



Management Presentation

September 2016

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



Safe Harbor Statement



This presentation contains "forward-looking statements," as that term is used in the federal securities laws, about low cost of ownership and advantages over competing companies and technologies; market expansion and growth of key market verticals; reducing target breakeven and attaining profitability; new product development; growth in revenue; the success of the Capstone Finance joint venture; operating leverage, gross margin and backlog; the growth of our aftermarket business; improved distribution channels; improvement in certain key performance indicators and strategic initiatives;. Forward-looking statements may be identified by words such as "expects," "objective," "intend," "targeted," "plan" and similar phrases. These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Capstone's Form 10-K, Form 10-Q and other recent 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. Capstone cautions viewers not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Capstone undertakes no obligation, and specifically disclaims any obligation, to release any revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events.

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Who is Capstone Turbine?



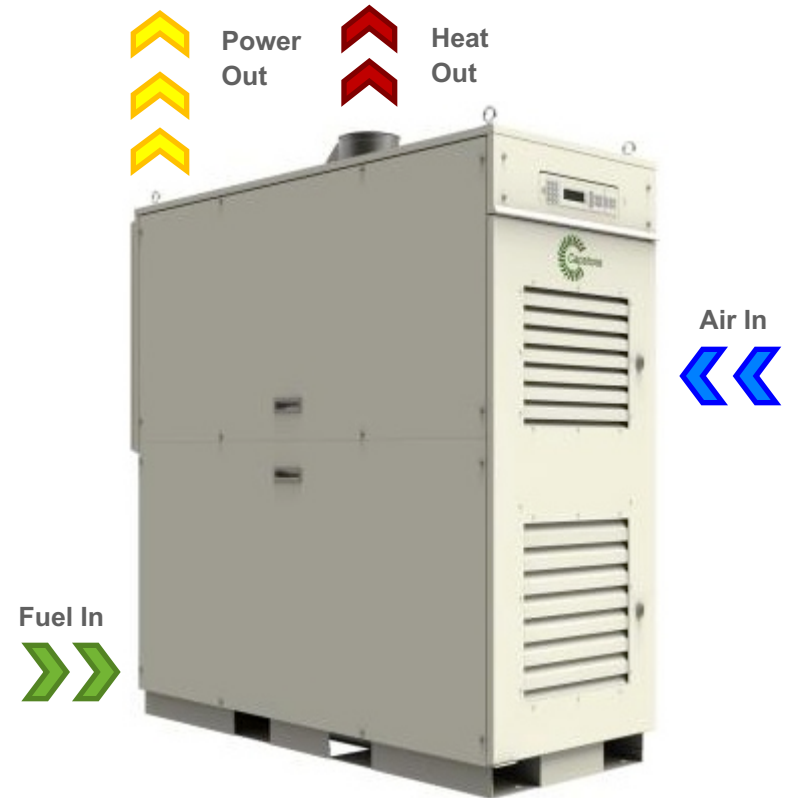
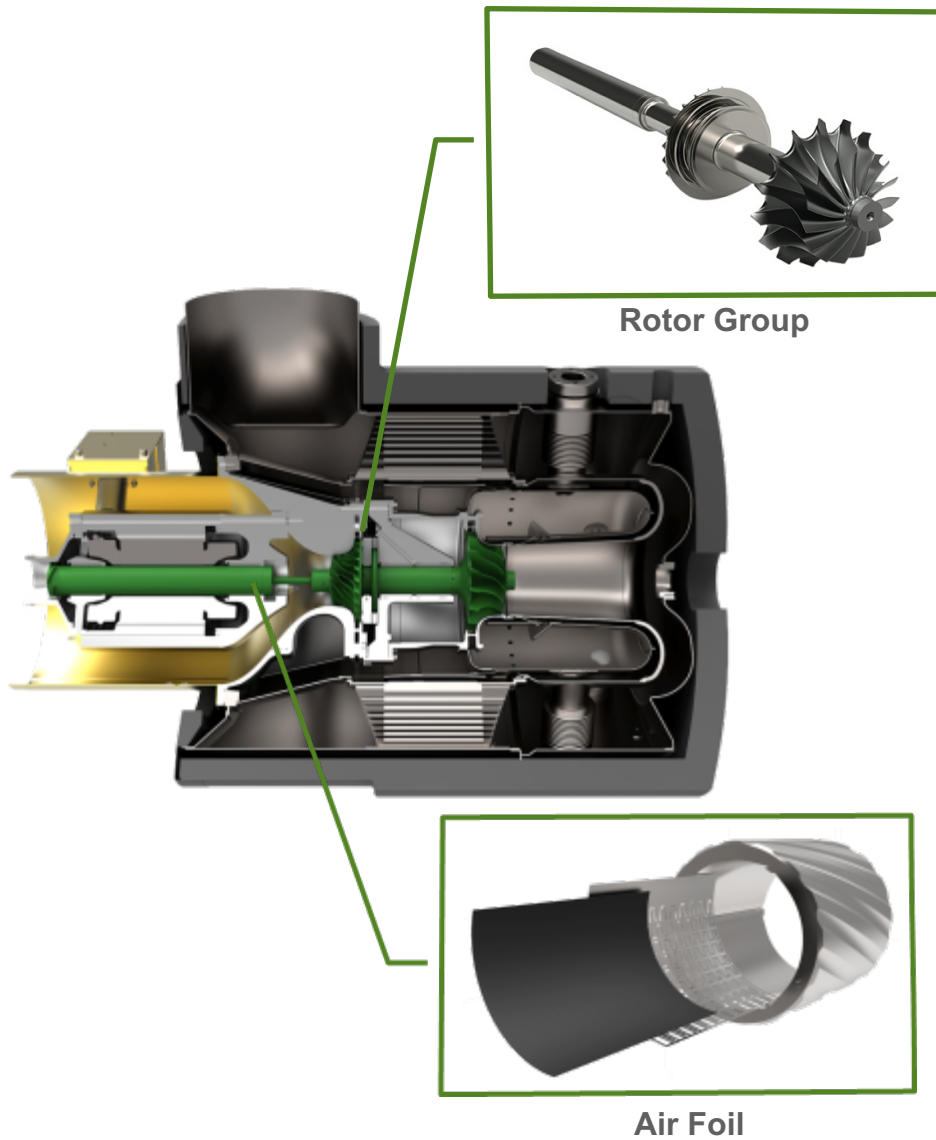
- Founded 1988 – Commercial launch in 1998
- Public Corporation 2000 (NASDAQ: CPST)
- World leader in Microturbines
- Headquartered in Chatsworth, California with two manufacturing plants
- Over 87 distribution partners and 759 dedicated distributor employees
- More than 8,800 units shipped worldwide
- Over 50,000,000 operating hours
- Installations in 73 countries worldwide
- Not heavily dependent on government subsidies
- Expense reductions enhance operating leverage



Darren Jamison, President and CEO of Capstone Turbine Corp., standing alongside C65 CHP units that are preparing for shipment



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



Only one moving part



Patented air bearing technology



Stand alone or grid connect



Wide fuel range



High power density



Advanced combustion controls



Clean waste heat



Remote monitoring

Benefits

Longer service intervals, low operating cost

No lubricants or coolants needed

Multiple applications and industries

Operates on gaseous, renewable and liquid fuels

Compact footprint, small modular design

Low emissions, no exhaust aftertreatment

Thermal energy for cogeneration/trigeneration

View performance and diagnostics 24/7



Global Market Verticals



Energy Efficiency



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

Hotels
Large Residential Complexes
Retail Buildings
Office Buildings



Oil, Gas & Other Natural Resources



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

Drilling Operations
Flare Gas Reduction
Gas Compression
Mining
Water Conversion



Renewable Energy



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

Farm Digesters
Landfills
Solid Waste Management
Wastewater Treatment
Food Waste



Critical Power Supply



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

Data Centers
Telecom
Power Rentals
Hospitals



Transportation



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

Commercial Trucks
Heavy-duty Vehicles
Supercars
Transit Buses
Delivery Vehicles



Marine

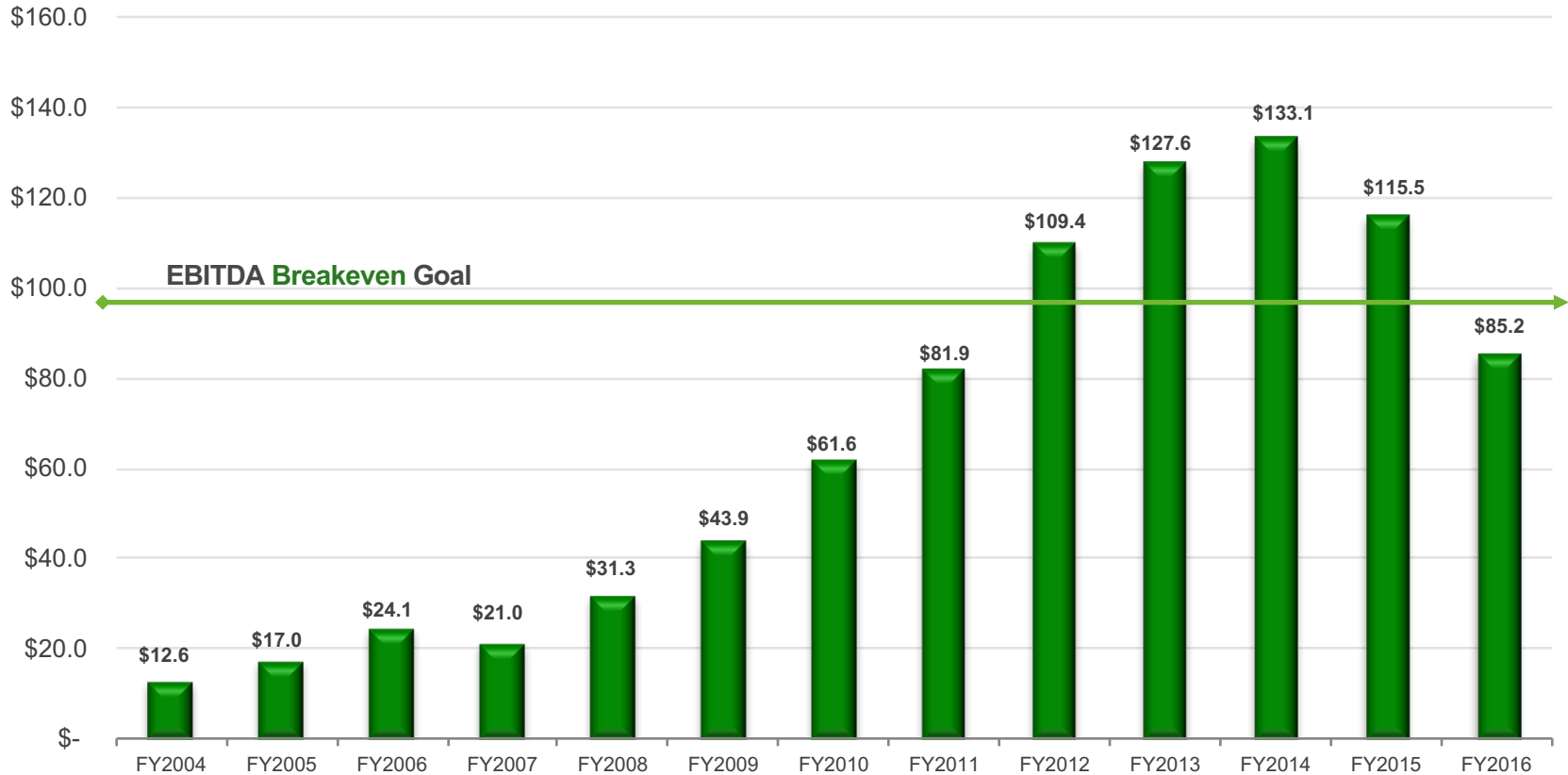


Provide onboard power, vessel range extension and utilize thermal energy for onboard heating and cooling.

Work Boats
Cargo Ships
Commercial Vessels
Tour Boats



Capstone Revenue History





Capstone Strategic Plan



Three-Pronged Capstone Business Profitability Plan

- 1) Reduce target breakeven from \$160M annually at a 25% GM to \$100M annually at a 25% GM by reducing business expenses by approximately 35%
- 2) Develop new product & service revenue growth opportunities
- 3) New Capstone Energy Finance business to capture lost orders





Reduce Breakeven Level



Reduce Target Breakeven from \$160M annually at a 25% GM to \$100M annually at a 25% GM by reducing business expenses by 35%

- Consolidation of Executive Team saves \$2.2M annually – flattens organization
- Voluntary forfeiture of Executive unvested stock options saves approximately \$0.7M over a weighted average period of approximately 2.3 years
- Voluntary suspension of Executive Bonus Program saves up to \$1.0M annually
- Suspension of annual merit increase saves approximately \$0.6M annually
- R&D expense cuts after delay of C250/C370 program and successful Signature Series launch saves approximately \$5.5M annually
- Sales & Marketing spending reduction and “hand-off” of certain sales and marketing activities to distribution partners saves approximately \$4.5M annually
- Customer and field service department reductions save approximately \$3.3M annually
- New LEAN manufacturing, key component outsourcing and shop floor consolidation to reduce manufacturing expenses saves approximately \$3.4M annually
- Linearity of product build plan lowers overtime expense and increases inventory turns

Plan to Reduce Business Expenses by 35% Annually



New Sources of Revenue



Completed:

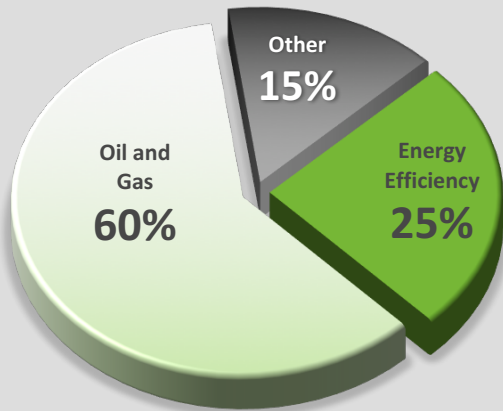
- Enhanced top selling C1000 product line with better performance and ICHP for CHP market
- Continued growth from Service Business with improved Factory Protection Plan (FPP) program and new extended Warranty product
- Increased accessory sales with new heat recovery module (HRM) for C1000 Signature Series
- Improved market vertical diversification with more focus on CHP and Renewables
- Improved geographic diversification with a heavier focus on growing the business in Asia, Australia, Europe, Russia, the Middle East and Africa

In Process:

- Rebuild Russian business by continuing to support BPC and adding additional distributors in Russia and Commonwealth of Independent States (CIS)
- Work with global distribution channel to add 100 new sales professionals and improve our key performance indicators (KPIs)
- Sell new Signature Series upgrade kits for non-Signature Series products

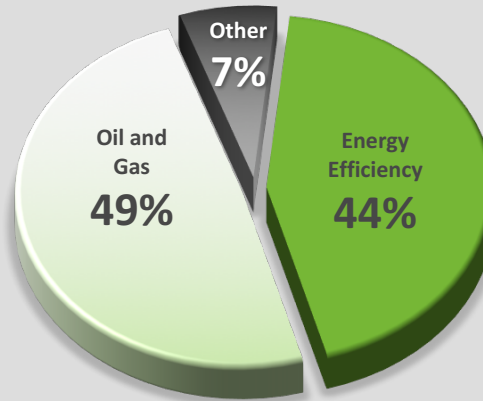


Positive Vertical Market Shift



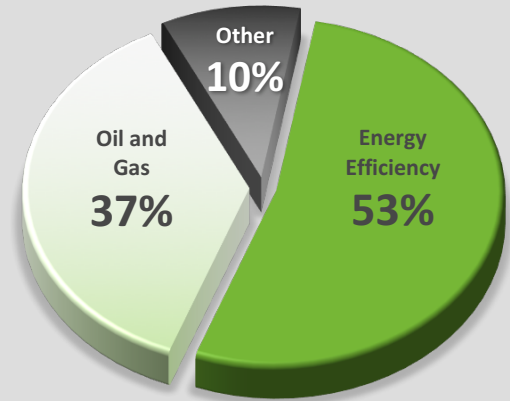
FY2014

% of Product Revenue
for Fiscal 2014



FY2015

% of Product Revenue
for Fiscal 2015



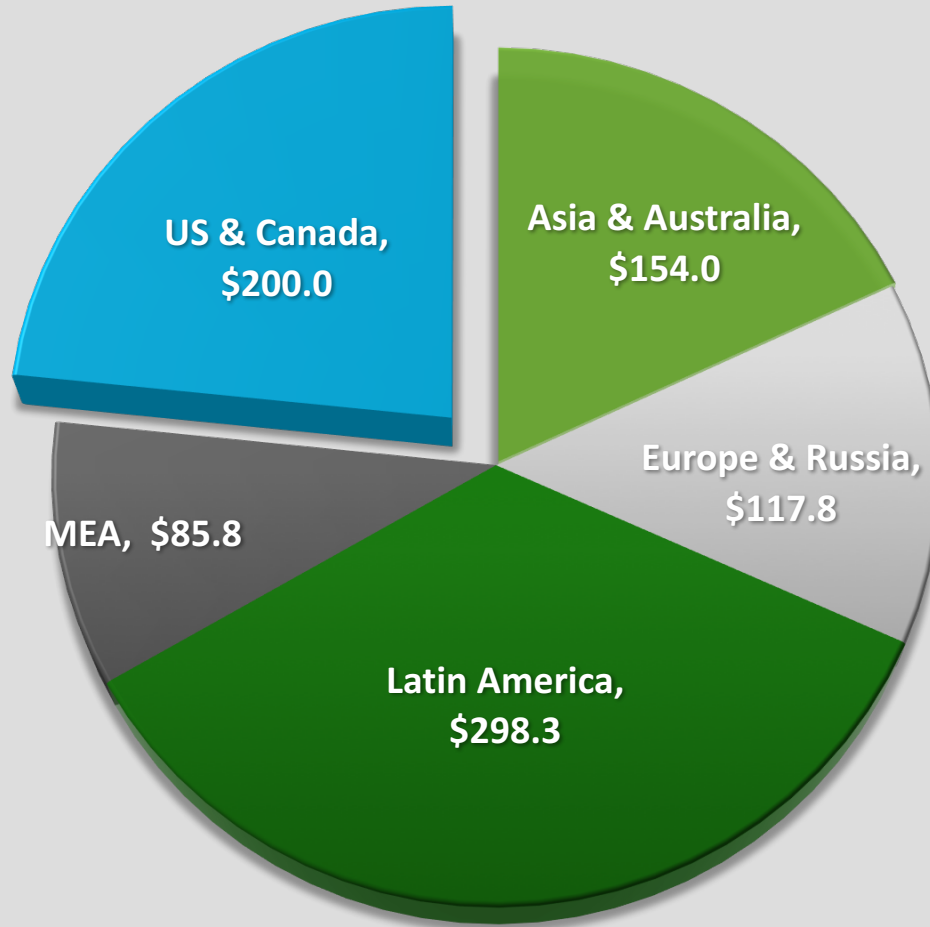
FY2016

% of Product Revenue
for Fiscal 2016

New focus on growing energy efficiency market – Leverage new Signature Series product



FY17 Pipeline by Region



Source: Capstone distributors via Salesforce

Total Remaining FY17 Pipeline \$855.9
(in Millions)



Recent Order Diversification



August 22, 2016

"Capstone's Russian Distributor, BPC Engineering, Secures Another C1000 Signature Series Project and Executes a New Three Year Distribution Agreement"

August 10, 2016

"Capstone Distributor to Deliver 1.6MW Power Plant to Offshore Platform in California"

August 8, 2016

"Capstone C600 Signature Series Microturbine to Power Chinese Smart Microgrid"

July 21, 2016

"Capstone's Russian Distributor Secures Flare Gas Project in the Republic of Uzbekistan"

July 13, 2016

"Capstone Ships First C1000 Signature Series Microturbine to Slovenia in Europe"

July 11, 2016

"Capstone's Russian Distributor Upgrades Industrial Paper Mill in Minsk, Belarus"

May 31, 2016

"Capstone Receives Order to Upgrade Maffei Pasta Factory in Southeast Italy"



Aftermarket Service Growth



- Contributing to overall gross margin
- Record FPP contract backlog
- 8,800 unit install base provides scalability
- C200/C1000 reliability improving
- Lower product warranty expense
- Improved reliability decreases FPP costs and increases customer satisfaction
- New extended Warranty Product

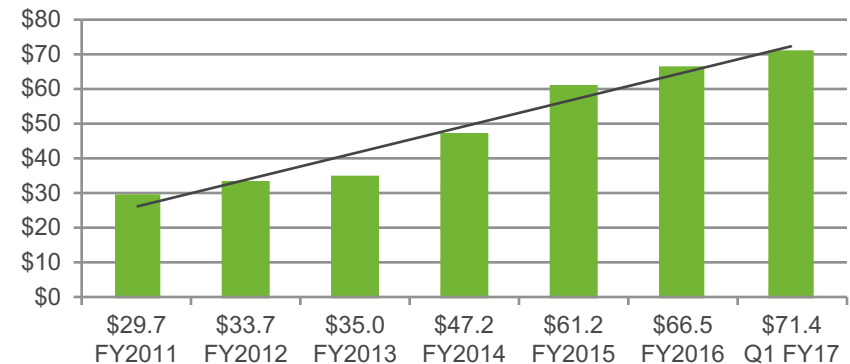
Global Customer Footprint

- Supporting 87 Distributors/9 OEM partners in 73 countries
- 3 Capstone service centers globally
- 1,000+ units under FPP and growing
- Establishing regional remanufacturing centers to lower logistical costs and service
- Improved alignment with Sales and Aftermarket



C65 Turbine Nozzle

FPP Contract Backlog (\$M)





New C1000 Signature Series



- 1.0MW Electrical Output
- 1.5MW CHP Heat Recovery
- Integrated Heat Recovery
- Two Stage Air Filtration
- Improved Enclosure Design
- Lower System Noise Level



- Relocated Engine Exhaust Stack
- 12 Year Marine Grade Paint
- Higher Inlet Fuel Temperature
- New System Control Platform



February 2016 - First C600 Signature Series Delivery
Minneapolis, MN

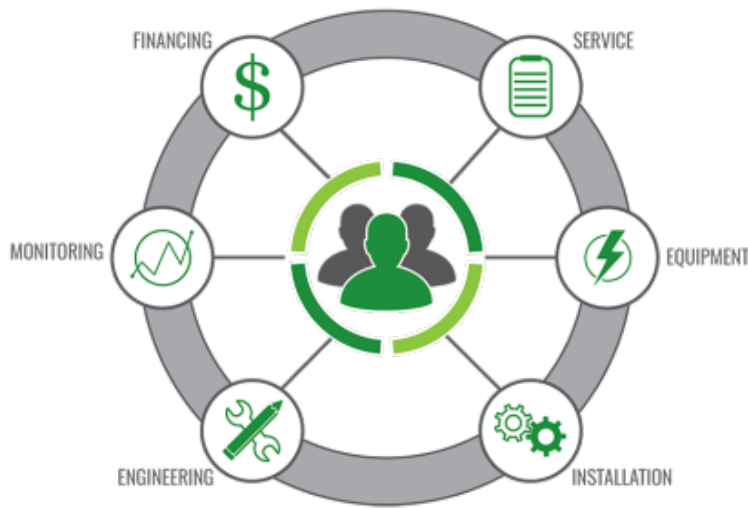
Focus Product on Energy Efficiency Market



Capstone Energy Finance



- New entity offers PPA agreements exclusively for projects that utilize Capstone's proven microturbine technology to deliver low-cost, clean and reliable energy to a customer's site or facility.
- Near-term goal is to leverage up to \$10M in third party equity with reasonably priced debt with "blue chip" U.S. customers.
- Distributors lost approximately \$42M in FY16 and up to \$50M in FY15 due to lack of financing options.



- 40+ projects that would have otherwise been lost have been reviewed by JV.
- \$25M pipeline of well-qualified opportunities.
- Two PPA contracts currently in negotiations.
- Pace of progress slowed in Q1 due to regulatory issues, bankruptcies in Oil and Gas industry, and uncertainty over future of the Federal Investment Tax Credit.

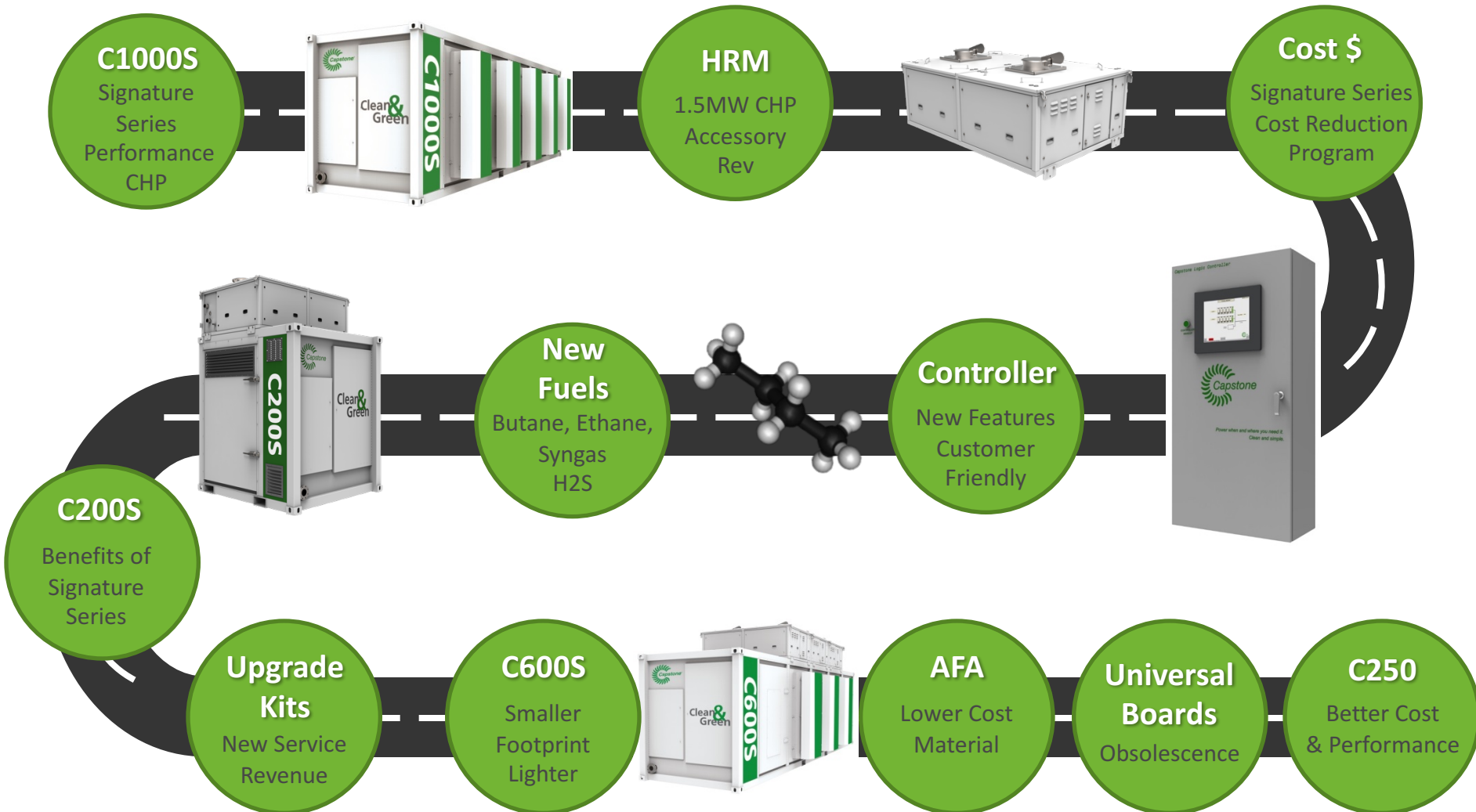
Clean Reliable Power Today with No Upfront Cost



Research & Development



Capstone Product Development Roadmap





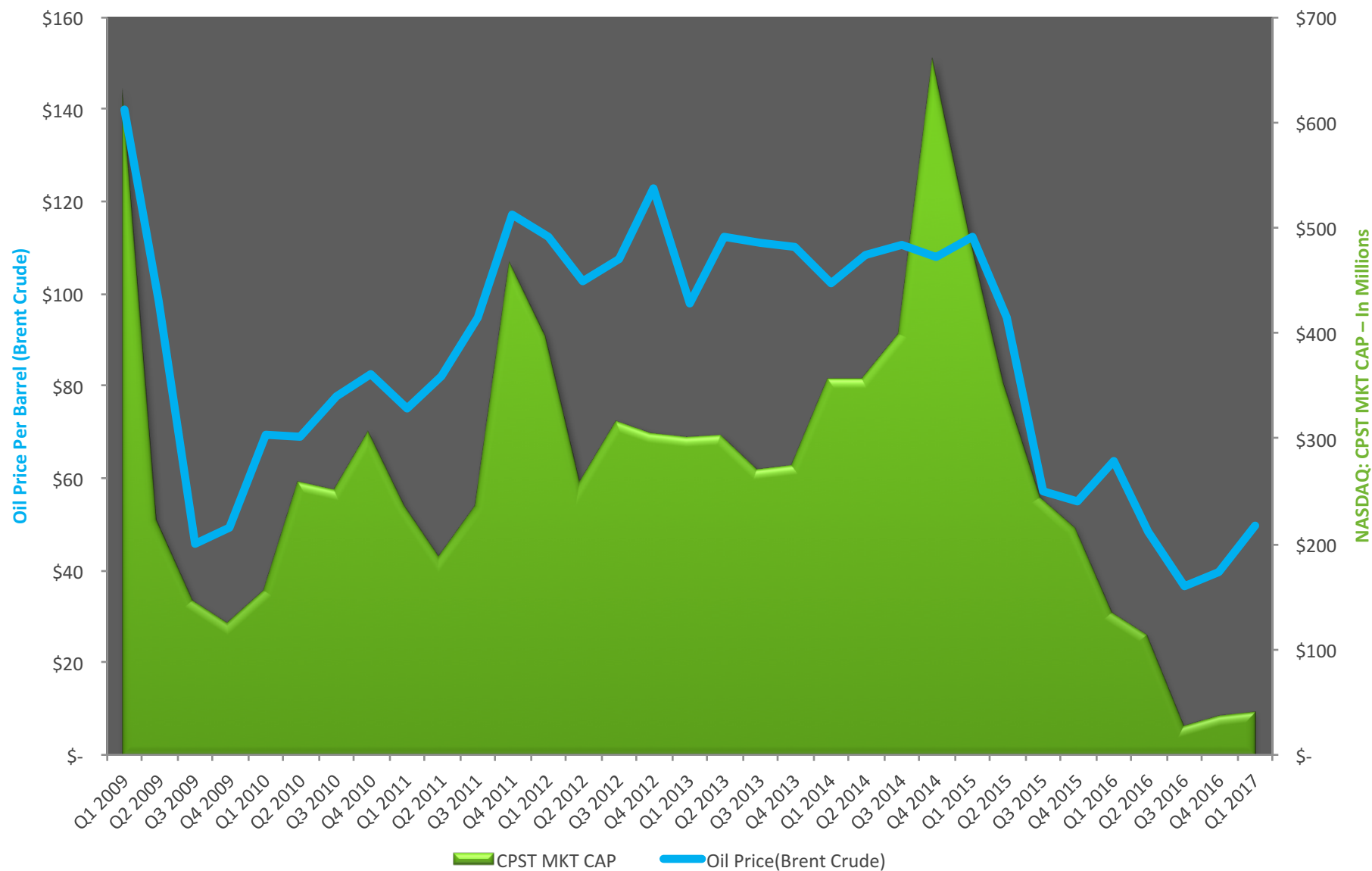
Appendix

Additional Information

Reliable power when and where you need it.
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Market Cap of CPST vs. Oil Price (Brent Crude)





Capstone Analyst Coverage



Outperform –
Price Target \$3.25

Results Essentially In Line, Making Progress Towards LT Break Even Goals

1Q17 results were essentially in line with both Cowen and consensus expectations. Management continues to make significant cost reduction progress and is repositioning the business to take advantage of diverse end markets. This should help the company to return to meaningful top line growth and margin expansion offsetting headwinds from weak geopolitical/Oil+Gas end markets.

Jeffrey Osborne
August 4, 2016



Hold –
Price Target \$1.50

Mixed 1Q With Lower Orders & Backlog. Maintaining HOLD Rating And \$1.50 Price Target

CPST reported mixed 1Q17 results with essentially in-line revenue and adj. EPS, but a modest Q/Q decline in orders and backlog. In response to market conditions which it has faced for the last 2+ years (weakness in its O&G business, disruption in its largest end market – Russia, and USD strength), CPST has been undertaking cost cutting measures as it works towards profitability, and it made solid progress in this regard in 1Q.

Eric Stine
August 5, 2016



Perform –
Price Target N/A

Making Material Progress Toward Target Model

CPST posted revenue and GM results in line with the Street while beating EPS and making progress toward its operating cost targets. We are encouraged to see the company focusing its distribution channel and understanding the challenges of improving GM. Given the company's history of mixed manufacturing margins, we expect GM to be the most difficult part of the company's target model to achieve.

Colin Rusch
August 5, 2016



Buy –
Price Target \$4.00

Exiting the Turnaround Phase; Maintain Buy

The company continues to make progress in diversifying its revenue base and can now be viewed as exiting the turnaround phase where it had to overcome its reliance on the oil & gas sector (accounting for 60% of revenues in FY14) for majority of its revenues. FY1Q17 revenue mix included 48%, 46%, and 6% contribution from energy efficiency applications, oil & gas applications, and renewable energy applications.

Amit Dayal
August 5, 2016



Neutral –
Price Target \$1.45

Healthy F1Q17 Results; Moving Past a Transitional Year

Capstone reported F1Q17 results with light revenue, balanced by EPS and adj-EBITDA slightly ahead on lower opex (which was down 30% Y/Y). FY16 was a transitional year for the company, and it appears the cost out execution is tracking in-line with plan, and sales prospects are now more diversified by both geography and customer industry verticals. We now look for evidence of revenue acceleration before potentially becoming constructive on the stock.

Craig Irwin
August 5, 2016





NASDAQ: CPST

www.capstoneturbine.com