



Management Presentation

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



Safe Harbor Statement



This presentation contains “forward-looking statements” regarding future events or financial performance of the Company, within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, benefits from our cost reduction initiatives, improved operating leverage and organizational efficiency, strengthened distribution channels, new product development and the success of our Signature Series product, benefits and competitive advantage associated with our product, compliance with government regulations, increased sales in Russia, implementation of the Capstone Energy Finance business, growth of our aftermarket service business, growth and diversification of our end markets, increase in revenue and performance in light of macroeconomic headwinds, and attaining profitability. Forward-looking statements may be identified by words such as “believe,” “expect,” “objective,” “intend,” “targeted,” “plan” and similar phrases.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in 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. Because of the risks and uncertainties, Capstone cautions you not to place undue reliance on these statements, which speak only as of today. We undertake no obligation, and specifically disclaim any obligation, to release any revision to any forward-looking statements to reflect events or circumstances after the date of this conference call or to reflect the occurrence of unanticipated events.



Who is Capstone Turbine?



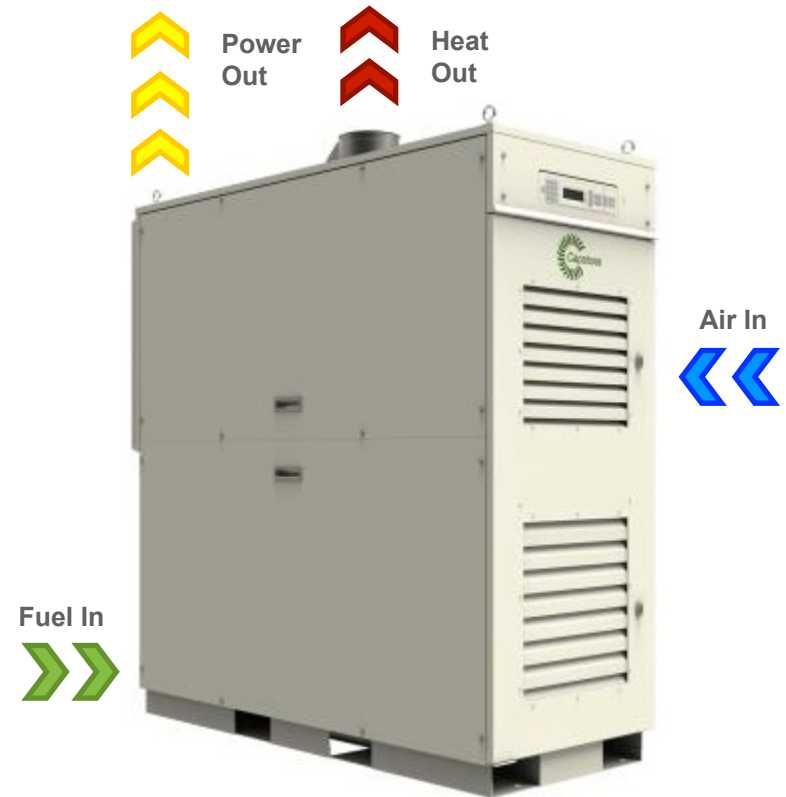
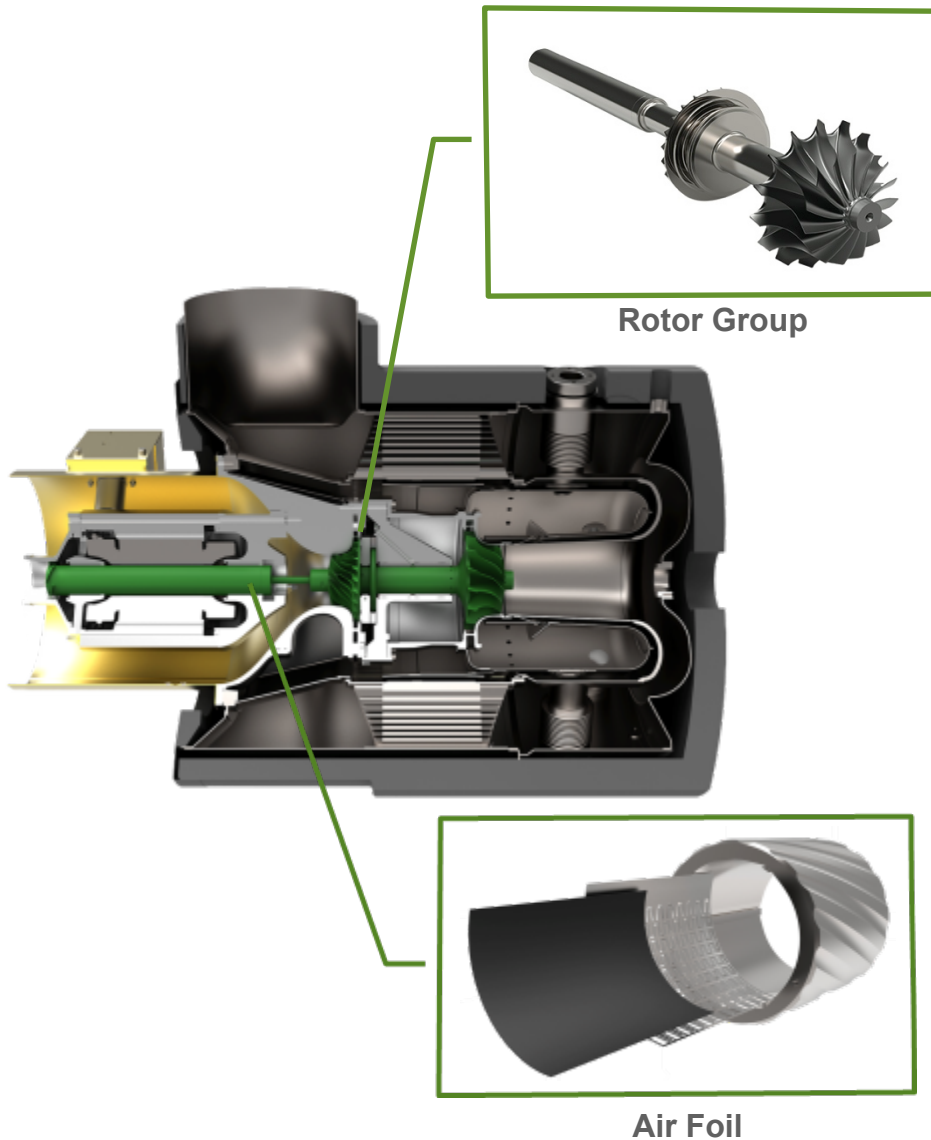
- Founded 1988 – Commercial launch in 1998
- Public Corporation 2000 (NASDAQ: CPST)
- World leader in Microturbines
- Headquartered in Chatsworth, California with two manufacturing plants
- Over 86 distribution partners and 759 dedicated distributor employees
- Approximately 9,000 units shipped worldwide
- 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



Examples of California 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: 6/15



Energy Efficiency Manufacturing



Pharmaceutical Facility Northern California

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

(2) C1000 | DM*
2MW 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)



Capstone Strategic Plan



Three-Pronged Capstone Business Profitability Plan



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

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

Result: Achieved 38% reduction in operating expenses in Q3 from the same period last year. Dropped from \$9.9M to \$6.1M - which is a 14 year low.

Status: GOAL ACHIEVED

Comments: Management plans to focus on continued cost reductions.



Develop New CHP Focused Products & Accelerate Aftermarket Business

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

Result: Launched new Signature Series product in December 2015 and new FPP and Extended Warranty products.

Status: GOAL ACHIEVED

Comments: New Signature Series is performing well in the field. FPP Backlog business has grown 19% over the last 12 months to \$77.2M.



Finance Solutions to Capture Orders that were Lost from Lack of Capital

Action: Develop a 30% JV with a high net worth individual to provide PPAs to customers who have lack of capital.

Result: Launched Capstone Energy Finance JV in November 2015 and developed \$40M in highly qualified projects.

Status: IN PROCESS

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



How Capstone is Close to EBITDA Breakeven



1

Quarterly operating expenses are the lowest since March 2003 and down 38% versus same period a year ago – *and we continue to do more!*

2

Aftermarket service recurring revenue continues to expand and margin is at 35% on the way to a target of 50%.
FPP Backlog business up 19% in last 12 months.

3

Product revenue is rebounding with improved geographical diversification and growth in the energy efficiency market, which are key to achieving our diversification goals.

4

Recovering oil prices and rebounding Russia business driving future revenue growth and recovery of bad debt from BPC. \$1.5M recovered and \$6.5M remaining as of December 31, 2016.

5

New Signature Series exceeding customer expectations and new Capstone Energy Finance business poised to spur additional growth with repeat customers.

Dramatically lower operating costs combined with an expanding service business, makes the company less reliant on unpredictable product shipments to generate positive EBITDA.



1. Previous, New and Future Quarterly Business Models



(In thousands)	Previous Business Model	New Business Model	Future Business Model
Microturbine Product Revenue	\$35,000	\$15,000	\$25,000
Accessories, Parts & Service Revenue	\$5,000	\$10,000	\$15,000
Total Revenue	\$40,000	\$25,000	\$40,000
Cost of Good Sold	\$30,000	\$19,200	\$26,250
Gross Margin	\$10,000	\$5,800	\$13,750
Gross Margin (percent)	25%	23%	34%
Research & Development Expense	\$2,900	\$1,300	\$1,500
Selling, General & Administrative Expense	\$7,100	\$4,500	\$5,200
Total Operating Expenses	\$10,000	\$5,800	\$6,700
EBITDA	\$0	\$0	\$7,050
EBITDA (margin)	—	—	18%

Growing High Margin Service Business Drives Profitability

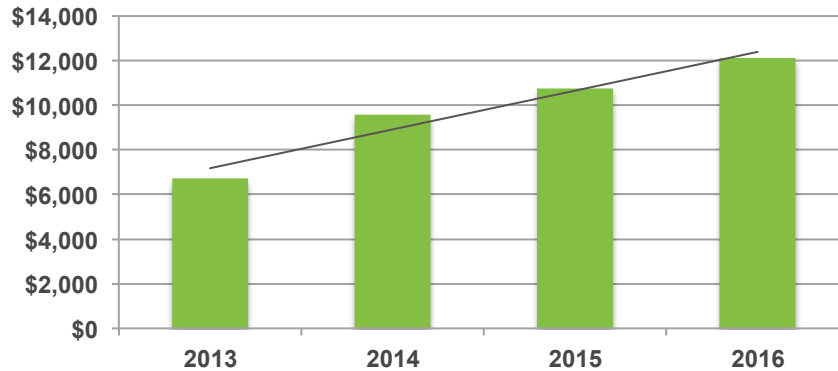


2. Aftermarket Service Growth



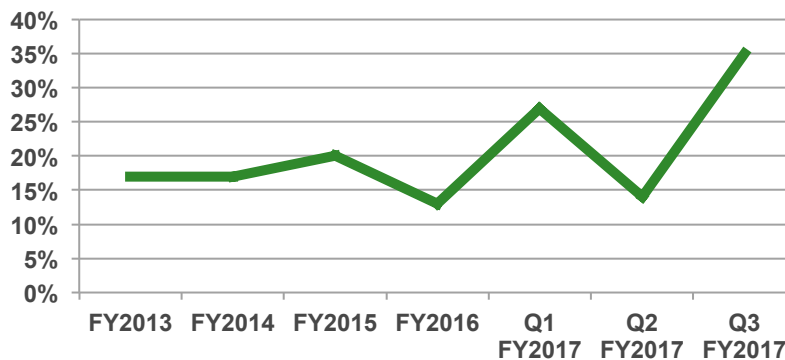
Service Revenue

(Amounts in thousands)

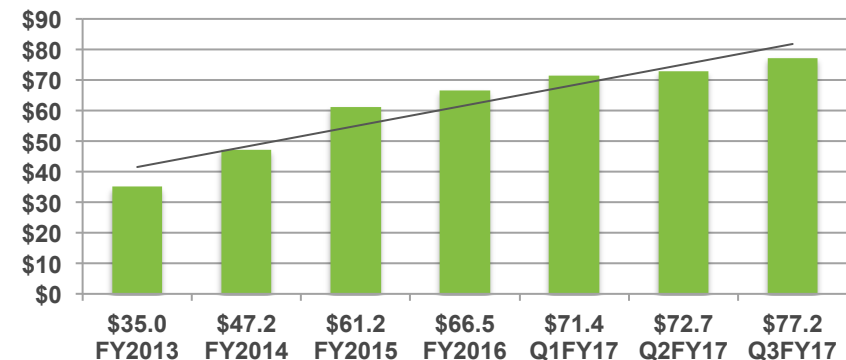


New Signature Series Product Lineup

Service Gross Margin



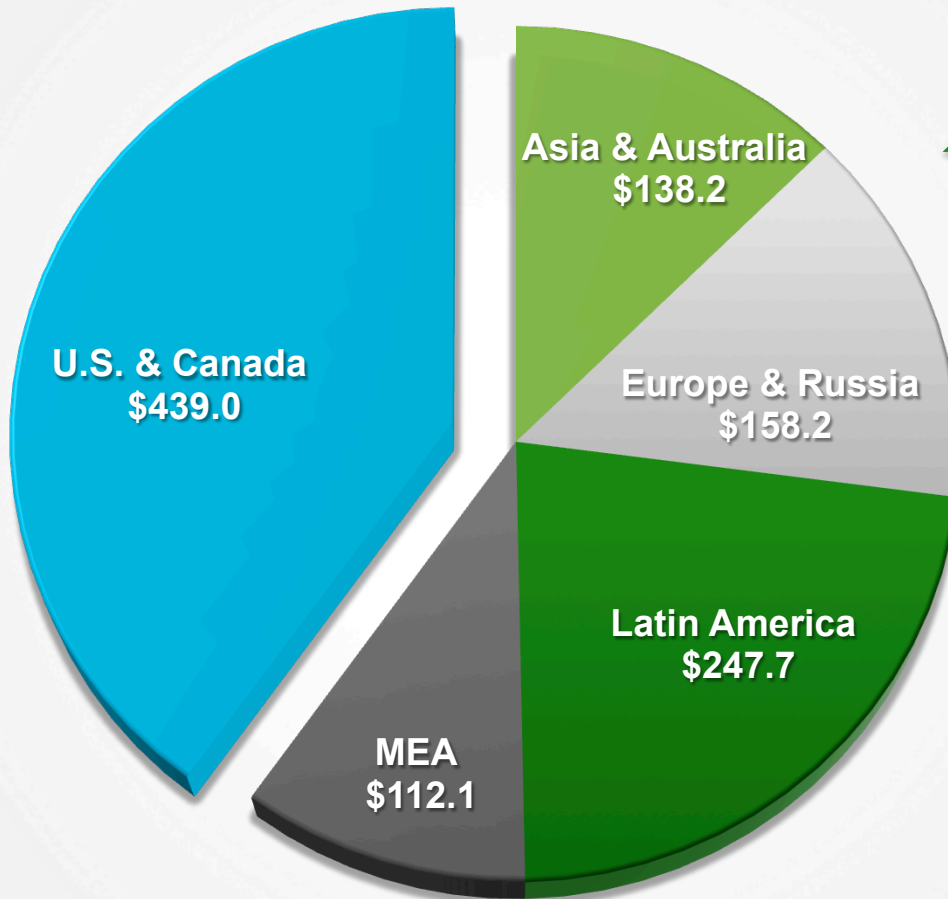
FPP Service Backlog (\$M)



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



3A. Sales Pipeline by Region



Pipeline Up
\$172M
from Q2FY17

Source: Capstone distributors via Salesforce
Amounts in millions

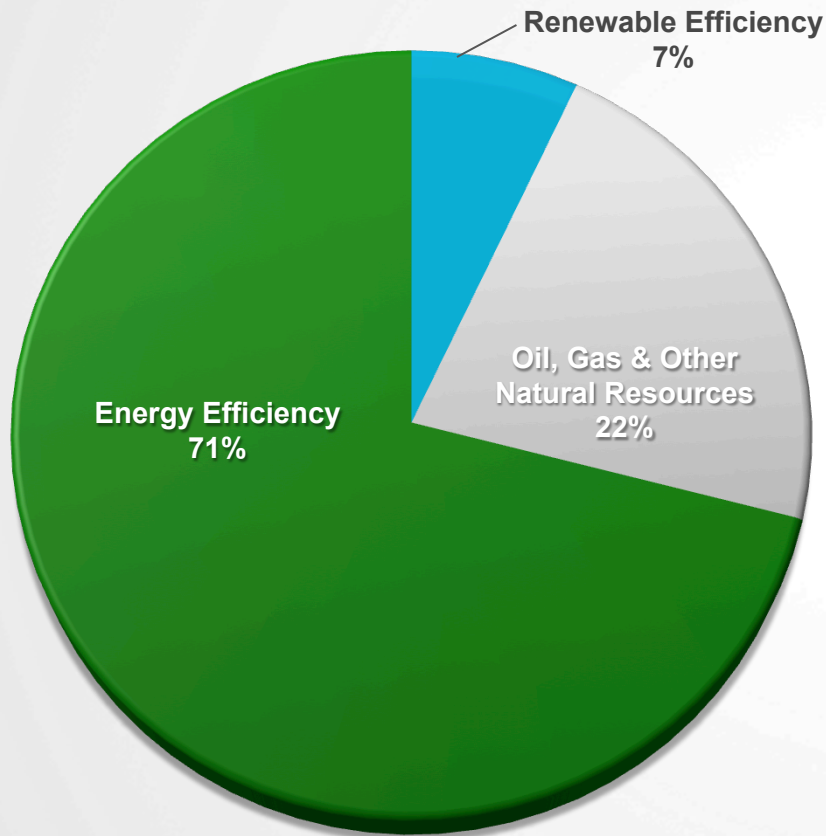
12 Month Diversified Project Pipeline of \$1.1 Billion



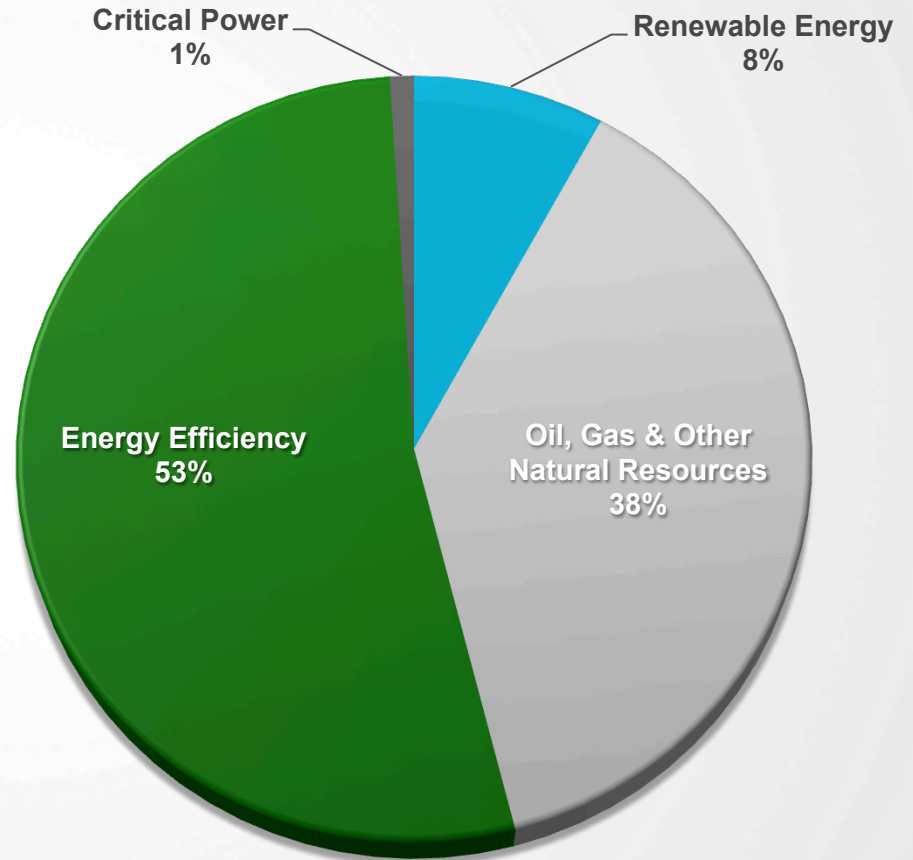
3B. Product Shipments by Vertical Market



Q3 FY16



Q3 FY17



Record Energy Efficiency as a Percentage of Sales
Goal is 40%-40%-20%



4. BPC Sales Recovery



\$1.5M Bad Debt Recovered
\$6.5M Bad Debt Balance



BPC Business Analysis
Amounts in millions

■ Revenue ■ Bad debt recovery

Rebounding Russian Business - \$1.5M in Bad Debt Recovery to Date



5. New C1000 Signature Series



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



California Oil Producer, Commissioned December 2016

The associated gas-fueled unit operates using the onsite associated gas to relieve the flaring requirement for the offshore platform.



Cervinia, Italy, Commissioned November 2016

Produces power and superheated water at over 80% efficiency for a local district heating facility in Northwest Italy. The 1MW unit works in dual mode, which allows customers to operate independently of, or with, the grid in a load sharing capacity.

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

New Product Focus on Energy Efficiency/CHP Market



Appendix

Additional Information

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



Examples of New York Metro Area Installations



Energy Efficiency Residential



River Park Towers
Bronx, New York

Natural gas-fueled combined heat and power (CHP) microturbine provides primary power and hot water to the multi-family residential complex.

(1) C1000 | DM*
1000kW Electricity

Projected ROI: 3.5 yrs

Commissioned: 9/16



Energy Efficiency Healthcare



Christian Healthcare
Wyckoff, New Jersey

Assisted living facility with 292-bed capacity. Natural gas-fueled microturbine provides combined cooling, heat and power (CCHP) to residents.

(4) C65 | DM*
Absorption Chiller
260kW Electricity

Commissioned: 8/08



Energy Efficiency Retail



Astor Wines & Spirits
New York, New York

2011 AEE Energy Project winner. Exhaust heat from the microturbine is used to provide 40 tons of chilling year round.

(2) C65 ICHP | GC*
40-Ton Absorption Chiller
130kW Electricity
Projected ROI: 4 yrs

Commissioned: 12/05



Energy Efficiency Hospitality

CASE STUDY*



New York Palace Hotel
New York, New York

Integrated combined heat and power (ICHP) microturbine array supplies electricity and hot water to the building and also feeds an absorption chiller.

(12) C65 ICHP
200-Ton York Absorption Chiller
780kW Electricity
Projected ROI: 4.5 yrs

Commissioned: 10/13



Renewable Energy Waste Water Treatment



Great Neck WWTP
New York, New York

Microturbines fueled by digester gas and natural gas blend provide power and heat to the waste water treatment plant.

(2) C65 ICHP
130kW Electricity

Projected ROI: 6 yrs

Commissioned: 9/14



Energy Efficiency Residential



Avalon Clinton Towers
New York, New York

Microturbines provide combined heat and power (CHP) to multi-family high rise building. Also feeds into an integrated heating loop for winter months.

(4) C65 ICHP | GC*
260kW Electricity

Projected ROI: 4 yrs

Commissioned: 12/10

*Case Study – can be located on www.capstoneturbine.com/case-studies

*GC – Grid Connect System

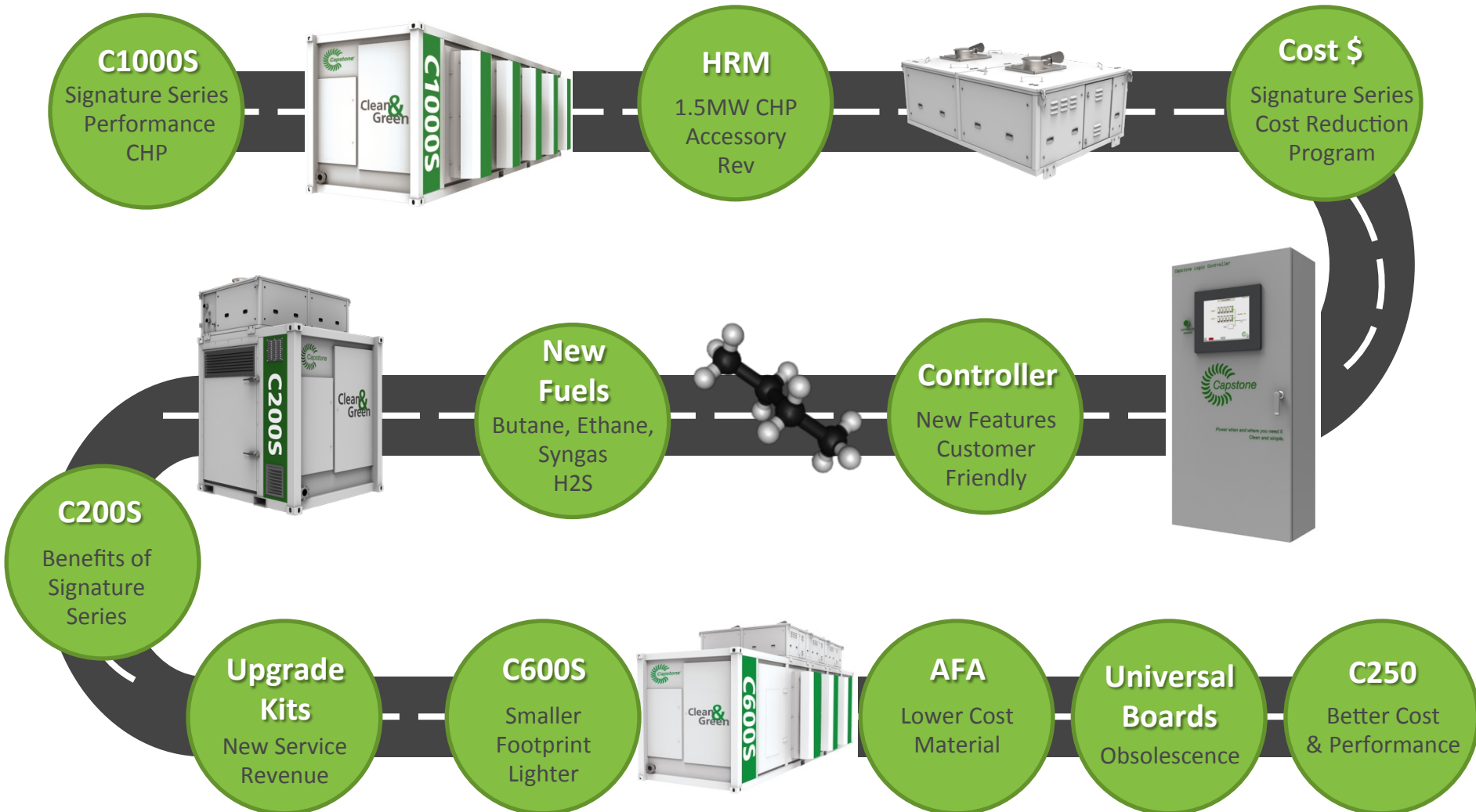
*DM – Dual Mode System (Emergency backup power feature)



Research & Development



Capstone Product Development Roadmap





Capstone Energy Finance



- CEF 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.

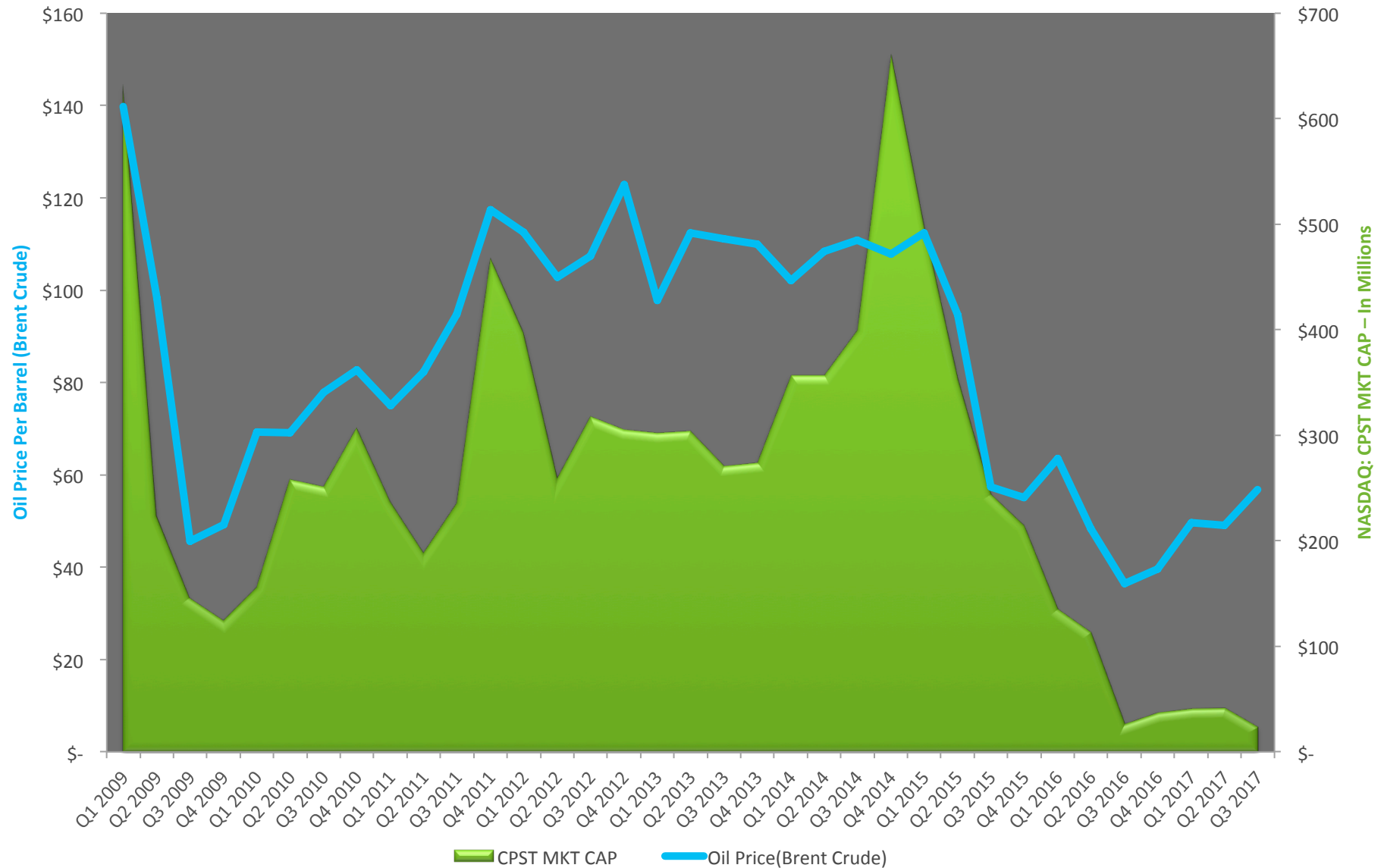


- Signed agreement with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing.
- Distributors lost approximately \$42M in FY16 and over \$50M in FY15 due to lack of financing options.

Clean Reliable Power Today with No Upfront Cost



Market Cap of CPST vs. Oil Price (Brent Crude)





Capstone Analyst Coverage



Outperform –
Price Target \$1.50

Further Opex Reduction Improves Path to Profitability; Service Margins Impress

Capstone's EBITDA break-even now expected to be a \$100mn in revenue with ~23% gross margins. The impressive operating expense cuts and revenue diversification put Capstone on a path to profitability if it can continue to execute on its initiatives. We could see upside to our estimates should the energy market recover and improved activity in Russia persist longer term.

Jeffrey Osborne
February 10, 2017



Hold –
Price Target \$1.00

Mixed 3Q & Modest Order Improvement, Maintain HOLD Rating

In line with the recent pre-announcement, CPST's 3Q revenues were as expected with adj. EPS above our estimates but below the Street, and backlog down modestly Q/Q. Quarterly results (negatively pre-released 4 of the last 6 quarters) continue to illustrate the headwinds (low oil, USD strength, Russia) which continue to negatively impact the business. CPST also continues to be plagued by shipment pushouts due largely to the heavy mix of CHP projects in its backlog.

Eric Stine
February 10, 2017



Perform –
Price Target N/A

CPST: Moving Closer to Breakeven EBITDA

With CPST enjoying the benefit of growing service revenue and lower overhead expenses, we see a path for the company to begin approaching breakeven and profitability. Critical to achieving these milestones is a return to higher product sales levels, which should be supported by a recovery in oil and gas demand. We are encouraged by improving combined heat and power demand dynamics and sell through in the meantime. In the coming quarters we will be watching GM improvement closely along with cash management.

Colin Rusch
February 9, 2017



Buy –
Price Target \$2.00

Cost Structure Re-Set Should Accelerate Path to Positive Margins; Maintain Buy

The impact of management's cost cutting initiatives is now favorably reflecting in the company's financials. Total operating costs have come down from \$9.9M in FY3Q15 to \$6.1M in FY3Q16 (38% y/y decline). We believe operating expenses will trend at these levels or below going forward. The company is also substantially more diversified geographically, and vertically. We saw the anticipated in bounce back in the oil & gas sector and Russia based business via BPC (16% of FY3Q17 revenues) materialize.

Amit Dayal
February 10, 2017



Neutral –
Price Target \$0.75

CPST: F3Q17 Results; Oil & Gas Rebound Could Bring Revenue Acceleration Closer

Capstone reported F3Q17 revenue and gross margins inline with the recent preannouncement, and posted opex down 38% Y/Y with its cash balance up \$3.3m Q/Q to \$19.4m. We will look for evidence of revenue acceleration before potentially becoming constructive on the stock as mgmt's tight expense controls and lean manufacturing actions position Capstone well for profitability on any revenue rebound, in our view.

Craig Irwin
February 10, 2017





NASDAQ: CPST

www.capstoneturbine.com