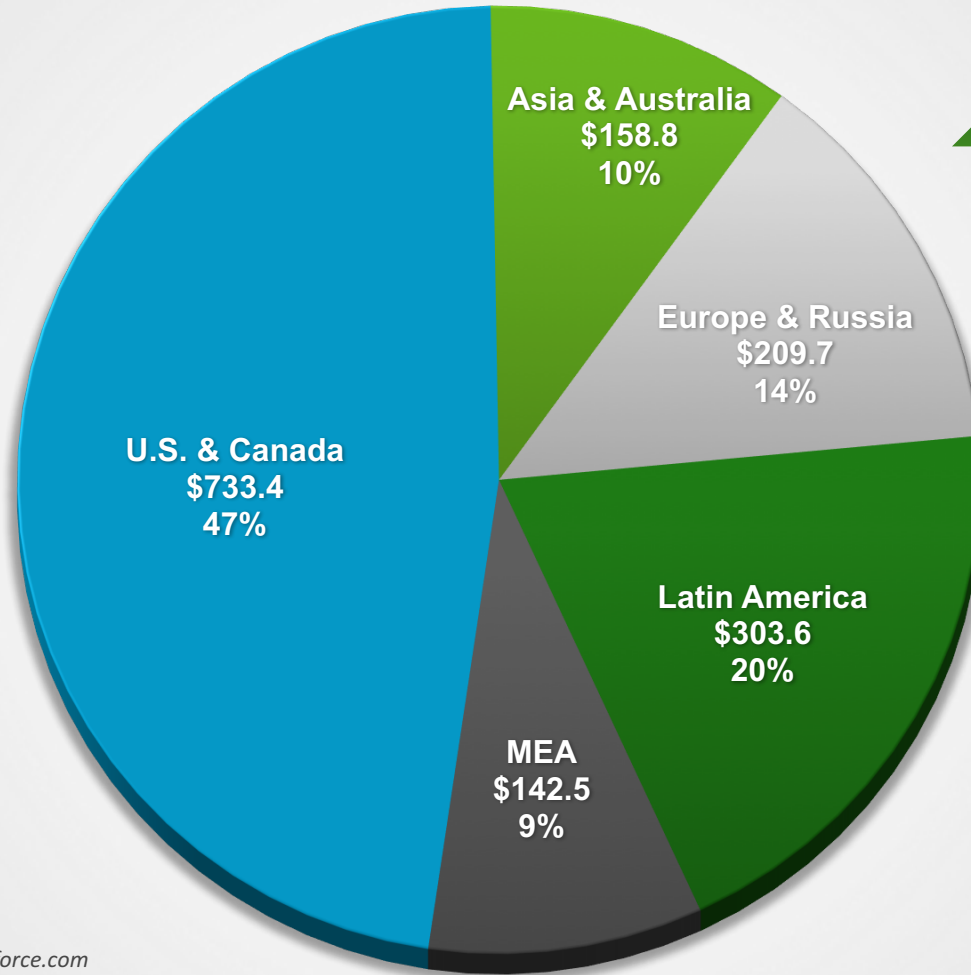
*GC – Grid Connect System

Case Studies can be found on www.capstoneturbine.com/case-studies

Projected ROI estimates are at time of sale



Geographic Diversification Strategic Initiative



Pipeline Up
\$453M
from Q3FY17

Source: Capstone distributors via Salesforce.com
Amounts in millions

Improving Geographic Diversification of \$1.5 Billion Project Pipeline



Financial Highlights of Fiscal 2017 Fourth Quarter



- Total Loss from Operations was the lowest in 14 quarters since the company posted a record \$37 million in quarterly revenues
- Revenue increased 13% to \$22.9 million for the fourth quarter of fiscal 2017 from \$20.2 million for the third quarter of fiscal 2017
- Cash usage, excluding net proceeds from equity issuances, decreased 101% over the prior quarter
- Cash and cash equivalents, including restricted cash, increased \$335,000 in the fourth quarter to \$19.7 million as of March 31, 2017
- Accessories & Parts revenue for the fourth quarter was approximately \$4.3 million, up 16% over prior quarter
- FPP Service revenue for the fourth quarter was approximately \$3.4 million compared with \$3.6 million over prior quarter
- Operating expenses for the quarter was \$6.2 million compared to \$6.1 million over the prior quarter and down \$1.1 million from the same period a year ago
- Booked net product orders of approximately \$20.2 million during the fourth quarter, compared with \$11.5 million booked during the prior quarter
- Book-to-bill ratio of 1.3:1 for the fourth quarter, compared to 0.9:1 book-to-bill ratio in the prior quarter
- FPP long-term service contract backlog of \$77.1 million, despite lower product sales as our energy efficiency customers are entering into service agreements at a higher rate than oil and gas end users



Financial & Market Statistics Comparison



Selected Public Companies

(\$ in millions, except per share data)

Company	Financial Statistics					Market Statistics		
	Revenue	Gross Margin	GM %	OPEX	EDITBA	Market Cap (1)	Cash (2)	Q/Q in Cash
Capstone Turbine Corporation(3)	\$22.9	\$2.1	9%	\$6.2	\$(3.6)	\$22.5	\$19.7	\$0.3
Small-Cap Distribution Generation								
American Superconductor Corp.(4)	16.2	2.8	17%	9.8	(4.8)	61.0	26.8	1.8
FuelCell Energy(5)	20.4	0.4	2%	11.8	(8.8)	63.8	84.1	(17.2)
Maxwell Technologies, Inc.(6)	26.7	6.2	23%	15.2	(7.0)	205.5	20.9	(4.5)
Plug Power Inc.(6)	15.2	(4.5)	-30%	15.1	(19.8)	420.1	26.6	(34.2)
Avg. selected companies	\$19.6	\$1.2	3%	\$13.0	\$(10.1)	\$201.3	\$39.6	\$(13.5)

(1) Source: Nasdaq as of June 9, 2017

(2) Cash, cash equivalents and restricted cash

(3) Source: Capstone Turbine Corporation's June 2017 Form 10-K filing

(4) Source: American Superconductor Corporation's May 2017 Form 10-K filing

(5) Source: FuelCell Energy's June 2017 Form 10-Q filing

(6) Source: Plug Power Inc.'s May 2017 Form 10-Q filing

Capstone Beats Average in All Areas Except Cash and Market Cap



What Do These Companies Have in Common?





Strategic Plan Update



Three-Pronged Capstone Business Profitability Plan



Reduce Breakeven from \$160M at 25% GM to \$100M at 25% GM

Action: Reduce business expenses 35% from Q1 FY2016 levels.

Result: Achieved 42% reduction in operating expenses in Q3 FY2017 from the initial starting point in Q1 FY2016. Dropped operating expenses from \$10.5M to \$6.1M - which is a 14 year low.

Status: GOAL EXCEEDED

Comments: Management plans to focus on continued cost reductions.



Develop New CHP Focused Products & Accelerate Aftermarket Business

Action: Launch new product focused on CHP or Energy Efficiency Markets. Drive FPP and Extended Warranty revenue growth.

Result: Launched new Signature Series product in December 2015 and new FPP and Extended Warranty products.

Status: GOAL ACHIEVED

Comments: New Signature Series is performing well in the field. FPP Backlog business has grown 16% over the last 12 months to \$77.1M.



Finance Solutions to Capture Orders that were Lost from Lack of Capital

Action: Develop a 30% JV with a high net worth individual to provide PPAs to customers who have lack of capital.

Result: Launched Capstone Energy Finance JV in November 2015 and developed \$55M in highly qualified projects.

Status: IN PROCESS

Comments: Added Sky Solar to provide up to \$150M in capital beyond first \$10M. Initial PPAs anticipated in the coming quarters.



Capstone FY2018 Goals



Continuous Improvement Business Initiatives:

- Capitalize on Capstone Energy Finance
- Continue “War on Costs” Initiative
- Increase CHP Product Sales
- Increase FPP Service Revenue
- Increase Spare Parts Revenue
- Complete C200 Reliability Program
- Continue Product Development Roadmap
- Manage Balance Sheet and Minimize Cash Burn
- ***Achieve Adjusted EBITDA* Breakeven in FY2018***



*See Appendix, Slide 28

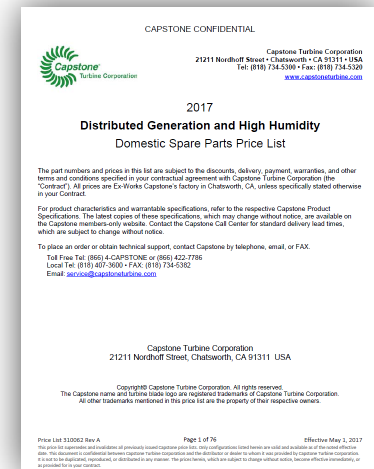
**Leadership Bonus Based on Two Consecutive
Adjusted EBITDA* Positive Quarters**



FY2018 Growth Initiatives



- Launched new “Sell-to-Win” ICHP program
 - **C200S ICHP bundle** - microturbine, heat recovery module and pre-paid FPP contract
 - **C65 ICHP bundle** - microturbine, heat recovery module and pre-paid FPP contract
 - “Sell-to-Win” Drives CHP Product, HRM and FPP Revenue
 - “Sell-to-Win” program positively impacts working capital and cash flow
- Launched special program for FY18 for all future 5 & 9-year FPP contracts that are 100% pre-paid
- Launched program to sell “Signature Series” upgrade kits for older systems
- New Spare Parts price increase (5% domestic, 3% international)
- New creative ways planned to increase the FPP contract attachment rate planned for second half of year
- New Spare Parts programs planned for second half of year



Growth Programs Designed to Improve Both Revenue & Working Capital



“War on Costs” Update



Q4 Operating Expenses (in thousands)	\$ 6,156
Non-recurring Q4 expenses	(224)
Q4 reductions in force	(37)
Adjusted Q4 Operating Expenses	\$ 5,895
Continued Cost Reductions	
Lower cost SEC legal counsel	(93)
Lower cost internal audit and tax provider	(42)
Reduced software licensing expenses	(18)
Other	(50)
	(203)
Average Quarterly Operating Expenses FY2018	\$ 5,692
Estimated Savings from Facility Consolidation	(209)
Average Quarterly Operating Expenses	\$ 5,483

Final Goal is \$5.5M in Quarterly Expense After Facility Consolidation

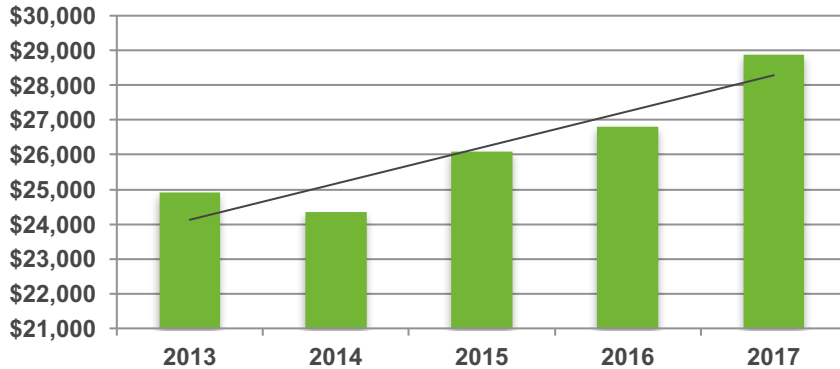


Aftermarket Service Growth



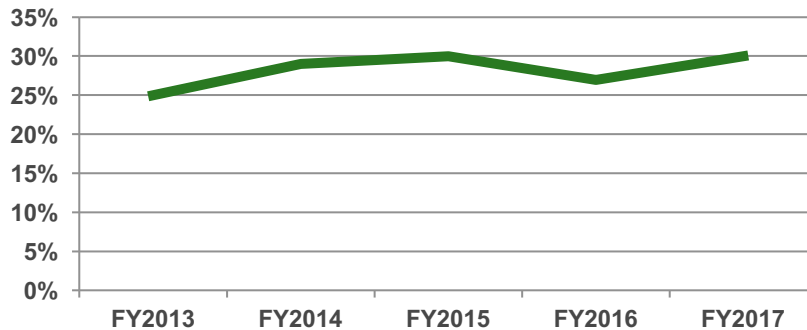
Accessories, Parts & Service Revenue

(Amounts in thousands)

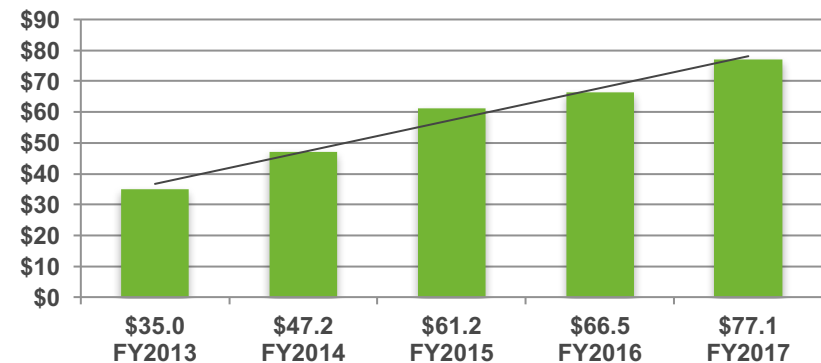


New Signature Series Product Lineup

Accessories, Parts & Service Gross Margin



FPP Contract Backlog (\$M)



50% Service Gross Margins Initially Impacted by Early Stage Product Reliability



Capstone Energy Finance JV Initiative



- Several projects in contract negotiation and term sheets in legal review
- Recently Added Equipment Leasing
- Near-term goal is to add limited short-term rental
- Supporting Project Modeling for Sky Capital
- Pipeline over \$55M (Product Only)
- Signed agreement with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing






Driving Future Revenue Growth with No Capstone Equity or Debt



Previous, New and Future Quarterly Business Models



(In thousands)	Old O&G Heavy Model	New CHP Balanced Model	Future Growth Model
Microturbine Product	\$35,000	\$15,000	\$25,000
Accessories, Parts & Service	\$5,000	 \$10,000	\$15,000
Total Revenue	\$40,000	\$25,000	\$40,000
Cost of Good Sold	\$30,000	\$19,500	\$26,250
Gross Margin	\$10,000	\$5,500	\$13,750
Gross Margin Percent	25%	22%	34%
Research & Development Expense	\$2,900	\$1,300	\$1,500
Selling, General & Administrative Expense	\$7,100	\$4,200	\$5,200
Total Operating Expenses	\$10,000	 \$5,500	\$6,700
Adjusted EBITDA*	\$0	 \$0	\$7,050
Adjusted EBITDA* Margin	—	—	18%

*See Appendix, Slide 28

Growing Service Business @ OpEx Drives Long-Term Sustainability



Appendix

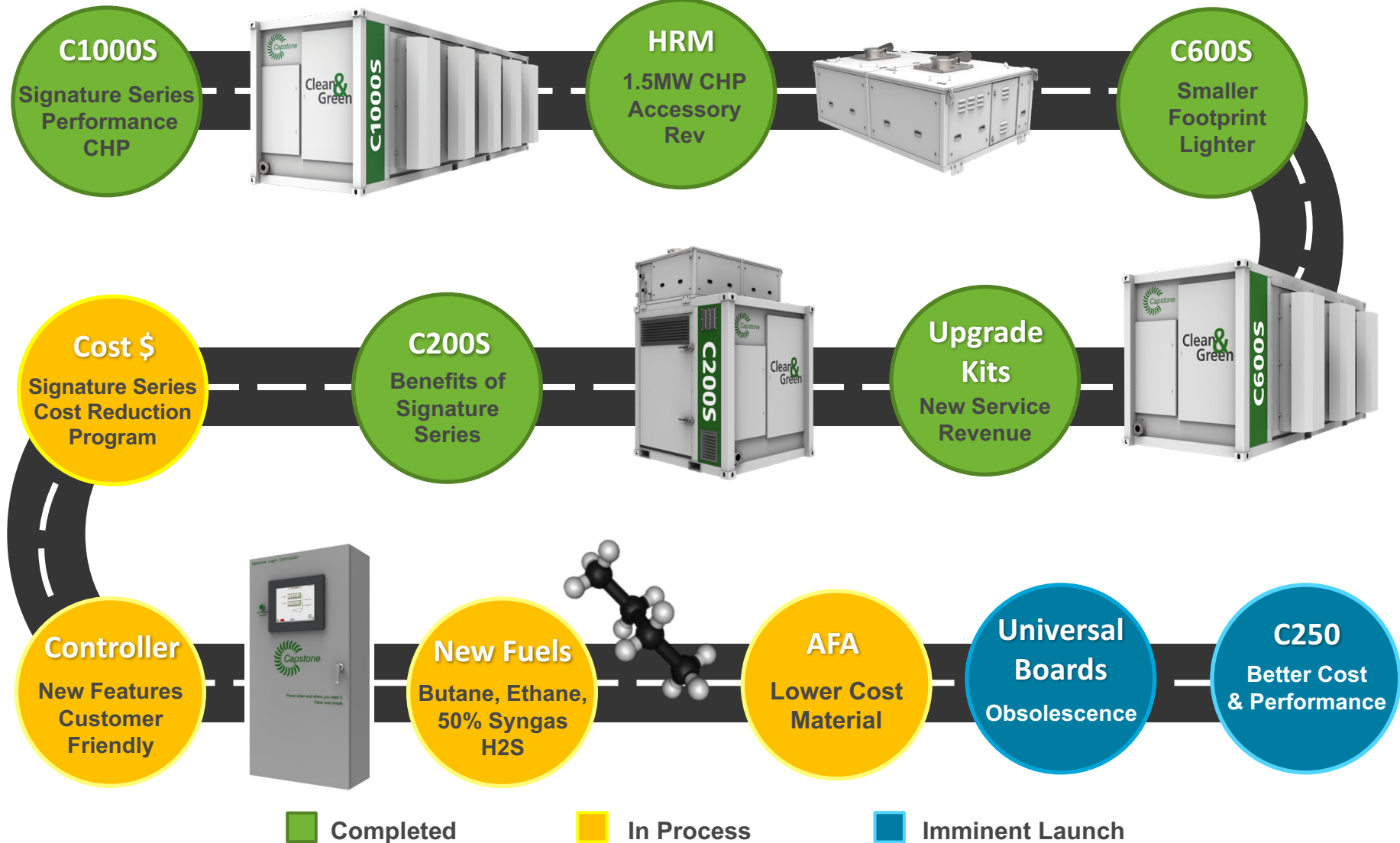
**Reliable power when and where you need it.
Clean and simple.**



Research & Development



Capstone Product Development Roadmap





C200 Reliability Initiative



Continuous improvement of the baseline C200 Engine over the past four years:

- Improved combustion liner (2013)
- Improved air bearing coatings (2014)
- Improved bearing housings (2015)
- New high-flow impeller (2015)
- Improved recuperator manufacturing (2015)
- New stator/magnet combination (2016)
- New recuperator diffuser/nozzle sealing (2016)
- ***Extensive On-Going Product Development, Qualification and Certification testing throughout (2013-2017)***



C200 Signature Series

Aggressively Rolling Out Final Field Upgrades in First Half of FY2018



New Hydrogen Fuel Project

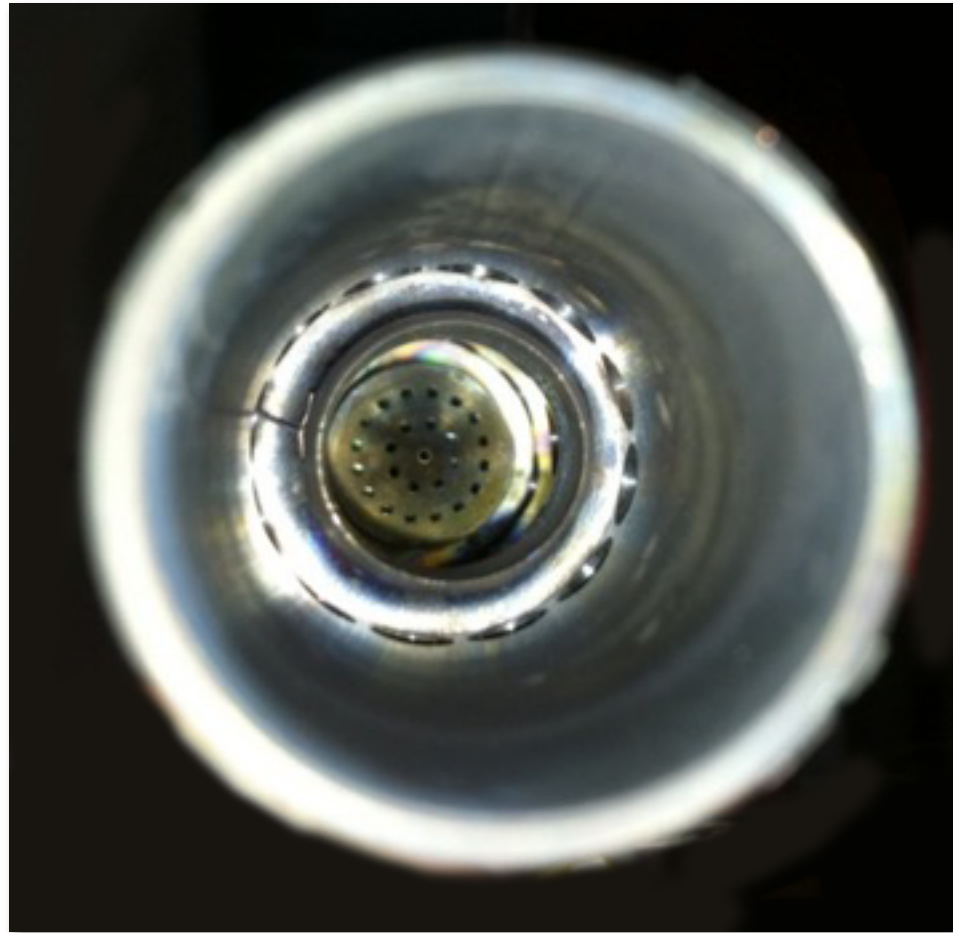


Syngas (50%
Hydrogen
Content) Fuel

C65 @
Argonne is
commissioned

Modeling work
in process

UC Irvine PhD
Intern
Onboard

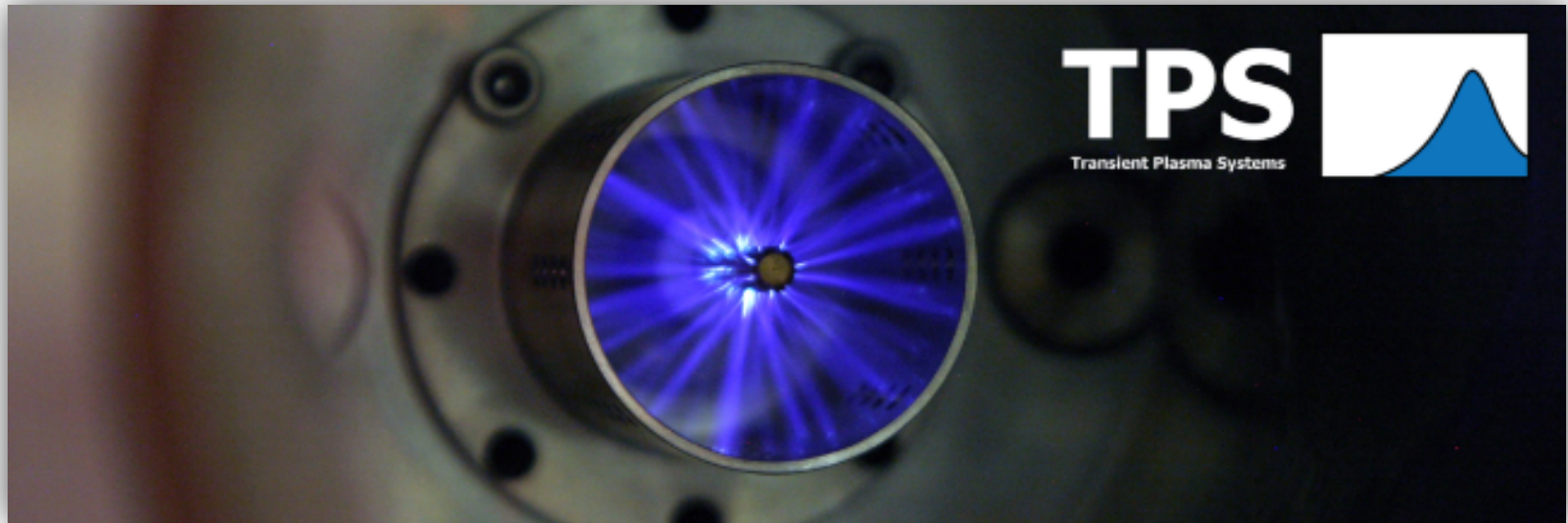


Hydrogen Capable Fuel Injector

Next Goal is 10% Hydrogen Sulfide (H₂S)



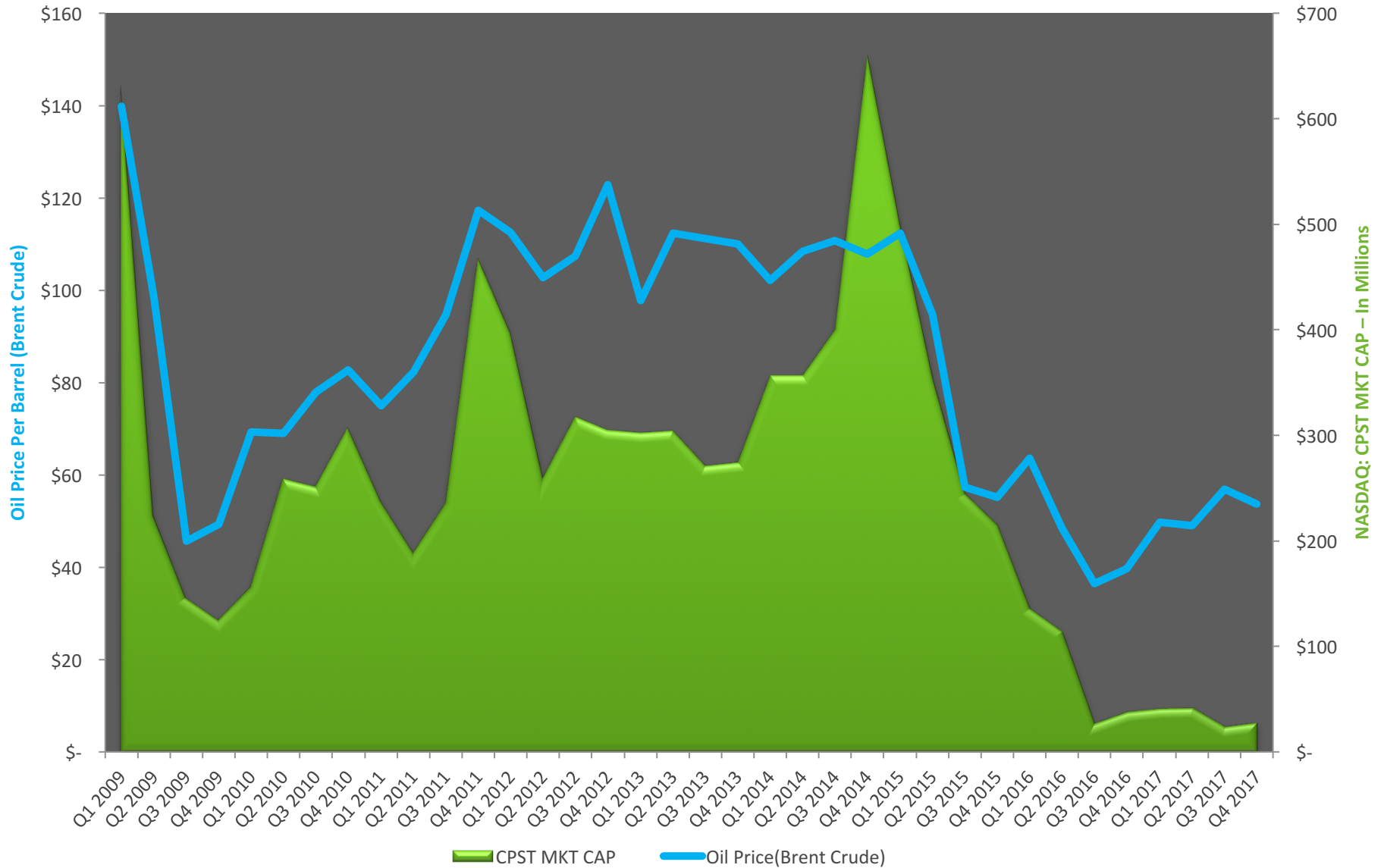
Transient Plasma Technology



- Department of Energy funded project at Argonne using Capstone's C65
- High voltage nanosecond pulses produce streamers
- Potential benefits to Capstone:
 - Easy ignition of liquid fuels
 - Lower NOx emissions (1 ppm on any fuel)
 - Lower VOC emissions (1 ppm on any fuel)
 - Uses very little power (2kW on C65)
 - Mature technology but not cost effective on a engines



Market Cap of CPST vs. Oil Price (Brent Crude)





Examples of New England Area Installations



Energy Efficiency
Healthcare



Hospital
Massachusetts

The C1000 system provides heat and power to the Boston-based hospital 24/7/365. The system will soon approach 40,000 run-time hours.

(1) C1000
1MW Electricity

Commissioned: 2011



Energy Efficiency
Technology



Software Company
Natick, Massachusetts

Four C65 systems power and cool the new headquarters/data center at this computer software company. System is under FPP through 2023.

(4) C65
260kW Electricity
100-Ton Absorption Chiller

Commissioned: 2014



Critical Power
Microgrid



Utility Software
Bloomington, Minnesota

A C600S system forms the backbone of the microgrid at their new headquarters and data center.

(1) C600S
600kW Electricity
200-Ton Absorption Chiller

Commissioned: 2017



Critical Power
Data Center



Data Center
Southfield, Michigan

Two C1000 power packages provide power and backup capacity to the growing data center.

(2) C1000 | PP*
2MW Electricity

Projected ROI: 3 yrs

Commissioned: 2016



Critical Power
Utility Power/Microgrid



Island Power
Off the Coast of Maine

Four liquid-fueled microturbines are the primary power source for the remote island. The technology was funded by the U.S. Government.

(4) C65
260kW Electricity

Commissioned: 2016



Renewable Energy
Dairy Plant



Food Processing
Franklin, Massachusetts

Ten combined heat and power (CHP) microturbines utilize digester gas from dairy processing as fuel and captures the hot water in order to heat the digester.

(10) C65
650kW Electricity

Commissioned: 2014

*PP – Prime Power

Case Studies can be found on www.capstoneturbine.com/case-studies

Projected ROI estimates are at time of sale



Examples of Mid-Atlantic Area Installations



Energy Efficiency
Hospitality



Luxury Hotel
Philadelphia, Pennsylvania

Three C65 ICHP units in a combined heat and power (CHP) application provide 100% of the hotel's domestic hot water and 30% of their electrical needs.

(3) C65 ICHP | GC*
195kW Electricity

Projected ROI: 3 yrs

Commissioned: 10/09



Energy Efficiency
Manufacturing



Boat Manufacturer
New Gretna, New Jersey

Six microturbines produce 40% of the facility's on-site electrical energy, providing power and 100% of the heating and chilled water.

(6) C65 ICHP | GC*
390kW Electricity

(3) 30-Ton Absorption Chillers
Projected ROI: 7 yrs

Commissioned: 12/12



Energy Efficiency
Manufacturing



Manufacturer
Harrisburg, Pennsylvania

A dual-mode combined cooling, heat and power (CCHP) C1000 provides backup power to the facility manufacturing processes.

(1) C1000 | DM*
1MW Electricity

300-Ton Absorption Chiller | Heat Exchanger
Projected ROI: 5.9 yrs

Commissioned: 1/14



Oil & Gas
Onshore O&G



Compressor Station
West Virginia

The natural gas-fueled microturbine is the primary power source generating electricity 24/7. The system was the first C600S commissioned in the world.

(1) C600S | PP*
600kW Electricity

Commissioned: 10/16



Oil & Gas
Onshore O&G



Gas Gathering Facility
West Pennsylvania

Six skid mounted microturbines operate on high Btu wellhead gas. Skid system arrives fully commissioned, reducing installation and startup.

(6) C65 | DM*
390kW Electricity

Commissioned: 4/15



Critical Power
Data Center



Bank with Data Center
Harrisburg, Pennsylvania

A C800 dual-mode system provides combined cooling, heat and power (CCHP) for the LEED gold-certified facility and data center.

(1) C800 | DM*
800kW Electricity

250-Ton Absorption Chiller | Heat Exchanger
Projected ROI: 5 yrs

Commissioned: 10/13

*PP- Prime Power

*GC- Grid Connect

*DM - Dual Mode System (Emergency backup power feature)

Case Studies can be found on www.capstoneturbine.com/case-studies | Projected ROI estimates are at time of sale



Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to Adjusted EBITDA

	Fiscal Year Ended March 31,	
	2017	2016
Net loss, as reported	\$ (23,921)	\$ (25,191)
Interest	505	640
Provision for income taxes	19	20
Depreciation and amortization	1,577	1,746
Stock-based compensation	810	2,570
Change in fair value or warrant liability	(1,323)	—
Adjusted EBITDA	\$ (22,333)	\$ (20,215)

To supplement the Company's unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used Adjusted EBITDA, a non-GAAP measure. This non-GAAP measure is 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 this non-GAAP measure 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.

Adjusted EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense, stock-based compensation expense and change in fair value of warrant liability. Adjusted EBITDA is not a measure of our 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 our 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 our GAAP results and by using 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.



NASDAQ: CPST

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