



Equity Analyst & Investor Open House

October 3, 2018

“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**

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.

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

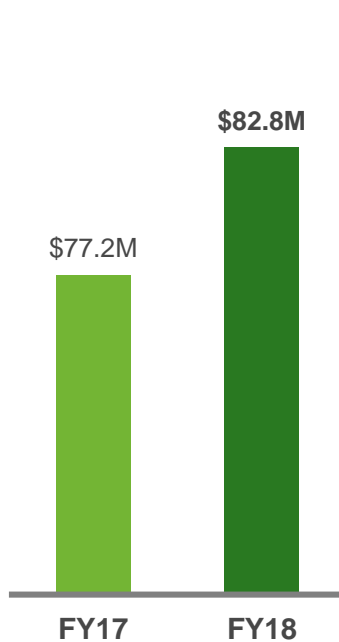


CAPSTONE FY2018 RESULTS

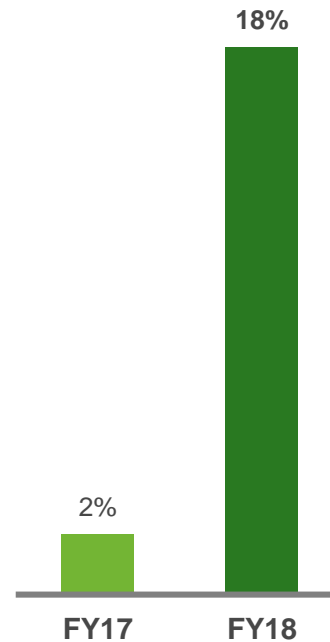
FY2018 vs. FY2017 Revenue, Gross Margin & Adjusted EBITDA



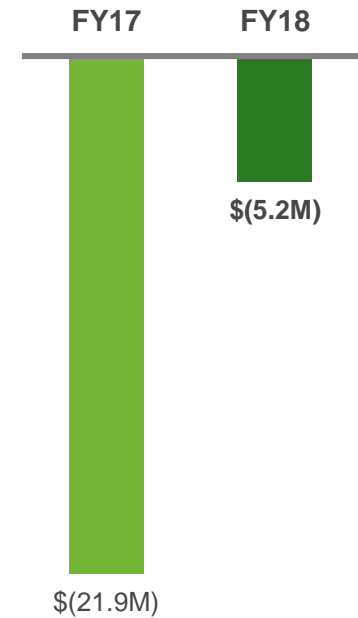
Revenue



Gross Margin



Adjusted EBITDA*



■ FY17 ■ FY18

*See Appendix, Slide 85

Improved Diversity in FY2018



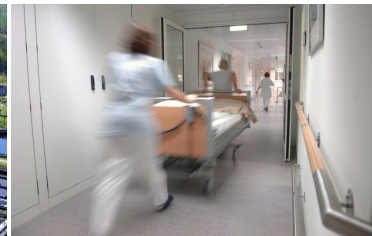
47%

38%

9%

4%

2%



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

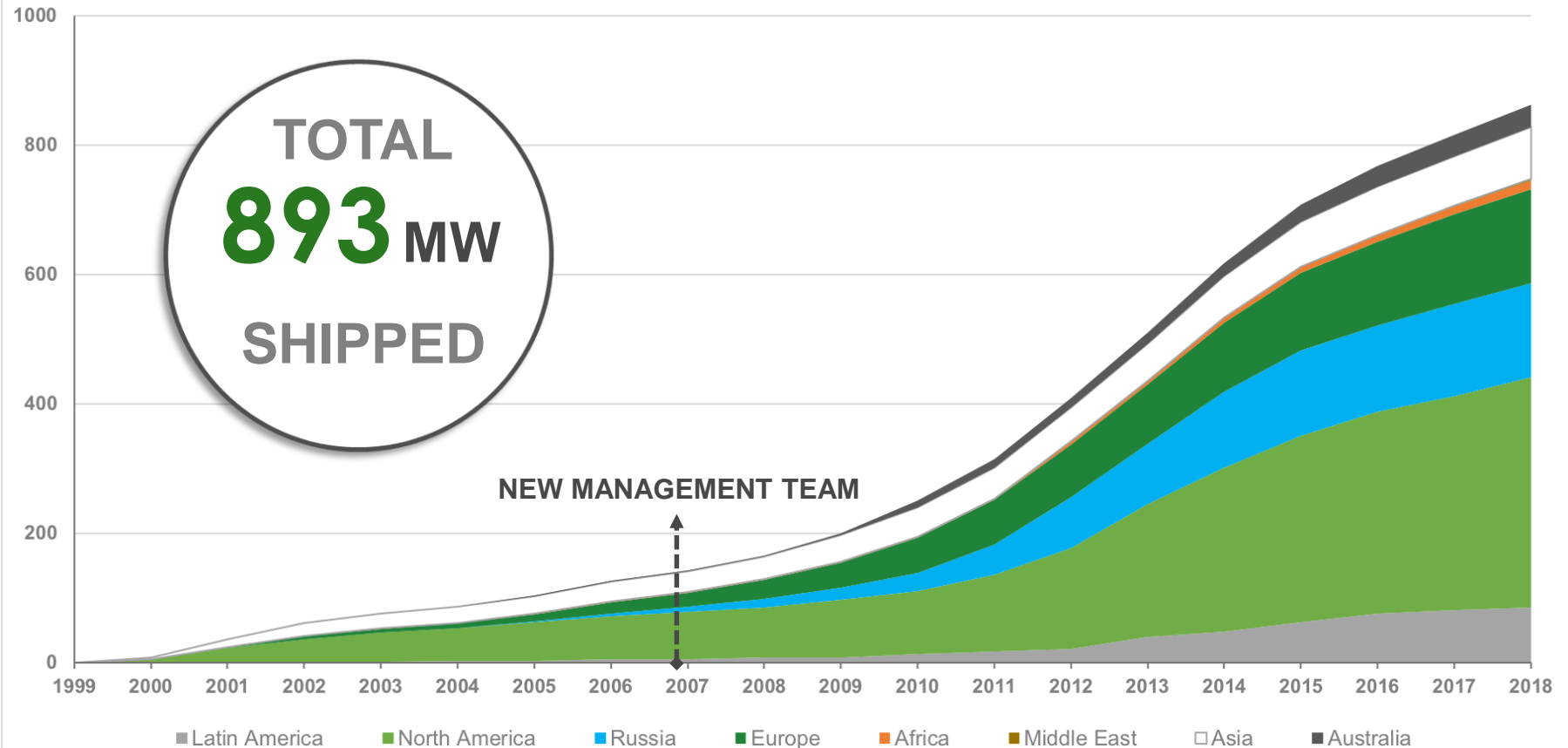
MICROGRID

- Manufacturing
- Retail
- Hospitality
- Data Center

Microturbines Are Going Global



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.

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



CAPSTONE FUTURE BUSINESS

Microturbines Are Benefitting from Multiple Growth Catalysts

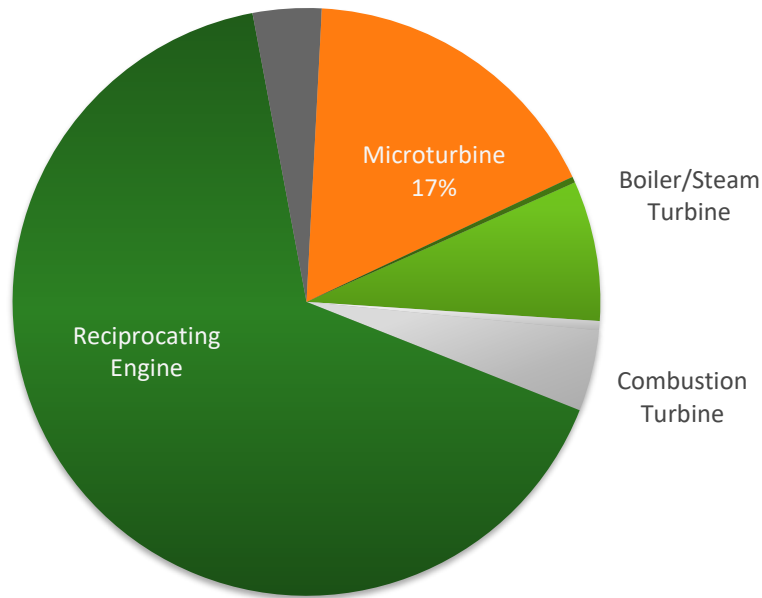


Microturbines Are Gaining Share

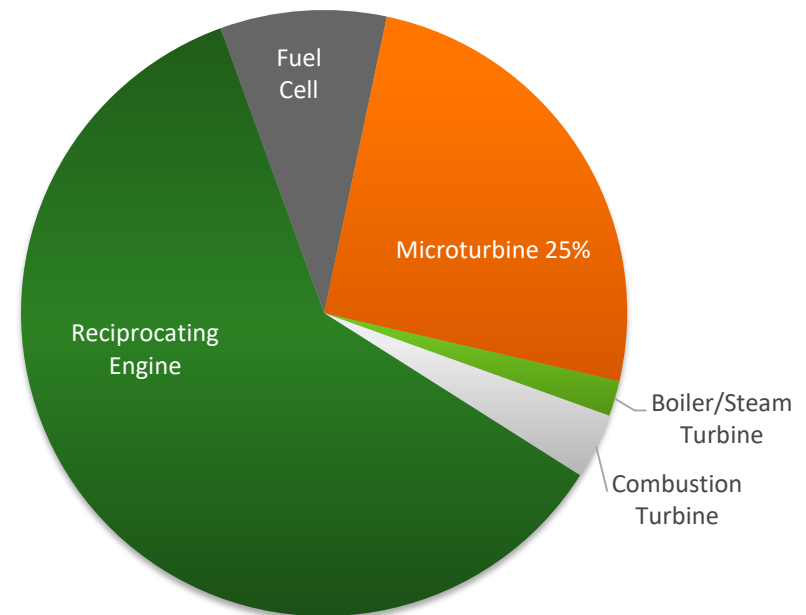


U.S. CHP Installations by Technology 100 kW – 5 MW

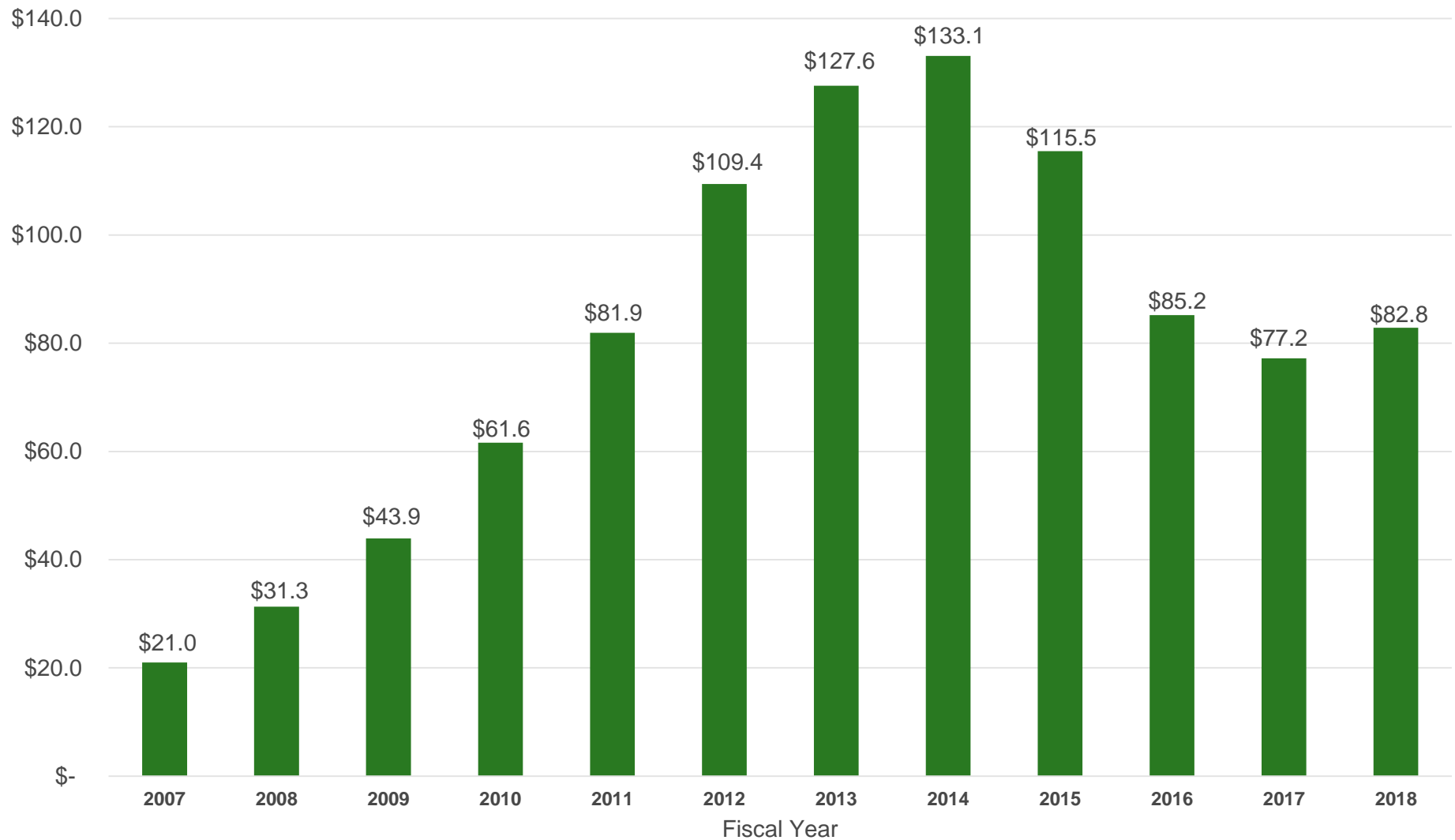
2008-2013



2013-2017



Total Revenues Fiscal 2007 - 2018





CAPSTONE FY2019 BUSINESS GOALS

Capstone 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. 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



(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
Total Revenue	\$22.8	\$40.0	New Signature Series Products and New Bundled Solution program
Cost of Good Sold	\$17.8	\$26.3	Lower Signature Series Cost – Higher Purchase Volumes
Gross Margin	\$5.0	\$13.7	Growing Product Sales & FPP - Lower Warranty and FPP COGS
Gross Margin Percent	22%	34%	Aftermarket Business Margin Expanding from 42% to 50%
Total Operating Expenses	\$5.0	\$6.0	OpEx up on Increased Marketing Spend and Sales Commissions
Adjusted EBITDA*	\$0.4	\$7.7	Minimal Tax Impact with Approx. \$678M in Federal NOLs

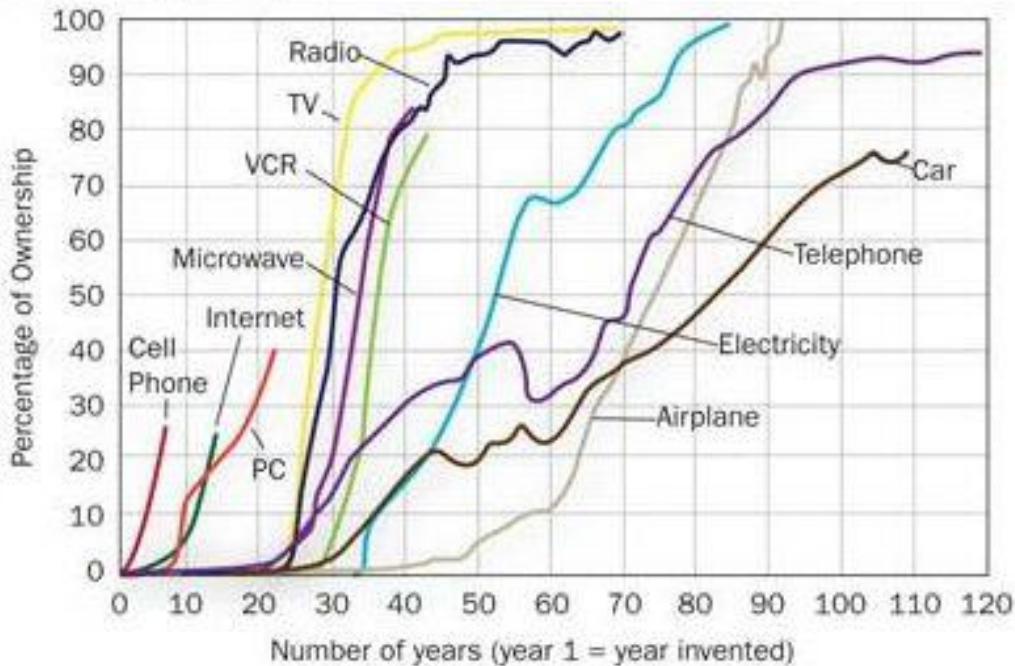
*See Appendix, Slide 85

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

Technology Adoption Timelines



Technology Adoption



Source: Forbes Magazine

30+ HIGHER COST
YEARS TECHNOLOGIES





CAPSTONE VS. BLOOM ENERGY

Technology Comparison



Technical Performances		Capstone Microturbines	Bloom Energy
System Designation	-	1 x C1000S	5 x Energy Server 5
Baseload Output	kW	1,000	1,000
System Efficiency (LHV)	%	70-85% (power and heat)	53-65% (power only)
Heat Rate	Btu/kWh	10,300	6,000
CO2 Emissions	lbs./MWh	625	679-833
Weight	Tons	27	63
Dimensions (W x D x H)	x'y"	9'9" x 30' x 13'11"	73'9" x 43'4" x 35'
Noise	dBA	< 85 @ 3.3 feet	< 70 @ 6 feet
Heat Recovery	kW	1,500	0
Inlet Fuel Pressure	psig	75-80	10-18

Technology Comparison (cont.)



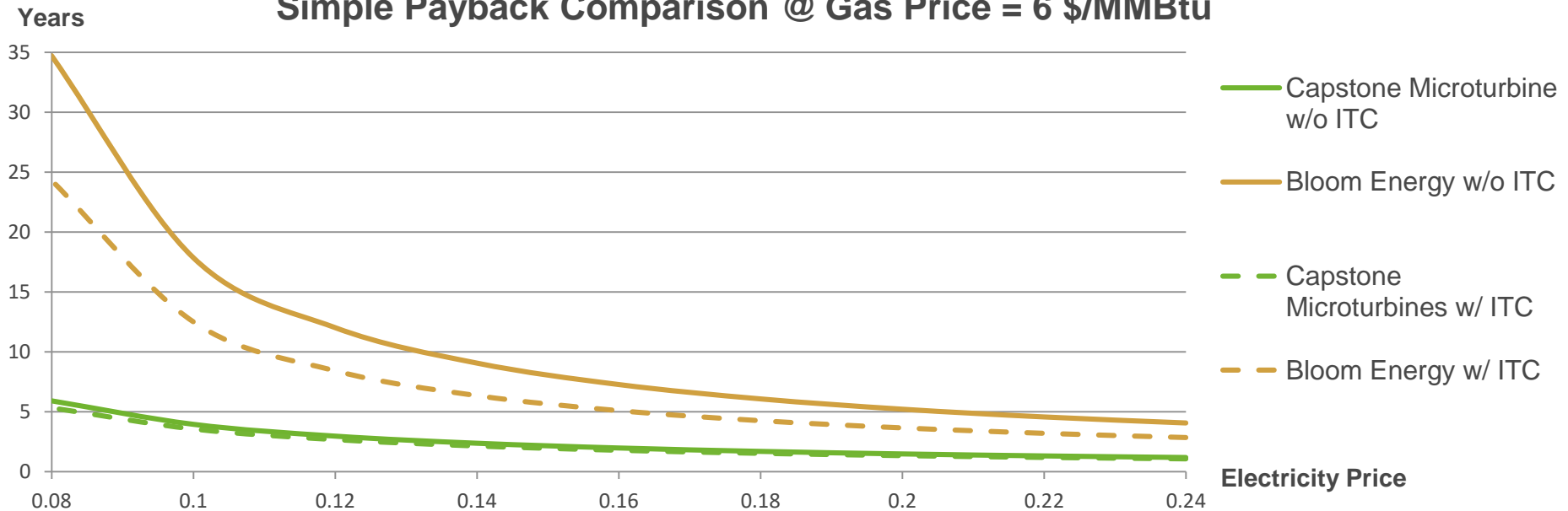
Operations		Capstone Microturbines	Bloom Energy
Fuel Flexibility	-	Natural gas, biogas, landfill gas, digester gas, sour gas, associated gas, LPG, propane, butane, liquid fuel, etc.	Natural gas, biogas (high sensitivity to sulfur in fuels)
Load Flexibility	-	High efficiency over wide operating range, part load power redundancy	High operating temperature requires long start-up times and limits load following applications
Annual Power Production	MWh	8,754	8,322
Annual Heat Production	MWh	13,130	0
Annual Fuel Consumption	MMbtu	90,200	49,900
Power Availability	-	99% availability	97% availability
Service Downtime	day/year	0.25	3
Product Life Expectancy	Years	20	10
Installation Base	MW	893 MW	328 MW

Technology Comparison (cont.)



Economics		Capstone Microturbines	Bloom Energy
Total System Cost	\$/kW	2,100	6,440
Investment Tax Credit	\$/kW	210	1,930
Annual Maintenance Cost	\$/kW	140	200

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



Capstone vs. Bloom Energy Financial Comparison



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

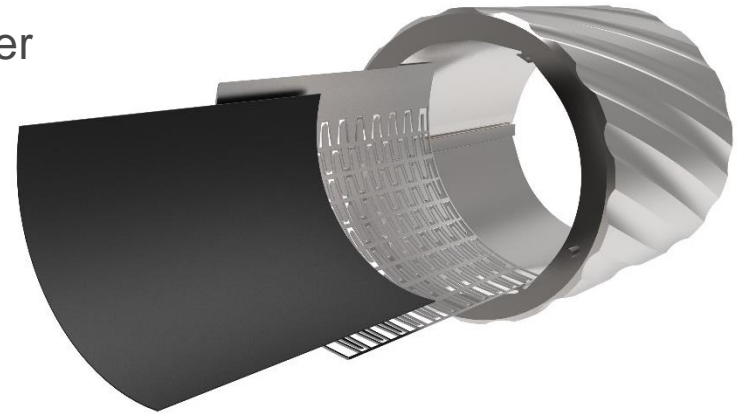
(1) Source: Capstone Turbine Corporation June 2018 Form 10-K filing

(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

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



In FY18 Energy Efficiency was 47% of our Total Revenue

Market Vertical Update



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



In FY18 Oil & Gas was 38% of our Total 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



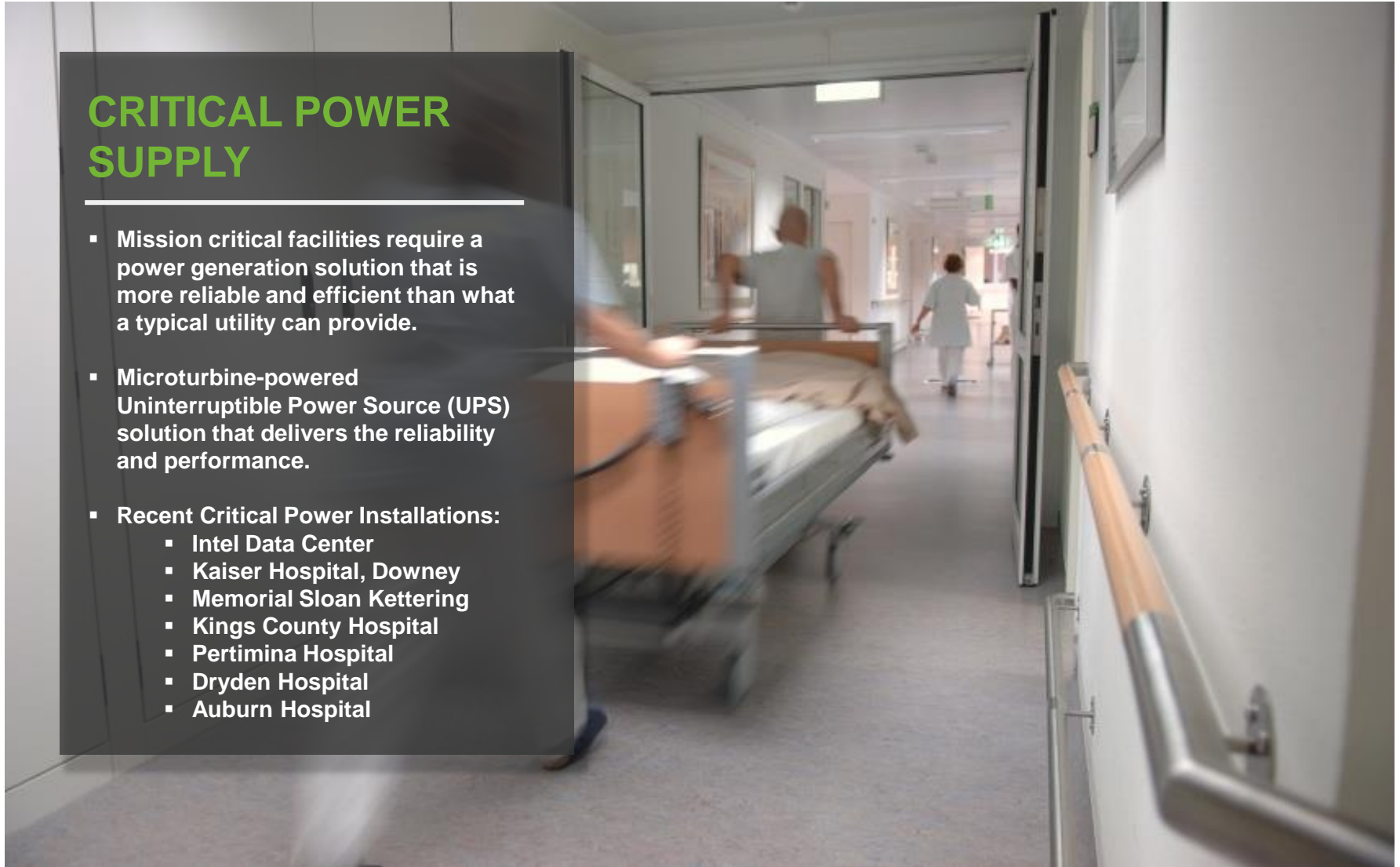
In FY18 Renewable Energy was 9% of our Total Revenue

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
 - Pertamina Hospital
 - Dryden Hospital
 - Auburn Hospital



In FY18 Critical Power was 4% of our Total Revenue

Market Vertical Update



MICROGRIDS

- 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



In FY18 Microgrids were 2% of our Total Revenue

Market Vertical Update



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



Features

Benefits



Only one moving part

Longer service intervals, low operating cost



Patented air bearing technology

No lubricants or coolants needed



Stand alone or grid connect

Multiple applications and industries



Wide fuel range

Operates on gaseous, renewable, and liquid fuels



High power density

Compact footprint, small modular design



Advanced Combustion Controls

Low emissions, no exhaust aftertreatment



Clean waste heat

Thermal energy for cogeneration/trigeneration



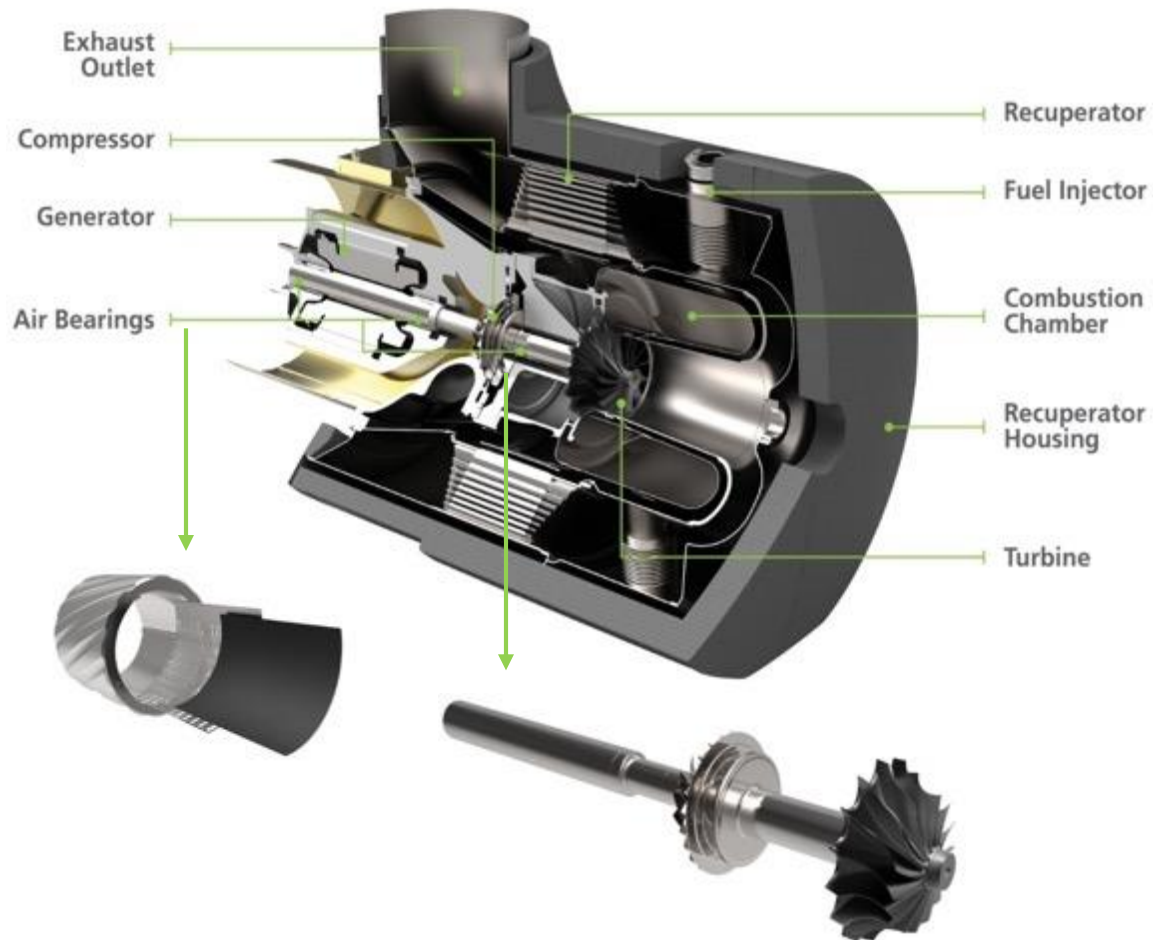
Remote monitoring

View performance and diagnostic 24/7

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 Distribution



- Capstone has a network of:
 - ✓ Strong
 - ✓ Motivated
 - ✓ Capable
 - ✓ Dedicated Distributors

Distribution Support Program



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

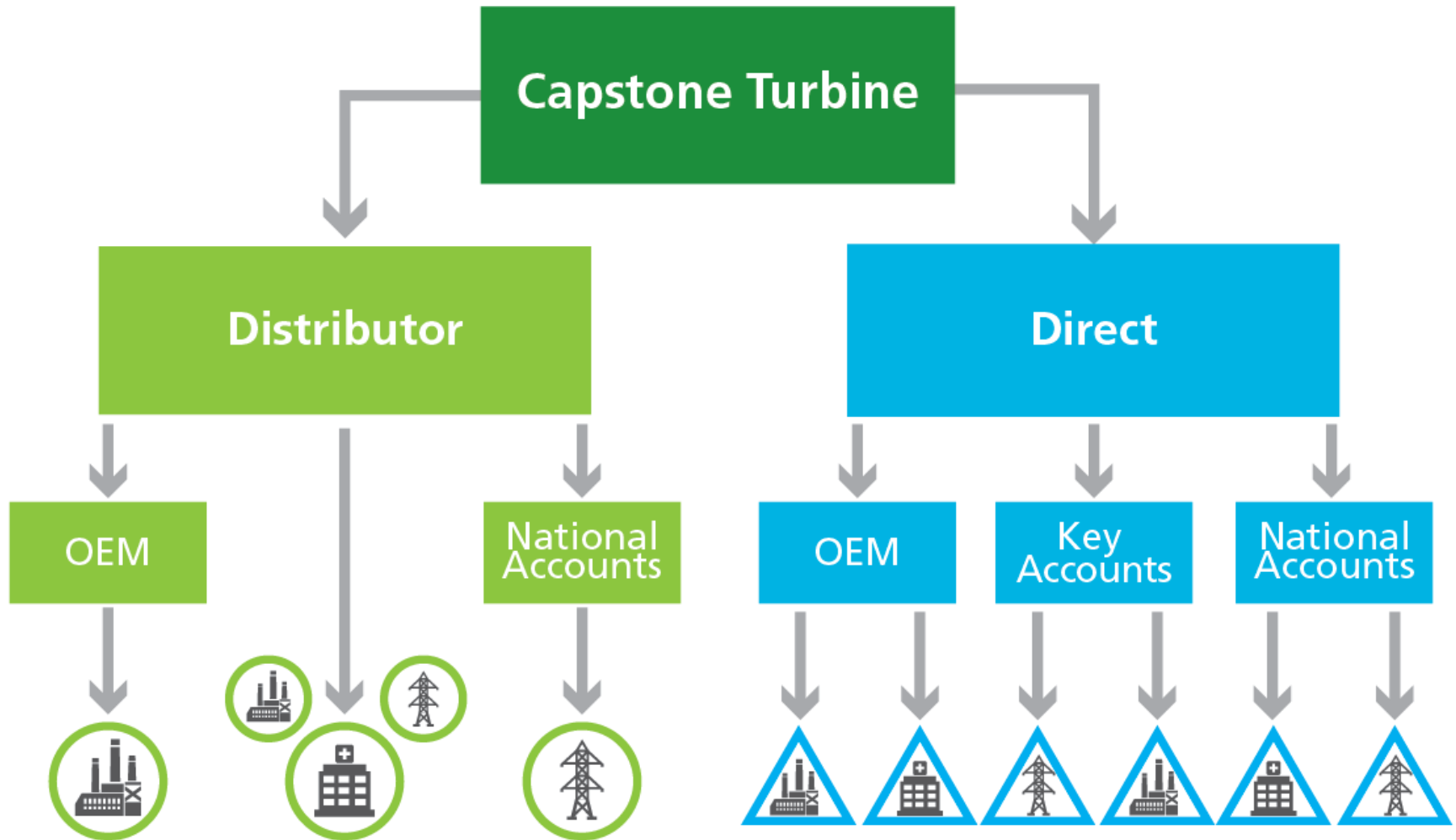


Distributor Support Program



- 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



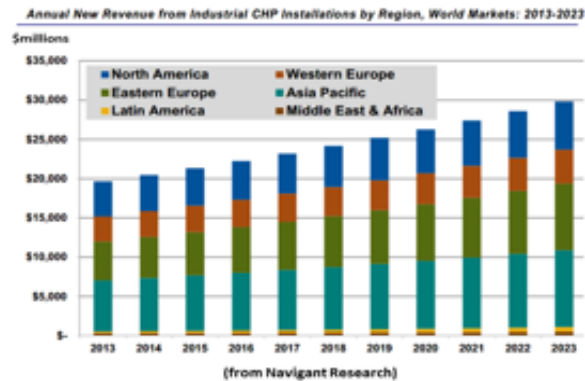


U.S. CHP OVERVIEW & CHP GROWTH OPPORTUNITIES

CHP Market Sectors



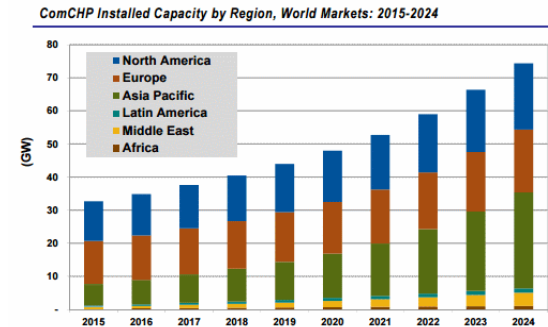
Industrial CHP Sector



Source: Navigant Research, 2014

- 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)

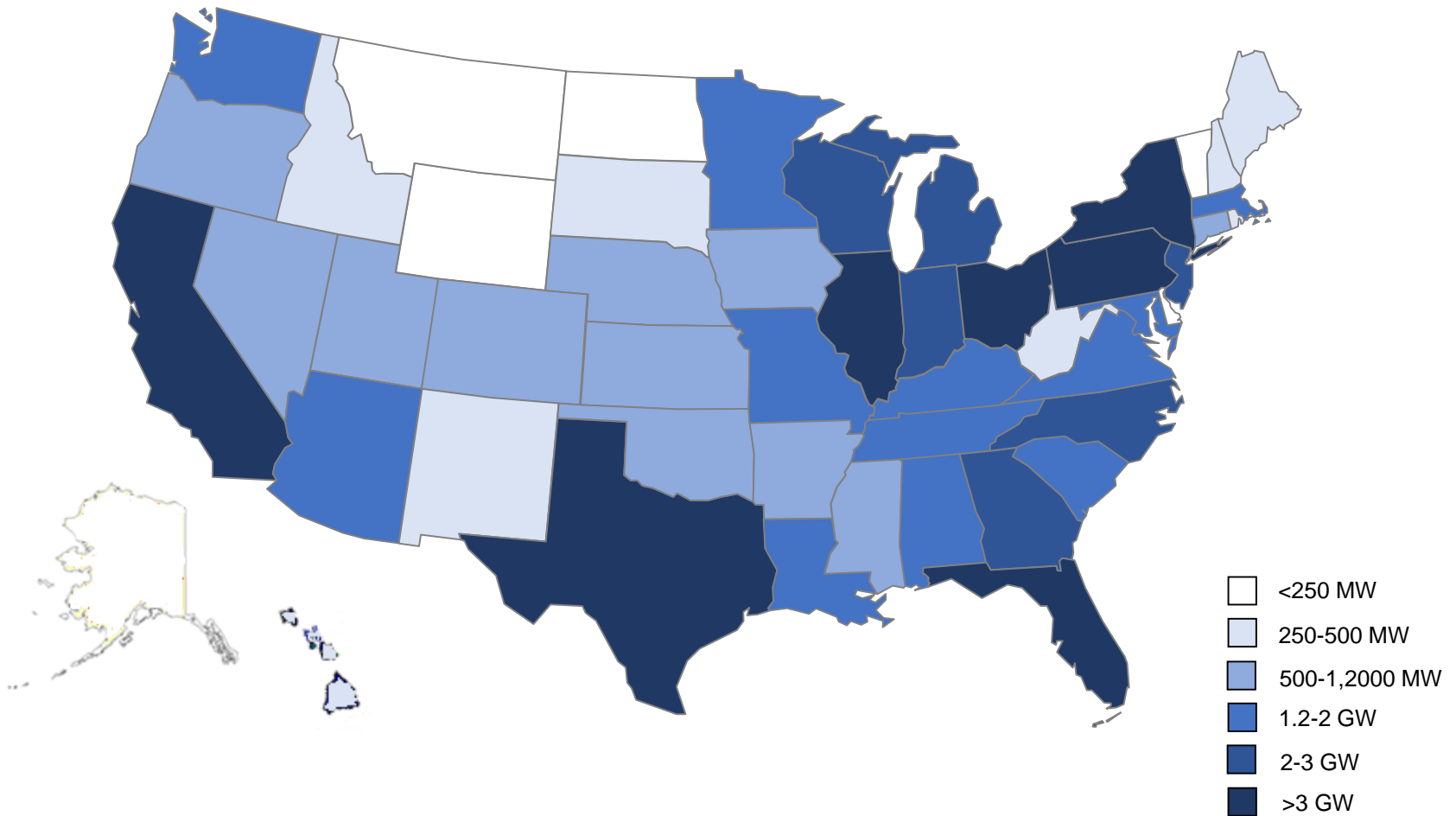
Commercial CHP (comCHP) Sector



Source: Navigant Research, 2015

- 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)

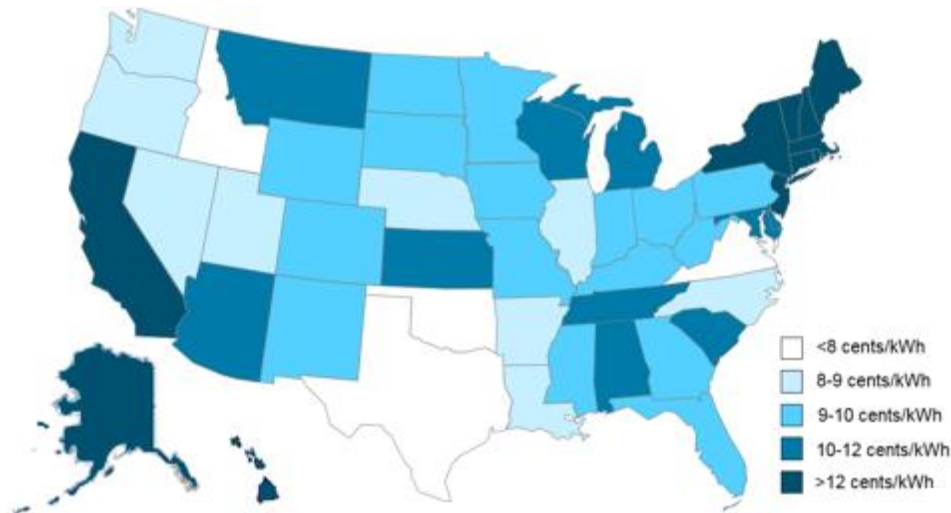
U.S. Technical Potential by State (100 kW – 5 MW)



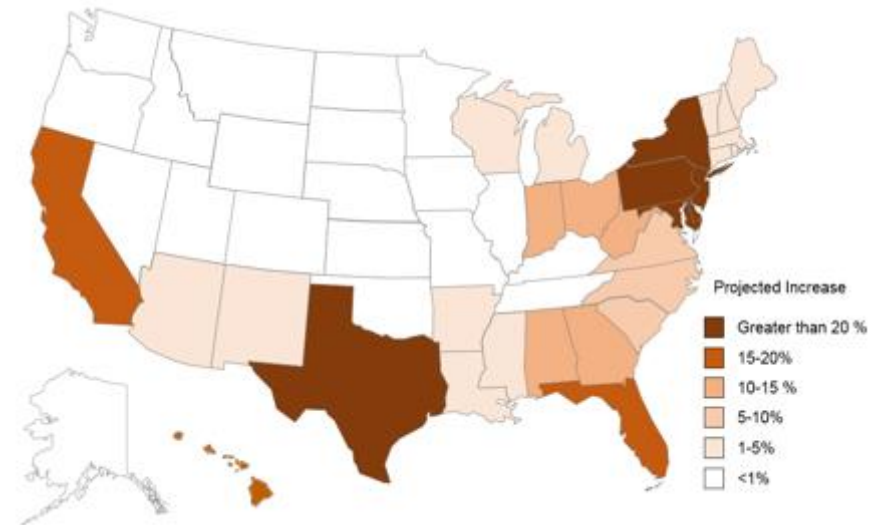
Electricity Prices on The Rise



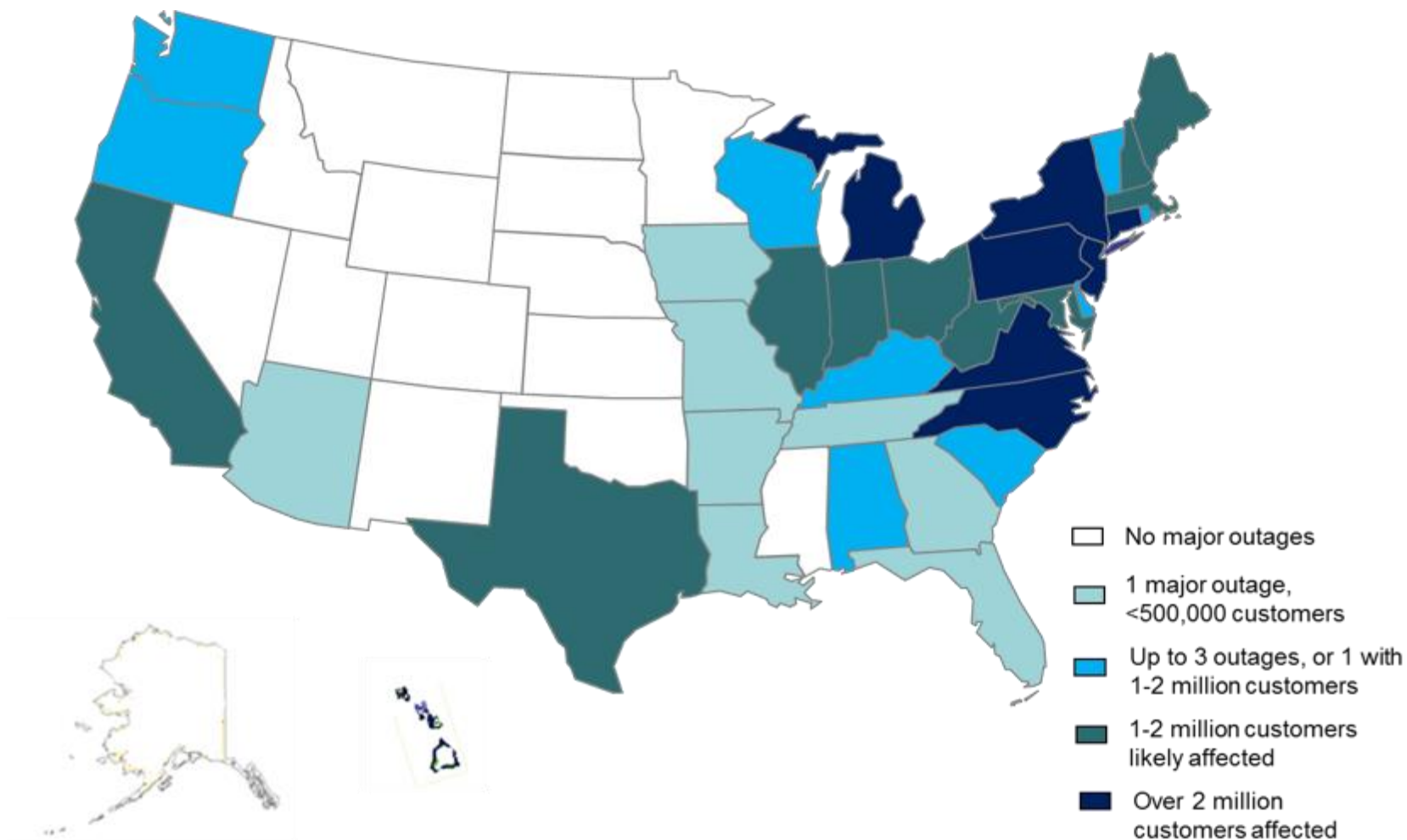
Average Electricity Price for Commercial Customers



Projected 20 Year Growth in Electricity Prices



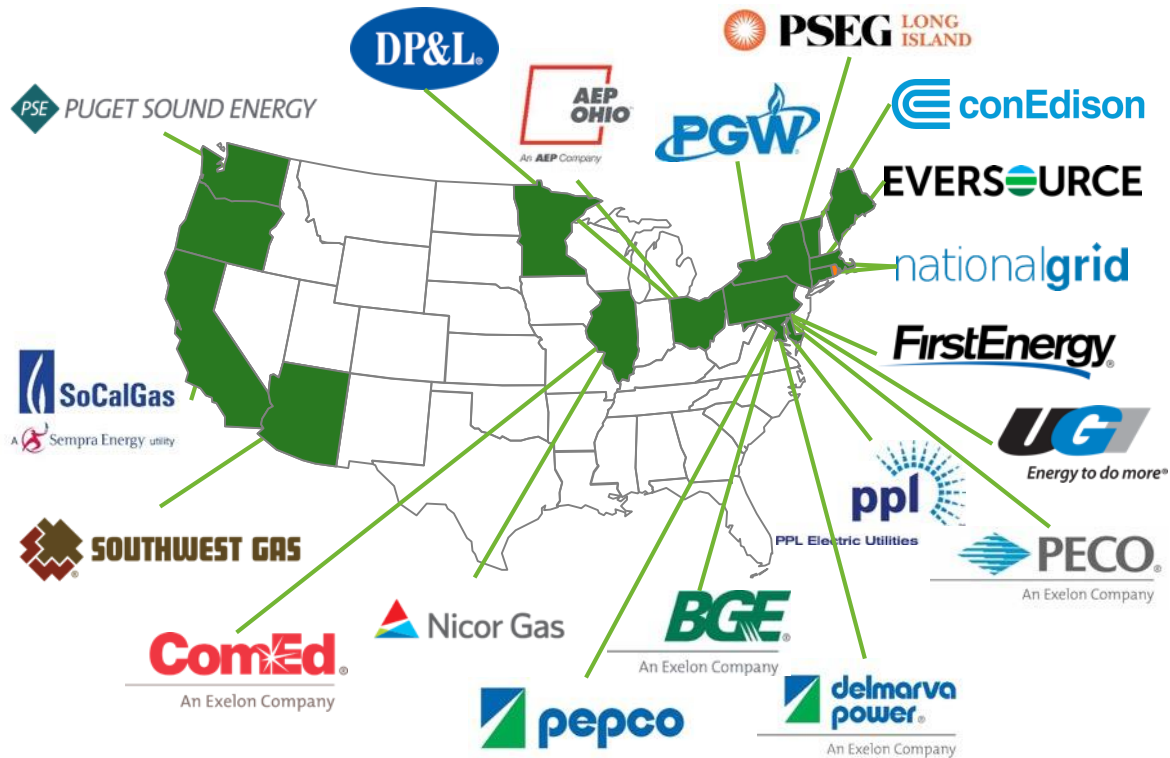
Major Utility Power Outages, 2010-2016



Microturbines Benefiting From New Incentives



At least **20 utilities** are administering incentive programs specifically for CHP

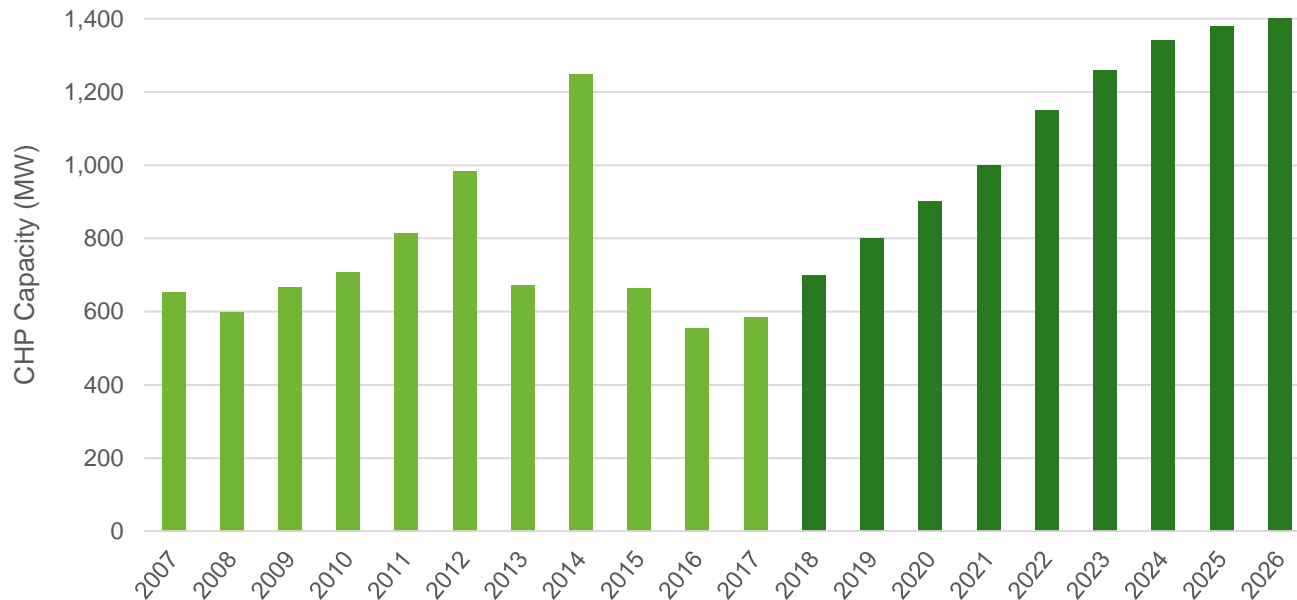


Distributed Generation Benefits with CHP Capacity Additions



Growth in Overall **CHP Market** Driven by Smaller Commercial Applications

Historical and Forecast CHP Capacity Additions



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

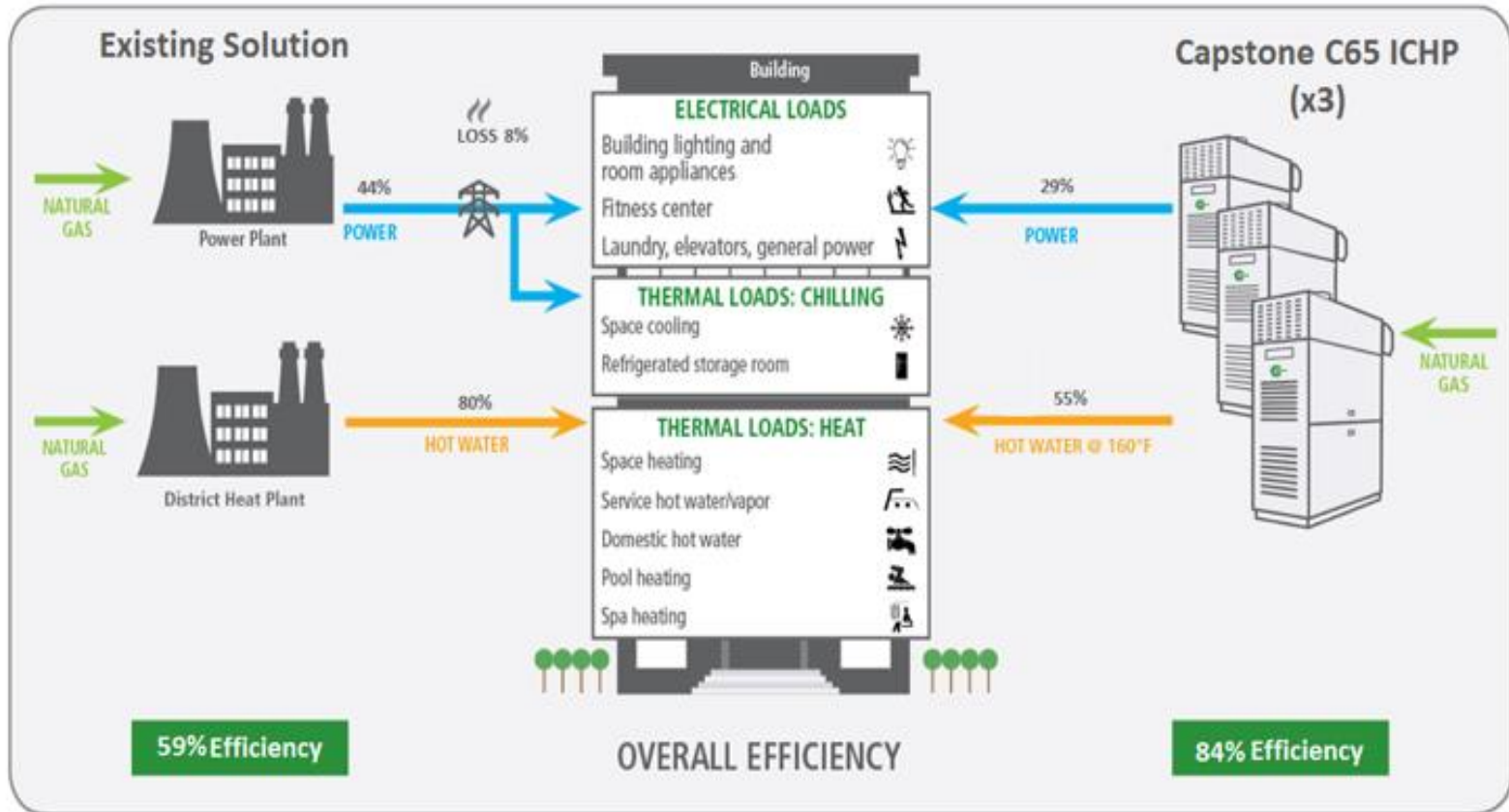
- Amenities:

- Restaurant
- Bar/lounge (indoor and rooftop)
- Laundry/dry cleaning
- Fitness center, business center
- Pool, spa
- 14,000 sqft of event space

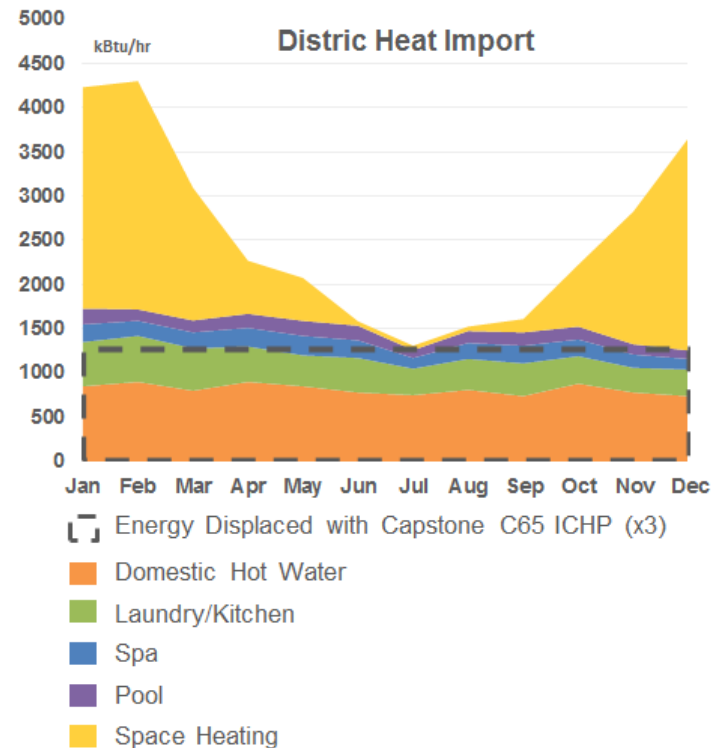
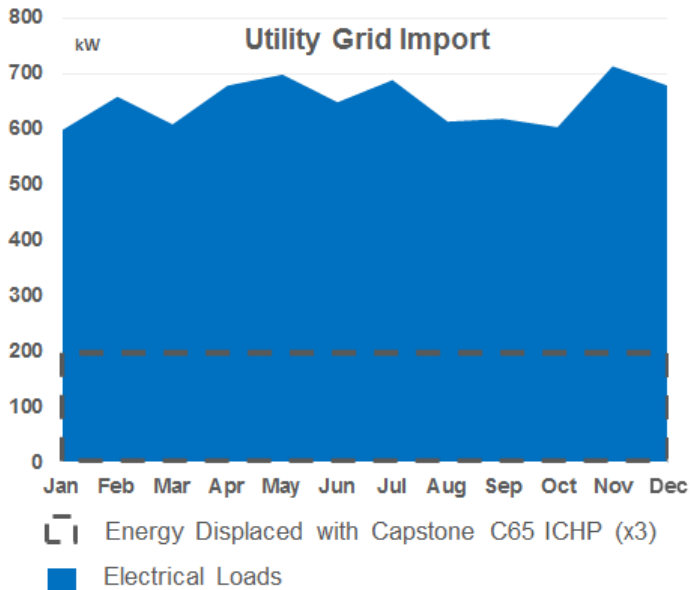
- Connected to utility electrical grid
- Importing district heat (hot water, steam) and consuming natural gas
- Running (x3) Capstone C65 ICHP commissioned in 2009



The Logan Philadelphia Hotel



Energy Displacement

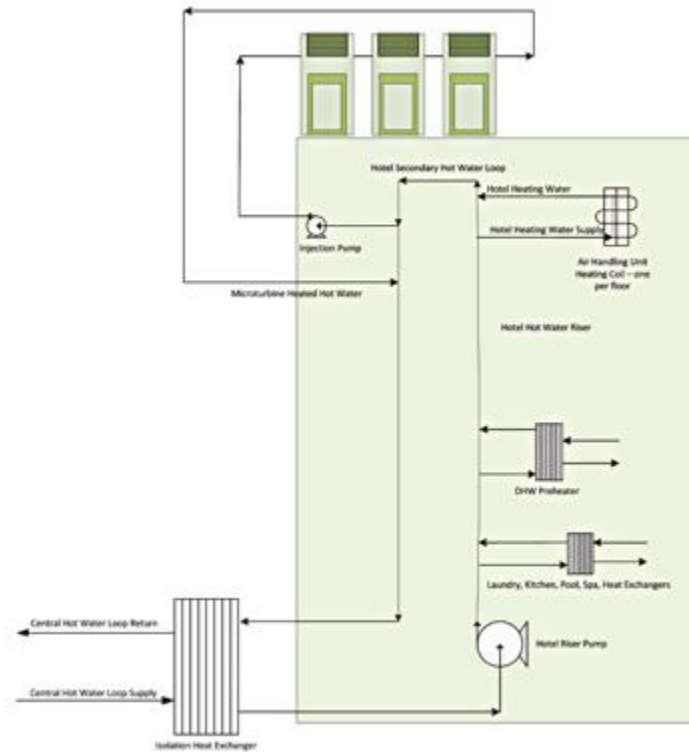


Note: Chilled water for space cooling is provided by the adjacent building, the electrical load profile does not reflect any space cooling load.

The Logan Philadelphia Hotel



■ Central Thermal System Installation



Project Key Highlights

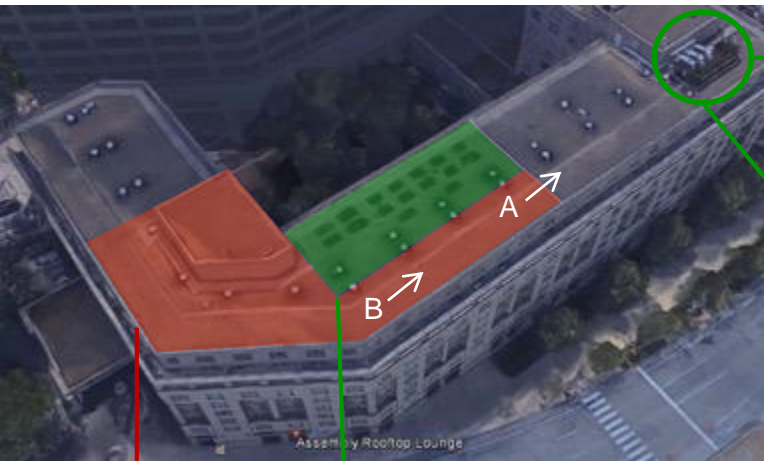


- Project economics (based on 2008 energy rates):
 - ROI = 4.2 years
 - 30% savings on energy bills
- Environmental Benefits:
 - 425 metric tons of CO2 equivalent emissions are avoided each year, equivalent to 70 cars removed off the road
 - 44% district steam import savings, which equals to 1,000 gallons 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



Planned herb garden which would supply the hotel's restaurant "Urban Farmer".

"Assembly Rooftop Lounge" opened in April 2016.

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



↑
A

← B



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



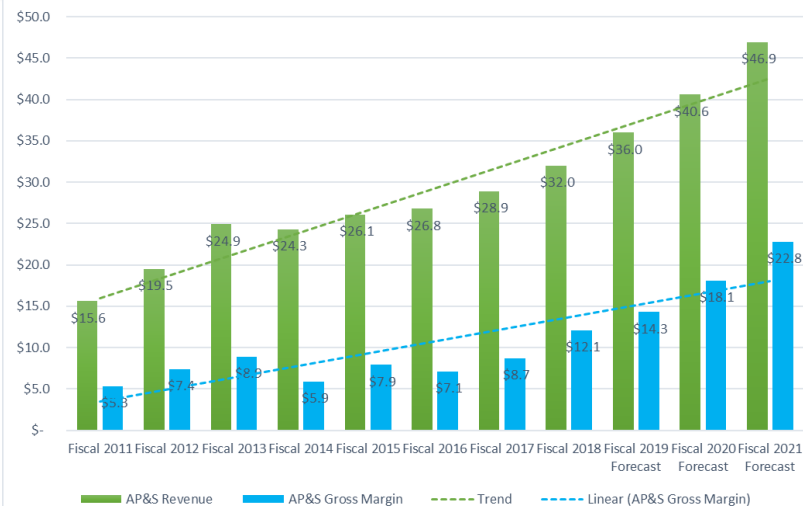
Aftermarket Parts & Service (AP&S) Financial Summary



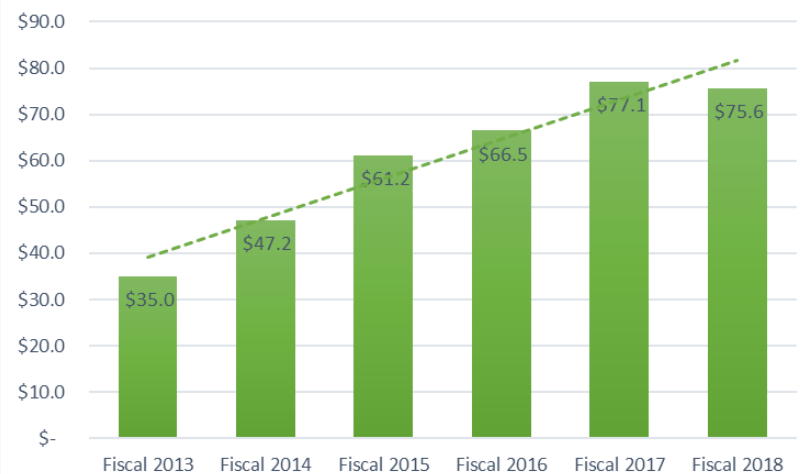
Profitable Aftermarket Growth

- **>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%**

AP&S Financials (\$M)



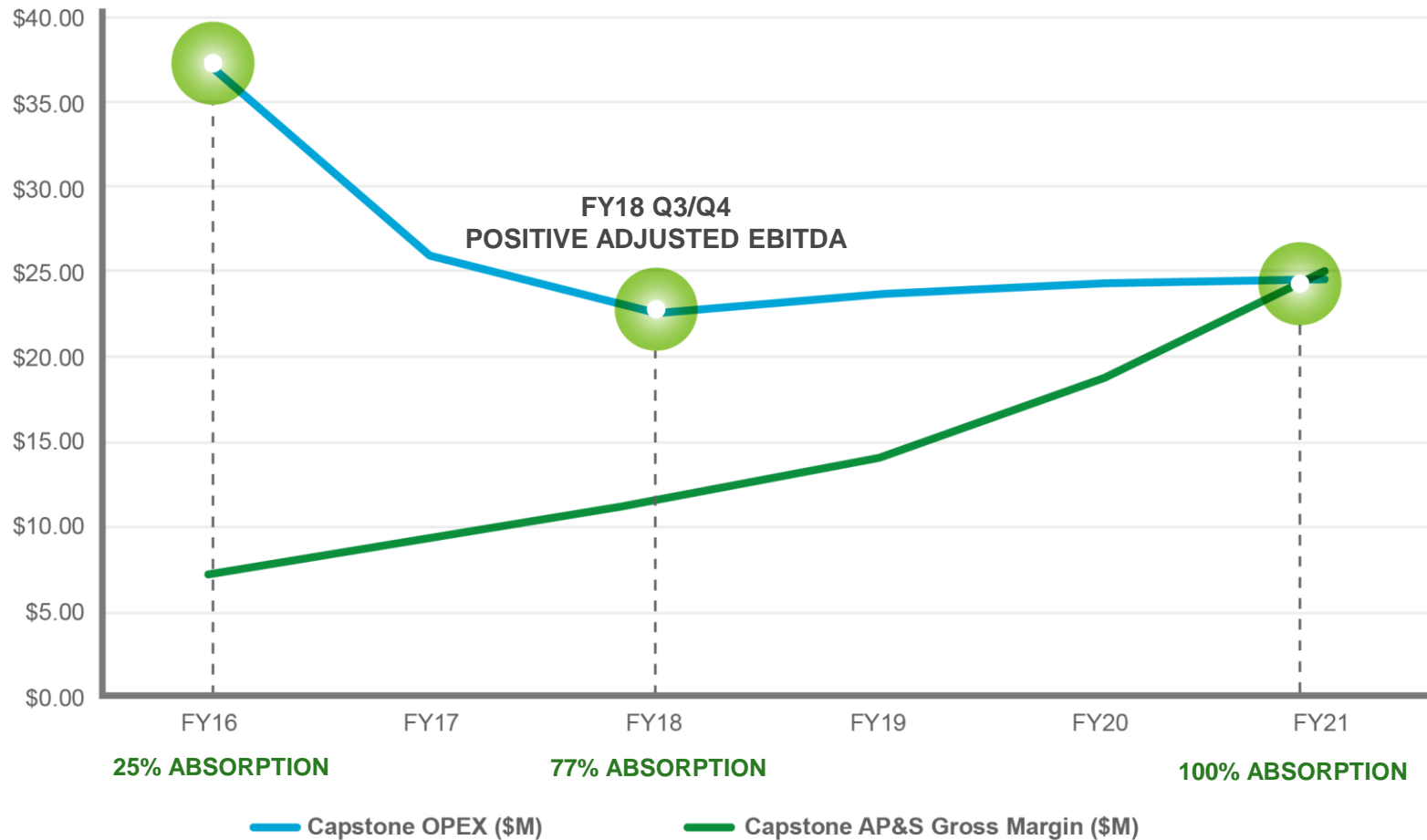
FPP Contract Backlog (\$M)



Capstone Absorption Strategy



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



Aftermarket AP&S Today Has Grown to Cover 77% OpEx vs. the Goal of 100%

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)

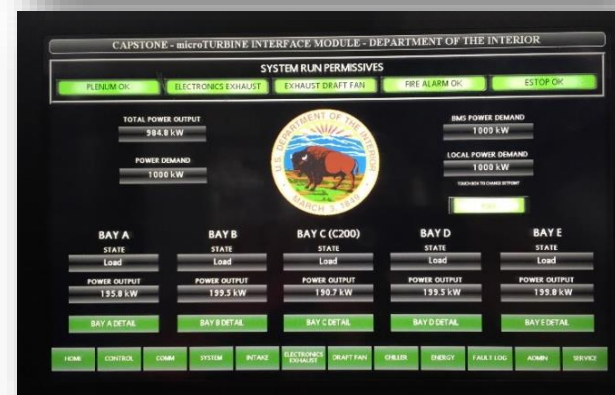
System Availability Monitor

Overall	C200/C1000	C65	C30
Grand Average	95.8%	98.2%	98.5%

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



*Serve All
Our
Customers*

Achieving Competitive Advantage

First to Market /
Short Product
Lead Times

Lower DMC &
Overall Product
Costs



*Win The War
on Costs*

Lean
Manufacturing /
Waste
Reduction

Driving Margin
Improvements
into Aftermarket



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



Goals & Objectives

Then (FY17)

Now (FY18)

Results

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

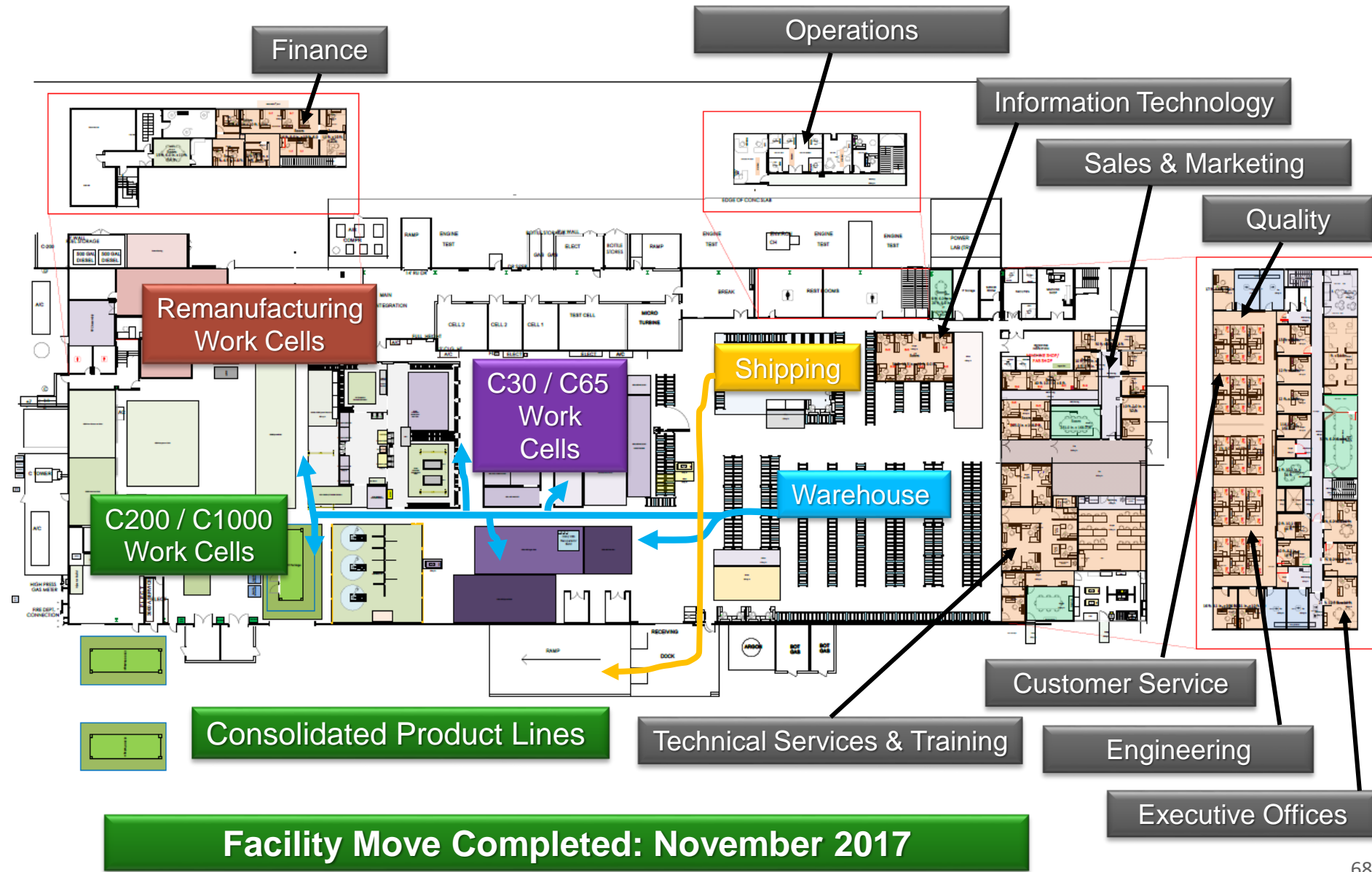
- Now 35% of spend under LTA
- Reestablished positive collaboration with critical vendors

6) More secure component deliveries with cost-reductions built into LTAs



FACILITY CONSOLIDATION OVERVIEW

Facility Move Summary



Capacity Assessment (Qtr)

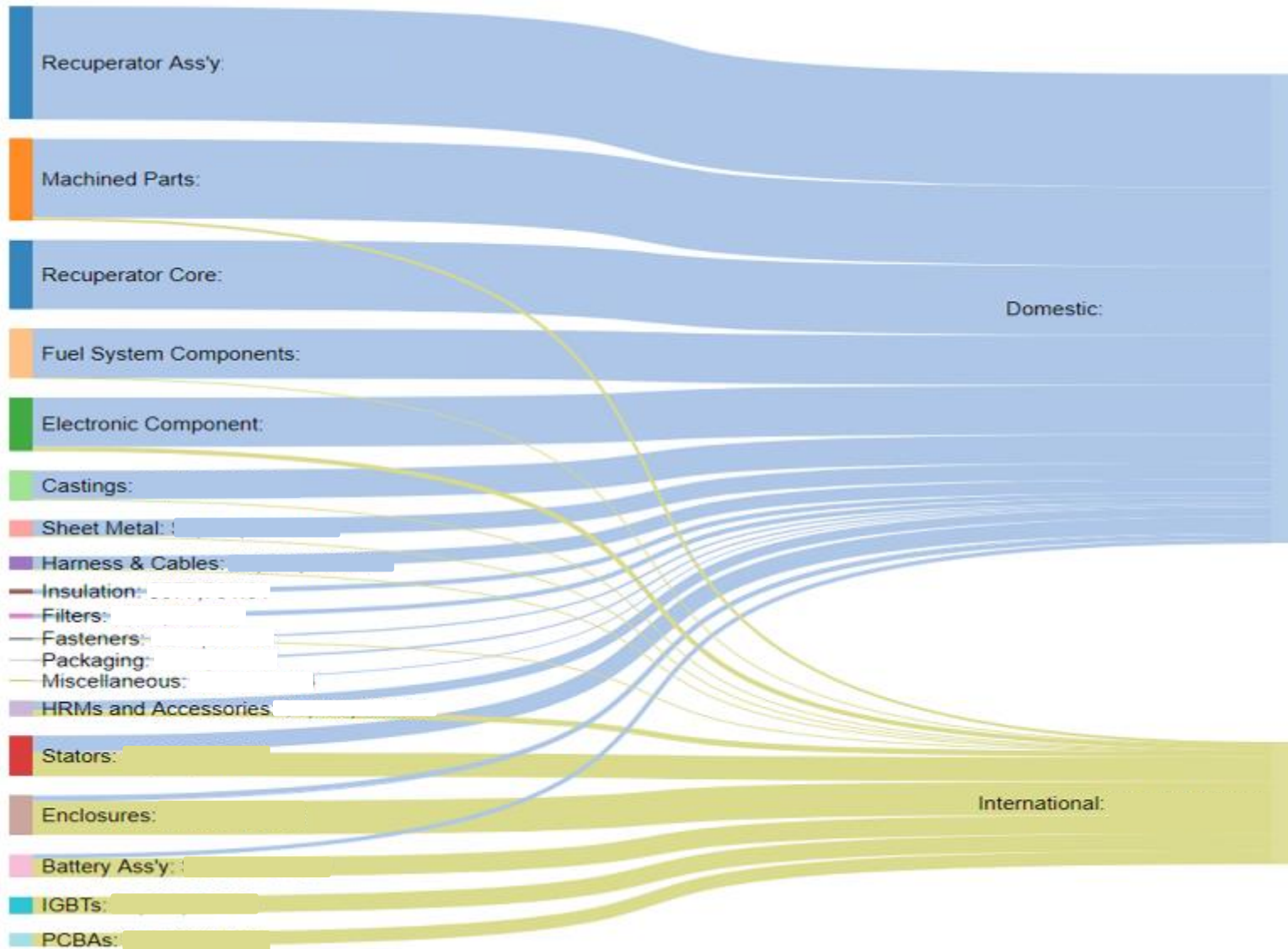


Single Shift					
Production Line	Design Quarter Capacity	Yield/Efficiency	Effective Capacity	Current	Utilization
C1000 Sys	24	100%	24	12	50%
C65 Sys	180	100%	180	45	25%
C200 Engines	390	50%	195	110	56%
Recuperator Cores	169	98%	166	143	86%
+2nd Shift					
Production Line	Design Quarter Capacity (2 Shifts)	Yield/Efficiency	Effective Capacity	Current	Utilization
C1000 Sys	48	100%	48	12	25%
C65 Sys	360	100%	360	45	13%
C200 Engines	780	50%	390	110	28%
Recuperator Cores	338	98%	331	143	43%
3rd Shift					
Production Line	Design Quarter Capacity (2 Shifts)	Yield/Efficiency	Effective Capacity	Current	Utilization
C1000 Sys	67	100%	67	12	18%
C65 Sys	504	100%	504	45	9%
C200 Engines	1092	50%	546	110	20%
Recuperator Cores	473	98%	464	143	31%

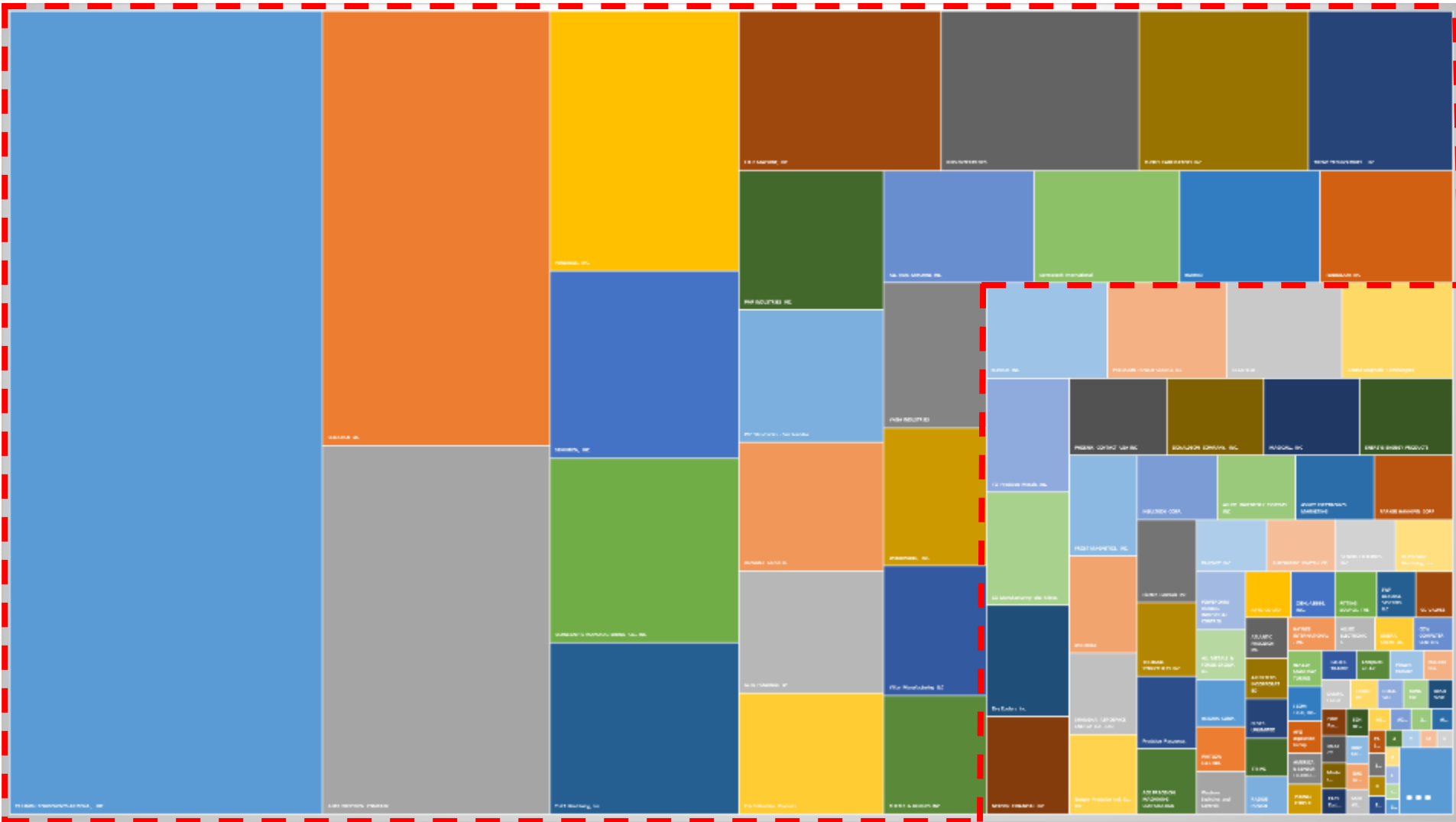


SUPPLY CHAIN DEVELOPMENT

Commodity Breakdown



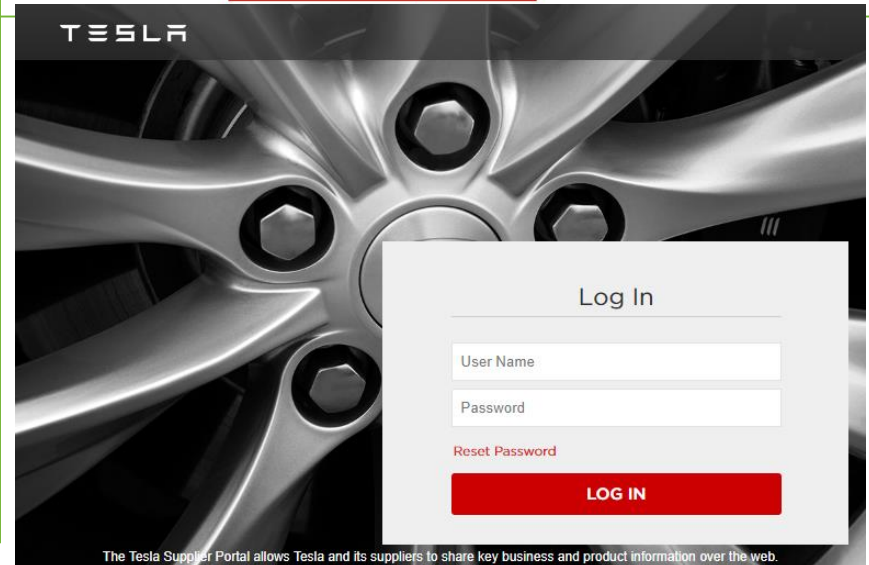
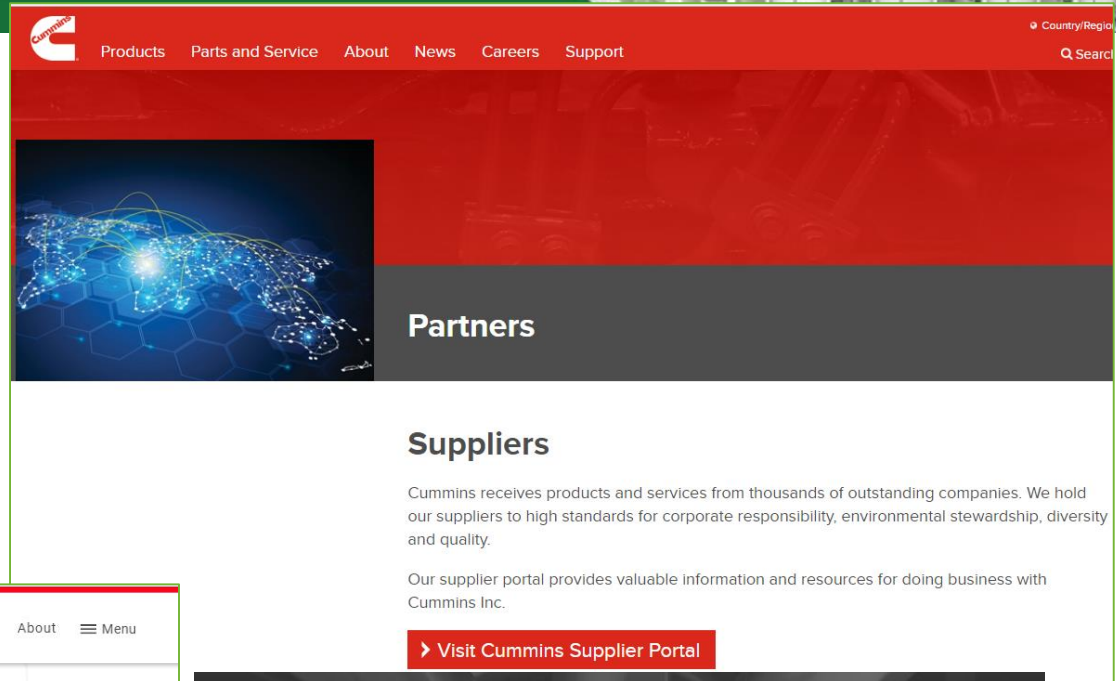
Majority of Spend Involves Domestic Sourcing of Recuperators & Machined Parts



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

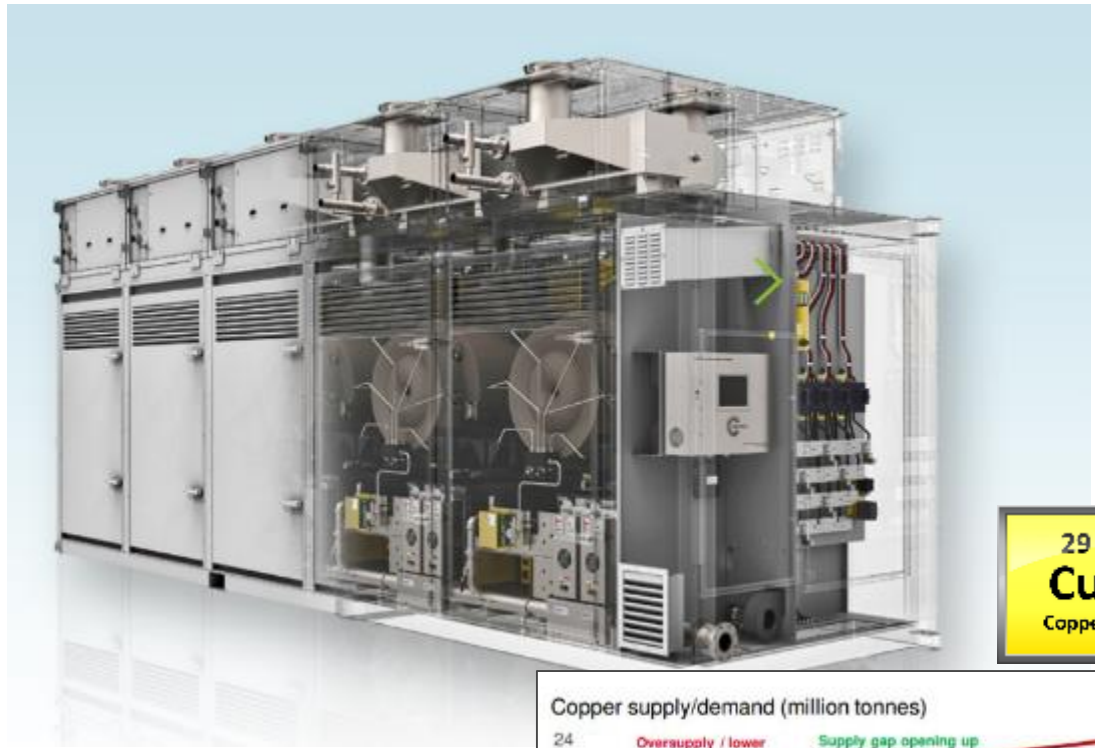
Current Price 25.00 USD (US) 3.489501100E+007 16 FEB 2011 11:00 AM EST Low 25.00 USD High 43.37 USD



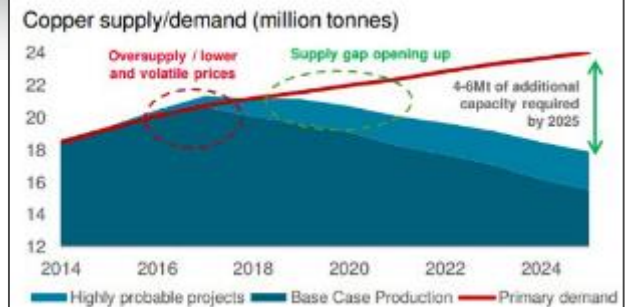
- All Enclosures & Frames
~100%
- HRM Cores
 - Moving to 100%
- Fuel Lines
~100%

TARIFFS

- LTAs
- Volume Incentives
- DMC Offsets
- Vertical Integration
- Supplier Consolidation



29
Cu
Copper



- High Power Cabling ~ 100%



OPERATIONS CULTURE IMPROVEMENTS

Manufacturing Training System



CROSS FUNCTIONAL TRAINING

THE TRAINING MATRIX TRACKS EMPLOYEES

- CURRENT SKILL LEVEL
- TRAINING COMPLETED
- TRAINING PROGRESS

CERTIFICATE OF RECORD FOR HR & EMPLOYEE

Start Date	Department Cert	Process Certs	Technician	Area Procedure	Qualified	Hours Trained	Hours required
3/15/2018	C65/C30 Line	C30 / C65 System ATP	Francis Hakakha	C65 Powerhead build	No	0	40
5/21/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C65 ECM / LCM Installation	No	4	24
5/21/2018	C65/C30 Line	C65 System Build	Francis Hakakha	C65 BCM Installation	No	4	24
5/21/2018	C65/C30 Line	C65 System Build	Francis Hakakha	C65 Battery Installation	No	4	24
5/21/2018	C65/C30 Line	C65 System Build	Francis Hakakha	C65 UCB Installation	No	4	24
5/21/2018	C65/C30 Line	C65 System Build	Francis Hakakha	C65 FMM Installation	No	4	24
	C65/C30 Line	C65 System Build	Francis Hakakha	C30 / C65 FMM Build	No	0	40
	C65/C30 Line	C65 System Build	Francis Hakakha	C65 UCB Box Build	No	0	40
5/21/2018	C65/C30 Line	C65 System Build	Francis Hakakha	C65 Display, Fuel Lines and Cable Installation	No	4	40
5/21/2018	C65/C30 Line	C65 System Build	Francis Hakakha	C65 Engine Installation	No	16	40
3/15/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C65 Recuperator build	Yes	40	40
3/15/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C65 Powerhead and Recuperator integration	Yes	40	40
3/15/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C65 Magnatizing and Assembly	Yes	40	40
2/12/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C30 / C65 Thrust Foils Coining	Yes	24	24
4/8/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C30 / C65 Bearing Assemblies	No	8	24
2/12/2018	C65/C30 Line	C65 Engine Build	Francis Hakakha	C65 Powerhead Build	Yes	40	40
3/12/2017	Reman (lv. 4 N/A)	Reman Process	Francis Hakakha	C65 Tear Down	Yes	24	24
	Reman (lv. 4 N/A)	Reman Process	Francis Hakakha	C200 Recuperator Rework/Repair	No	0	80
3/12/2017	Reman (lv. 4 N/A)	Reman Process	Francis Hakakha	C200 Magshaft Evaluation	Yes	24	24
3/12/2017	Reman (lv. 4 N/A)	Reman Process	Francis Hakakha	C200 Thrust Shaft & Rotor Shaft Rework	Yes	24	24
3/12/2017	Reman (lv. 4 N/A)	Reman Process	Francis Hakakha	C200 Tear Down	Yes	40	40
3/12/2017	Reman (lv. 4 N/A)	Reman Process	Francis Hakakha	Cleaning Processes	Yes	40	40
3/12/2017						40	40
3/12/2017						40	40
3/12/2017						40	40
3/12/2017						40	40
3/12/2017						40	40

TRAINING CERTIFICATION FORM
MSF 12056 000 02

Technician's Name:

Date of Certification:

Name of OJT:

OJT's Level of Certification:

Process Station Area:

Process Station Area Skill Level:

Certification Items	
Grade Criteria (0: Fails to meet expectations 1: Meet Expectations)	Grade
1. Follows the standard work flow.	1
2. Uses Fixtures & Tools properly and safely.	1
3. Familiar with the acceptance criteria (critical to quality) for finished goods.	1
4. Knows some acceptance criteria for component level.	1
5. Knows how to report problems correctly, include but not limited, creating incident report.	1

Expected Time to Complete Process:

Actual Time to Complete Process:

Pass ☒ Fail ☐

Notes:
1) In order to pass the certification, the total score must be or higher than 4.
2) Certification Item 3 & 2 must be 1.

Operator Sign:

OJT Sign:

Manufacturing Lead Sign:

Kaizen Event – C65 VWIs



C65 Rotor Group Assembly

Assembly Steps:

1. Verify work
2. Verify that all parts are present and correct
3. Verify that all parts are present and correct
4. Verify that all parts are present and correct
5. Verify that all parts are present and correct
6. Verify that all parts are present and correct
7. Verify that all parts are present and correct
8. Verify that all parts are present and correct
9. Verify that all parts are present and correct
10. Verify that all parts are present and correct

Outgoing Quality Checks:

1. Verify work
2. Verify that all parts are present and correct

C30/C65 Thrust Shaft Balance

Assembly Steps:

1. Verify work
2. Verify that all parts are present and correct
3. Verify that all parts are present and correct
4. Verify that all parts are present and correct
5. Verify that all parts are present and correct
6. Verify that all parts are present and correct
7. Verify that all parts are present and correct
8. Verify that all parts are present and correct
9. Verify that all parts are present and correct
10. Verify that all parts are present and correct

Outgoing Quality Checks:

1. Verify work
2. Verify that all parts are present and correct

C65 LCM/ECM Installation

Assembly Steps:

1. Verify work
2. Verify that all parts are present and correct
3. Verify that all parts are present and correct
4. Verify that all parts are present and correct
5. Verify that all parts are present and correct
6. Verify that all parts are present and correct
7. Verify that all parts are present and correct
8. Verify that all parts are present and correct
9. Verify that all parts are present and correct
10. Verify that all parts are present and correct

Outgoing Quality Checks:

1. Verify work
2. Verify that all parts are present and correct

C65 Engine Installation

Assembly Steps:

1. Verify work
2. Verify that all parts are present and correct
3. Verify that all parts are present and correct
4. Verify that all parts are present and correct
5. Verify that all parts are present and correct
6. Verify that all parts are present and correct
7. Verify that all parts are present and correct
8. Verify that all parts are present and correct
9. Verify that all parts are present and correct
10. Verify that all parts are present and correct

Outgoing Quality Checks:

1. Verify work
2. Verify that all parts are present and correct

Lean & Six Sigma Training



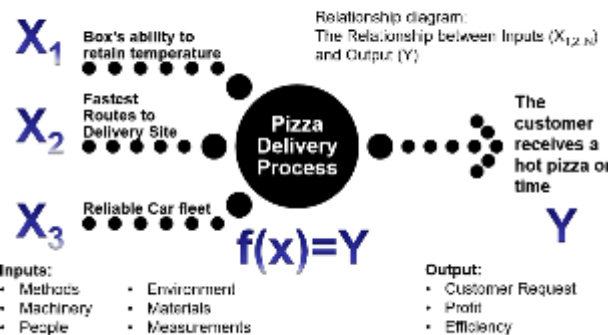
SMART Goals



Example: In order to **meet customer requirements**, increase C200 engine output power from average **208kW** to average of **215kW** over a **30 unit sample** by **July 30th, 2015**.

1) Upgrade Compressor by **July 15th**....

Define Inputs / Outputs



Calculate DPPMO



Define DPPMO: Defects Per Parts Million Opportunities

$$\frac{\text{Number of Defects}}{\left(\frac{\text{Number of Opportunities}}{\text{Number of Trials}} \right) \times 1,000,000} = \text{DPPMO}$$

"We noted 7 weld defects out of a possible 100 defects over 1,000 Cells."What is our DPPMO?

$$\left(\frac{7}{100 \times 1000} \right) \times 1,000,000 = \text{DPPMO}$$

$$\frac{7}{0.0007} = 70$$

The type of data (variable or attribute) will determine DPPM or DPPMO



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



Q&A



CAPSTONE FACTORY TOUR

Kirk Petty



APPENDIX

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended December 31,	Fiscal year ended March 31,	
	2018	2018	2017
Net loss, as reported	\$ (323)	\$ (10,026)	\$ (25,245)
Interest expense	170	606	536
Provision for income taxes	—	18	19
Depreciation and amortization	272	1,170	1,578
EBITDA	119	(8,232)	(23,112)
Stock-based compensation	102	586	808
Restructuring charges	58	764	—
Leadership incentive program	—	981	—
Change in warrant valuation	84	741	—
Warrant issuance expenses	—	—	421
Adjusted EBITDA	\$ 363	\$ (5,160)	\$ (21,883)

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.



For more information on Capstone Turbine Corporation please visit www.capstoneturbine.com

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