



Capstone[®]

Turbine Corporation



Management Presentation

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

Safe Harbor



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, the competitive advantages of the Company’s products; global market verticals; advantages of products in HEV applications; 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; potential increase in revenue due to impact of recent hurricanes; attainment of Company’s continuous improvement business initiatives, including: capitalizing on Capstone Energy Finance, cost reductions, increase CHP product sales, increase in FPP contract backlog, 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. 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 conference call or to reflect the occurrence of unanticipated events.

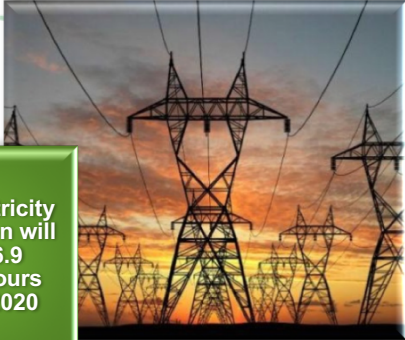
Distributed Generation Megatrend




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

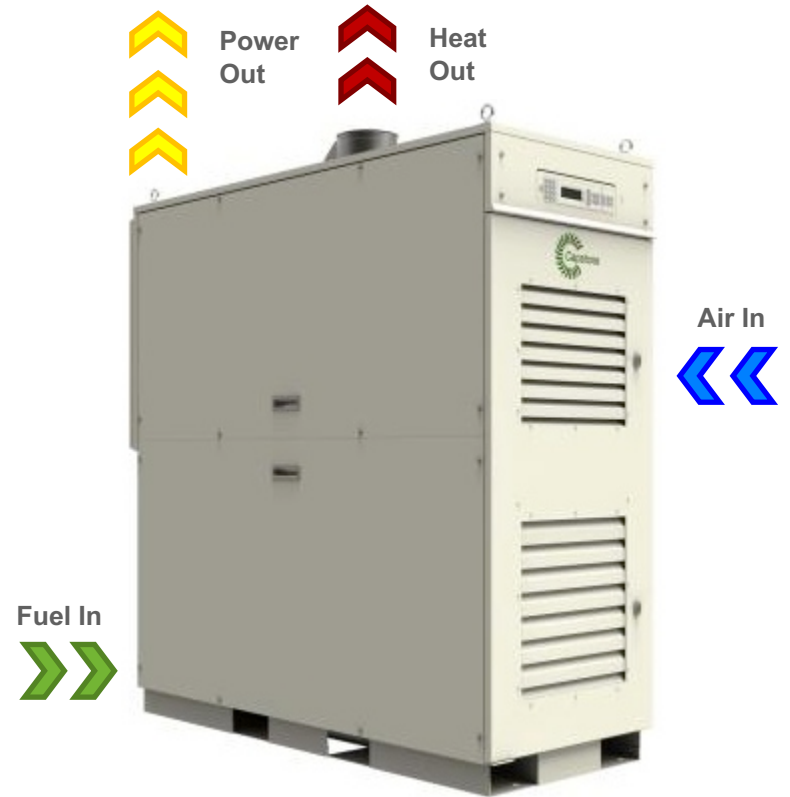
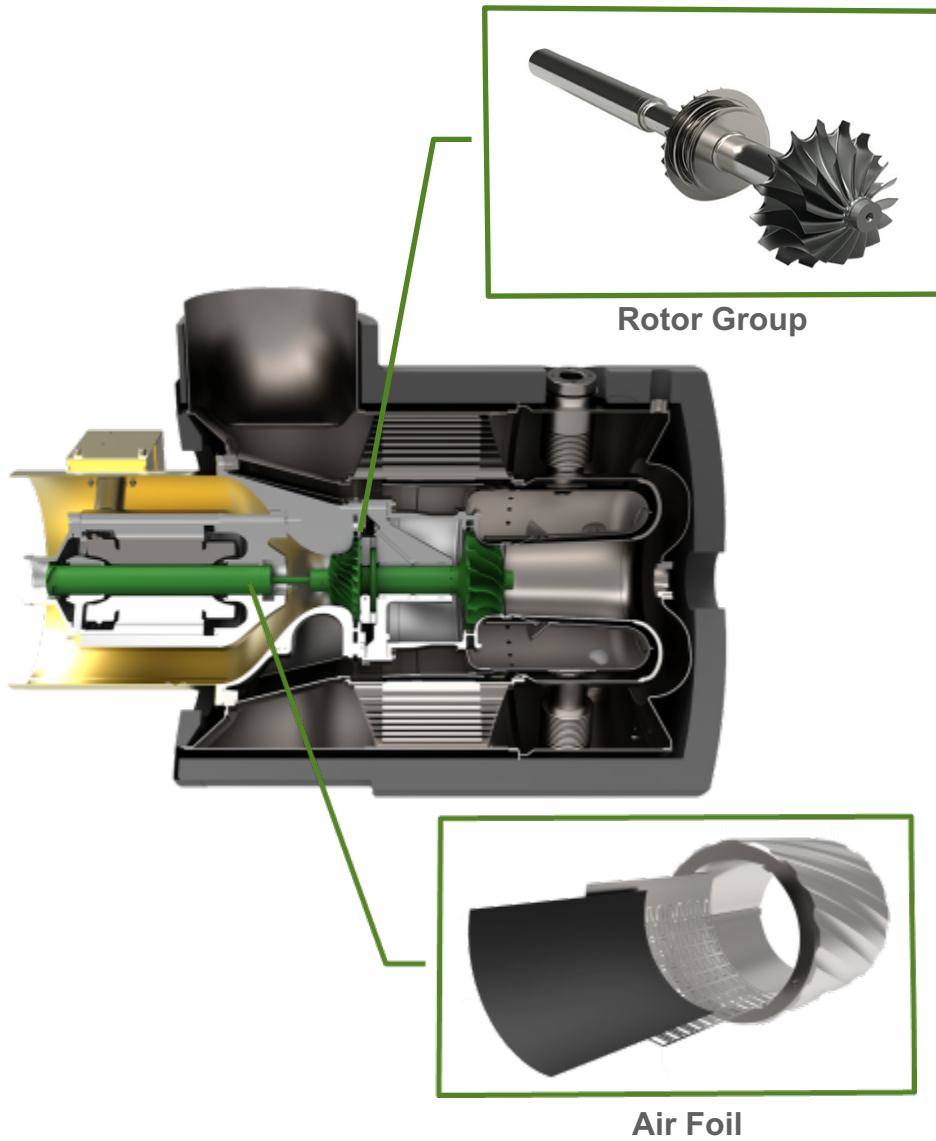


65% of global electricity consumption will be located in emerging markets (Asia, Africa & Middle East) by 2020

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
Industrial Applications
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

FY2017 Percentage of Product Shipments

59%

34%

7%

<1%

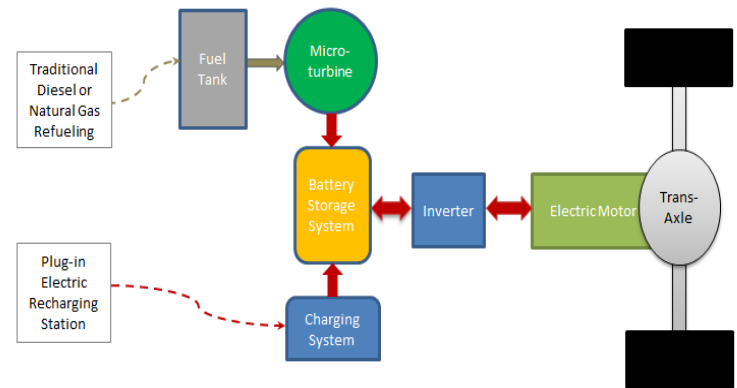
Product Demo

Product Demo

Kenworth Hybrid Class 7 Demo



- Quantitative Emissions and Fuel Economy Measurements
 - ✓ Criteria Pollutants (NO_x, CO, PM, NMHCs)
 - ✓ Greenhouse Gas (CO₂)
 - ✓ Fuel Consumption (both charge sustaining & charge depleting basis)
 - ✓ Compare Results to Traditional Diesel Drivetrain
- Three Specific Drive Cycles
 - ✓ Urban and Rural Delivery
- Two Customer Demonstrations Planned:
 - ✓ LA Area for Urban Delivery Late 2017
 - ✓ San Joaquin Valley for Rural Delivery 2018



U.S. Dollar, Crude Oil and Russia



Strong U.S. Dollar



Volatile Oil & Gas Market

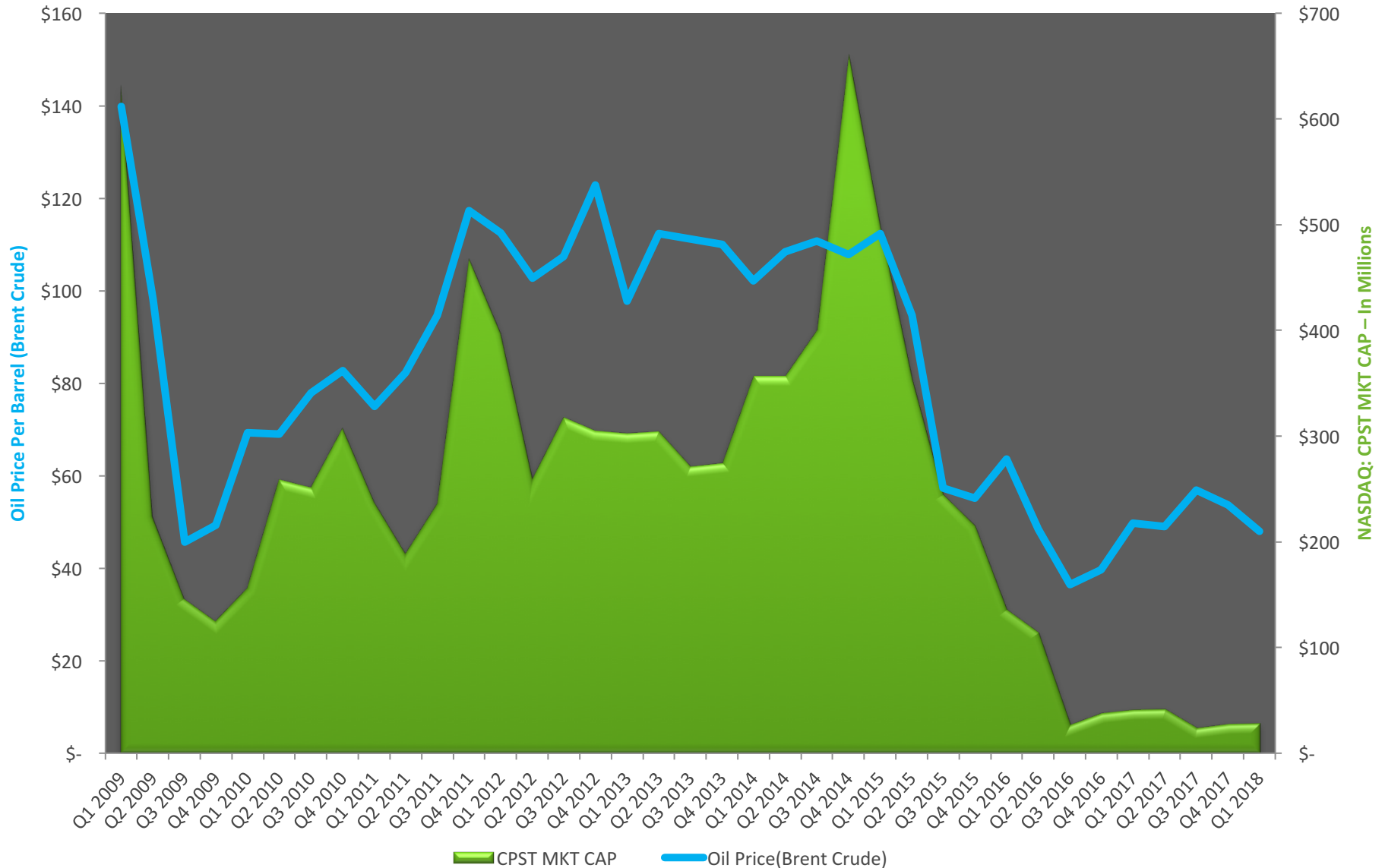


Russian Geopolitical Tension



Ruble

CPST Market Cap vs. Oil Price (Brent Crude)



Capstone Strategic Plan



Three-Pronged Capstone Business Profitability Plan



Reduce Breakeven from \$160M at 25% GM to \$100M at 22% GM

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

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

Status: GOAL ACHIEVED

Comments: Management plans to focus on continued cost reductions and facility consolidation to achieve \$5.0M in quarterly OpEx.



Develop New CHP Focused Products & Accelerate Aftermarket Business

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

Result: New Signature Series product in late 2015 and new FPP and Extended Warranty products. New "Sell-to-Win" bundled solutions program in 2017.

Status: GOAL ACHIEVED

Comments: New Signature Series is performing well in the field. FPP Backlog has grown 19% over the last 18 months to \$76.7M as of Q1 FY2018.



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 late 2015 and developed \$60M in highly qualified projects. Signed initial project in 2017.

Status: GOAL ACHIEVED

Comments: Added Sky Solar for additional \$50M in capital beyond first \$10M. Initial PPAs anticipated accelerated PPAs in coming quarters.

Previous, New and Future Quarterly Business Models



<i>(In millions)</i>	Previous O & G Focused Model		New CHP Balanced Service Model	CHP Balanced with Revenue Growth
Microturbine Product	\$35.0	↓	\$15.0	\$25.0
Accessories, Parts & Service	\$5.0	↑	\$10.0	\$15.0
Total Revenue	\$40.0		\$25.0	\$40.0
Cost of Good Sold	\$30.0		\$19.5	\$26.3
Gross Margin	\$10.0		\$5.0	\$13.7
Gross Margin Percent	25%		20%	34%
Total Operating Expenses	\$10.0	↓	\$5.0	\$6.7
Adjusted EBITDA*	\$0	↔	\$0	\$7.0
Adjusted EBITDA* Margin	—		—	18%

*See Appendix, Slide 27

Capstone FY2018 Goals



Continuous Improvement Business Initiatives:

- Increase product sales in global CHP markets
- Continue “War on Costs” initiative
- Finish first Kenworth truck customer demo
- Capitalize on Capstone Energy Finance
- Grow FPP service contract revenue
- Increase spare parts and kit revenue
- Complete C200 reliability program and upgrades
- Continue product development roadmap on a budget
- Manage balance sheet and minimize cash burn
- ***Achieve Adjusted EBITDA* Breakeven in FY2018***



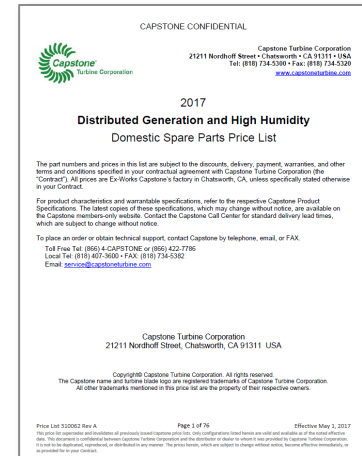
*See Appendix, Slide 27

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

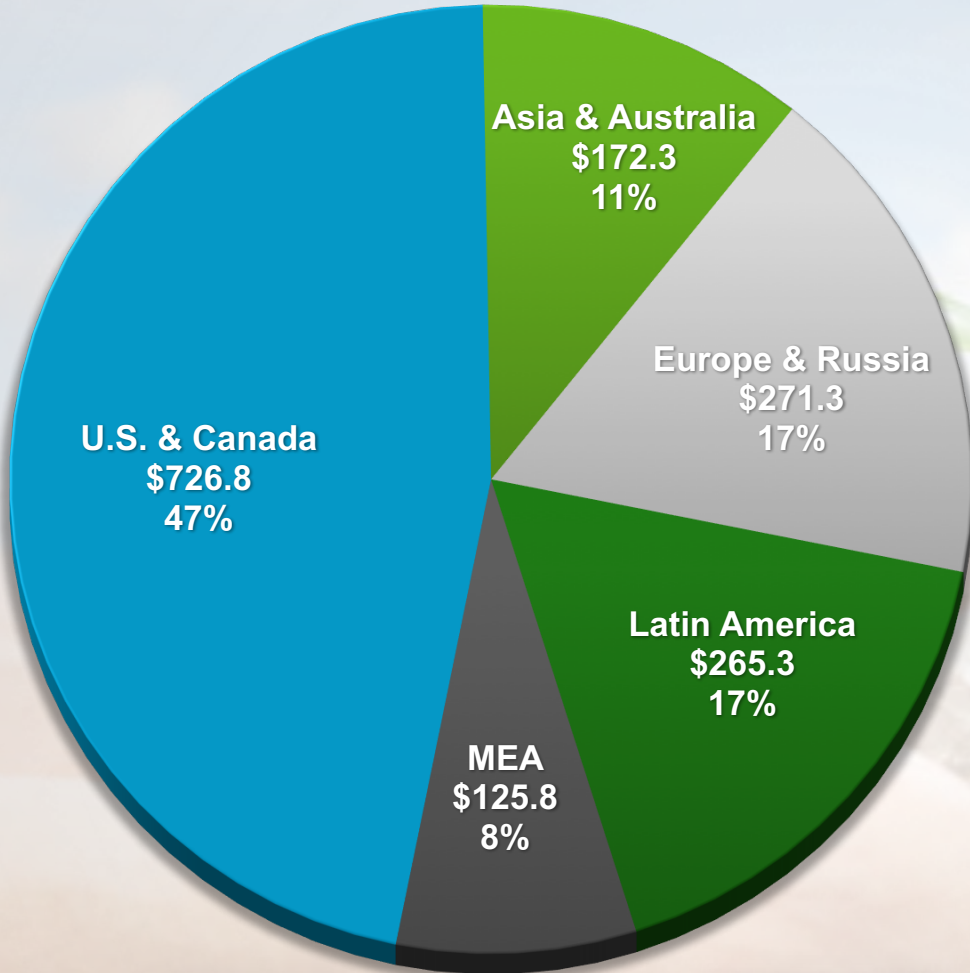
Revenue Growth Initiative



- New Signature Series product focused on CHP market
- Launched new “*Sell-to-Win*” ICHP bundled solutions
 - **C200S ICHP bundle** - microturbine, heat recovery module (HRM) and pre-paid FPP service contract
 - **C65 ICHP bundle** - microturbine, HRM and pre-paid FPP service contract
 - “*Sell-to-Win*” drives CHP product, HRM and FPP service contract revenue
 - “*Sell-to-Win*” program positively impacts working capital and cash flow
- Launched special program for FY18 for all future 5 & 9-year FPP service contracts that are 100% pre-paid
- Launched program to sell “Signature Series” upgrade kits for older non “Signature Series” systems
- New spare parts price increase (5% domestic, 3% international)
- New creative plan to increase the FPP service contract attachment rate targeted for second half of fiscal year
- New spare parts programs planned for second half of fiscal year
- Focus on Distributor recommended spare parts stocking levels



Revenue Growth Initiative



Pipeline Up
\$467M
Last 6 Months



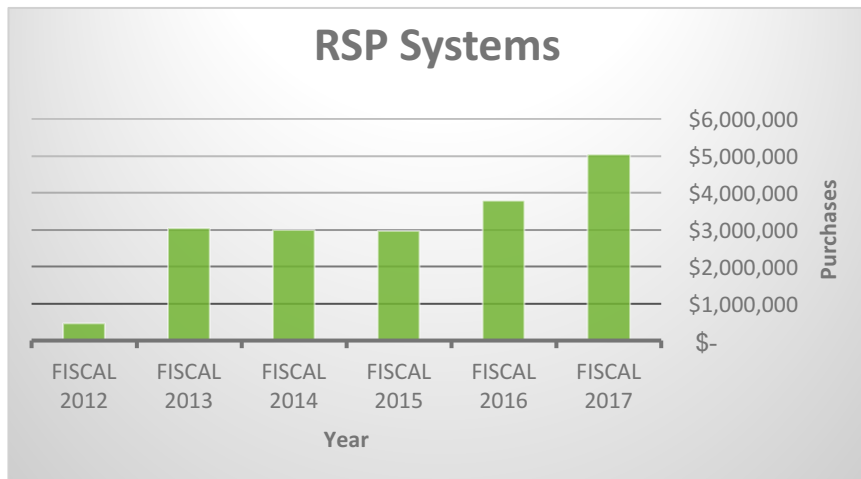
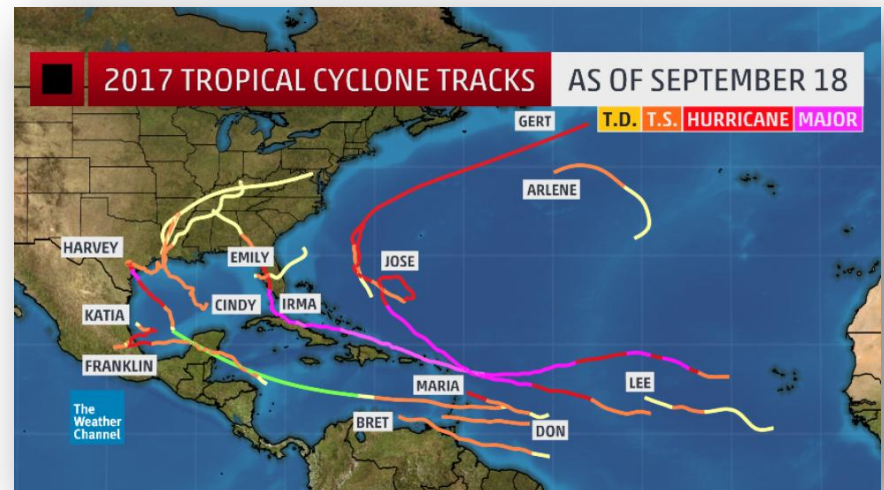
Net Product
Orders Up
82%
Last 6 Months vs.
Prior 6 Months

Source: Capstone distributors via Salesforce.com
Amounts in millions

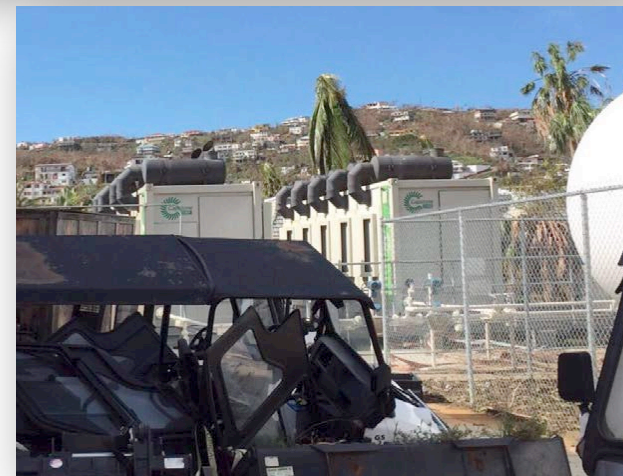
Impact of Hurricanes



- Overwhelming majority of our microturbine installations in Texas, Florida, Puerto Rico, Dominican Republic and the U.S. Virgin Islands not only survived the storms but were fully operational providing critical power and in some cases provided the power needed to pump water.
- Similar results in late October 2012 when Hurricane Sandy devastated the states of New York and New Jersey. An estimated 93, out of 95 microturbines, remained fully operational at that time.



Five years removed from Hurricane Sandy, RSP Systems, Capstone's distributor for the greater New York area, is a top five revenue producer worldwide.



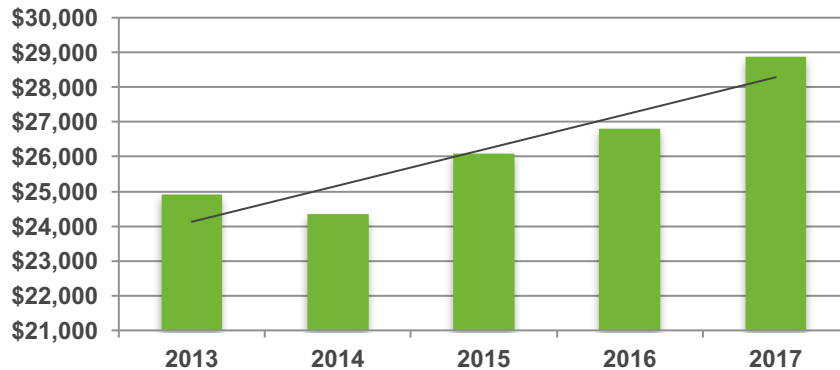
Fully operational Capstone Microturbines on St. Thomas surrounded by debris from Hurricane Irma

On-site Distributed Generation Provides Money Savings, On-site Generation & Critical Emergency Backup Power

Margin Expansion Initiative



Accessories, Parts & Service Revenue (Amounts in thousands)

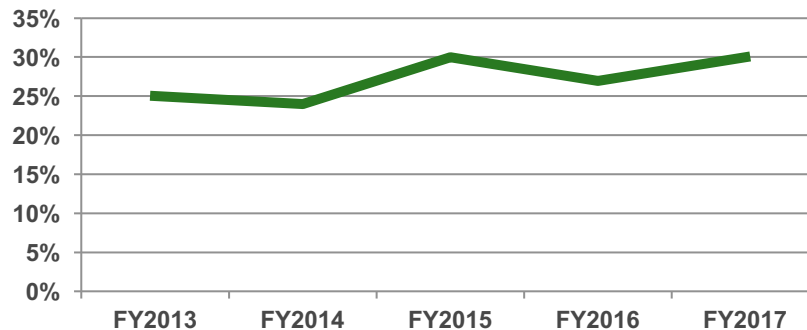


New Accessories & Cost Reduction

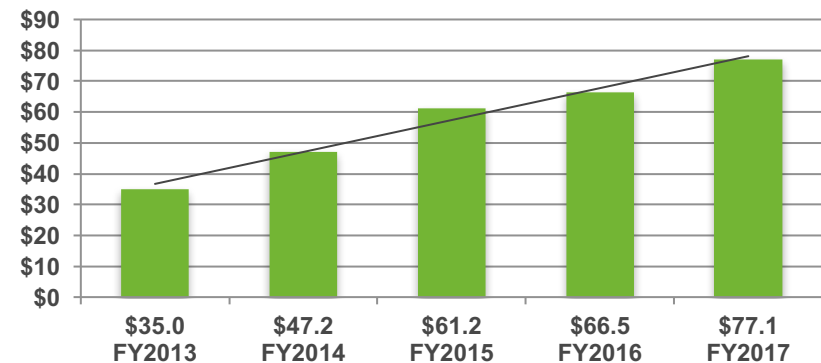


New Signature Series Product Lineup with New Roof Mounted Heat Recovery Accessories for CHP

Accessories, Parts & Service Gross Margin



FPP Contract Backlog (\$M)

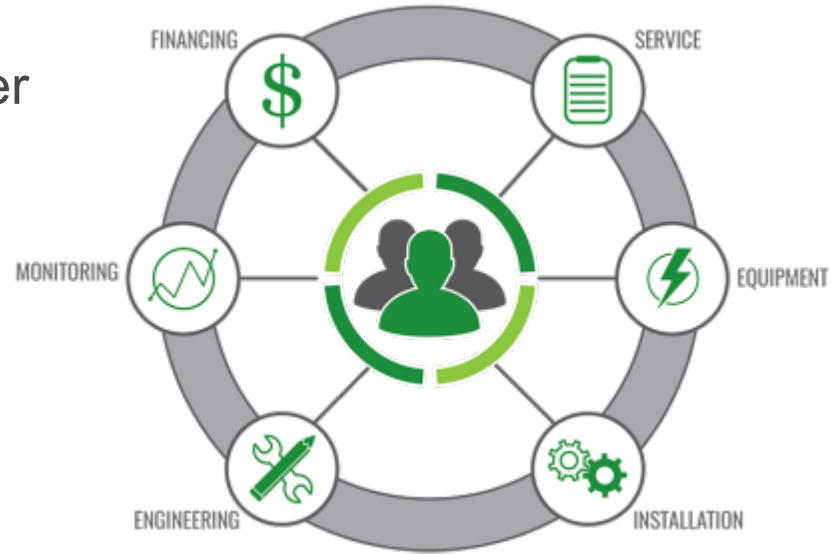


50% Service Gross Margins Initially Impacted by Early Stage Product Reliability

Capstone Energy Finance JV Initiative



- Now offering PPA, Lease, and Rentals
- Executed First Agreement – September 18, 2017
- In negotiation for several projects
- Projects cover wide variety of markets and applications
- Pipeline over \$60M (product only)
- Actively working with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing
- Partnering with additional banks to broaden competitive lease rates



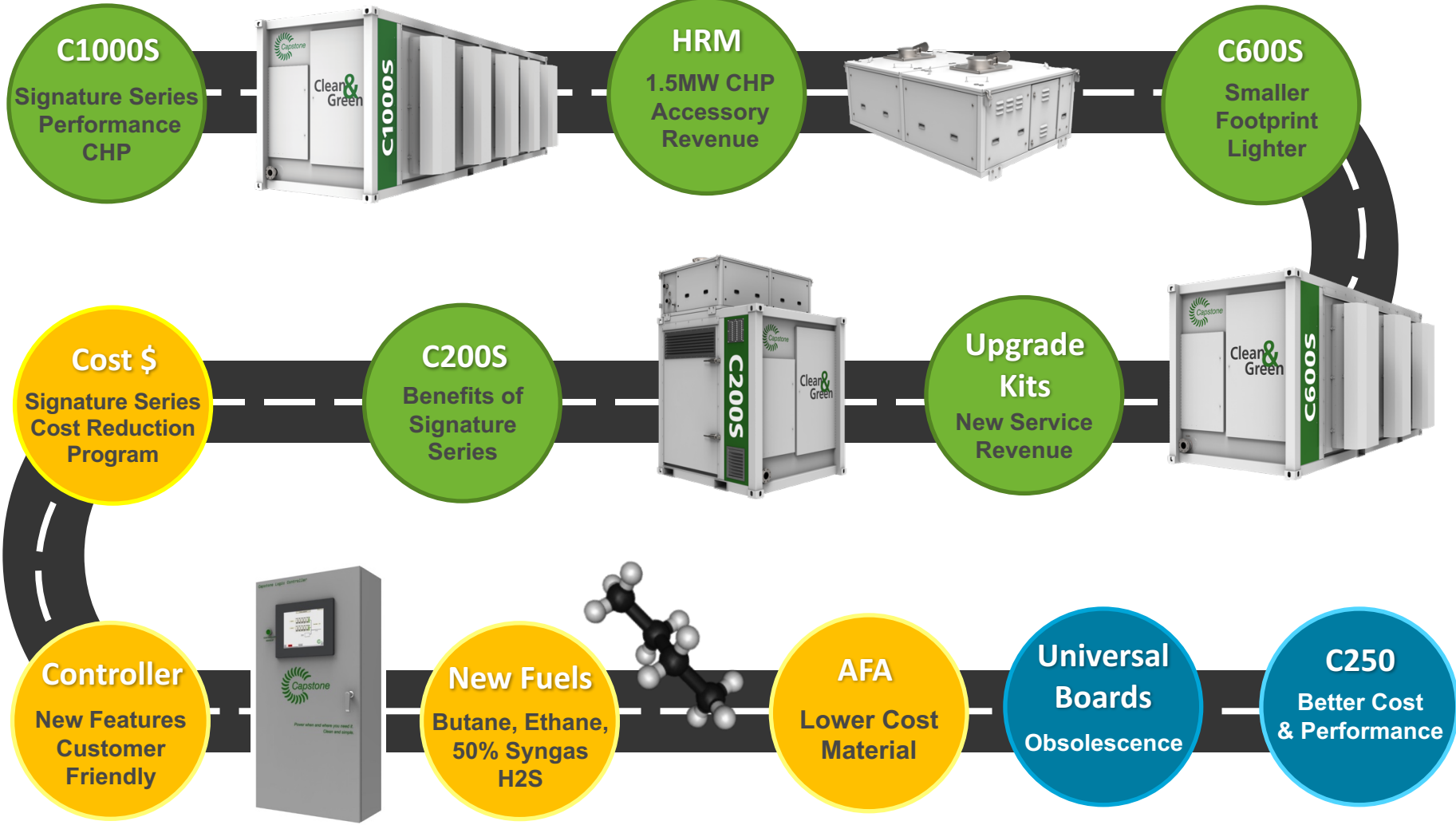


APPENDIX

Research & Development



Capstone Product Development Roadmap



■ Completed
 ■ In Process
 ■ Imminent Launch

New Hydrogen Fuel Project

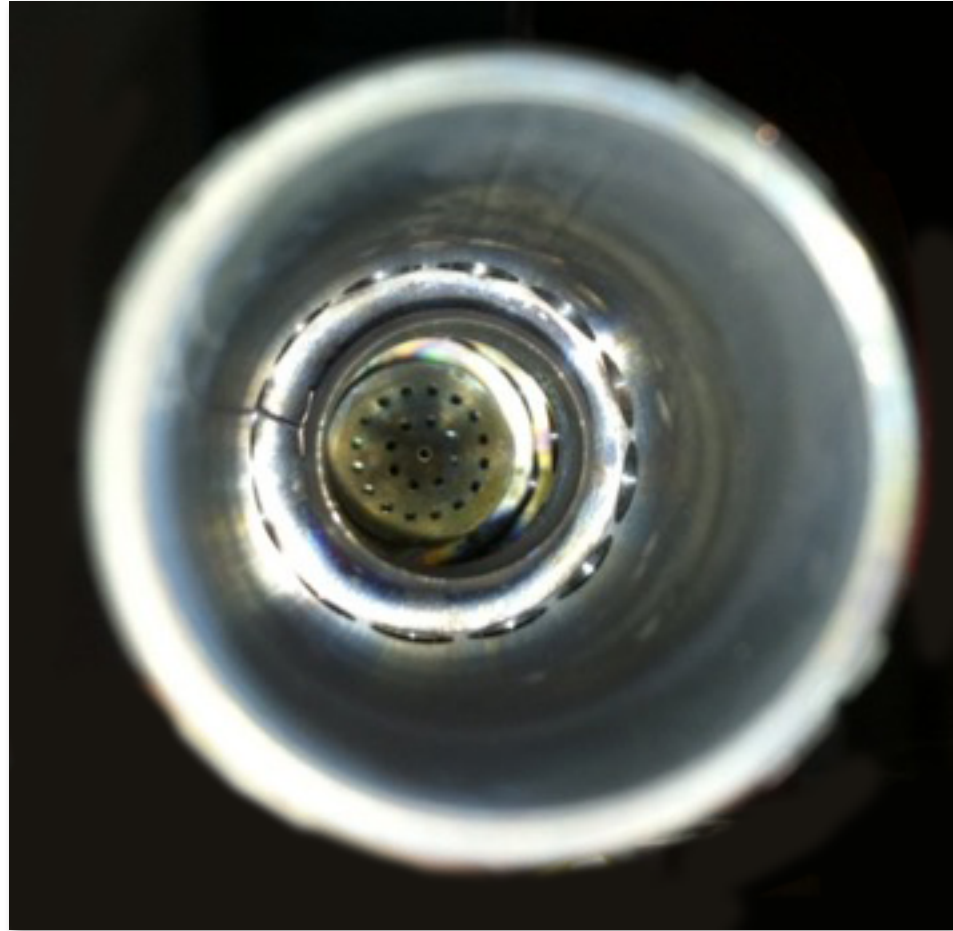


Syngas (50%
Hydrogen
Content) Fuel

C65 at
Argonne is
Commissioned

Modeling Work
in Process

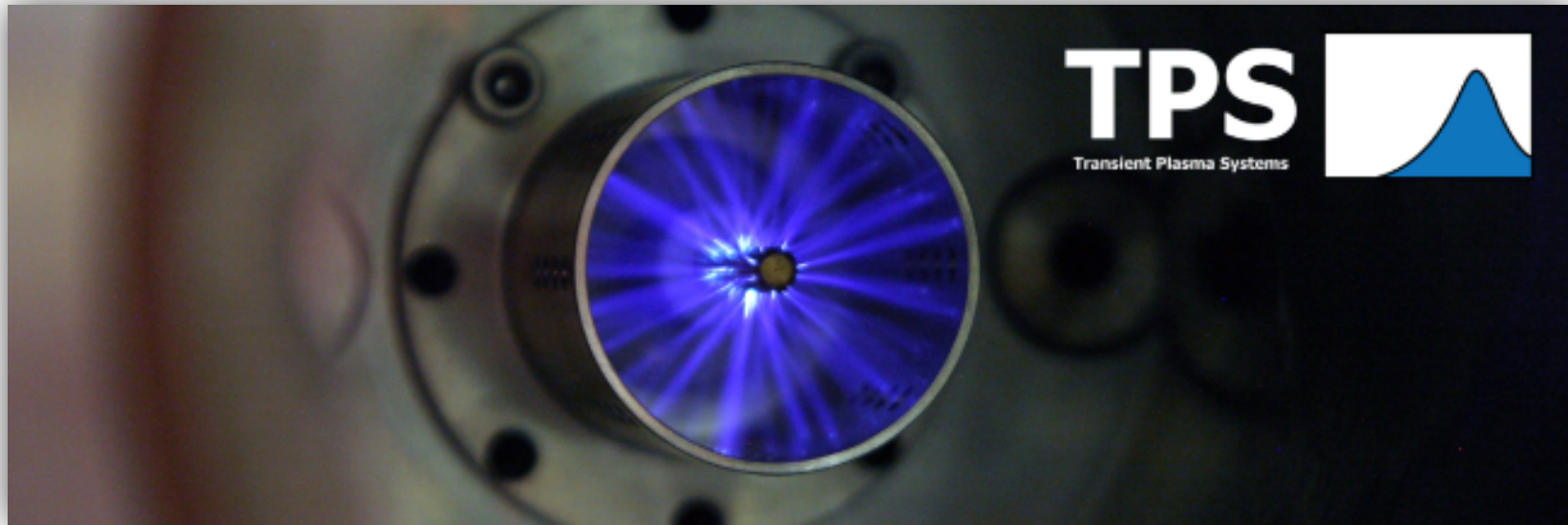
UC Irvine PhD
Intern Onboard



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

Kenworth Class 7 Track Testing

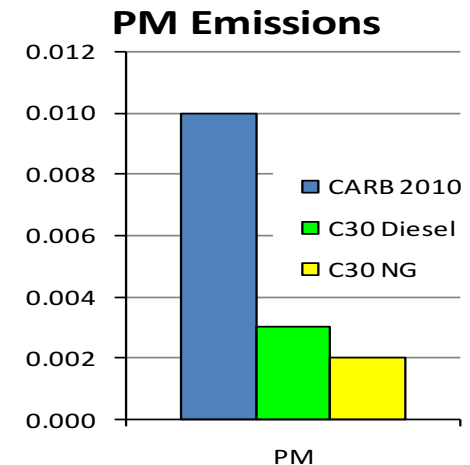
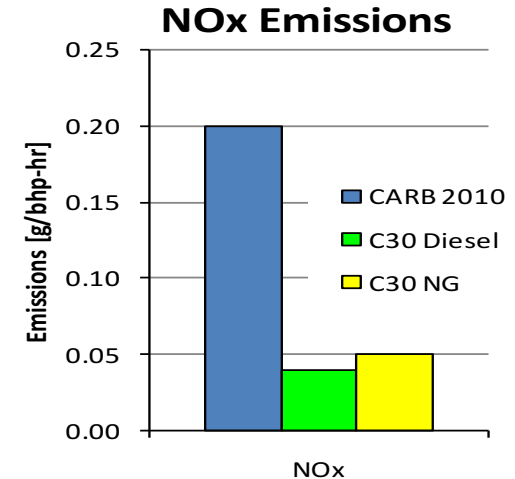


- Series Hybrid Design
 - ✓ 65kW Range Extender
 - ✓ 47kWh Li-Ion Battery Pack
 - ✓ 220kW Traction Motor
- CNG Fuel for Microturbine
- Level II On-board Plug-in Charging
- Regenerative Braking
- Main Advantage is in Stop & Go Delivery Applications

Why Trucks with Microturbines?



- Ultra-Low Emissions
 - ✓ Below CARB Levels
 - ✓ No Exhaust After Treatment
- Low Maintenance Requirements
 - ✓ No Oil Changes (Air Bearings)
 - ✓ No Engine Overhaul (Extended Life Design)
- Ability to Operate on Alternative Fuels
- Efficiency of a Diesel on Any Fuel
- Lightweight
- Essentially No Vibration
- Low Sound Levels



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

Sample 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

Financial & Market Statistics Comparison



Selected Public Companies

(\$ in millions, except per share data)

Company	Financial Statistics						Market Statistics		
	Revenue	Gross Margin	GM %	OPEX	EBITDA	Revenue Per Employee	Market Cap (1)	Cash (2)	Q/Q in Cash
Capstone Turbine Corporation(3)	\$19.2	\$2.2	11%	\$6.1	\$(3.6)	\$0.11	\$24.7	\$19.2	\$(0.6)
Small-Cap Distribution Generation									
American Superconductor Corp.(4)	8.9	(4.5)	-51%	10.2	(10.9)	0.03	74.9	37.6	10.8
FuelCell Energy(5)	10.4	(2.6)	-25%	11.7	(12.5)	0.02	89.4	73.8	(10.3)
Maxwell Technologies, Inc.(6)	37.1	7.8	21%	16.5	(4.2)	0.11	211.9	19.2	(1.7)
Plug Power, Inc.(6)	20.8	(3.5)	-17%	24.5	(36.1)	0.05	480.9	16.9	(9.7)
Avg. selected companies	\$19.3	\$(0.7)	-18%	\$15.7	\$(15.9)	\$0.05	\$214.3	\$36.9	\$(2.7)

(1) Source: Nasdaq as of September 6, 2017

(2) Cash, cash equivalents and restricted cash

(3) Source: Capstone Turbine Corporation's August 2017 Form 10-Q filing

(4) Source: American Superconductor Corporation's August 2017 Form 10-Q filing

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

(6) Source: Maxwell Technologies, Inc. and Plug Power, Inc. August 2017 Form 10-Q filings

Capstone Beats Average in All Areas Except Revenue, Cash and Market Cap 26

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to Adjusted EBITDA

	Three months ended June 30,			
	2017		2016	
Net loss, as reported	\$	(4,092)	\$	(4,516)
Interest		221		134
Provision for income taxes		—		3
Depreciation and amortization		304		407
Stock-based compensation		154		238
Change in fair value or warrant liability		—		—
Adjusted EBITDA	\$	(3,413)	\$	(3,734)

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

www.capstoneturbine.com

