



Annual Meeting of Stockholders

August 28, 2014



Call to Order

- **Welcome**

- **Gary Simon**, Chairman

- **Purpose**

- Elect nine directors
- Approval of the Rights Agreement, as Amended
- Approval of amendment to the performance criteria under the Capstone Turbine Corporation Executive Performance Incentive Plan
- Non-binding advisory vote on executive compensation
- Ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for Fiscal 2015
- Report of the Company and General Discussion

Introductions

- **Board of Directors**

- Richard Atkinson
- John Jagers
- Darren Jamison
- Noam Lotan
- Gary Mayo
- Eliot Protsch
- Holly Van Deursen
- Darrell Wilk



Introductions

- **Management**

- **Jayme Brooks**

- Vice President Finance & Chief Accounting Officer

- **Paul Campbell**

- Senior Vice President Customer Service

- **James Crouse**

- Executive Vice President Sales & Marketing

- **Robert Gleason**

- Senior Vice President Program Management & Product Development

- **Clarice Hovsepian**

- Vice President HR & Corporate Counsel

- **Richard Lewis**

- Vice President, Operations

- **Edward Reich**

- Executive Vice President & Chief Financial Officer, Corporate Secretary

Introductions

- **Inspector of Election**

- James Kirkland, Vice President, Relationship Manager
Computershare Limited

- **Independent Auditors**

- Thomas Nussbaum, Partner
KPMG LLP

- **External Counsel**

- Chase Cole, Partner
Waller Lansden Dortch & Davis, LLP

Existence of Quorum & Report on Notice of Meeting



- **Presence of a Quorum**
 - Declaration
- **Report on Notice of Meeting**
 - Stockholders of record as of close of business on July 1, 2014

Discussion of Proposals

- **Proposal 1**
 - **Nomination and Election of Nine Directors**
 - Gary D. Simon
 - Richard K. Atkinson
 - John V. Jaggars
 - Darren R. Jamison
 - Noam Lotan
 - Gary J. Mayo
 - Eliot G. Protsch
 - Holly A. Van Deursen
 - Darrell J. Wilk



Discussion of Proposals

- **Proposal 2**
 - Approval of the Rights Agreement, as amended
- **Proposal 3**
 - Approval of amendment to the Capstone Turbine Corporation Executive Performance Incentive Plan
- **Proposal 4**
 - Non-binding advisory vote on executive compensation
- **Proposal 5**
 - Ratification of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2015
- Any questions or discussion on the proposals?
- If voting in person, please mark your ballots and submit to the Inspector of Election



Report on Tabulation of Votes

- **Voting is closed**
- **Inspector of Election**
 - The Inspector's Report on the results of the balloting
 - **Voting is closed**
- **Adjournment**
 - Formal portion of the meeting is adjourned



Report of the Company and General Discussion





Safe Harbor Statement

This presentation contains "forward-looking statements," as that term is used in the federal securities laws, about market expansion; Flare gas market opportunities; new product development; growth in revenue, operating leverage, gross margin and backlog; attaining profitability; growth of the oil and gas, marine, secure power and hybrid electric vehicle markets; improvement in certain key performance indicators and strategic initiatives; low cost of ownership and advantages over competing companies and technologies. 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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Capstone Business Strategy

Revenue	Generate strong growth by expanding products, markets and distribution
Margins	Drive margins to 35% with higher prices, lower DMC and warranty
Quality	Provide the highest quality products in the energy industry
Reliability	MTBF of 20,000, Fleet Availability of 99.5% and TFS of 95%
IP	High value patent portfolio and cutting edge new products and services
Expenses	Hold operating expenses flat while leveraging our distribution channel



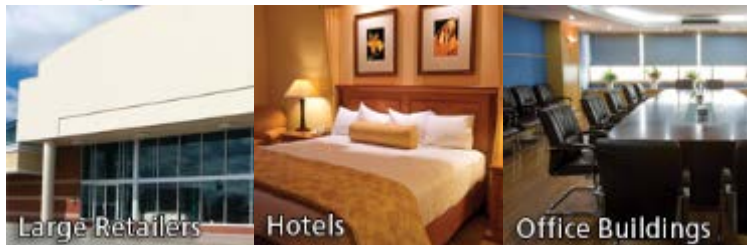
Macro Drivers/Business Catalysts



Global Market Segments



Energy Efficiency



Renewable Energy



Oil, Gas & Other Natural Resources



Critical Power Supply



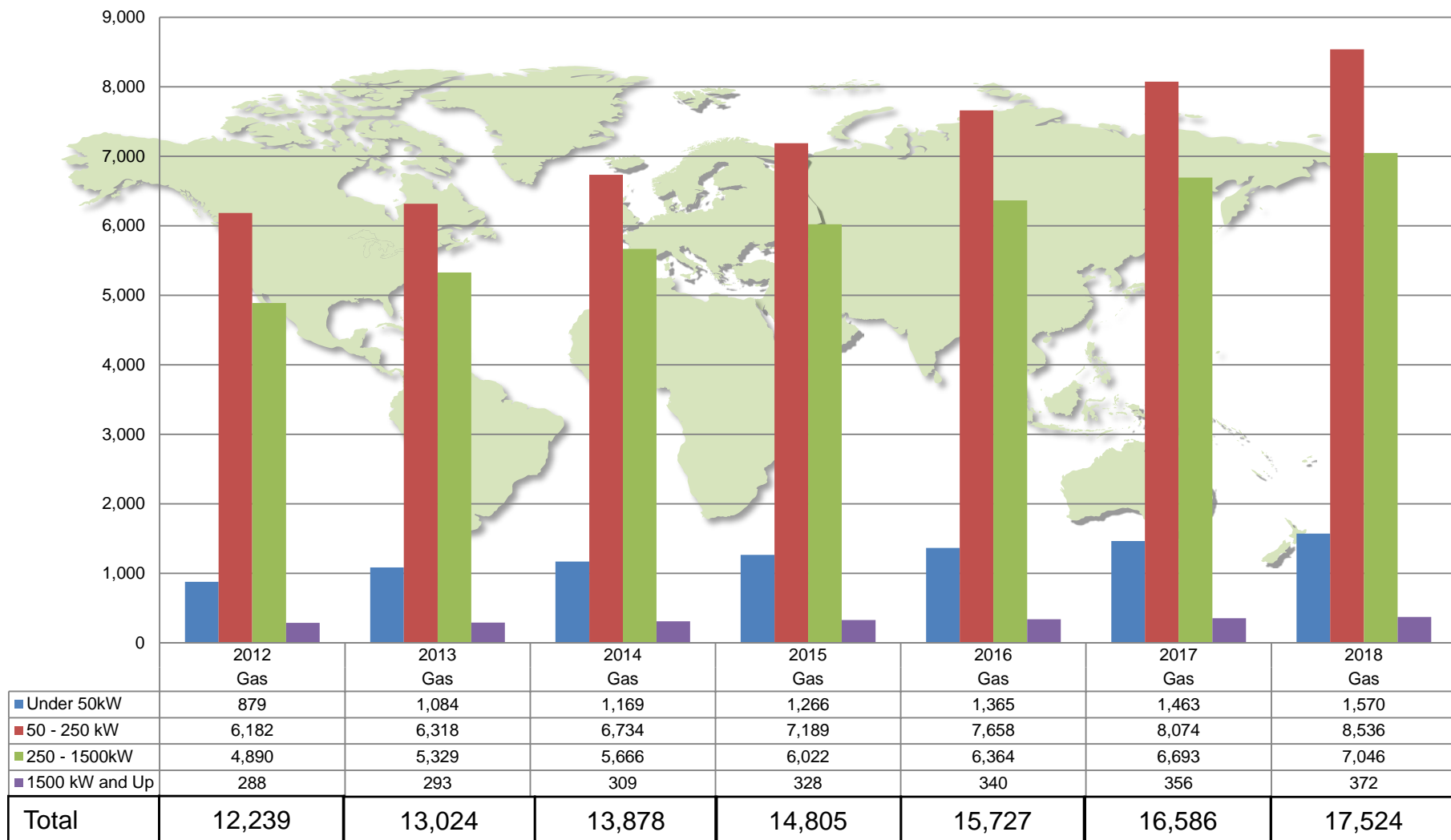
Transportation Products



Industrial Generators

Current and Forecast Market Size

Up to 1500 kW – Natural Gas

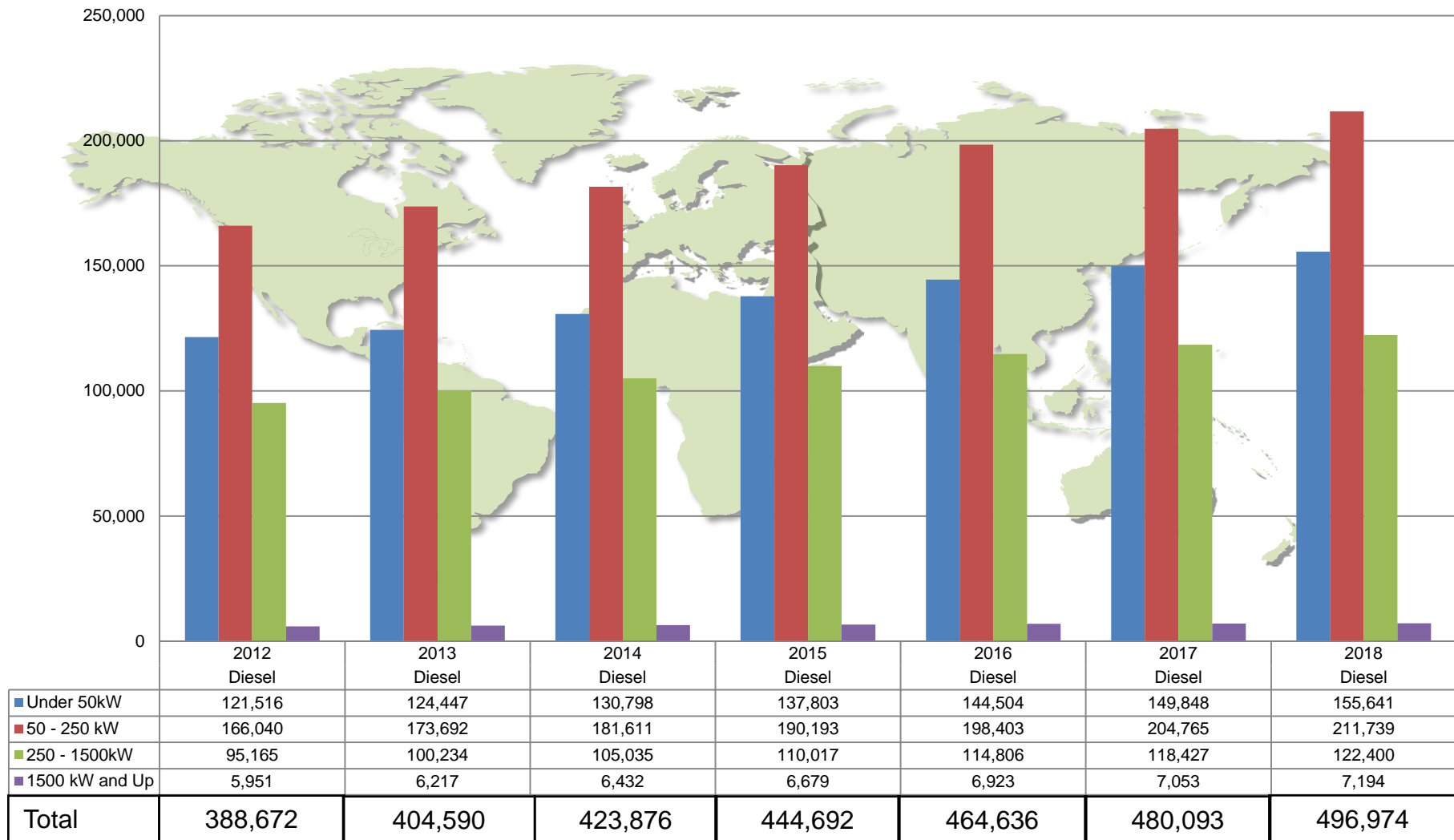


Source : Power Systems Research 2013

Industrial Generators

Current and Forecast Market Size

Up to 1500 kW - Diesel



Source : Power Systems Research 2013



FY 2014 Financial Performance



Fiscal Year 2014 Highlights



Record revenue of \$133.1 million



Record gross margin of \$21.7 million, or 16% of revenue



Operating loss down 30%; net loss down 28%



New product orders of \$131.5 million resulting in book-to-bill ratio of 1.2:1



Record backlog of \$171.6 million



Cash balance of \$27.9 million at 3/31/14



5 Key Performance Measures

Higher ASPs

- Average revenue per unit increased 15% to ~\$175,000 for 4Q14 compared to ~\$151,000 for 4Q13

C200 production

- Production increased to 398 units for Fiscal 2014

Lower direct material costs

- Continuing margin improvement along path to profitability

Healthy new order flow

- Record backlog of 820 units, or 188.2 megawatts at 3/31/14

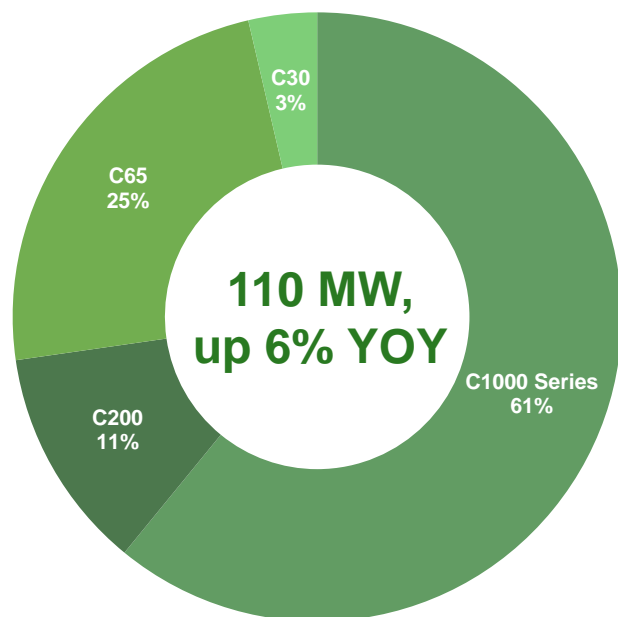
Reduced cash usage

- \$15.4 million of cash used in operating activities in FY14 compared to \$17.1 million in FY13

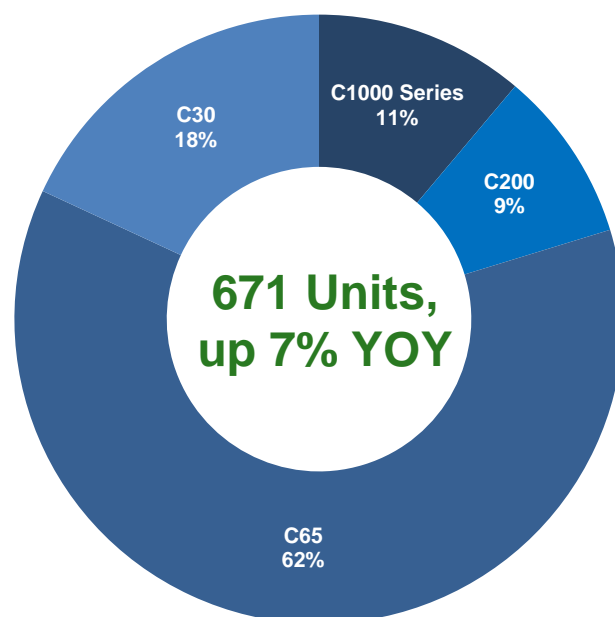
Megawatts and Units Shipped



Sales (MW)



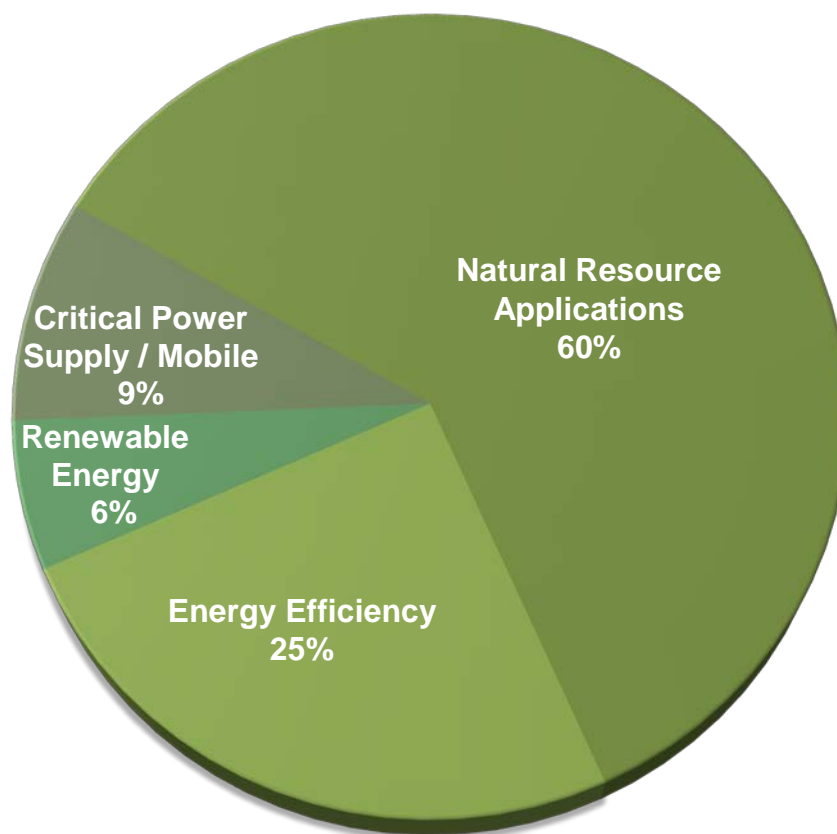
Sales (Units)



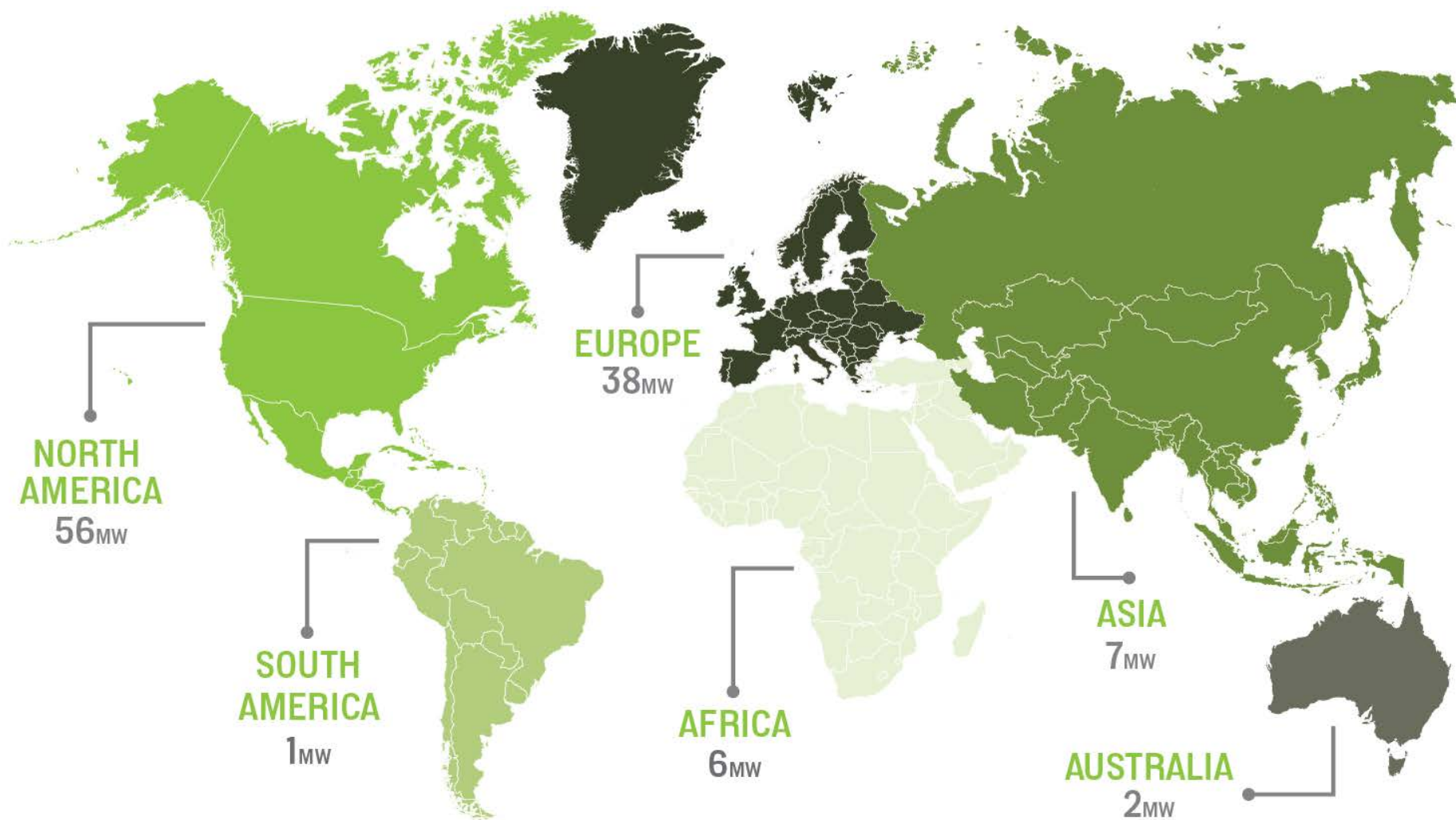
FY 2014 Vertical Markets



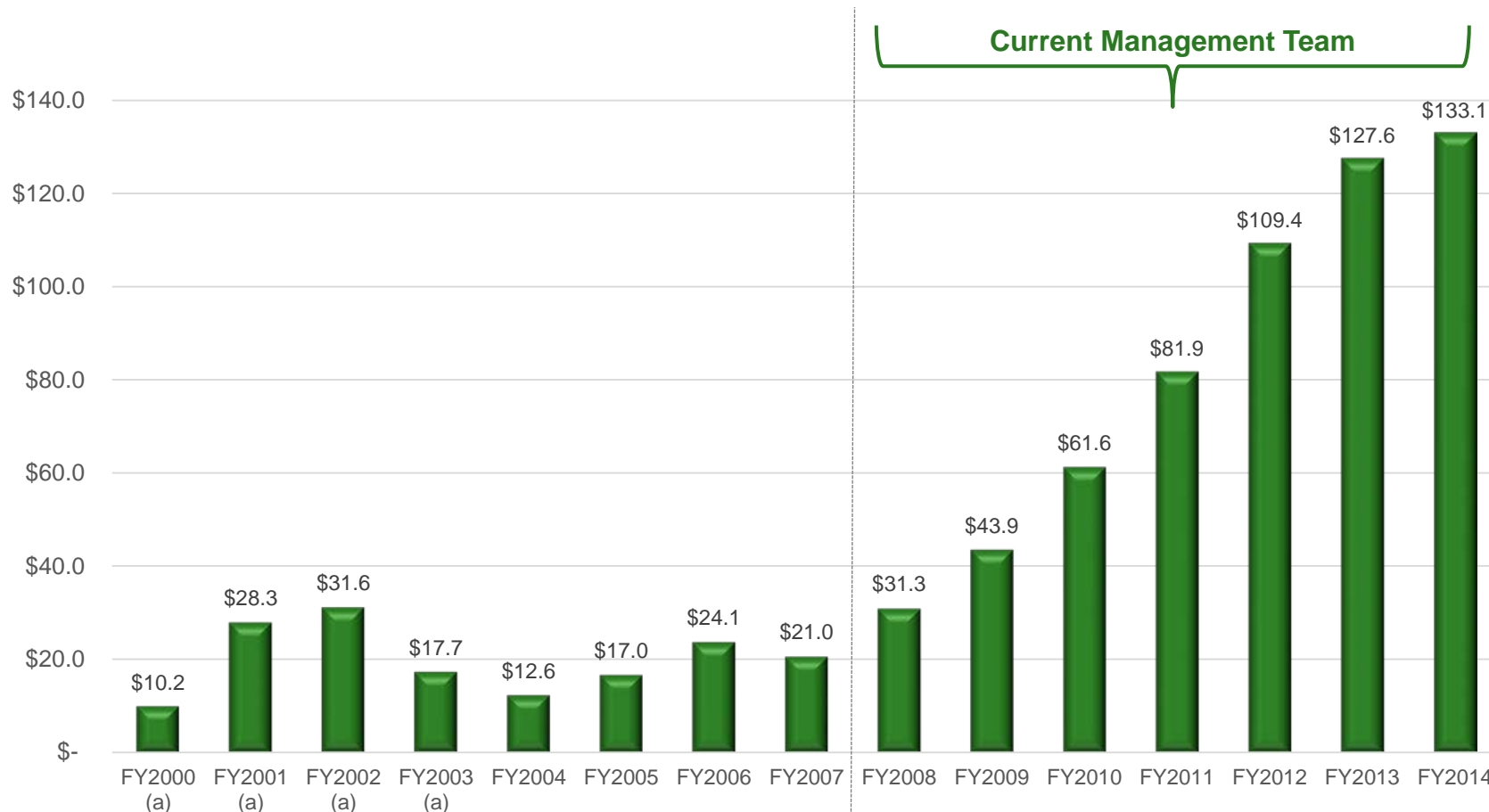
Product Shipment Revenue



Microturbine Shipments by MW



Historical Revenue



(a) Adjusted to conform to current fiscal year periods.

**Annual revenue not lumpy under current management team.
Increased revenue Q/Q 26 of last 28 quarters.**

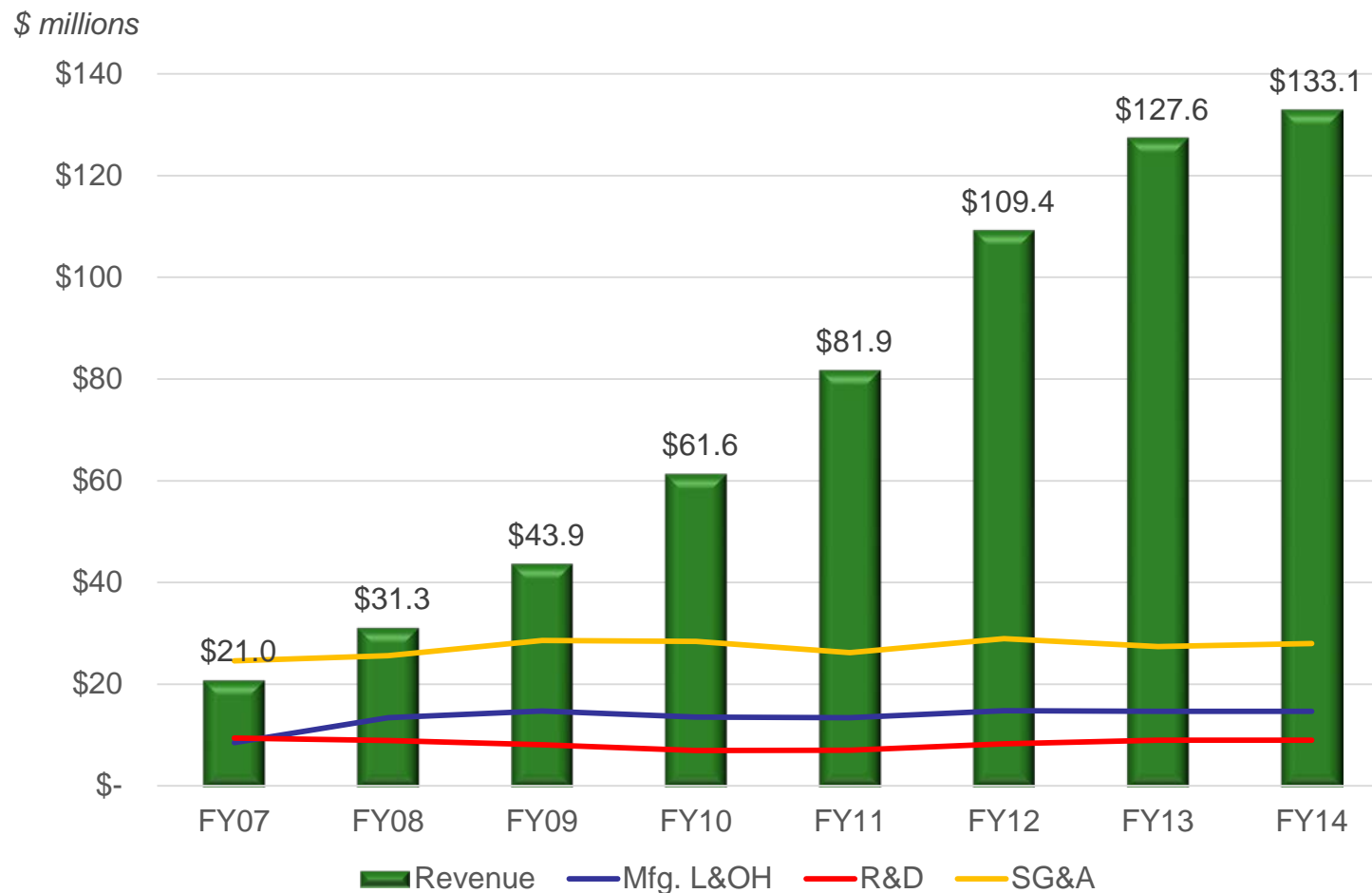
Historical Backlog



(a) Adjusted to conform to current fiscal year periods.

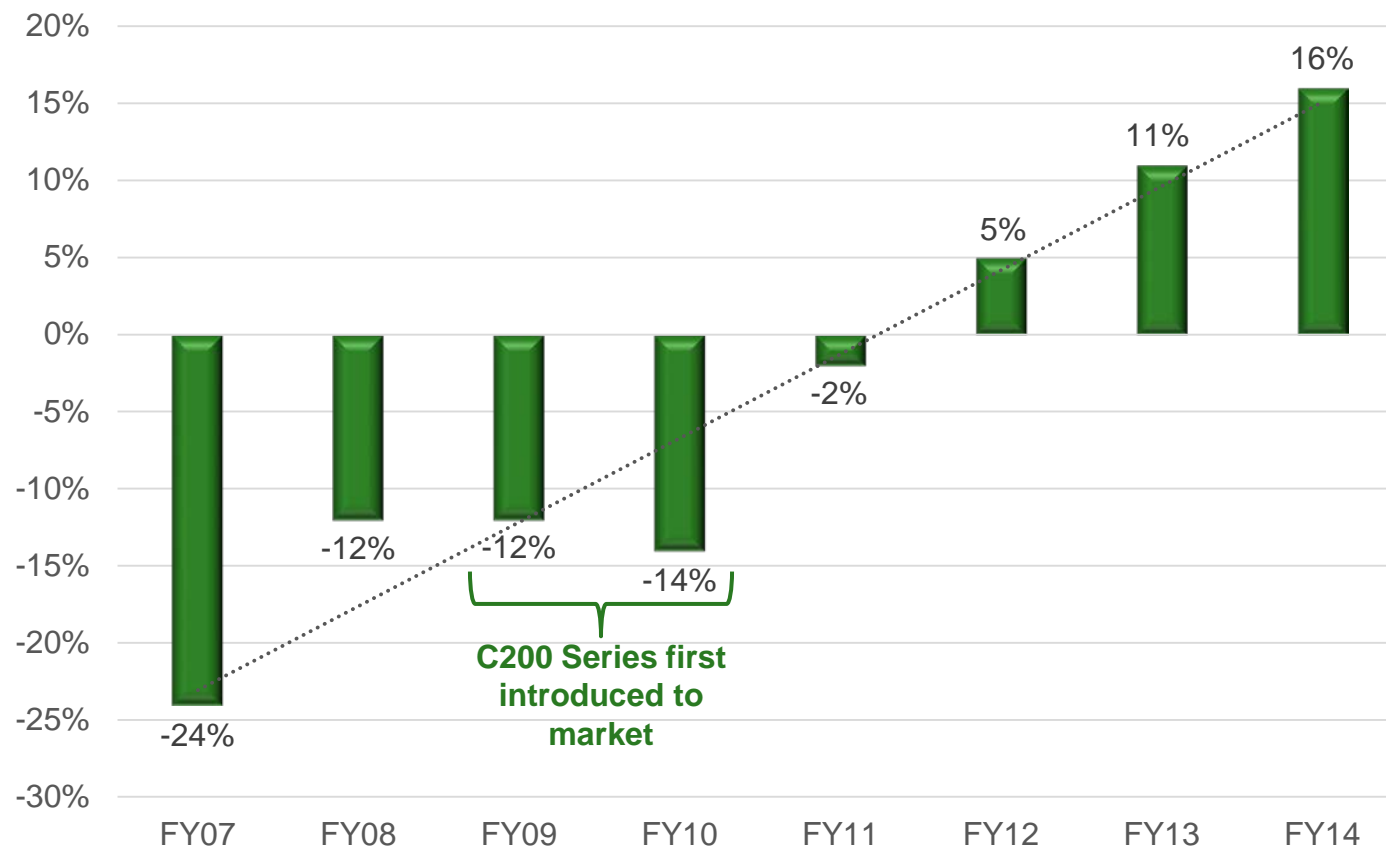
Backlog has grown by over 35% per year since FY 2008.

Operating Leverage



Operating expenses have remained relatively stable over time despite significant revenue growth.

Annual Margin Improvement



Gross margins have improved with increased revenue, material cost reductions, price increases, reduced warranty and royalty rate.

Mobile Products Market



Transportation



Capstone's microturbines operate in conjunction with the onboard battery pack to provide continuous electrical power to Transit Buses and Heavy-duty Work Trucks to extend the driving range.

Marine



Capstone's microturbines provide onboard electrical power to Work Boats, Cargo Ships, and Commercial Ships.

Wrightspeed Powertrains



Operating Cost Calculator

☐ Diesel ☒ Natural Gas

350 Miles per day

22% % of Freeway Driving

\$0.15
Operating cost/mile
incl. scheduled maintenance incl brakes excl tires


WRIGHTSPEED
POWERTRAINS

Wrightspeed Retrofit

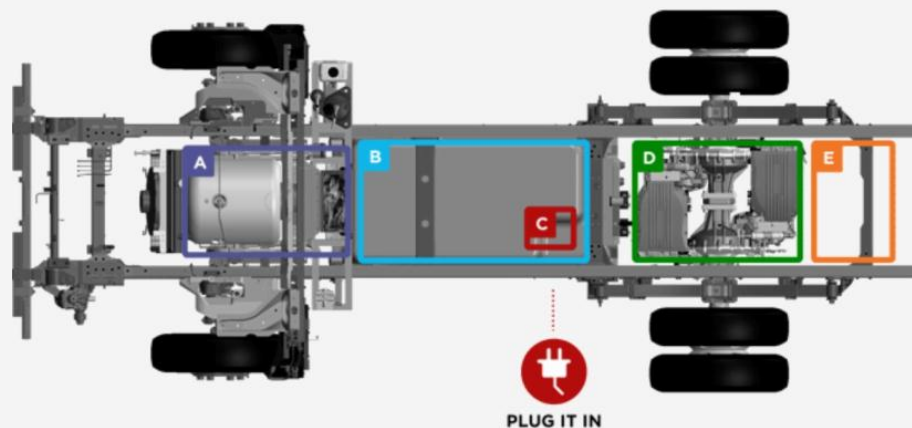
The Route™

The Wrightspeed Route is a retrofit powertrain for medium duty fleet trucks that maximizes efficiency without compromising performance.

The Route is a retrofit powertrain for commercial trucks.



The Route Powertrain

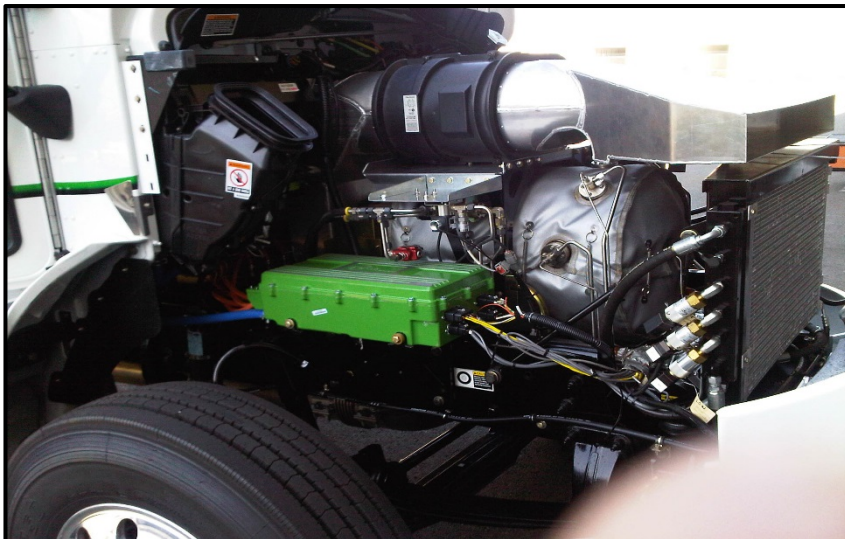


Kenworth Class 7 Truck



Technical specifications (Including planned upgrades):

- Series hybrid drive train (similar to Chevy Volt)
- 65kW microturbine (now operating on diesel, converting to CNG)
- Siemens 240kW traction motor
- 47kWh Lithium Ion battery pack – 20 mile battery range
- 13kW plug-in battery charger
- Refrigerated box body



Walmart Advanced Vehicle Experience



Auxiliary Power S/Y Lethantia



At a glance

Ship

S/Y Lethantia
Type Schooner by Royal Huisman
LOA 43.95m, LWL 30m, 225 tons

Distributor

Microturbine Süd, Germany

Commissioned

July 2012

Fuel

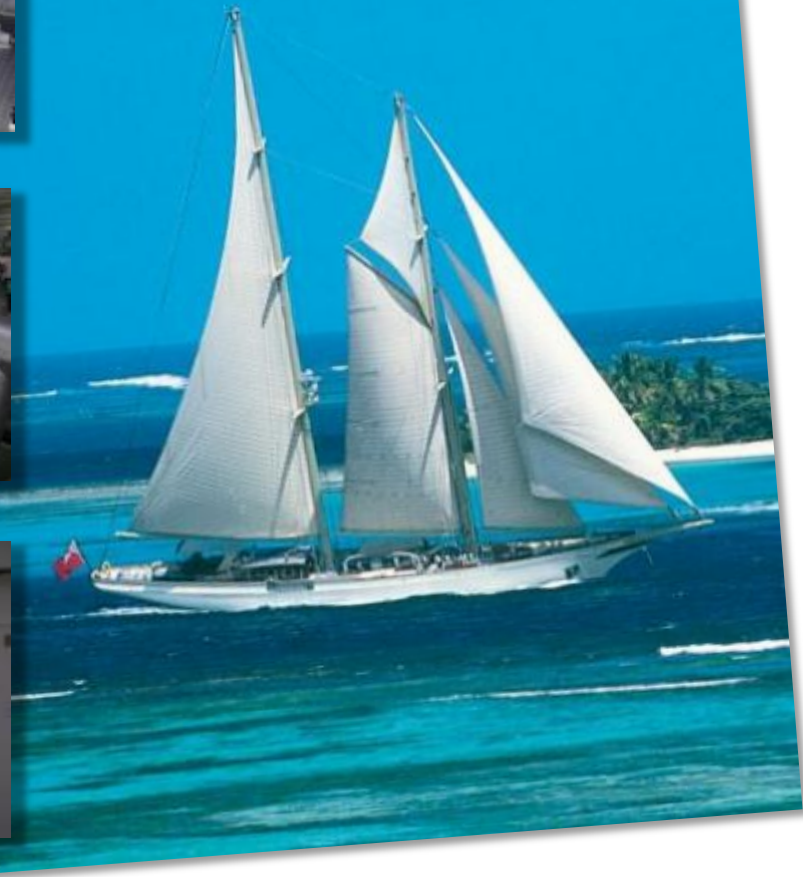
Diesel

Technologies

- A Capstone Liquid Fuel C30 turbine is installed onboard providing power and heat for the sailing yacht "Lethantia".
- The turbine is packaged to accommodate the engine room and to meet the unique style of the ship.
- The heat is captured in a custom designed stainless steel heat exchanger to produce hot water.
- The clean and quiet Capstone turbine enhances the ship's onboard comfort. It also allows the Lethantia to continue using onboard power when in the marina.



Marine Auxiliary, Heat & Power





Capstone of Tomorrow



Long Term Goals

	Past	Present	1-3 Years	3+ Years
Gross Margin	-24%	16%	30%	35%
Critical Power Market	0%	8%	12%	15%
Mobile Power Market (Bus Truck Marine)	0%	1%	5%	10%
New Product Offerings	C30 C65	C200 C1000	C250	C370
Financing Solutions	None	3 rd Party	Capstone	Capstone Finance

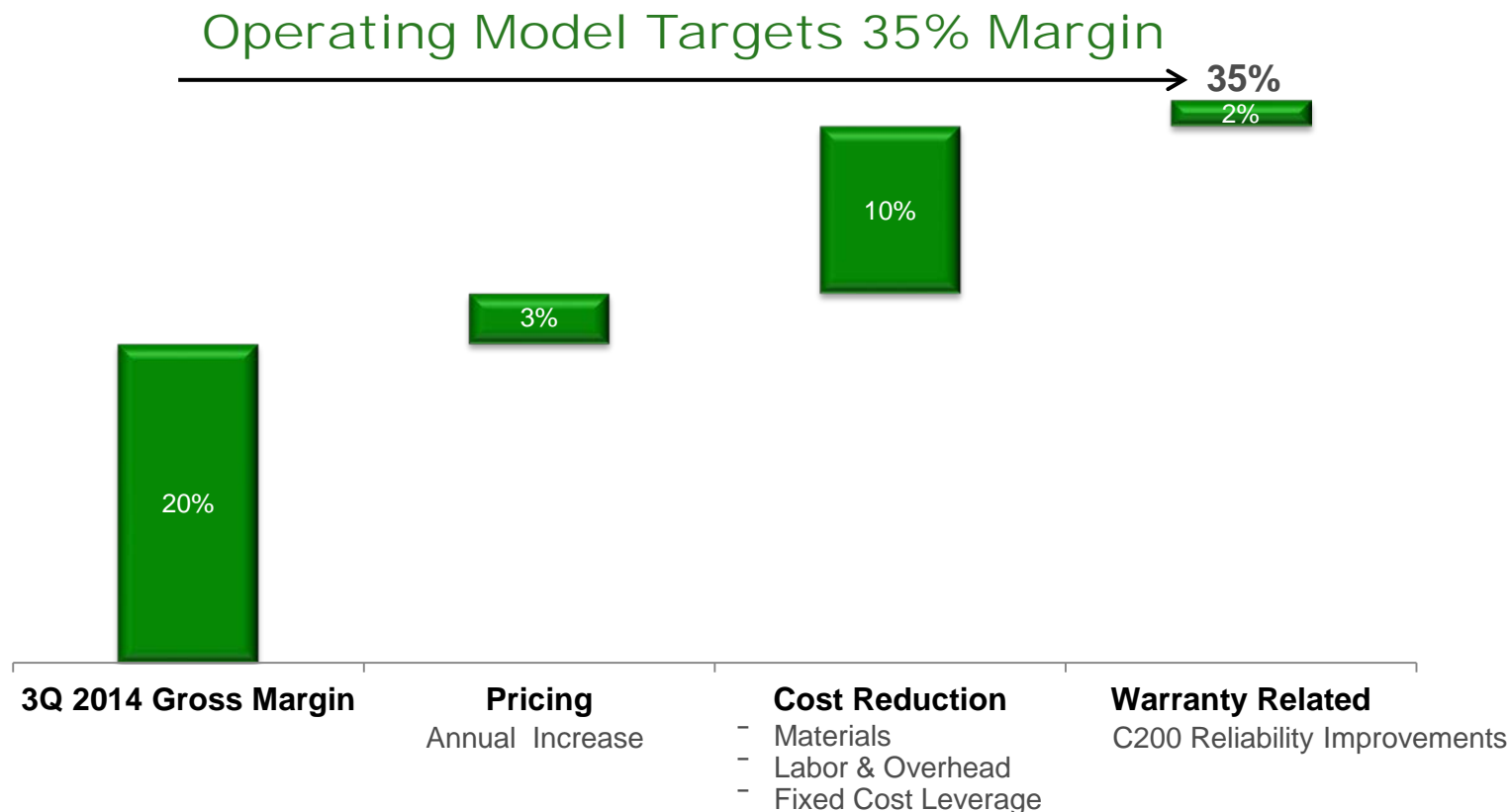
Long term growth will be supported by our penetration into new markets and the introduction of new products.

Target Financial Model

Gross margin	35%
Research & development expense (% of revenue)	5%
Selling, general & administrative expense (% of revenue)	15%
Operating margin	15%

Positive operating margins to be driven by improved gross margins and operating leverage.

Path to Profitability



EBITDA + Stock Comp breakeven at \$155 million in annual revenue at 22% Gross Margin.

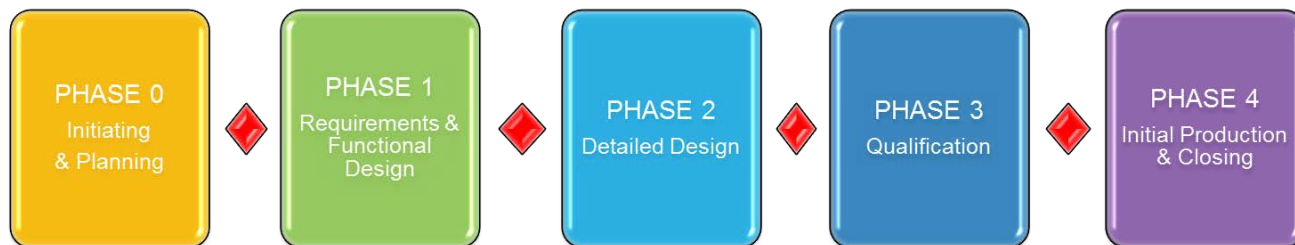


Research & Development



Research & Development

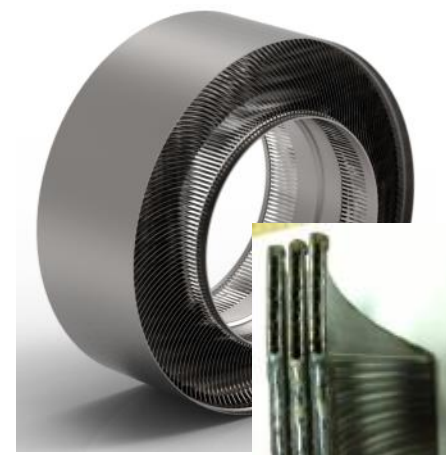
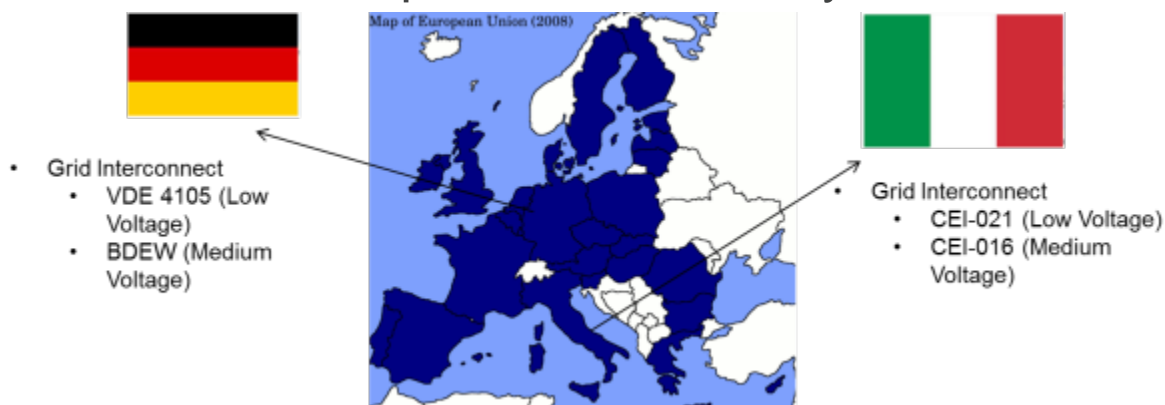
- Transformed R&D organization with long-term focus on product integrity and lifecycle
 - World-class project management tools and execution
 - Product development process (PDP) and maturity (TRL) system
 - System modeling / requirements platform
 - New drawing design standards (EDS) for key core competencies



New approaches that will improve product quality and time to market.

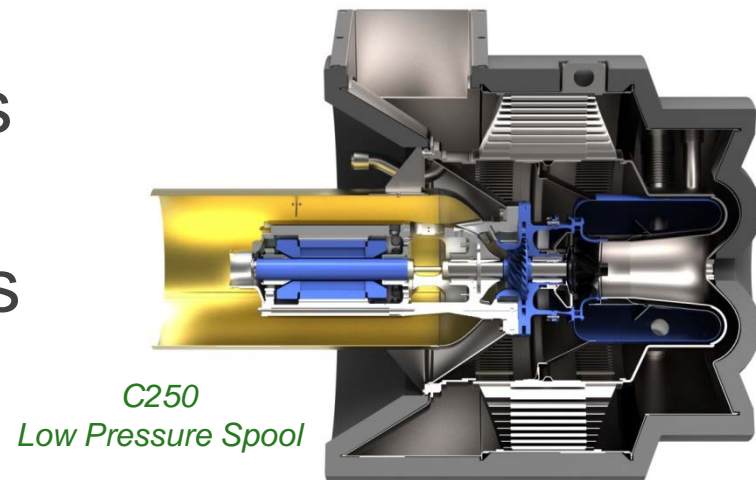
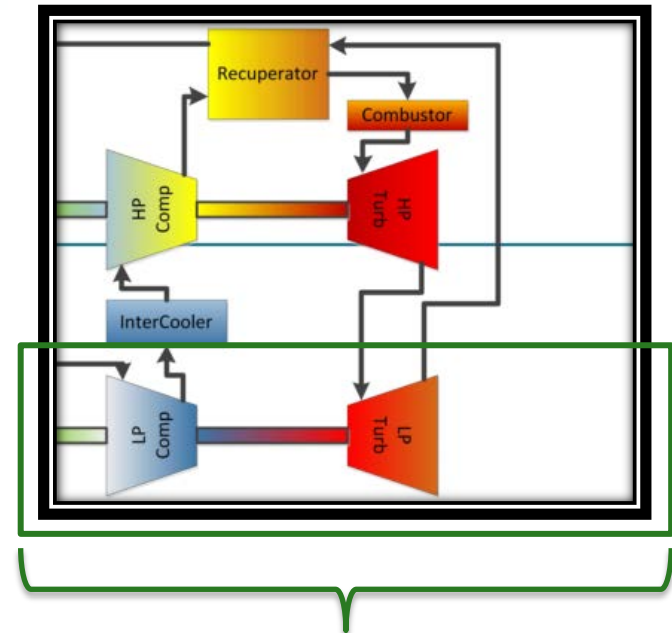
Major R&D Projects

- Strategic public/private partnership with the DOE to develop next generation products
 - Finalizing C370 architecture
 - Completed C250 proof of concept testing
 - Successfully completed 3000 hour elevated temperature test with AFA material
- New European regulatory changes for grid interconnection
 - Initial certifications planned later this year



C370 Program Objectives

- Net electrical power output > 370kW
- 42% net electrical efficiency
- Total system efficiency of 85%, with CHP
- Achieve ultra low exhaust emissions levels that meet CARB certification requirements



Key Takeaways



- ✓ Market expansion and new product development across high growth segments
- ✓ Strong growth trends in revenue, gross margin and backlog
 - ✓ Clear path to profitability through operating leverage and margin expansion initiatives
- ✓ Favorable outlook based on key performance indicators

Question & Answer



**The world needs a
dependable power source
now more than ever.**



Oil&Gas

Renewable

Energy Efficiency

Mobile Products

Critical Power

**Ultra-low emissions – better
than toughest global standards.**

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

www.capstoneturbine.com



Factory Tours

- **Chatsworth**
 - Tour 1 – 10:30am
 - Tour 2 – 10:45am
- **Van Nuys**
 - Tour 1 – 11:45am