



Capstone®

Turbine Corporation



# Management Presentation

NASDAQ: CPST

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*“Change is the law of life. And those who look only at the past or present are certain to miss the future.”*

*– John F. Kennedy*

# Safe Harbor



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# The Imminent Change in Energy



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



Annual distributed generation power additions will grow to 200 GW in 2020 from 150 GW currently



Global electricity consumption will rise to 26.9 terawatt-hours (Twh) by 2020



Microgrids account for 27 GW of current distributed generation



\$205 billion will be invested in global distributed power generation annually by 2020 - 42% of total power additions



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

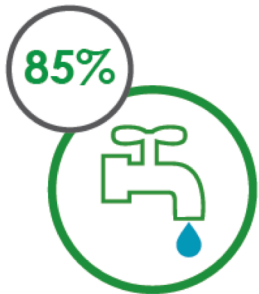
Source: General Electric - Rise of Distributed Power

# Microturbines are the Future



## CHP EFFICIENCY

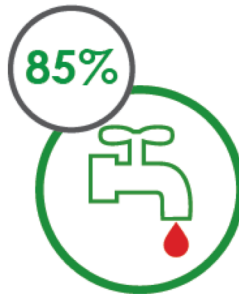
Overall **ELECTRIC** of 33%



COLD  
WATER



STEAM



HOT  
WATER



# Microturbine Technology Advantages



## Features

## Benefits



Inverter based with one moving part

Factory guaranteed low operating costs



Patented air bearing technology

No lubricants or coolants needed - unmanned projects



Stand alone or grid connect

Supports aging utility infrastructure



Fuel availability

Operates on gaseous, renewable and liquid fuels



High power density

Compact footprint, small modular design



Low emissions

No exhaust aftertreatment



Free clean waste heat

Thermal energy for cogeneration/trigeneration



Remote monitoring

View performance and diagnostics 24/7



Scalable to match demand

Multiple applications and industries



# Capstone Market Verticals



## Energy Efficiency



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

Hotels  
Industrial Applications  
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

### FY2017 Percentage of Shipments

59%

34%

7%

<1%

Product Demo

Product Demo

# Examples of United Kingdom Area Installations



**Renewable Energy**  
Landfill



**Landfill**  
Harlech, UK

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

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

Commissioned: 2/17



**Energy Efficiency**  
Public Facility



**Leisure Facility**  
Lincoln, UK

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

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

Commissioned: 10/09



**Energy Efficiency**  
Public Facility



**Leisure Facility**  
Birmingham, UK

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

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

Commissioned: 9/16



**Energy Efficiency**  
Hospitality



**Hotel/Leisure Club**  
Manchester, UK

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

**(1) C65**  
65 kW Electricity

Commissioned: 5/16



**Energy Efficiency**  
Public Facility



**Stadium/Sports Center**  
Aylesbury, UK

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

**(2) C65**  
130 kW Electricity

Commissioned: 4/15



**Energy Efficiency**  
Public Facility



**Leisure Facility**  
Milton Keynes, UK

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

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

Commissioned: 11/16

\*GC – Grid Connect System

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



# Microturbine Business Catalysts

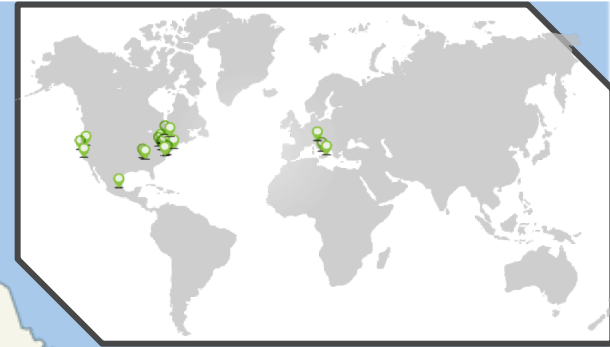




# 48 Hour Roundtrip to Philadelphia



HOW MANY **CAPSTONE** CUSTOMERS  
& PRODUCTS ON THIS TRIP?

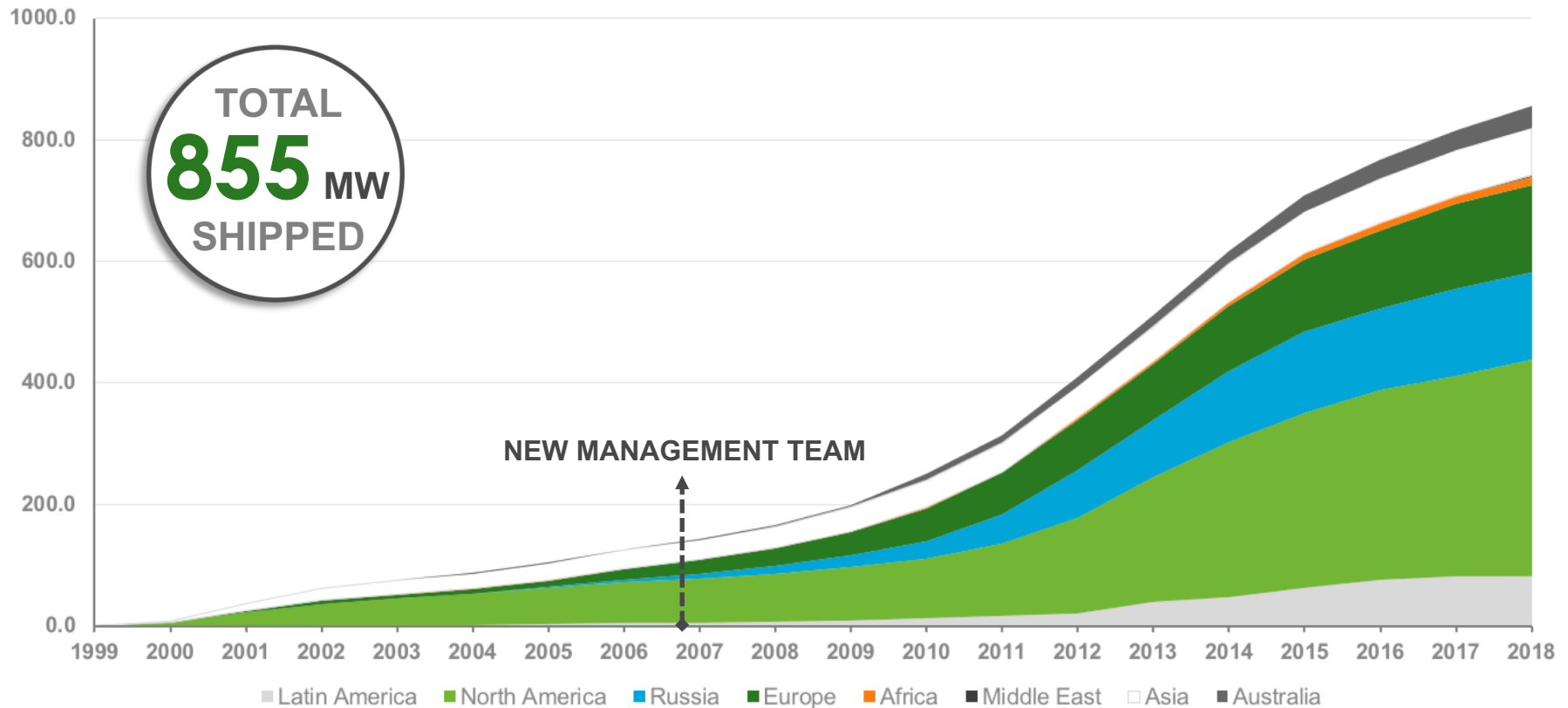


Total of 18 Capstone Customers in 48 Hours

# Cumulative Megawatts Shipped



Cumulative MW Shipped by Global Region, by Fiscal Year

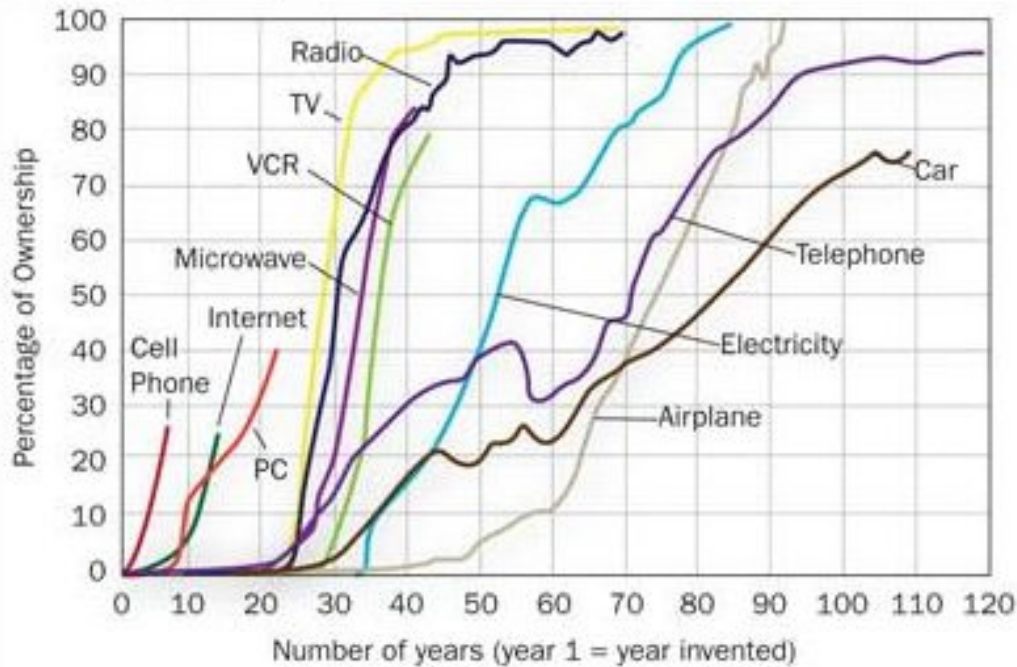


Capstone has transformed from a small single product, single market, U.S. only business to a global multi-product, multi-market comprehensive product & services enterprise.

# Technology Adoption Timelines



Technology Adoption



Source: Forbes Magazine

**30+** HIGHER COST  
YEARS TECHNOLOGIES





# Obsolete Technology Within The Last Decade



## OBSOLETE



Film



Video Rental Store



Paper Maps



Floppy Disc



PDA



Music CDs



Landline



Fax Machine



VCR

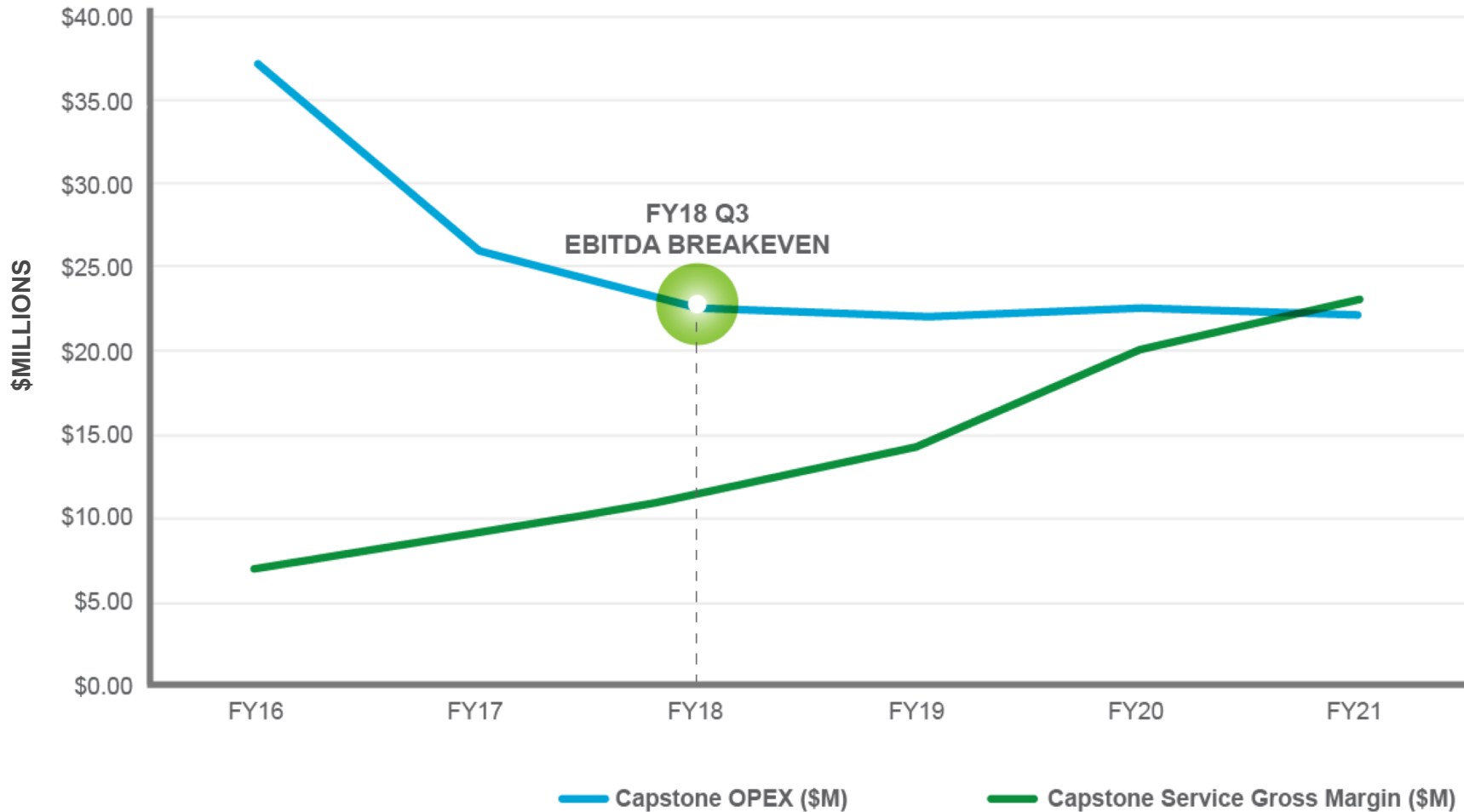
## THE SOLUTION: CLEAN & GREEN MICROTURBINES



# Capstone Absorption Strategy



Service/OPEX Absorption vs. Net Loss Timeline



# Capstone Business Trends



# 5

## AREAS OF GROWTH



### Revenue

- Total revenue up 14% Y/Y
- Total revenue up 15% Q/Q
- Total Q3'18 vs. Q3'17 up 13%
- Record A/P&S levels
- Product net new orders up Q/Q



### Margin Expansion

- Gross margin up Y/Y and Q/Q
- Gross margin up 18 basis pts. Y/Y
- Product margin up Y/Y and Q/Q
- Record A/P&S margin at 42%



### Expense Control

- OpEx down Y/Y and Q/Q
- OpEx down 14% Y/Y
- Warranty down Y/Y and Q/Q
- Warranty down 91% Y/Y
- Completed facility consolidation



### Adjusted EBITDA

- Q3 adjusted EBITDA & EBITDA positive
- Adjusted EBITDA improved 71% Y/Y
- Net loss improved 91% Q/Q
- Q3 net loss (\$0.01) per share
- Adjusted EBITDA earnings \$0.01 per share
- Net loss improved 62% Y/Y



### Strengthen Balance Sheet

- Total cash balance up Q/Q
- Cash usage excluding proceeds from equity transactions down 33% Y/Y
- Inventories down Q/Q and Y/Y
- Accounts payable down Q/Q
- Finished goods down Q/Q and Y/Y
- Inventory turns up Q/Q
- Work in process down Q/Q and Y/Y



# Q3FY18 vs. New Target Business Model



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

\*See Appendix, Slide 31

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

# New “*Bundled Solutions*” Model



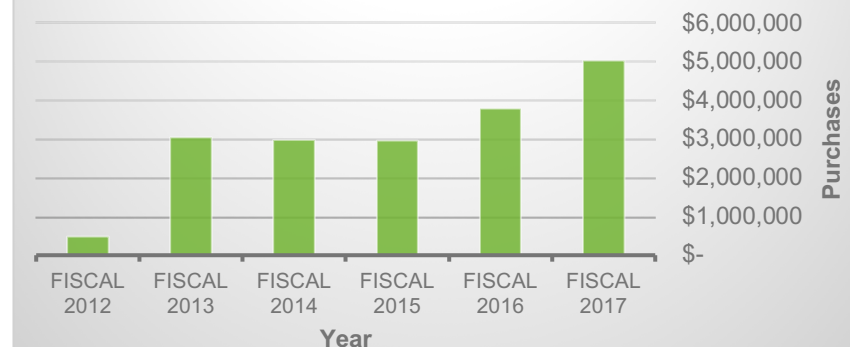
- ✓ Launched new “*Bundled Solution*” ICHP Sales Program
- ✓ C1000S Series ICHP Bundle - microturbine, heat recovery module (HRM) and **pre-paid FPP 5-year service contract**
- ✓ C65 ICHP Bundle - microturbine, heat recovery module (HRM) and **pre-paid FPP 5-year service contract**
- ✓ “*Bundled Solution*” drives CHP product, HRM and FPP service contract growth
- ✓ “*Bundled Solution*” program positively impacts working capital and cash flows

# Impact of Severe Weather



Fully operational Capstone Microturbines on St. Thomas surrounded by debris from Hurricane Irma

## RSP Systems – New York, NY



Five years removed from Hurricane Sandy, RSP Systems, Capstone's distributor for the greater New York area, is a top five revenue producer worldwide

**Capstone Provides Money Saving On-site Energy & Critical Backup Power**



# Capstone Conclusions



- Distributed generation is increasingly displacing large traditional centralized power plants as customers are looking to improve energy economics and resiliency
- Capstone's microturbine technology can meet the changing market demand by providing highly reliable, low cost, green energy products to customers
- Microturbines economically achieve the highest levels of green building standards
- Capstone meets or exceeds the lowest emission standards in the world
- Microturbines leverage low cost natural gas and free associated gas
- Microturbines run on biogas with various BTU content, requiring minimal gas treatment when compared to reciprocating engines, improving overall project cost and reliability
- Capstone's global distribution partners continue to penetrate global markets with tremendous new markets opening up in Australia, Africa and the Middle East
- Capstone installations powered through Hurricanes Harvey, Irma and Maria, much like they did with Hurricane Sandy back in 2012, with little or no downtime

**Capstone Has a Competitive Advantage Over Incumbent Technology**

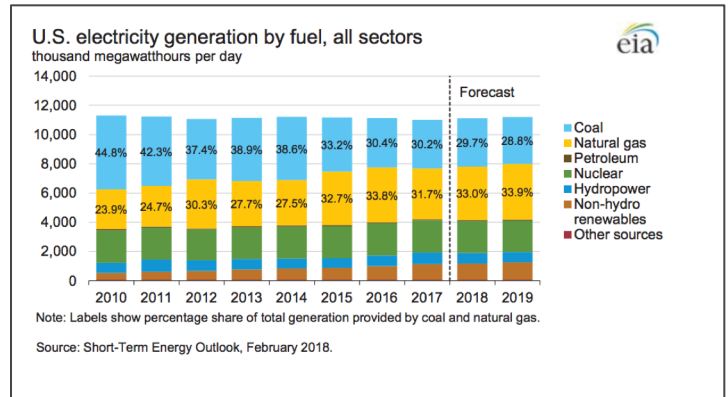




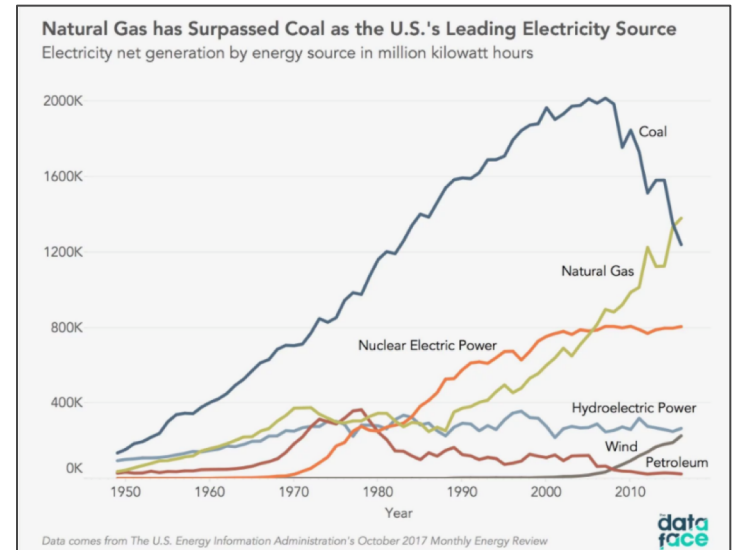
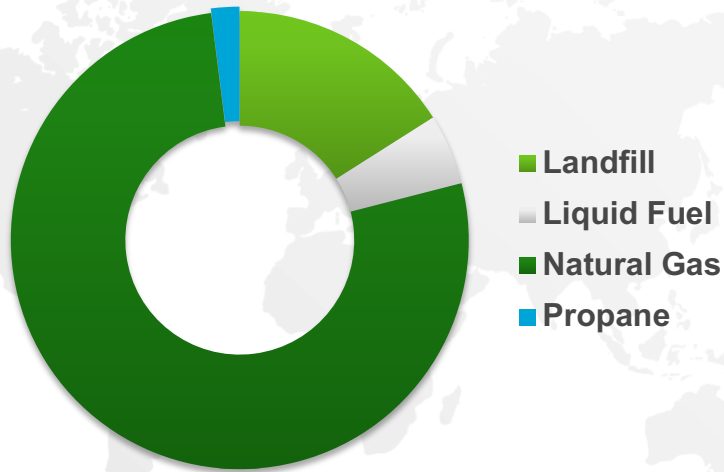
# APPENDIX

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



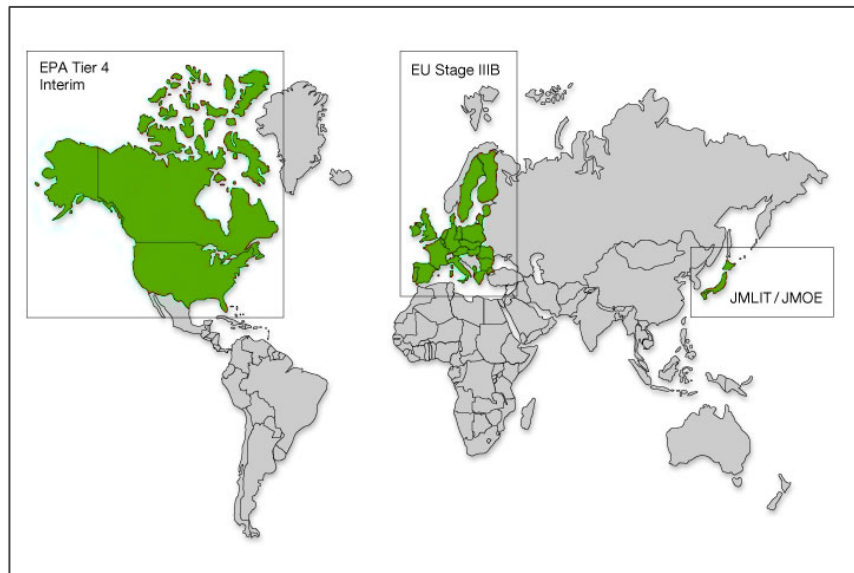
Source: <https://www.eia.gov/outlooks/steo/data.php?type=figures>



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

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

# Tightening Emissions Regulations



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

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

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

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

\* Combines regulatory powerbands with same emission levels

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

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



# 9 Months - YTD FY18 vs. YTD FY17



<i>(In millions, except per share data)</i>	YTD FY18	YTD FY17
Microturbine Product	\$39.4	\$33.1
Accessories, Parts & Service	\$22.4	\$21.1
Total Revenue	\$61.8	\$54.2
Gross Margin	\$10.2	(\$0.3)
Gross Margin Percent	17%	(1%)
R&D Expenses	\$3.3	\$4.3
SG&A Expenses	\$13.8	\$15.6
Total Operating Expenses	\$17.1	\$19.9
Net Loss	\$(8.1)	\$(21.1)
Adjusted EBITDA*	<b>\$(5.3)</b>	<b>\$(18.4)</b>
Basic Loss Per Share	\$(0.18)	\$(0.68)
Adjusted EBITDA* Basic Loss Per Share	\$(0.12)	\$(0.60)

\*See Appendix, Slide 31

**YTD FY18 Adjusted EBITDA Improved \$13.1M or 71% over YTD FY17**

# Financial & Market Statistics Comparison



## Selected Public Companies

(\$ in millions, except per share data)

Company	IPO <sup>(1)</sup>	Financial Statistics				Market Statistics
		Revenue	GM %	OPEX	EBITDA	Market Cap <sup>(2)</sup>
Capstone Turbine Corporation <sup>(3)</sup>	30	\$22.8	22%	\$5.0	\$0.1	\$33.4
Small-Cap Distribution Generation						
American Superconductor Corp. <sup>(4)</sup>	31	11.0	2%	8.1	(4.0)	108.8
Ballard Power Systems <sup>(5)</sup>	10	31.8	32%	11.1	0.3	657.3
FuelCell Energy <sup>(6)</sup>	26	47.9	7%	11.3	(6.2)	126.4
Maxwell Technologies, Inc. <sup>(7)</sup>	53	35.8	21%	20.7	(10.6)	215.2
Plug Power, Inc. <sup>(7)</sup>	21	35.4	-55%	17.0	(31.3)	442.1
Tecogen, Inc. <sup>(4)</sup>	18	8.5	38%	3.2	0.2	56.6
Avg. selected companies	27	\$27.6	1%	\$10.9	\$(7.4)	\$234.3

(1) Years since incorporation or first initial public offering

(2) Source: Nasdaq as of January 31, 2018

(3) Source: Capstone Turbine Corporation's February 2018 Form 10-Q filing

(4) Source: American Superconductor Corporation's and Tecogen, Inc. November 2017 Form 10-Q filings

(5) Source: Ballard Power Systems third quarter financial report issued November 2017 on company's website

(6) Source: FuelCell Energy's January 2018 Form 10-K filing

(7) Source: Maxwell Technologies, Inc. and Plug Power, Inc. November 2017 Form 10-Q filings

## Favorable Comparison on GM%, OpEx and EBITDA

# 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

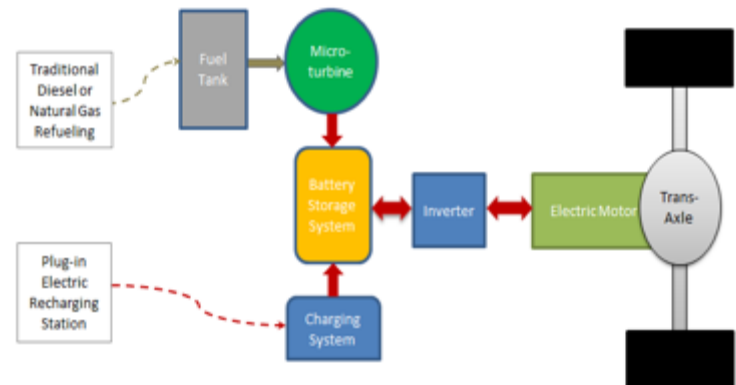




# Kenworth Hybrid Class 7 Demo



- Quantitative Emissions and Fuel Economy Measurements
  - ✓ Criteria Pollutants (NO<sub>x</sub>, CO, PM, NMHCs)
  - ✓ Greenhouse Gas (CO<sub>2</sub>)
  - ✓ Fuel Consumption (both charge sustaining & charge depleting basis)
  - ✓ Compare Results to Traditional Diesel Drivetrain
- Three Specific Drive Cycles
  - ✓ Urban and Rural Delivery
- Two Customer Demonstrations Planned



A **PACCAR** COMPANY

# Examples of New England Area Installations



**Energy Efficiency**  
Healthcare



**Hospital**  
Massachusetts

The C1000 system provides heat and power to the Boston-based hospital 24/7/365. The system will soon approach 40,000 run-time hours.

**(1) C1000**  
1 MW Electricity

Commissioned: 2011



**Energy Efficiency**  
Technology



**Software Company**  
Natick, Massachusetts

Four C65 systems power and cool the new headquarters/data center at this computer software company. System is under FPP through 2023.

**(4) C65**  
260 kW Electricity  
100-Ton Absorption Chiller

Commissioned: 2014



**Critical Power**  
Microgrid



**Utility Software**  
Bloomington, Minnesota

A C600S system forms the backbone of the microgrid at their new headquarters and data center.

**(1) C600S**  
600 kW Electricity  
200-Ton Absorption Chiller

Commissioned: 2017



**Critical Power**  
Data Center



**Data Center**  
Southfield, Michigan

Two C1000 power packages provide power and backup capacity to the growing data center.

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

Projected ROI: 3 yrs

Commissioned: 2016



**Critical Power**  
Utility Power/Microgrid



**Island Power**  
Off the Coast of Maine

Four liquid-fueled microturbines are the primary power source for the remote island. The technology was funded by the U.S. Government.

**(4) C65**  
260 kW Electricity

Commissioned: 2016



**Renewable Energy**  
Dairy Plant



**Food Processing**  
Franklin, Massachusetts

Ten combined heat and power (CHP) microturbines utilize digester gas from dairy processing as fuel and captures the hot water in order to heat the digester.

**(10) C65**  
650 kW Electricity

Commissioned: 2014

\*PP – Prime Power

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

Projected ROI estimates are at time of sale



# Examples of New York Metro Area Installations



## Energy Efficiency Residential



### Residential Complex 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\***  
1 MW Electricity

Projected ROI: 3.5 yrs

Commissioned: 9/16



## Energy Efficiency Healthcare



### Residential Healthcare Wyckoff, New Jersey

Assisted living facility with 292-bed capacity. Four natural gas-fueled microturbines provide combined cooling, heat and power (CCHP) to residents.

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

Commissioned: 8/08



## Energy Efficiency Retail



### Retail Wine Store New York, New York

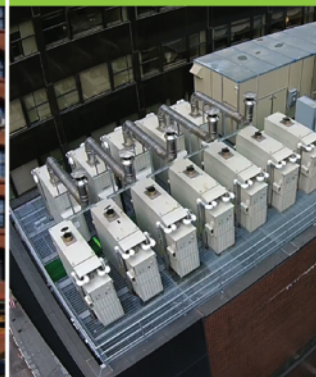
2011 AEE Energy Project winner. Exhaust heat from two microturbines is used to provide 40 tons of chilling year round.

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

Commissioned: 12/05



## Energy Efficiency Hospitality



### Luxury Hotel New York, New York

Twelve 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  
780 kW Electricity  
Projected ROI: 4.5 yrs

Commissioned: 10/13



## Renewable Energy Waste Water Treatment



### WWTP New York, New York

Two microturbines fueled by digester gas and natural gas blend provide power and heat to the waste water treatment plant (WWTP).

**(2) C65 ICHP**  
130 kW Electricity

Projected ROI: 6 yrs

Commissioned: 9/14



## Energy Efficiency Residential



### Residential Complex New York, New York

Four 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\***  
260 kW Electricity

Projected ROI: 4 yrs

Commissioned: 12/10

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

\*GC – Grid Connect System

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

Projected ROI estimates are at time of sale



# Examples of Mid-Atlantic Area Installations



**Energy Efficiency**  
Hospitality



**Luxury Hotel**

Three C65 ICHP units in a combined heat and power (CHP) application provide 100% of the hotel's domestic hot water and 30% of their electrical needs.

**(3) C65 ICHP | GC\***  
195 kW Electricity

**Projected ROI: 3 yrs**

**Commissioned: 10/09**



**Energy Efficiency**  
Manufacturing



**Boat Manufacturer**

Six microturbines produce 40% of the facility's on-site electrical energy, providing power and 100% of the heating and chilled water.

**(6) C65 ICHP | GC\***  
390 kW Electricity  
(3) 30-Ton Absorption Chillers

**Projected ROI: 7 yrs**

**Commissioned: 12/12**



**Energy Efficiency**  
Manufacturing



**Manufacturer**

A dual-mode combined cooling, heat and power (CCHP) C1000 provides backup power to the facility manufacturing processes.

**(1) C1000 | DM\***  
1 MW Electricity  
300-Ton Absorption Chiller | Heat Exchanger

**Projected ROI: 5.9 yrs**

**Commissioned: 1/14**



**Oil & Gas**  
Onshore O&G



**Compressor Station**

The natural gas-fueled microturbine is the primary power source generating electricity 24/7. The system was the first C600S commissioned in the world.

**(1) C600S | PP\***  
600 kW Electricity

**Commissioned: 10/16**



**Oil & Gas**  
Onshore O&G



**Gas Gathering Facility**

Six skid mounted microturbines operate on high Btu wellhead gas. Skid system arrives fully commissioned, reducing installation and startup.

**(6) C65 | DM\***  
390 kW Electricity

**Commissioned: 4/15**



**Critical Power**  
Data Center



**Bank with Data Center**

A C800 dual-mode system provides combined cooling, heat and power (CCHP) for the LEED gold-certified facility and data center.

**(1) C800 | DM\***  
800 kW Electricity  
250-Ton Absorption Chiller | Heat Exchanger

**Projected ROI: 5 yrs**

**Commissioned: 10/13**

\*PP – Prime Power

\*GC– Grid Connect

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

Case Studies can be found on [www.capstoneturbine.com/case-studies](http://www.capstoneturbine.com/case-studies) | Projected ROI estimates are at time of sale

# Examples of California Area Installations



## Energy Efficiency Food Processing



### Brewing Company Northern California

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

(2) C1000 | Microgrid  
2 MW 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  
1 MW 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\*  
2 MW 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  
1.6 MW 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  
1 MW 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\*  
2 MW Electricity

Projected ROI: 2 yrs

Commissioned: 8/13

\*PP – Prime Power

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

# Q3FY18 Financial Results



<i>(In millions)</i>	December 31, 2017	September 30, 2017
Cash & Cash Equivalents, Including Restricted Cash	\$16.5	\$15.2
Cash (used in) in Operating Activities	\$(3.3)	\$(5.1)
Accounts Receivable, Net of Allowances	\$16.1	\$13.2
Total Inventories	\$15.3	\$17.3
Accounts Payable & Accrued Expenses	\$12.8	\$14.1



# Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
Net loss, as reported	\$ (323)	\$ (10,686)	\$ (8,083)	\$ (21,068)
Interest expense	170	129	489	392
Provision for income taxes	—	—	7	3
Depreciation and amortization	272	384	854	1,186
EBITDA	119	(10,173)	(6,733)	(19,487)
Stock-based compensation	102	173	409	653
Restructuring charges	58	—	277	—
Change in warrant valuation	84	—	741	—
Warrant issuance expenses	—	421	—	421
Adjusted EBITDA	\$ 363	\$ (9,579)	\$ (5,306)	\$ (18,413)

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, the change in warrant valuation, warrant issuance expenses and restructuring charges. Restructuring charges include 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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