



Turbine Corporation



# Management Presentation

Nasdaq Ticker: CPST

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*“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*

# Safe Harbor



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.



# The Imminent Change in Energy



## **MICROTURBINES** WELL POSITIONED FOR DISTRIBUTED GENERATION MEGATREND



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



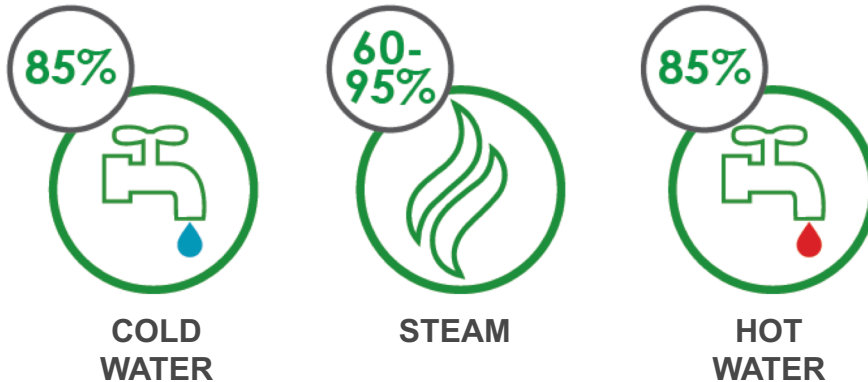
65% of global electricity consumption will be in emerging markets by 2020

# Microturbines are the Future



## CHP EFFICIENCY

Overall **ELECTRIC** of 33%

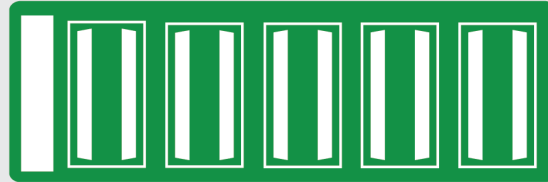


# Saving Money & The Environment



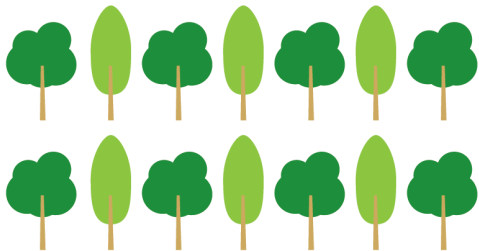
**\$194**  
MILLION

FY18 FINANCIAL SAVINGS



Annual  
**CUSTOMER**  
Savings

**314,000 Tons** in Carbon Savings



**APPROXIMATELY 369,800**  
acres of U.S. forests  
in one year

**OVER 67,000**  
passenger vehicles  
removed for one year



# Microturbine Technology 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



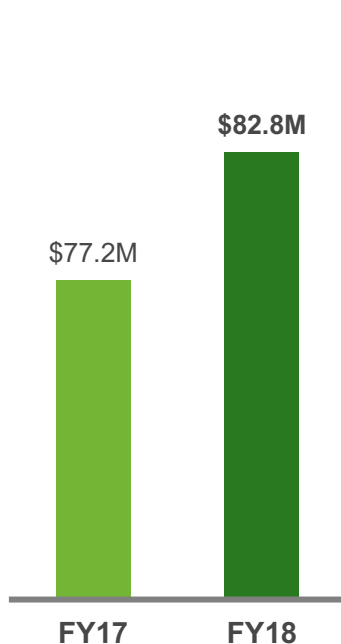
Scalable to match demand

Multiple applications and industries

# FY2018 vs. FY2017 Revenue, Gross Margin & Adjusted EBITDA



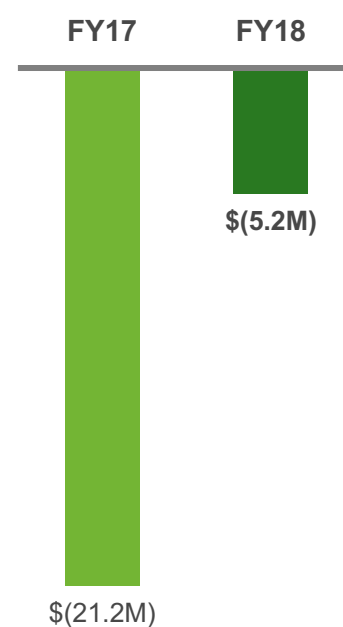
## Revenue



## Gross Margin



## Adjusted EBITDA\*



# Q3FY2018 vs. New Target Business Model



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

\*See Appendix, Slide 37

## Adjusted EBITDA Grows from 1% to 19% in New Target Model



# FY2019 Business Catalysts



# Market Vertical Update



## 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



Energy Efficiency was 47% of our FY2018 Product Revenue



# Market Vertical Update



## OIL, GAS & OTHER NATURAL RESOURCES

- 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



Natural Resources was 38% of our FY2018 Product Revenue

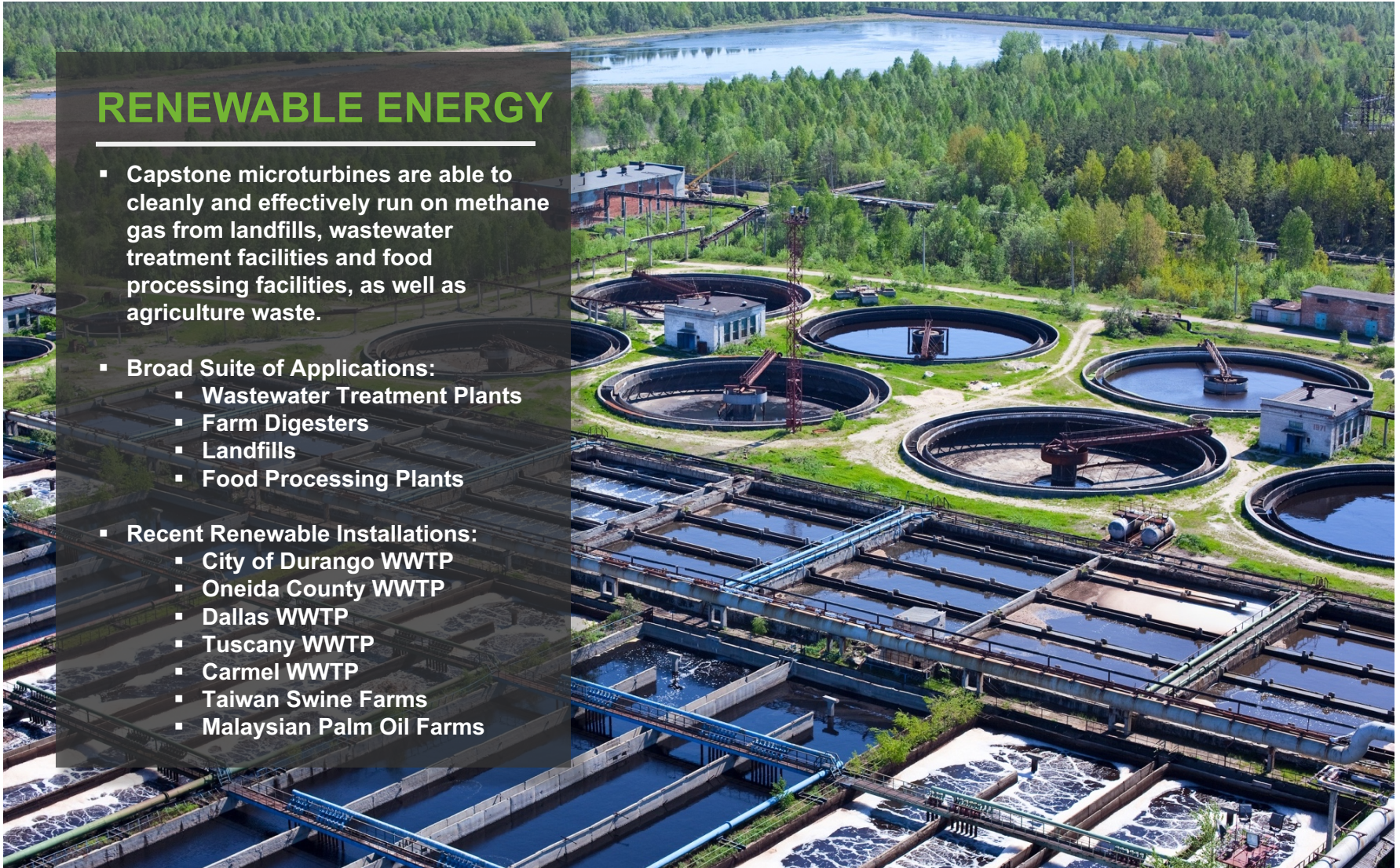


# Market Vertical Update



## RENEWABLE ENERGY

- 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



Renewable Energy was 9% of our FY2018 Product Revenue

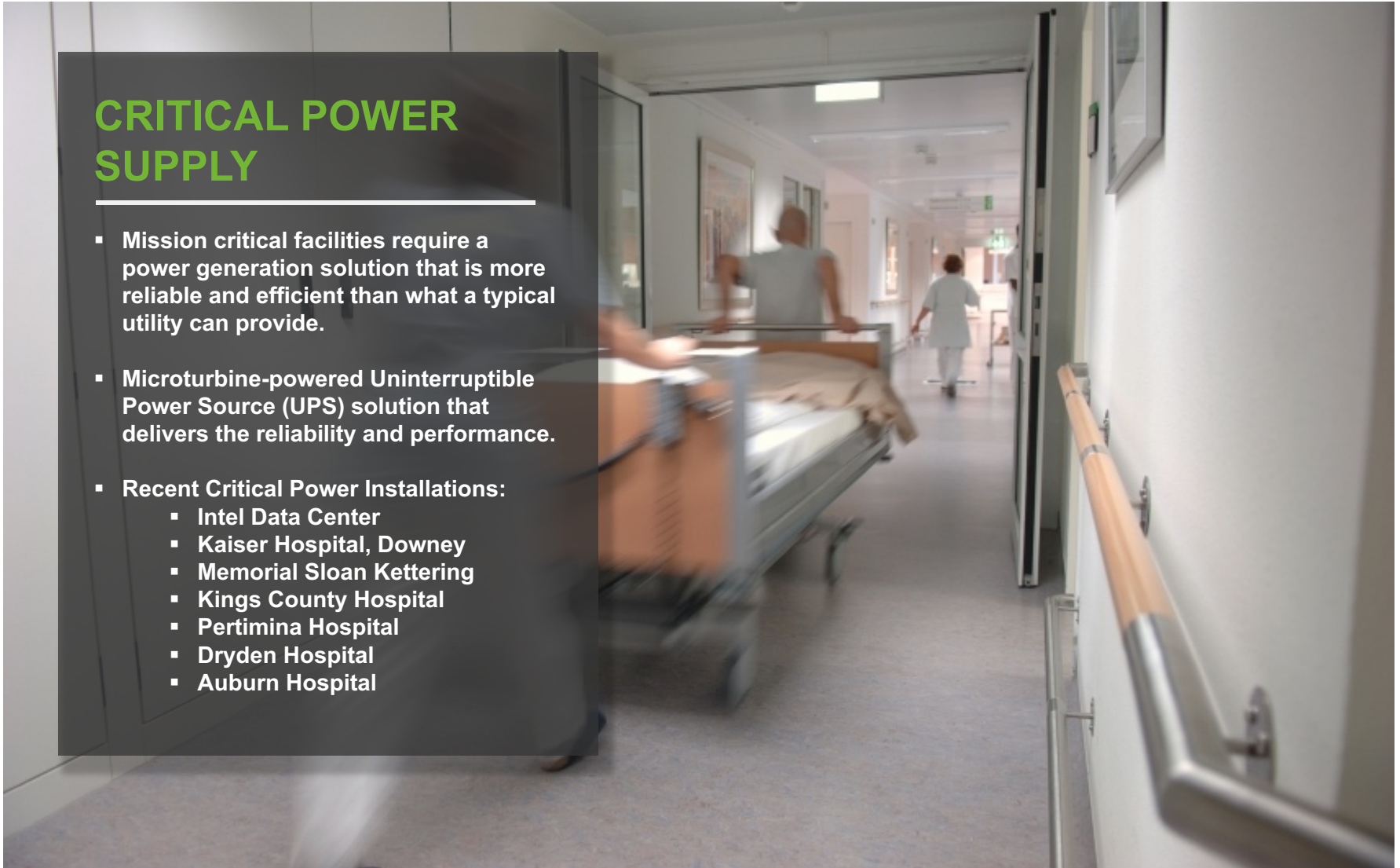


# Market Vertical Update



## 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



Critical Power Supply was 4% of our FY2018 Product Revenue

# Market Vertical Update



## MICROGRIDS

- A microgrid is a distribution network that incorporates a variety of 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.
- Microgrid Features:
  - Multiple generation resources and loads
  - Clearly defined electrical boundaries to a utility grid
  - Able to operate in 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



Microgrids were 2% of our FY2018 Product Revenue



# Market Vertical Update



## TRANSPORTATION

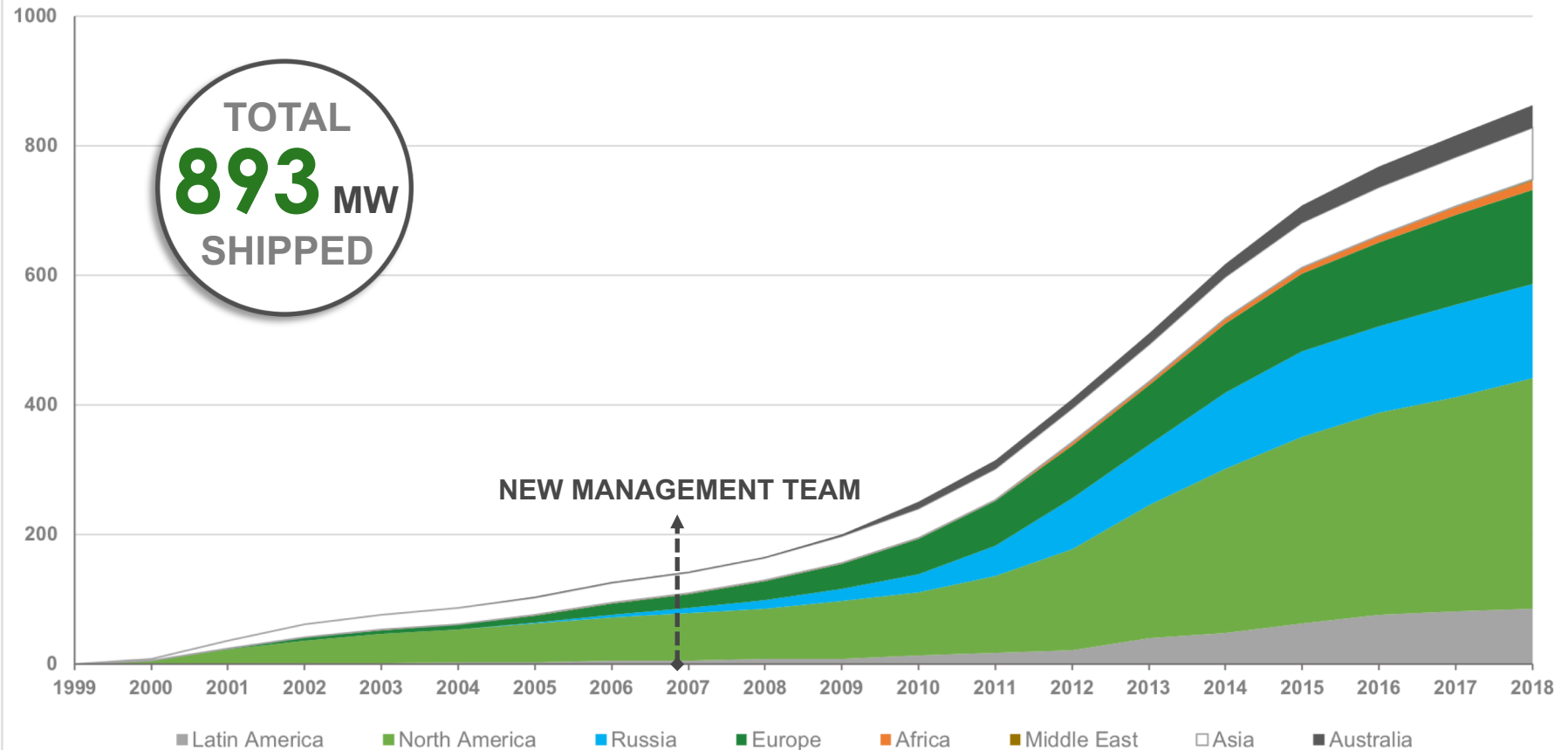
- Electric vehicles are clean and efficient, but limited in the distance they can travel between battery charges.
- Capstone microturbines can be used in marine applications to provide onboard auxiliary power or as a range extender for commercial vessels.
- Current List of Active Discussions:
  - Transit Buses
  - Heavy-duty Trucks
  - Hybrid Electric Vehicles
  - HEV Charging Stations
  - Work Boats
  - Cargo Ships



# Cumulative Megawatts Shipped



Cumulative MW Shipped by Global Region, by Fiscal Year



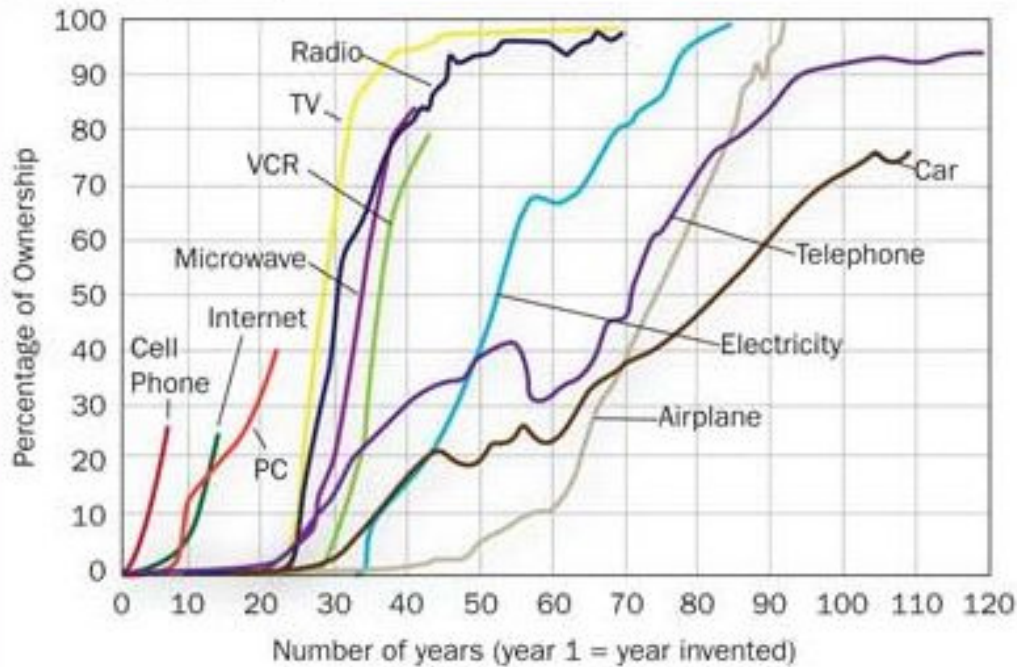
Capstone has transformed from a small single product, single market, U.S. only business to a global multi-product, multi-market comprehensive product & services enterprise.



# Technology Adoption Timelines



Technology Adoption



Source: Forbes Magazine

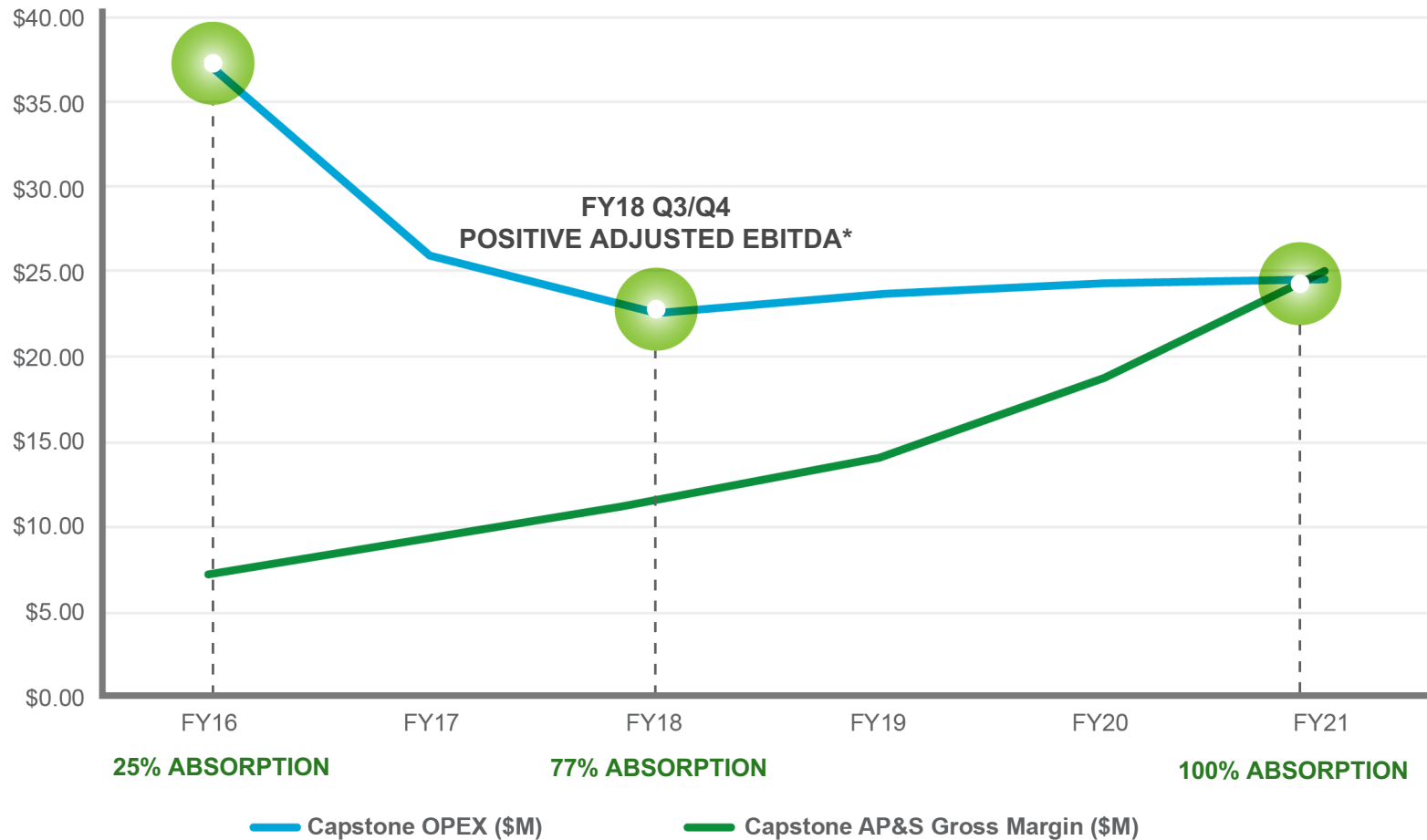
**30+** HIGHER COST  
YEARS TECHNOLOGIES



# Capstone Absorption Strategy



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



\*See Appendix, Slide 37

Absorption Limits Downside and Allows Market-Based Pricing

# Q1 FY2019 Business Highlights



- Product revenue year-over-year **increased 8%**, highest first quarter year-over-year increase in three years, powered by increases in the Oil & Gas market vertical
- Accessories, parts and service revenue **up 15%** year-over-year
- Total revenue for the quarter **increased 10%** year-over-year
- **1.2:1 book-to-bill ratio** representing new product orders from **11 different countries**
- Total of \$32.5 million in gross product orders for the last six-months compared to \$16.4 million in the preceding six months representing **an increase of 98% period-over-period!**
- Total **cash increased \$0.2 million** despite a pay down of accrued expenses and unplanned supplier prepayments during the quarter



# FY2019 Strategic Business Goals



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. Diversify the company 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 (\*See Appendix, Slide 12)
  - 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(\*See Appendix, Slide 13)



# 1. Cash and Working Capital



- **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
- Cash increased \$0.2 million during the first quarter of fiscal 2019 to \$19.6 million compared to cash, cash equivalents, and restricted cash of \$19.4 million and \$19.1 million as of March 31, 2018 and June 30, 2017, respectively.
- During the quarter the Company leveraged its expanded asset-based credit facility and its at-the-market equity offering to cover its expected loss from operations, including cash payments of approximately \$3.2 million for an unexpected supplier prepayment obligation and for its one-time Leadership Incentive Bonus Program.



## 2. Double Digit Revenue Growth



- **Double digit revenue growth through accelerating product sales**
  - Increased marketing and customer acquisition with new Distributor Support System initiative
- Revenue for the first quarter increased 10% to \$21.2 compared to \$19.2 million in the same period last year.
- Product revenue increased 8% during the quarter to \$13.6 million, the highest year-over-year increase in product revenue in three years.
- New gross product orders of \$16 million during the quarter generating a 1.2:1 book-to-bill ratio.
- Capstone booked \$32.5 million in gross product orders for the six-month period ended June 30, 2018, compared to \$16.4 million in the preceding six-month period ended December 31, 2017, an increase of 98% period-over-period.





# 3. Diversify Market Vertical & Geographies



- **Diversify the company 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
- **1.2:1 book-to-bill ratio** representing new product orders from **11 different countries** and **13 distributors**



# 4. Increase Service Absorption



- **Increased Service/OpEx absorption percentage driving towards targeted 100% absorption** (\*See Slide 18)
  - 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
- Q1FY2019 experienced higher than normal scheduled and unscheduled maintenance activities resulting in an elevated cost of goods and a lower quarterly gross margin
- Impacts on our aftermarket business are short-term in nature and will strengthen and normalize over the second half of fiscal 2019
- During the quarter we continued our strategic focus to increase the remanufacturing of spare parts in the US and the UK and increase FPP attachment rates in the oil and gas market







# APPENDIX

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# Q1FY2019 vs. Q1FY2018 Financial Results



<i>(In millions, except per share data)</i>	Q1FY19	Q1FY18
Microturbine Product	\$13.6	\$12.6
Accessories, Parts & Service	\$7.6	\$6.6
Total Revenue	\$21.2	\$19.2
Gross Margin	\$1.8	\$2.2
Gross Margin Percent	9%	11%
R&D Expenses	\$0.9	\$1.1
SG&A Expenses	\$5.7	\$5.0
Total Operating Expenses	\$6.6	\$6.1
Net Loss	\$(4.9)	\$(4.1)
Adjusted EBITDA*	\$(3.9)	\$(3.4)
Basic Net Loss Per Share	\$(0.08)	\$(0.10)
Adjusted EBITDA* Basic Net Earnings (Loss) Per Share	\$(0.06)	\$(0.08)

\*See Appendix, Slide 37

**10% Year-Over-Year Revenue Growth**



# Q1 FY19/Q4 FY18 Balance Sheet



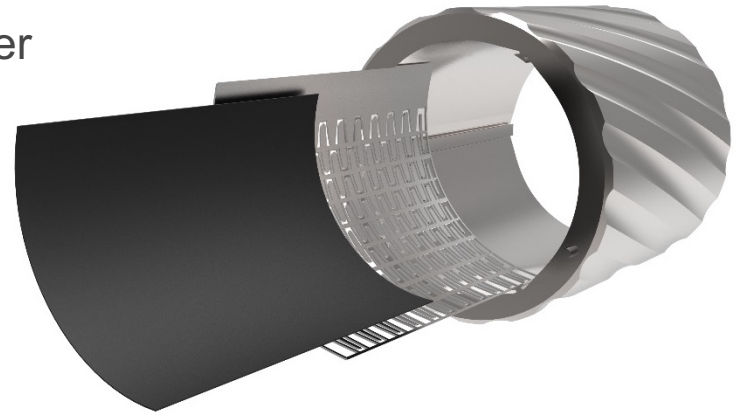
<i>(In millions)</i>	June 30, 2018	March 31, 2018
Cash & Cash Equivalents, Including Restricted Cash	\$19.6	\$19.4
Cash (used in) Provided by Operating Activities (*Approx. \$3.2 million for an unexpected supplier prepayment obligation and for one-time Leadership Incentive Bonus Program).	\$(6.0)*	\$0.5
Accounts Receivable, Net of Allowances	\$15.9	\$16.0
Total Inventories	\$17.2	\$16.7
Accounts Payable & Accrued Expenses	\$13.6	\$13.5

**Maintained Cash by Effectively Leveraging Credit Facility & ATM**

# 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



# Capstone Energy Finance JV Initiative

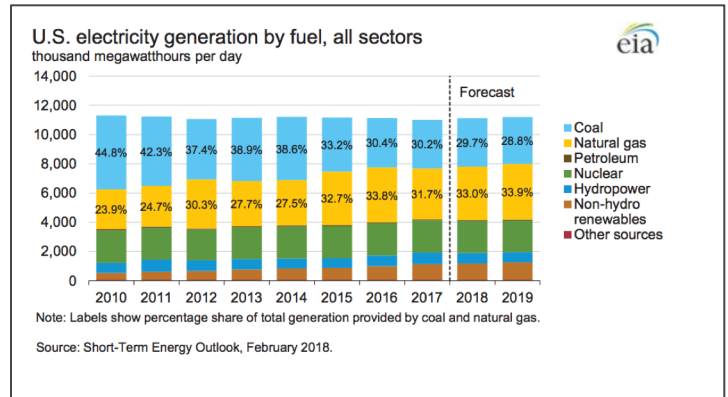


- Now Offering PPA, Lease and Rentals
- Executed First Agreement – September 18, 2017
- In Negotiation for Several Projects
- Projects Cover Wide Variety of Markets and Applications
- Pipeline over \$60M (product only)
- Actively Working with Sky Capital (subsidiary of Sky Solar Group) to Provide Up to \$150M in Project Financing
- Partnering with Additional Banks to Broaden Competitive Lease Rates

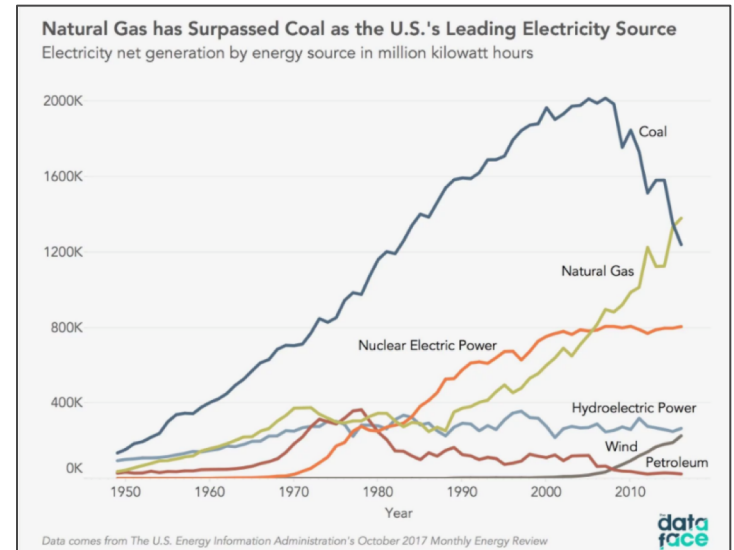
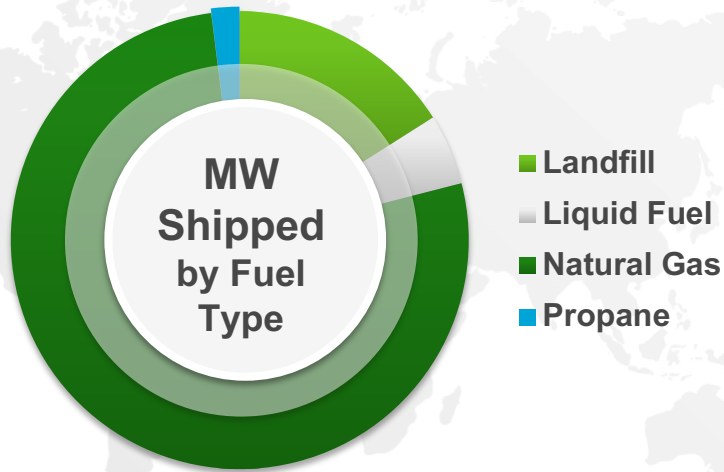




# Leading U.S. Electricity Source is Natural Gas (Also Fastest Growing)



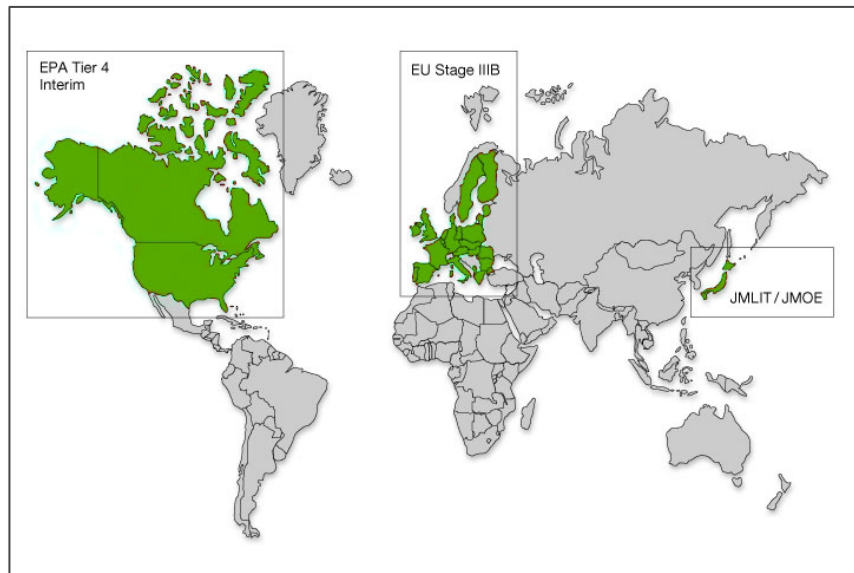
Source: <https://www.eia.gov/outlooks/steo/data.php?type=figures>



Source: <http://thedataface.com/2017/11/economy/energy-sources>

**77% of All Capstone Units Shipped Run Off Natural Gas**

# Tightening Emissions Regulations



			EPA Tier 4 Interim / EU Stage IIIB					EPA Tier 4 Final / EU Stage IV				
kW	EPA	HP	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
0-18*	0-24		(7.5) / 6.6 / 0.40									
19-36	25-48		(7.5) / 5.5 / 0.30					(4.7) / 5.0 / 0.03				
37-55	49-74		(4.7 / 5.0 / 0.30 Option 1)									
56-129*	75-173						3.4 / 0.19 / 5.0 / 0.02		0.40 / 0.19 / 5.0 / 0.02			
130-560*	174-751						2.0 / 0.19 / 3.5 / 0.02			0.40 / 0.19 / 3.5 / 0.02		
>560	>751						3.5 / 0.40 / 3.5 / 0.10				3.5/0.19 /3.5 /0.04	

kW	EU	HP	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
18-36	24-48		Stage IIIA (7.5) / 5.5 / 0.6									
37-55	49-74						(4.7) / 5.0 / 0.025					
56-129*	75-173						3.3 / 0.19 / 5.0 / 0.025		0.4 / 0.19 / 5.0 / 0.025			
130-560	174-751						2.0 / 0.19 / 3.5 / 0.025			0.4 / 0.19 / 3.5 / 0.025		

(NO<sub>x</sub> + HC) / CO / PM    (Oxides of Nitrogen + Hydrocarbons) / Carbon Monoxide / Particulate Matter    (g/kW-hr)

NO<sub>x</sub> / HC / CO / PM    Oxides of Nitrogen / Hydrocarbons / Carbon Monoxide / Particulate Matter    (g/kW-hr)

\* Combines regulatory powerbands with same emission levels

Source: <http://cumminsengines.com/emission-regulations>

Capstone exceeds all EPA/EU Standards *plus* our Flagship C65 & C200 ICHP systems already meet the World's Most Difficult Standard (CARB)

# Examples of New York Metro Area Installations



 <b>Energy Efficiency</b> Residential	 <b>Energy Efficiency</b> Healthcare	 <b>Energy Efficiency</b> Retail	 <b>Energy Efficiency</b> Hospitality	 <b>Renewable Energy</b> Waste Water Treatment	 <b>Energy Efficiency</b> Residential
 <p><b>Residential Complex</b> Bronx, New York</p> <p>Natural gas-fueled combined heat and power (CHP) microturbine provides primary power and hot water to the multi-family residential complex.</p> <p><b>(1) C1000   DM*</b> 1MW Electricity</p> <p>Projected ROI: 3.5 yrs</p> <p>Commissioned: 9/16</p>	 <p><b>Residential Healthcare</b> Wyckoff, New Jersey</p> <p>Assisted living facility with 292-bed capacity. Four natural gas-fueled microturbines provide combined cooling, heat and power (CCHP) to residents.</p> <p><b>(4) C65   DM*</b> Absorption Chiller 260kW Electricity</p> <p>Commissioned: 8/08</p>	 <p><b>Retail Wine Store</b> New York, New York</p> <p>2011 AEE Energy Project winner. Exhaust heat from two microturbines is used to provide 40 tons of chilling year round.</p> <p><b>(2) C65 ICHP   GC*</b> 40-Ton Absorption Chiller 130kW Electricity Projected ROI: 4 yrs</p> <p>Commissioned: 12/05</p>	 <p><b>Luxury Hotel</b> New York, New York</p> <p>Twelve integrated combined heat and power (ICHP) microturbine array supplies electricity and hot water to the building and also feeds an absorption chiller.</p> <p><b>(12) C65 ICHP</b> 200-Ton York Absorption Chiller 780kW Electricity Projected ROI: 4.5 yrs</p> <p>Commissioned: 10/13</p>	 <p><b>WWTP</b> New York, New York</p> <p>Two microturbines fueled by digester gas and natural gas blend provide power and heat to the waste water treatment plant (WWTP).</p> <p><b>(2) C65 ICHP</b> 130kW Electricity</p> <p>Projected ROI: 6 yrs</p> <p>Commissioned: 9/14</p>	 <p><b>Residential Complex</b> New York, New York</p> <p>Four microturbines provide combined heat and power (CHP) to multi-family high rise building. Also feeds into an integrated heating loop for winter months.</p> <p><b>(4) C65 ICHP   GC*</b> 260kW Electricity</p> <p>Projected ROI: 4 yrs</p> <p>Commissioned: 12/10</p>

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

\*GC – Grid Connect System

Case Studies can be found on [www.capstoneturbine.com/case-studies](http://www.capstoneturbine.com/case-studies)

Projected ROI estimates are at time of sale



# Examples of California Area Installations



## Energy Efficiency Food Processing



### Brewing Company Northern California

Brewing facility uses two C1000 microturbines to complement their existing on-site electrical generation and operate as a microgrid.

**(2) C1000 | Microgrid**  
2MW Electricity

Projected ROI: 3.4 yrs

Commissioned: 3/15



## Energy Efficiency Healthcare



### Los Angeles Hospital Southern California

A natural gas-fueled microturbine is used to offset electric base load and provides chilled water, boosting the facility's overall efficiency.

**(1) C1000**  
1MW Electricity

Projected ROI: 4 yrs

Commissioned: 10/13



## Energy Efficiency Manufacturing



### Pharmaceutical Facility Northern California

The dual mode system provides steam and hot water to the critical power facility and raises overall efficiency to almost 90%.

**(2) C1000 | DM\***  
1MW Electricity

Projected ROI: 3.6 yrs

Commissioned: 7/15



## Oil & Gas Offshore O&G



### Offshore Oil Producer California Coast

The associated gas-fueled microturbines provide power to site loads and lowers operating costs for the end user.

**(1) C1000S (1) C600S**  
1.6MW Electricity

Projected ROI: 2.8 yrs

Commissioned: 12/16



## Oil & Gas Onshore O&G



### Onshore Oil Producer California

Associated gas is piped directly to the system and provides heat to be used in the processing of free water knockout (FWKO) during drilling.

**(1) C1000**  
1MW Electricity

Projected ROI: 2.5 yrs

Commissioned: 4/13



## Critical Power Utility



### Gas Utility Southern California

Two C1000 microturbines provide prime power for the key gas compression facility that provides significant natural gas to Southern California.

**(2) C1000 | PP\***  
2MW Electricity

Projected ROI: 2 yrs

Commissioned: 8/13

\*PP– Prime Power

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

# 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](http://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.capstone-turbine.com/case-studies](http://www.capstone-turbine.com/case-studies) | Projected ROI estimates are at time of sale



# Examples of United Kingdom Area Installations



**Renewable Energy**  
Landfill



**Landfill**  
Harlech, UK

A methane-powered C65 microturbine provides both heat and electricity to the landfill site.

**(1) C65 | GC\***  
55 kW Electricity

Commissioned: 2/17



**Energy Efficiency**  
Public Facility



**Leisure Facility**  
Lincoln, UK

Two C65 units in a combined heat and power (CHP) application have reduced utility costs by 10% annually and lowered emissions by 303 metric tonnes per year.

**(2) C65 | GC\***  
130 kW Electricity

Commissioned: 10/09



**Energy Efficiency**  
Public Facility



**Leisure Facility**  
Birmingham, UK

Two C65 units provide added operational protection for the leisure facility's heat and electrical demand using electricity displaced from the grid.

**(2) C65 | GC\***  
130 kW Electricity

Commissioned: 9/16



**Energy Efficiency**  
Hospitality



**Hotel/Leisure Club**  
Manchester, UK

A C65 system installation allows for the hotel and leisure facility to benefit from immediate savings in both energy costs and carbon emissions.

**(1) C65**  
65 kW Electricity

Commissioned: 5/16



**Energy Efficiency**  
Public Facility



**Stadium/Sports Center**  
Aylesbury, UK

Two highly efficient C65 units provide 70% of the stadium's on-site power and delivers up to £24,000 in annual savings.

**(2) C65**  
130 kW Electricity

Commissioned: 4/15



**Energy Efficiency**  
Public Facility



**Leisure Facility**  
Milton Keynes, UK

A low maintenance C65 unit generates up to 370,000 kWh of electricity and 680,000 kWh of heat per annum for the large multi-sport facility.

**(1) C65 | GC\***  
65 kW Electricity

Commissioned: 11/16

\*GC – Grid Connect System

Case Studies can be found on [www.capstoneturbine.com/case-studies](http://www.capstoneturbine.com/case-studies)

# Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA		Three Months Ended		
		June 30, 2018	June 30, 2017	December 31, 2017
Net loss, as reported		\$ (4,897)	\$ (4,092)	\$ (323)
Interest expense		118	221	170
Provision for income taxes		4	—	—
Depreciation and amortization		287	304	271
EBITDA		\$ (4,488)	\$ (3,567)	\$ 118
Stock-based compensation		227	154	102
Restructuring charges		403	—	58
Change in warrant valuation		—	—	84
Adjusted EBITDA		\$ (3,858)	\$ (3,413)	\$ 362

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, 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.

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.



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