



Capstone®
Turbine Corporation

**Saving Money and the Environment –
One Turbine at a Time.**

Nasdaq: CPST

Safe Harbor



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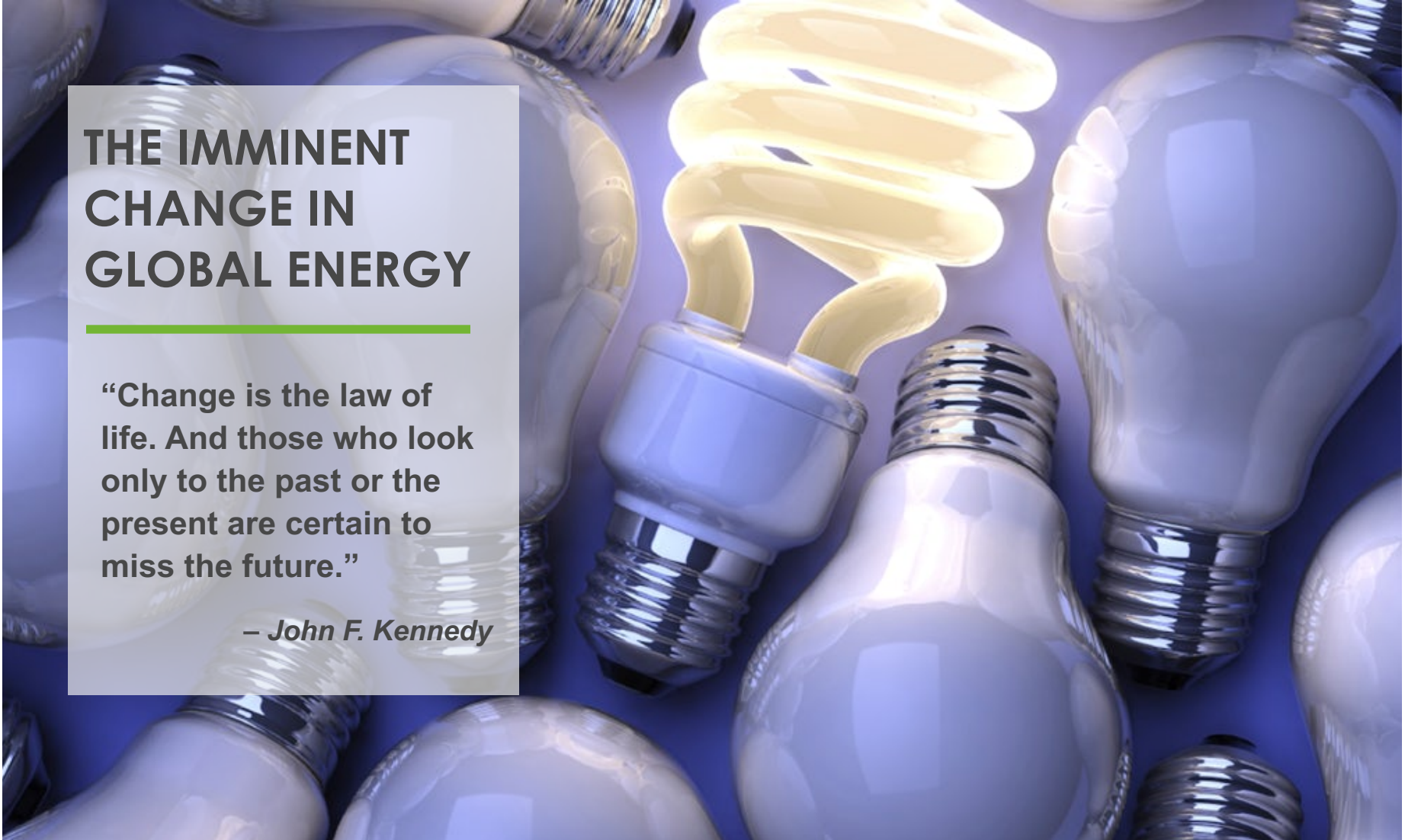
These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Capstone's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other periodic filings with the Securities and Exchange Commission that may cause Capstone's actual results to be materially 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.



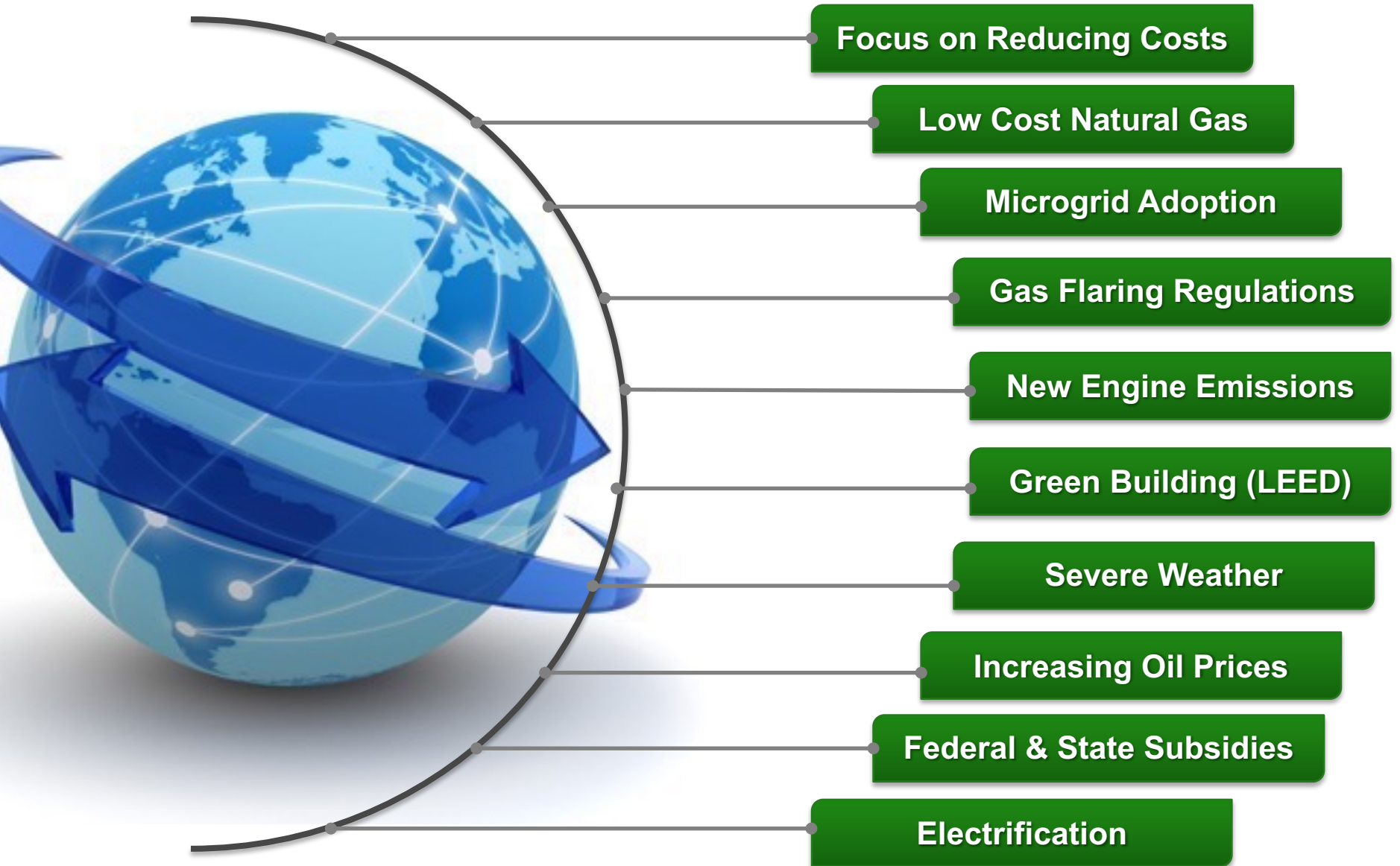
THE IMMINENT CHANGE IN GLOBAL ENERGY

“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



Growth Catalysts



Capstone Technology



ENERGY EFFICIENCY

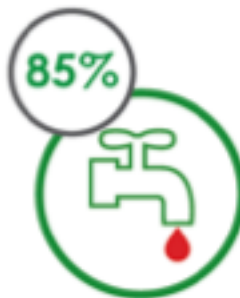
Overall **ELECTRIC EFFICIENCY** of 33%



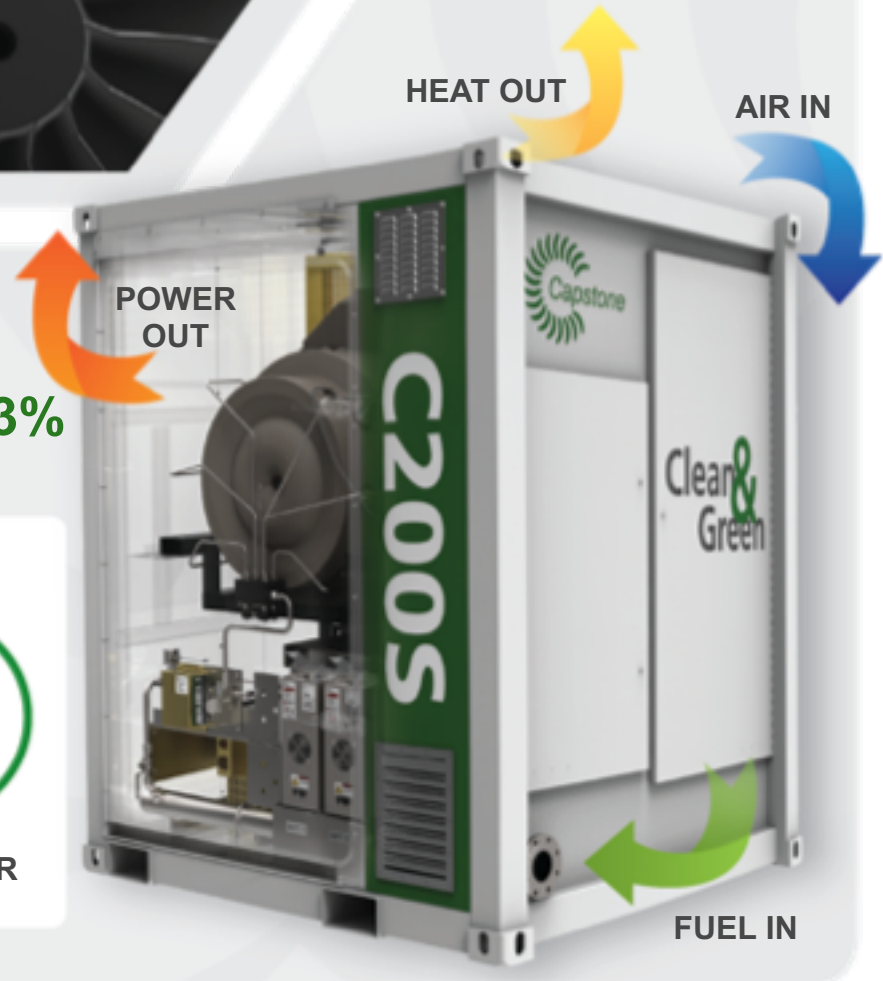
COLD WATER



STEAM



HOT WATER



Capstone has Approximately 112 Patents Protecting its Microturbine Technology



FEATURES & BENEFITS



Inverter Based w/One Moving Part

Factory guaranteed low operating costs



Patented Air Bearing Technology

No lubricants or coolants needed



Low Emissions

No exhaust aftertreatment



High Power Density

Compact footprint, small modular design



Stand Alone Or Grid Connect

Supports aging utility infrastructure



Fuel Availability

Operates on gaseous, renewable, and liquid fuels



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



Technology Roadmap



6

STEPS TO
SUCCESS

C65 SIGNATURE
SERIES

ELECTRONICS
MODERNIZATION

NEW FUEL
CAPABILITIES

NEW C250S
& C1250S

MICROGRID
PRODUCT

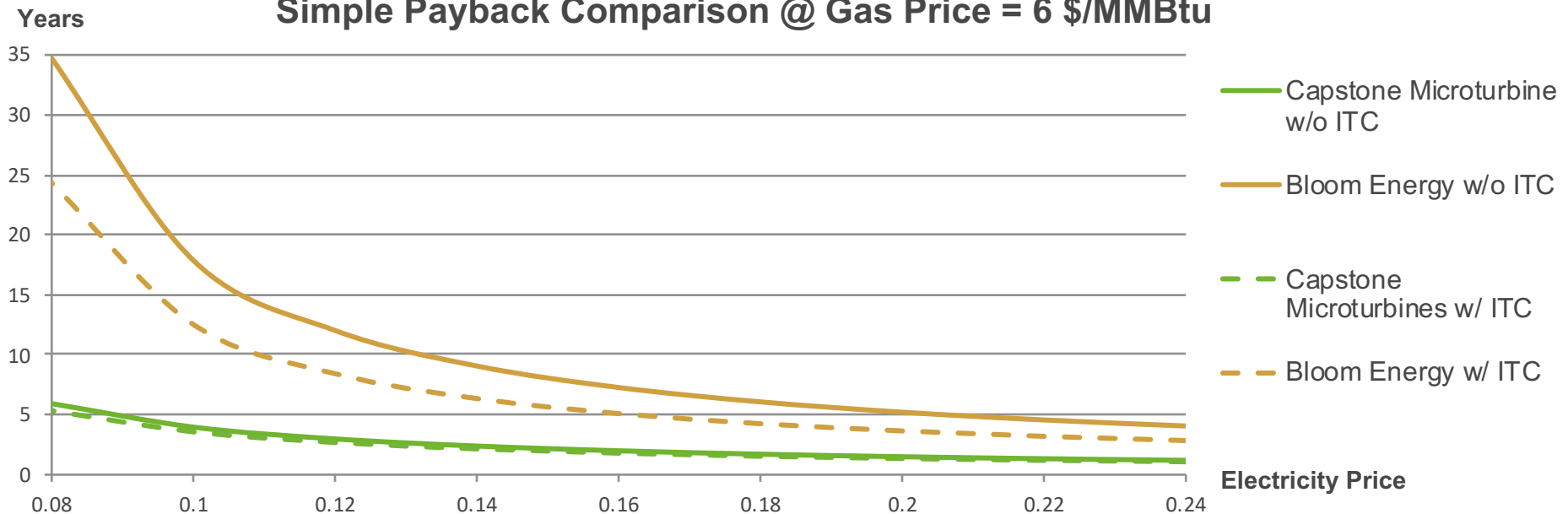
ADVANCED
TECHNOLOGY

Customer Economics



Economics		Microturbines	Fuel Cell
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



Customer Benefits



ENERGY RESILIENCY

**96.4% Global Availability
in FY18**



CARBON SAVINGS

**FY18 314,000 Tons in
Carbon Savings**



FINANCIAL SAVINGS

**\$194 Million Dollars
Saved in FY18**



Technology for Multiple Markets



APPLICATIONS INCLUDE:

Oil & Gas, Land Rigs,
Water Conversion, Gas
Compression

- Shell
- EQT Corporation
- XTO Energy
- California Resource
- Williams Company
- Anadarko
- Occidental
- Pioneer
- Pacific Resources

ENERGY EFFICIENCY



RENEWABLE ENERGY

APPLICATIONS INCLUDE:

Data Centers, Hospitals,
Telecom, Power Rentals

- Intel Data Center
- Kaiser Hospital
- Kings County
- Dryden Hospital
- Auburn Hospital
- Pertimina Hospital
- Memorial Sloan Kettering
- White Memorial



MICROGRID SYSTEMS

APPLICATIONS INCLUDE:

Large Retailers, Hospitality,
Office Buildings, Recreation

- SL Green Realty
- Related Properties
- Tishman Speyer
- Brandywine
- Capreit
- Host Properties
- Marriott
- Wyndham
- Woods Bagot

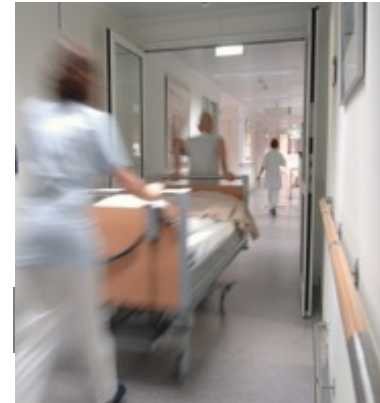


NATURAL RESOURCES

APPLICATIONS INCLUDE:

Wastewater Treatment
Plants, Farm Digesters,
Landfills, Food Processing

- Durango WWTP
- Oneida WWTP
- Dallas WWTP
- Tuscany WWTP
- Carmel WWTP
- Great Neck WWTP
- Taiwan Swine Farm
- Malaysian Palm Oil Farms



CRITICAL POWER SUPPLY

APPLICATIONS INCLUDE:

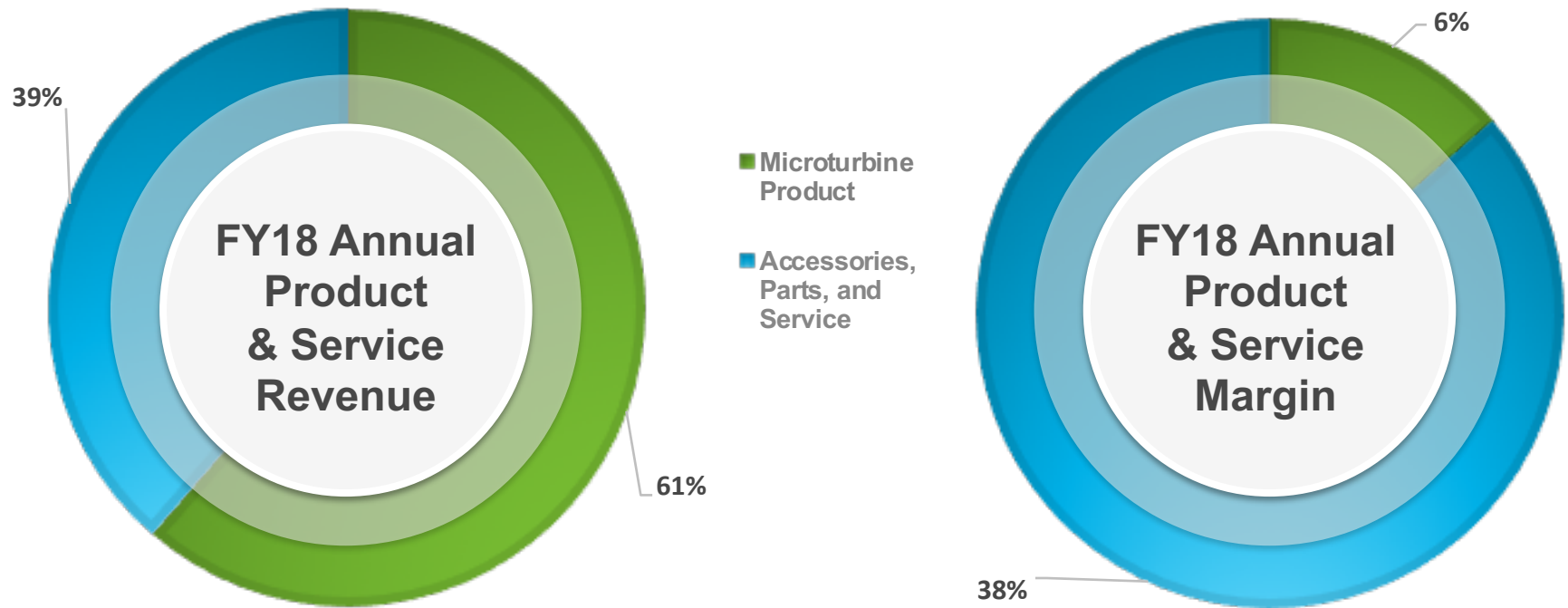
Manufacturing, Retail,
Hospitality, Data Center

- Sierra Nevada
- Philly Navy Shipyard
- Stone Edge Farms
- Open Access Tech
- Goldwind, China
- Gordon Bubolz
- Plaza Extra
- Mali, Africa

Service Driven Business Model



Clean, Efficient, and Reliable Energy Product and Service Enterprise

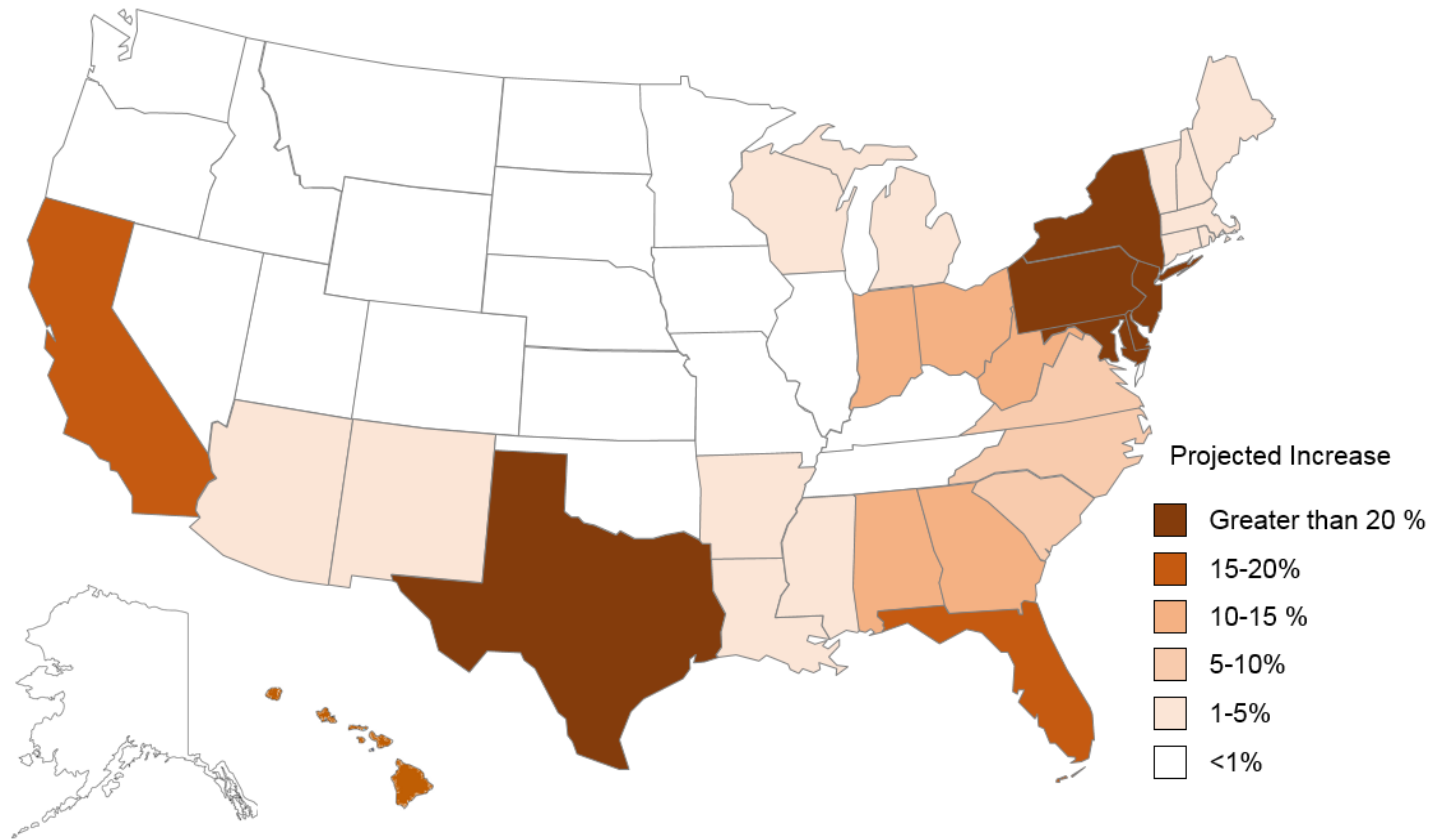


In FY18 Capstone Aftermarket Service Business was 39% of Revenue but 81% of Margin

Electricity Prices are Increasing



Projected 20 Year Growth in Electricity Prices



Crude Oil Prices are Increasing



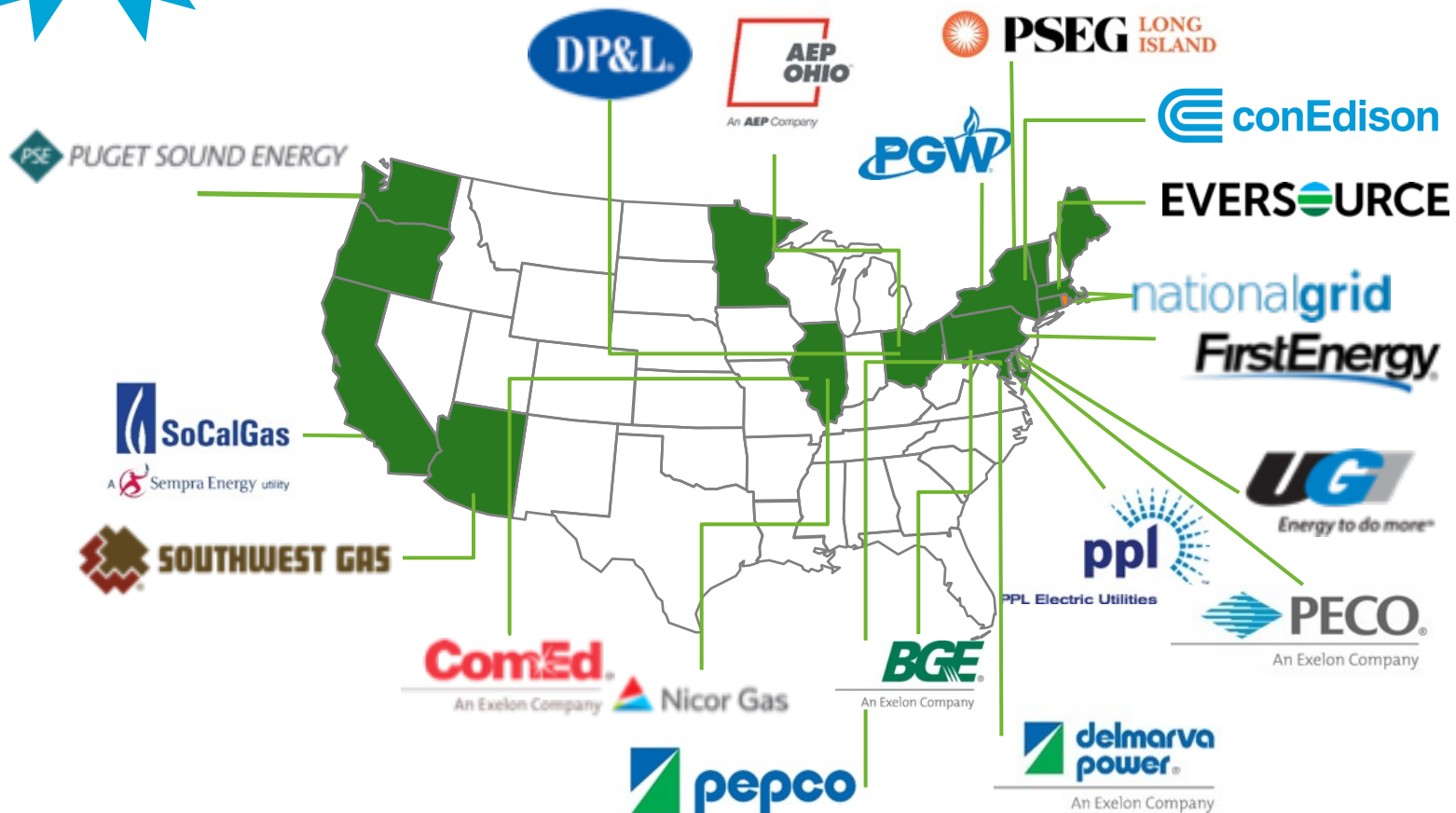
Crude Oil Price
78.88 USD/bbl
18 Oct '18



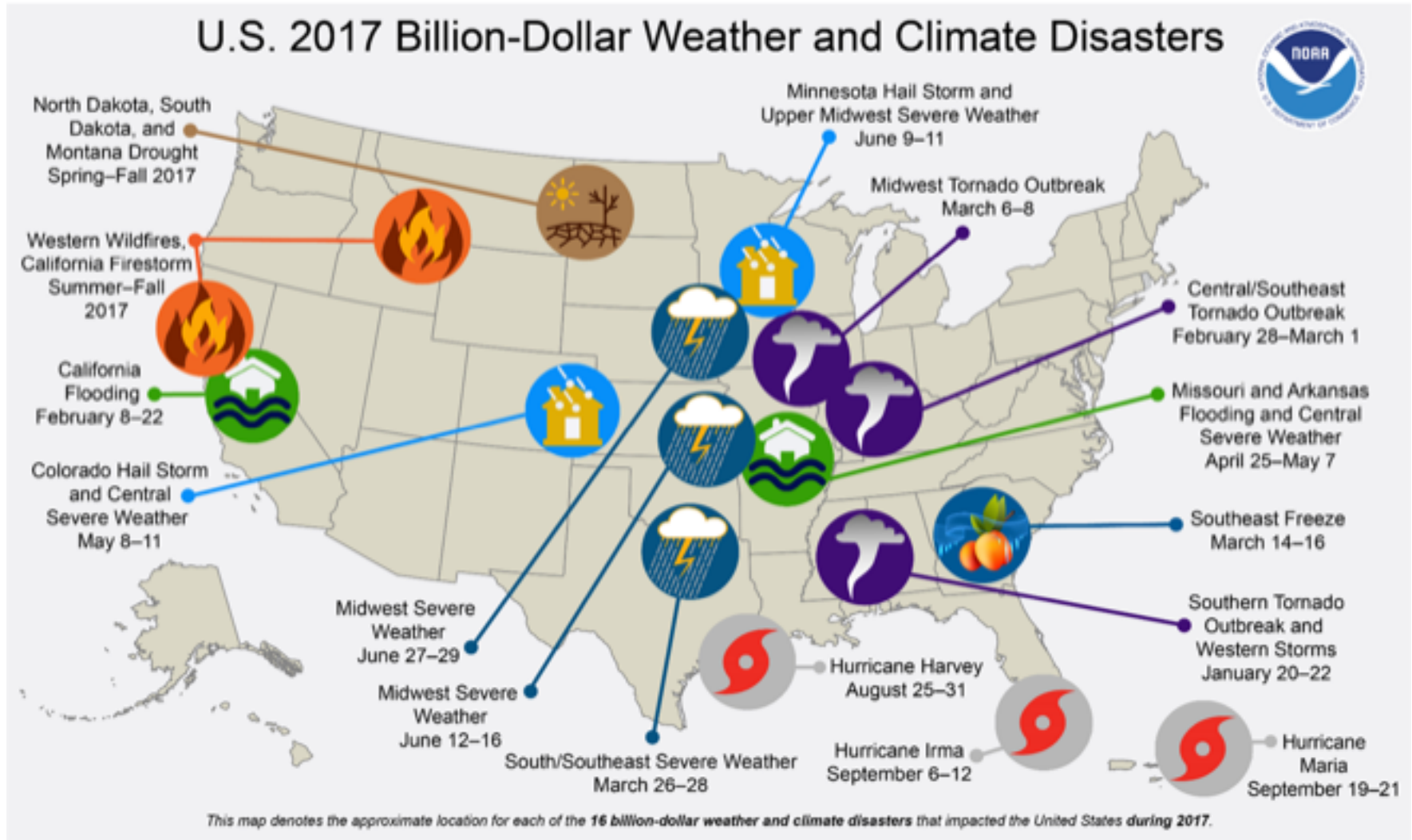
CHP Incentives are Increasing



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



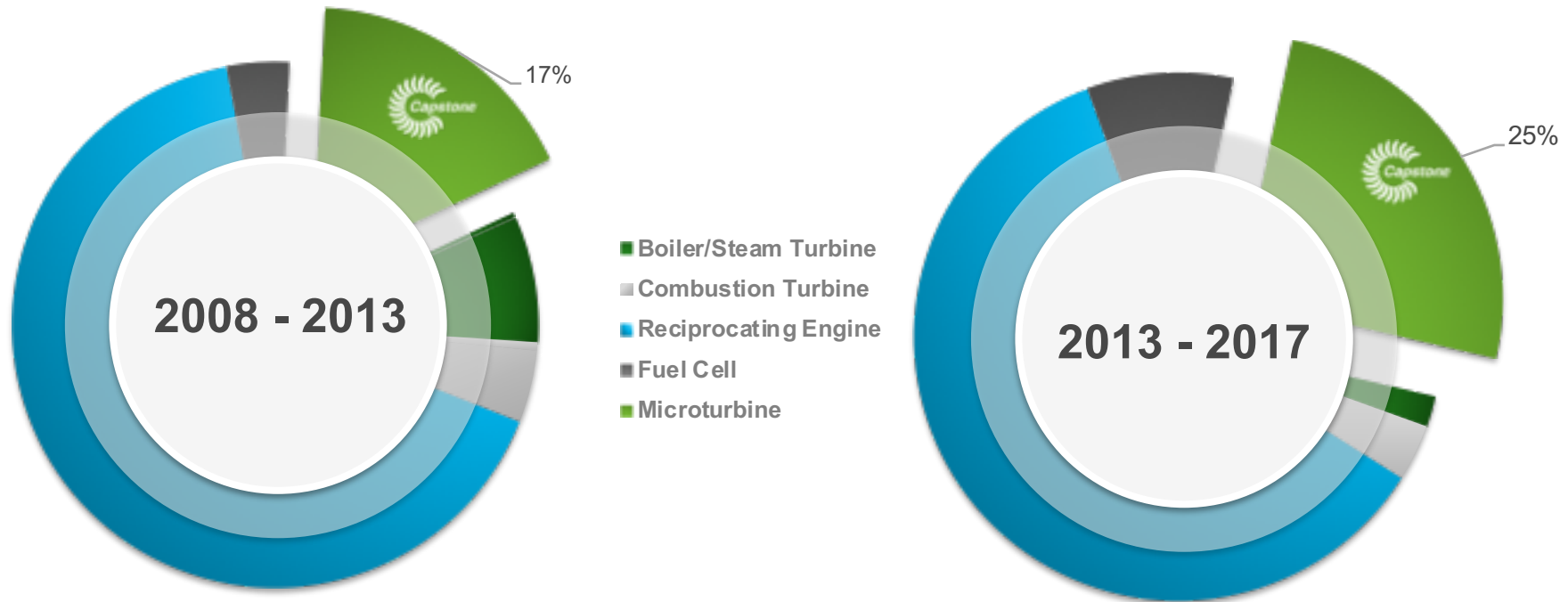
Resiliency Issues are Increasing



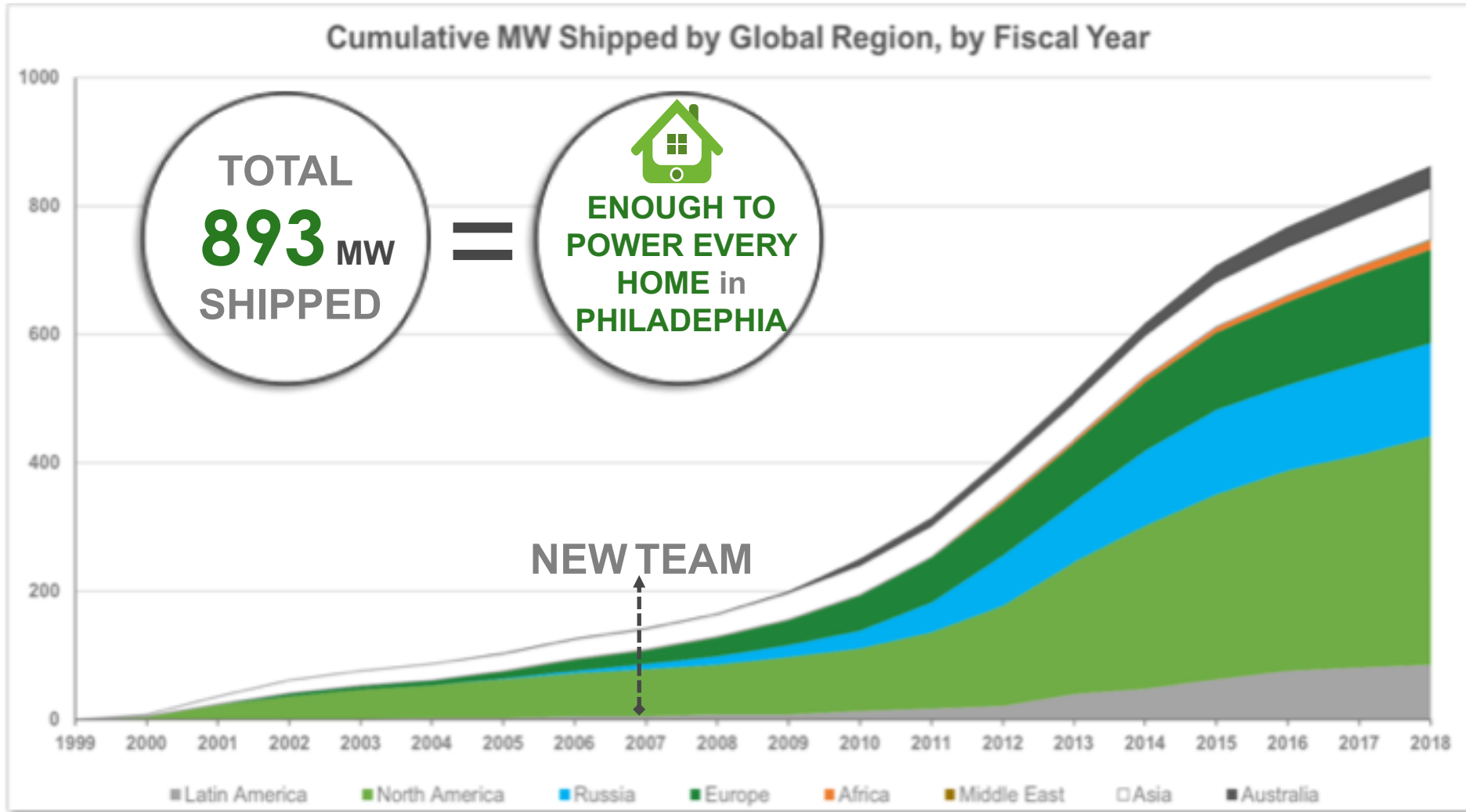
Market Share is Increasing



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



Growing Worldwide Population

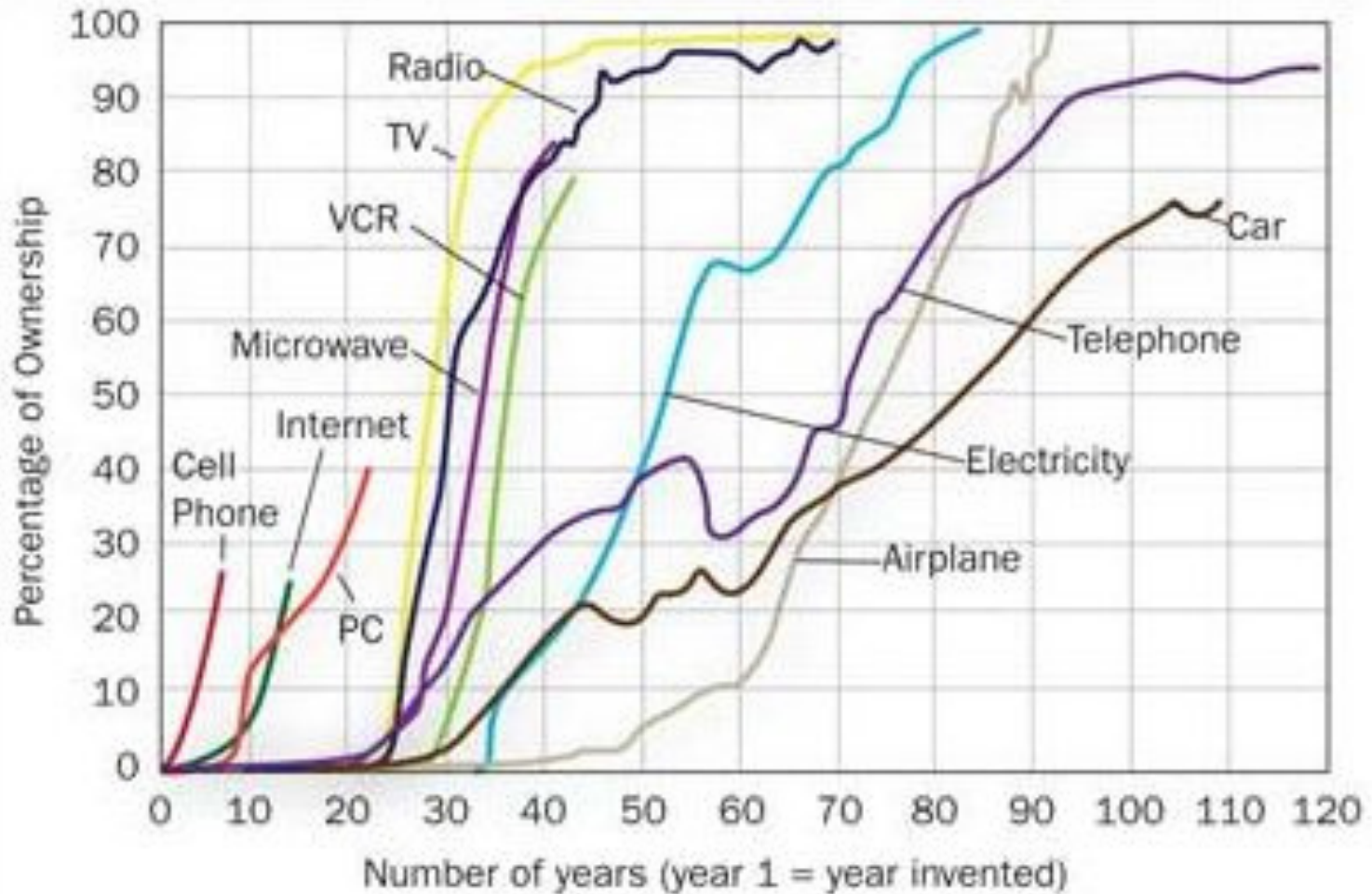


Capstone Has Transformed From a Small Single Product, Single Market, U.S. Only Business to a Global Multi-Product, Multi-Market Comprehensive Product & Services Enterprise

Technology Adoption Timelines

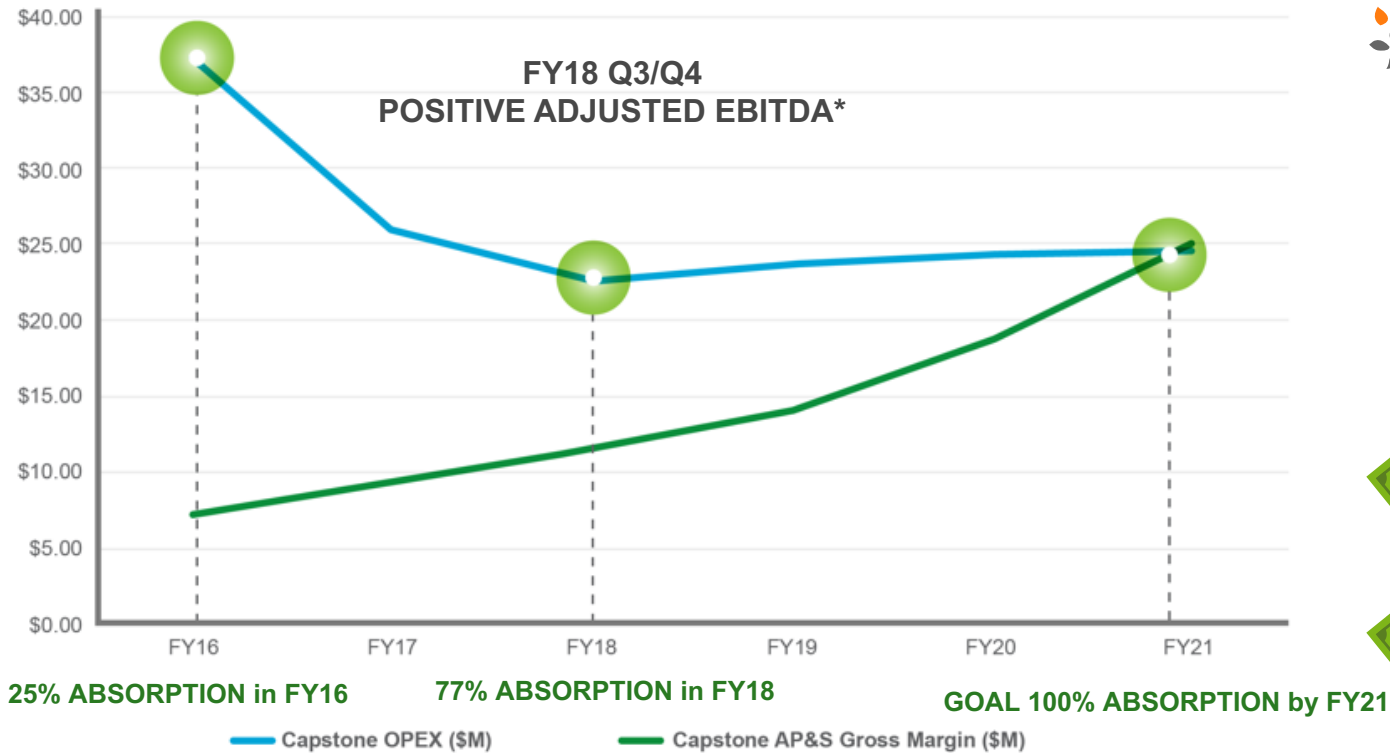


Technology Adoption



Source: Forbes Magazine

Service Growth = Clear Path to Sustained Profitability



VS



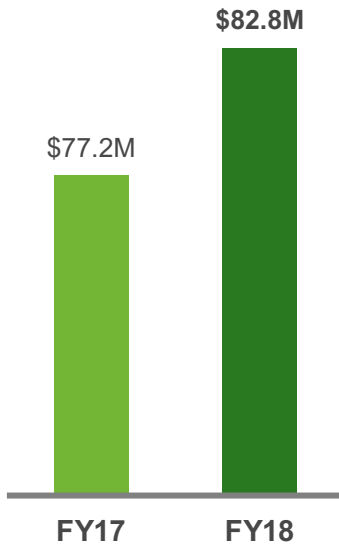
*See Appendix, Slide 33

100% Absorption Limits Downside & Allows Product Growth With Market-Based Pricing

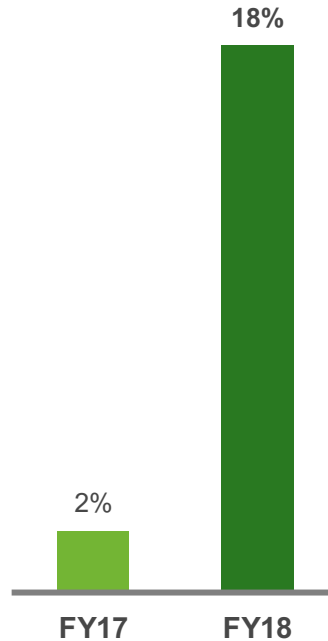
Key Performance Indicators



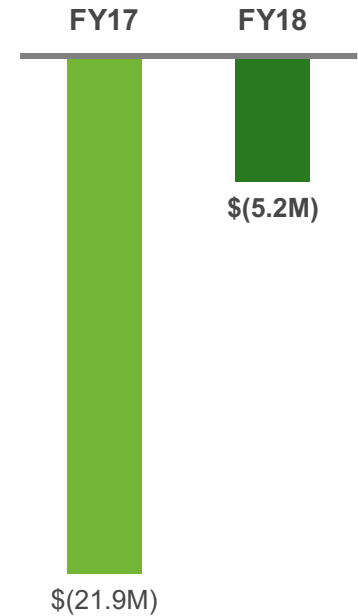
Revenue



Gross Margin



Adjusted EBITDA*



■ FY17 ■ FY18

*See Appendix, Slide 33

Strategic Business Goals



- 1. Improve quarterly working capital, cash flow, and balance sheet**
 - New “*Bundled Solutions*” program
 - Lean Manufacturing & SG&A
 - Increased aftermarket margins
 - Collect the fully reserved Russian receivable
- 2. Double digit growth through accelerating global product sales**
 - Increased marketing and customer acquisition initiative
- 3. Diversification into new market verticals and new geographies**
 - Product modification for Microgrid and Marine
 - Expand into Africa, Latin America, Caribbean and Middle East
 - Rebuild Russia and CIS distributor business
- 4. Increased Service/OpEx absorption percentage to 100% absorption**
 - Increased remanufacturing of spare parts
 - Higher service contract attachment rates in oil and gas
 - Sell air bearings into adjacent products and technologies

Q1FY19/Q4FY18 Balance Sheet



(In millions)	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

*See Appendix, Slide 33

Maintained Cash by Effectively Leveraging Credit Facility & ATM

Target Business Model



(In millions)	New Target Model	Initiatives and Strategies
Microturbine Product	\$25.0	Crude Oil Strengthening
Accessories, Parts, & Service	\$15.0	CHP Driven Service Growth
Total Revenue	\$40.0	New Bundled Solution program
Cost of Good Sold	\$26.3	Higher Purchase Volumes
Gross Margin	\$13.7	Growing Product & Service
Gross Margin Percent	34%	Aftermarket Margin to 50%
Total Operating Expenses	\$6.0	Lean Manufacturing & SG&A
Adjusted EBITDA*	\$7.7	\$678M in Federal NOLs

*See Appendix, Slide 33

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



APPENDIX



CAPSTONE MICROTURBINE vs. BLOOM FUEL CELL

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
CO ₂ 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.)

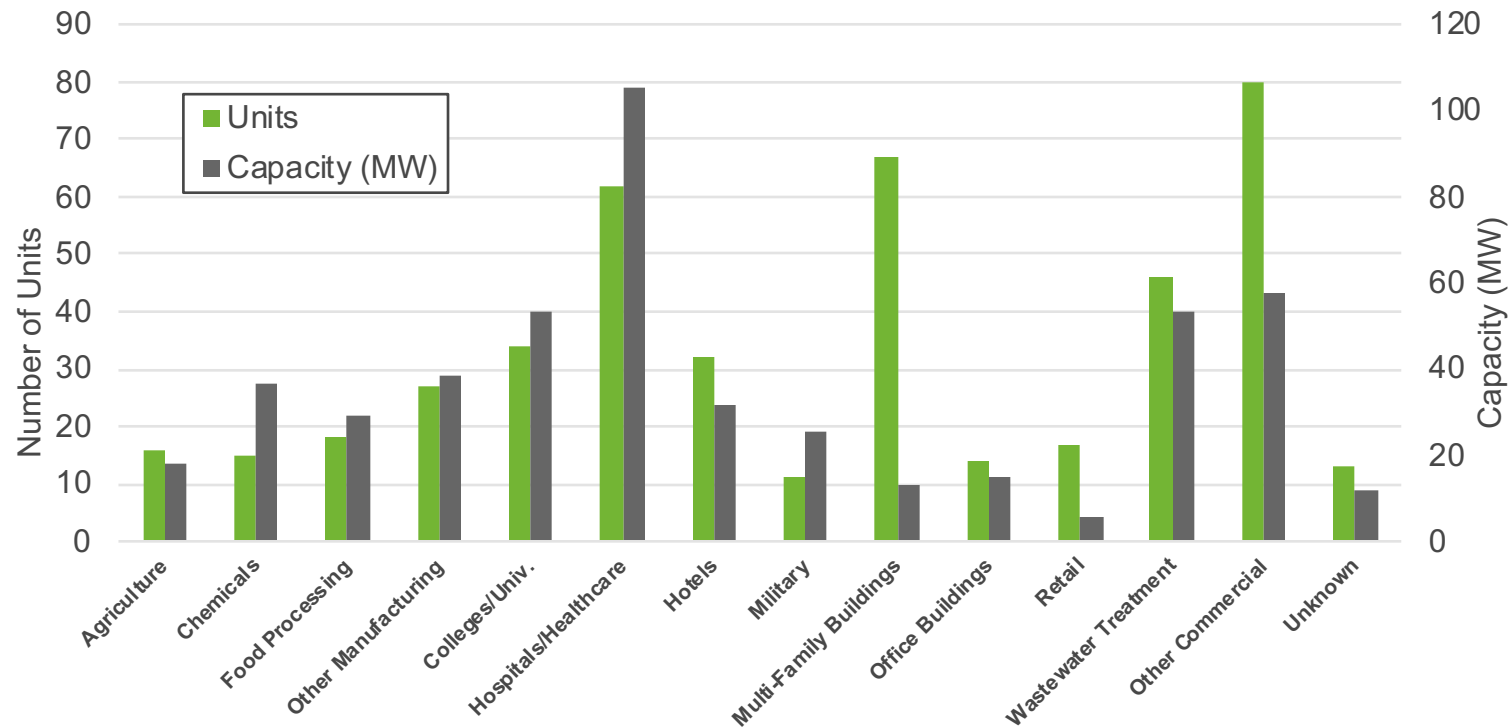


Operations		Capstone Microturbines	Bloom Energy
Fuel Flexibility	-	Natural gas, biogas, landfill gas, digester gas, sour gas, associated gas, LPG, propane, butane, liquid fuel, etc.	Natural gas, biogas (high sensitivity to sulfur in fuels)
Load Flexibility	-	High efficiency over wide operating range, 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

Capstone Is a Good Fit for the Growing CHP/CCHP Market



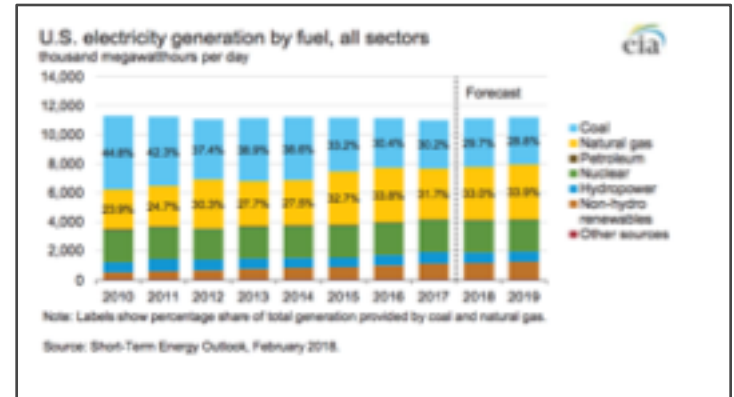
CHP “Watch List”: Projects in Development, 100 kW – 5 MW



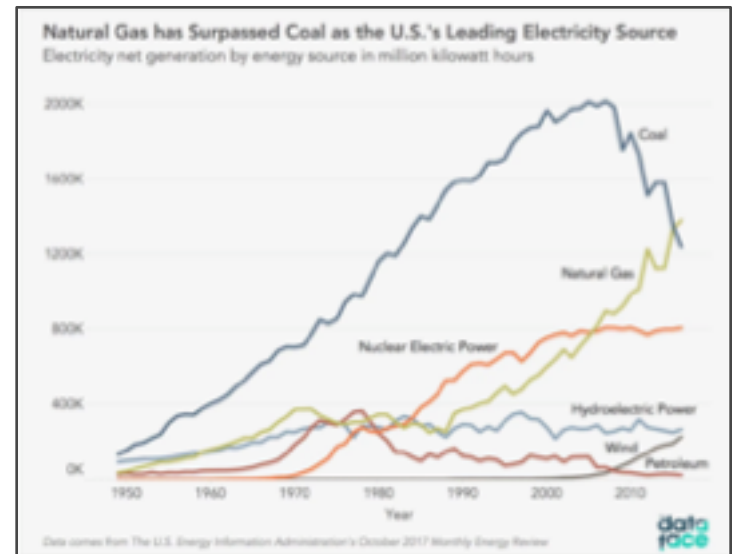
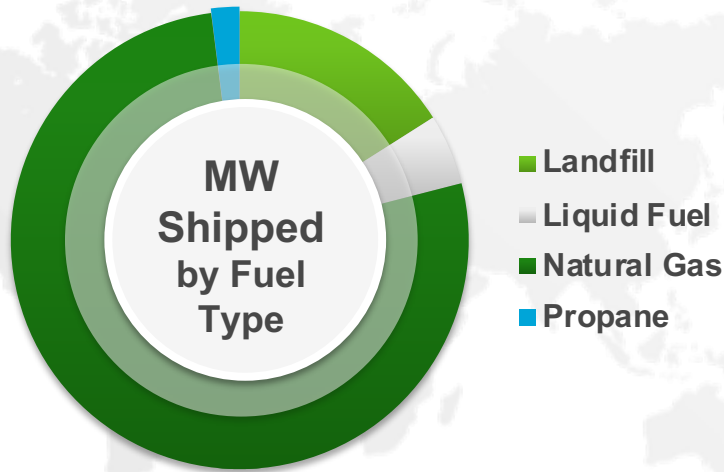
Source: ICF International

Microturbine Technology a Good Fit for Healthcare, Multi-Family, & Commercial Applications

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



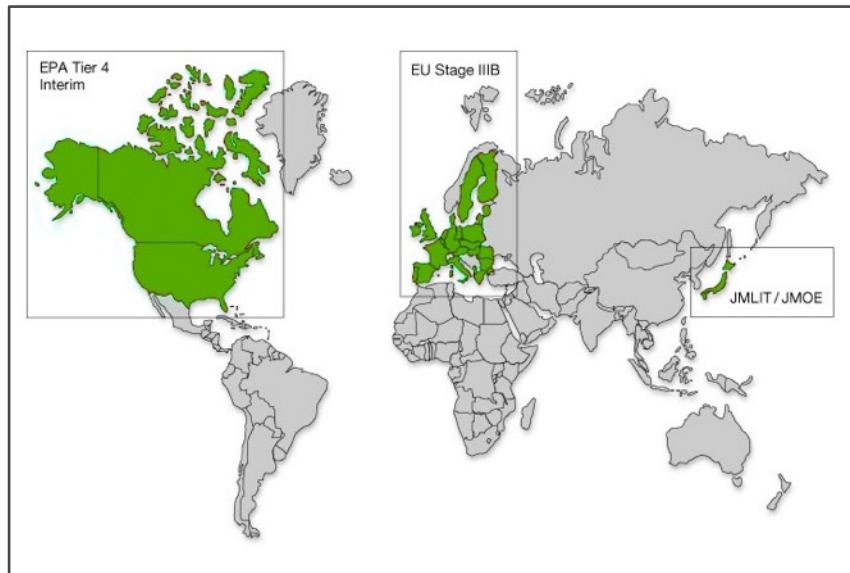
Source: <https://www.eia.gov/outlooks/steo/data.php?type=figures>



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_x + HC) / CO / PM (Oxides of Nitrogen + Hydrocarbons) / Carbon Monoxide / Particulate Matter (g/kW-hr)
NO_x / 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)

Capstone Energy Finance JV Initiative



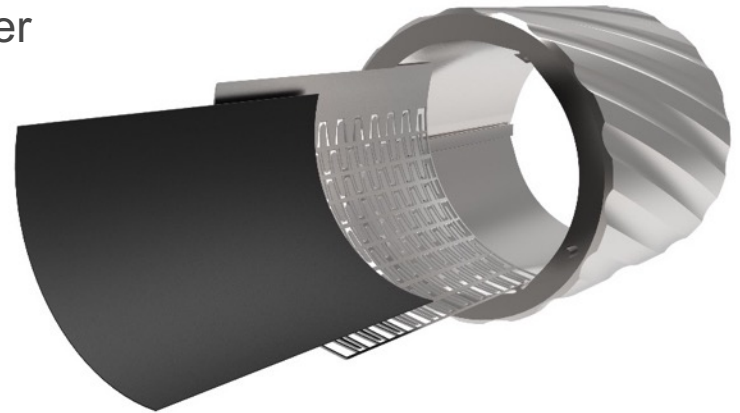
- Now Offering PPA, Lease and Rentals
- Executed First Agreement – September 18, 2017
- In Negotiation for Several Projects
- Projects Cover Wide Variety of Markets and Applications
- Pipeline over \$60M (product only)
- Actively Working with Sky Capital (subsidiary of Sky Solar Group) to Provide Up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



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



Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended			Fiscal Year		
	June 30, 2018	March 31, 2018	December 31, 2017	June 30, 2017	March 31, 2018	March 31, 2017
Net loss, as reported	\$ (4,897)	\$ (1,942)	\$ (323)	\$ (4,092)	\$ (10,024)	\$ (25,245)
Interest expense	118	116	170	221	606	536
Provision for income taxes	4	11	—	—	18	19
Depreciation and amortization	287	315	271	304	1,170	1,577
EBITDA	\$ (4,488)	\$ (1,500)	\$ 118	\$ (3,567)	\$ (8,230)	\$ (23,113)
Stock-based compensation	227	177	102	154	586	808
Restructuring charges	403	487	58	—	764	—
Change in warrant valuation	—	—	84	—	741	421
Leadership Incentive Program	—	981	—	—	981	—
Adjusted EBITDA	\$ (3,858)	\$ 145	\$ 362	\$ (3,413)	\$ (5,158)	\$ (21,884)

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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