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 -- growth and diversification of our end markets; strengthened distribution channels; ongoing new order flow; reduced cash usage; growth in revenue, gross margin and backlog; attaining profitability; adequacy of liquidity and capital resources; improved operating leverage and organizational efficiency; new product development; product reliability; shifts to larger markets for our products; benefits from our cost reduction initiatives; performance in light of macroeconomic headwinds; advantages over competing technologies; Nasdaq listing; implementation of a new Capstone finance business; collection of reserved accounts receivable; opportunities in New York; improved brand equity and product recognition; and a strengthened aftermarket. Forward-looking statements may be identified by words such as “expects,” "objective," "intend," "targeted," "plan" and similar phrases.

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DID YOU KNOW?
In FY19, Capstone customers benefited from:

- 95.6% in Global Availability
- 350,000 Tons in Carbon Savings
- $253 Million in Financial Savings
Low Carbon CHP/CCHP Fuels

- Need for Carbon Reduction is Clear
- CHP and CCHP Operating on Natural Gas Reduces Carbon Intensity of Commercial and Industrial Customer
- Companies are Looking for Additional Reduction Through the Use of Low Carbon Fuels
- Some are Available Today
  - Landfill Gas
  - Biogas
- Some are Beginning to Emerge in the Market Place
  - Hydrogen
  - Methanol
- Some Require New Capstone Products
  - Hot Air Microturbine
    - Solar
    - Biomass
  - Hydrogen Microturbine
  - Methanol Microturbine
Biogas/Biomethane

How Biogas Systems Work

Organic Material

- Manure (e.g., dairy, swine, beef, poultry)
- Wastewater Biosolids (e.g., municipal sewage sludge)
- Food Waste (e.g., household, restaurant, cafeteria, grocery, food production)
- Other Organics (e.g., energy crops, fats, oils, grease, crop residue, winery/brewery waste)

Microbes break down organic material over 2-4 weeks producing biogas and digestate.

Biogas

- Bioproducts
- Feedstock (e.g., bioplastics)
- Some biogas can be used to heat the digester

Digested Material

- Horticulture Products (e.g., soil amendment, peat moss replacement, plant pots)
- Soil Products
- Animal Bedding
- Other Products (e.g., building material)
- Crop Irrigation

Electricity

Renewable Natural Gas

Vehicle Fuel

Heat

Some biogas can be used to heat the digester.

Digested material may be returned for livestock, agricultural and gardening uses.
Biogas is produced from anaerobic digestion of organic matter.

Currently capturing only 2% of global potential with full capture potentially reducing GHG emissions by 3-4,000 Mt CO$_2$ eq. (or 10-13% of current global GHG emissions).\(^1\)

Common Applications:
- Farm Digesters
- WWTP
- Landfills
- Transportation Fuel
- Upgrade for Pipeline Injection

\(^1\)World Biogas Association, "Global Potential of Biogas." September 2019
Benefits:

- Reduced greenhouse gas emissions through fuel substitution and reduction of uncontrolled methane emissions
- Baseload renewable energy source with ability to store for later use with intermittent generation resources
- Production of natural fertilizer
- Better waste management to reduce odors, protect water ways and improve sanitation and hygiene
- Potential extraction of CO2 for commercial use (greenhouses, etc.)
- Pipeline injection to “green” the pipeline though natural gas substitution
Hydrogen sources:
- **Green** – production from renewable power using electrolysis to split water molecules
- **Brown** – steam reformation from methane using coal sources
- **Blue** – steam reformation from methane using gas sources

Capstone activities:
- Capstone’s high flame speed fuel injector patents target operation on liquid and hydrogen blend fuels and ensuring ultra-low emissions meeting EPA Tier 4 requirements for power generation.
- Argonne National Lab project to blend up to 50% H2 with natural gas using current injector operating from partial to full load. Then use new patented injector to test blends over 50% H2.
- UC-Irvine and SoCal Gas project to test blending up to 20% H2 with natural gas.
Innovative Power Plant with Renewables

GRID/CUSTOMER LOAD

EXCESS POWER

ELECTROLYZER

H₂

CHP/CCHP/DIRECT HEAT

NATURAL GAS

WIND

SOLAR

BIOGAS

HYDRO
Capstone received two new patents by the U.S. Patent and Trademark Office

1) **Patent 10,184,664**, is for a multiple-fuel capable, pre-mixed, low emission injector for high flame speed fuel combustion.

2) **Patent 10,197,282**, is for a multi-staged, lean pre-vaporizing, pre-mixing fuel injector providing ultra-low emissions that meet EPA Tier 4 requirements for power generation.

These two patents support Capstone’s Technology Roadmap – Targeting the expansion of multiple fuels, including high flame speed fuels such as Hydrogen, while also maintaining Capstone’s industry-leading low emissions.
Biomass

- Convert a variety of waste products (e.g. industrial wood waste, sewage sludge) to heat and power through combusting waste to create compressed air to run the microturbine.

Benefits:
- Decentralized on-site disposal and increased disposal safety
- Sustainable waste management
- Modular, fuel flexible, low maintenance
Another 100% renewable project is with a German company, B+K, that is using wood waste to generate superheated air and also expanding it across the Capstone microturbine. B+K has been operating a Capstone powered pilot project for more than a year and is moving into commercial sales, with several projects planned in 2020.
Modular Concentrated Solar Power (CSP) plant where solar receiver heats airflow, which then drives the microturbine to produce electricity. System is paired with brick/ceramic thermal energy storage to allow continuous operation when solar is unavailable.
Solar

- **Status:**
  - First operational CSP demo plant planned for Morocco in partnership with Masen

- **Benefits:**
  - Deployable as single off-grid system of 400 kW plus 1.5 million btu/hr of useful heat or utility scale farms
  - Round the clock operation regardless of weather
  - Off-the-shelf, best-in-class equipment
  - Pre-engineered, standardized for fast assembly on site
  - No known environmental drawbacks
  - Ability to burn a variety of fuels to guarantee electricity on demand eliminating need for additional emergency backup
Zero Carbon Methanol

The figure shows a process for producing methanol from renewable sources. The process involves:

1. **Wind** and **Solar** energy converting to electricity.
2. The electricity is used to **split water** (H₂O) into hydrogen (H₂) and oxygen (O₂).
3. Carbon dioxide (CO₂) from industrial processes or other sources is used.
4. The hydrogen (H₂) and carbon dioxide (CO₂) combine to form methanol (CH₃OH) in a chemical reaction.

The methanol is then transported in a tanker truck, ready for use in various applications.
Zero Carbon Methanol CHP
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