Management Presentation

February 2014

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Capstone Business Strategy

Revenue	Fuel high 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
Expense	Hold operating expenses flat while leveraging our distribution channel


Offshore: Gulf of Mexico


Data Center: North America


Landfill: France


Wastewater Treatment: Italy

Macro Drivers/Business Catalysts

Corporate Focus on Reducing Costs

U.S. Trend To Energy Independence

Sustained Low Cost Gas Environment

Significant Reduction of Technology Costs

Declining Grid Reliability

New Subsidies in Key Markets

New Gas Flaring Regulations

Maturing Project Finance Market

Tier 4 Emissions Requirements

Green Building Practices

Broad Suite of Products

All Capstone MicroTurbines operate:

- Continuously or on-demand
- Stand alone or grid connect
- Individually or multi-pack
- Smart grid compatible
- Remote dispatch & diagnosis

All are multi-fuel capable:

- Low or high pressure natural gas
- Biogas (landfill, wastewater treatment centers, anaerobic)
- Associated flare gas
- Diesel
- Propane
- Kerosene

Low-emission, clean-and-green Capstone products are scalable from 30kW to 10MW+

Products based on the 200kW turbine are also available in 600kW, 800kW, and 1MW configurations

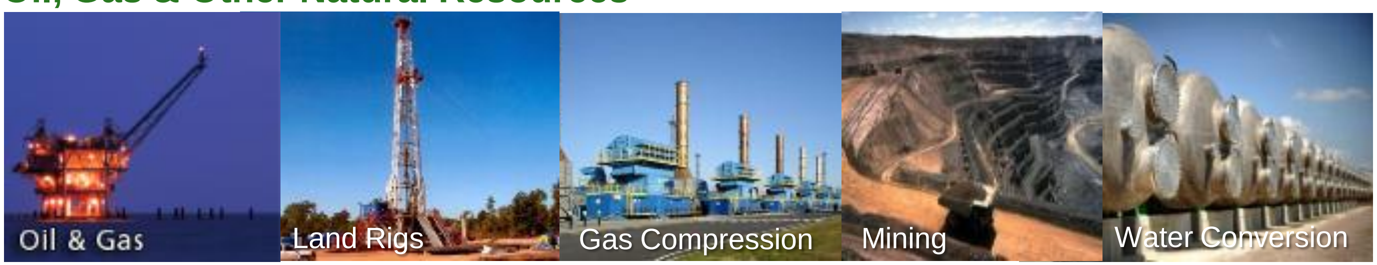
Global Market Segments

Capstone

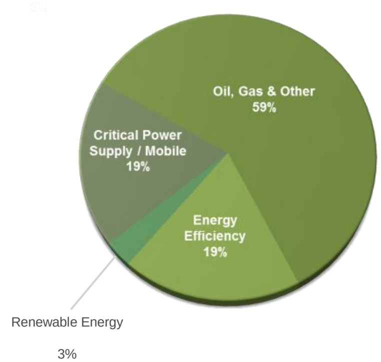
Energy Efficiency

Renewable Energy

Oil, Gas & Other Natural Resources

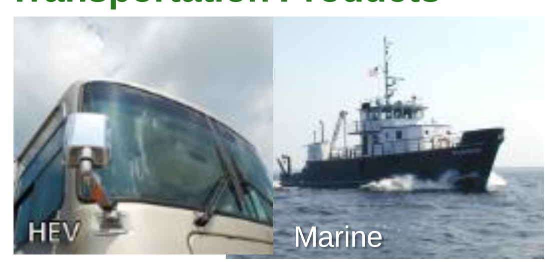


Critical Power Supply



3Q14 Shipment Mix ($)

Transportation Products



U.S. Oil & Gas Customers

Capstone

Anadarko Petroleum Corporation

Chesapeake ENERGY

Chevron

elpaso

HESS

LINN Energy

Marathon Oil Corporation

OXY

PIONEER NATURAL RESOURCES

QEP QEP Resources, Inc.

TALISMAN ENERGY

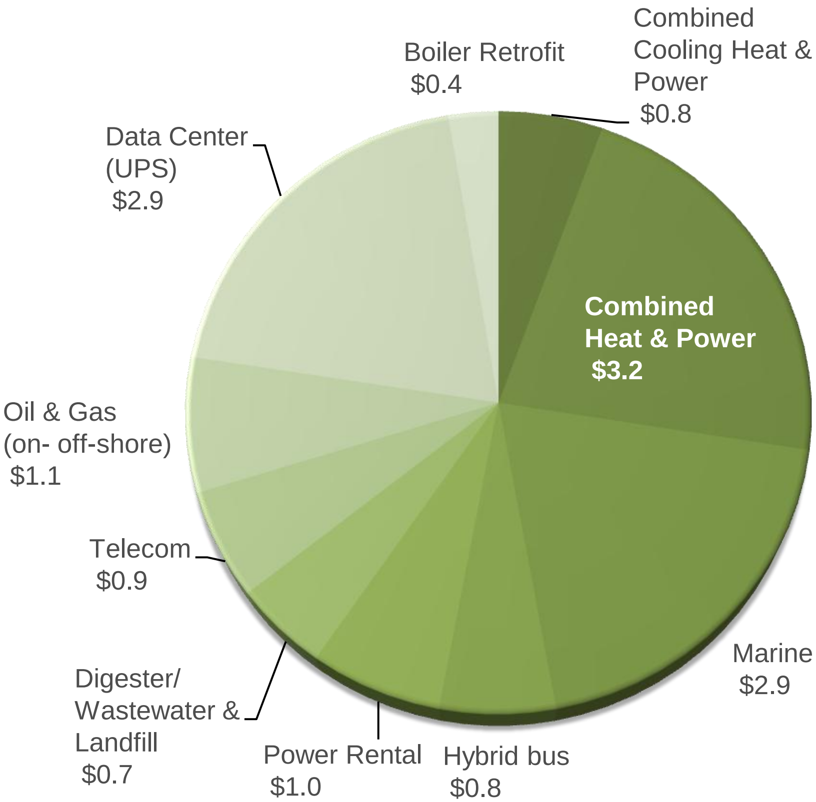
Williams®

WPXENERGY

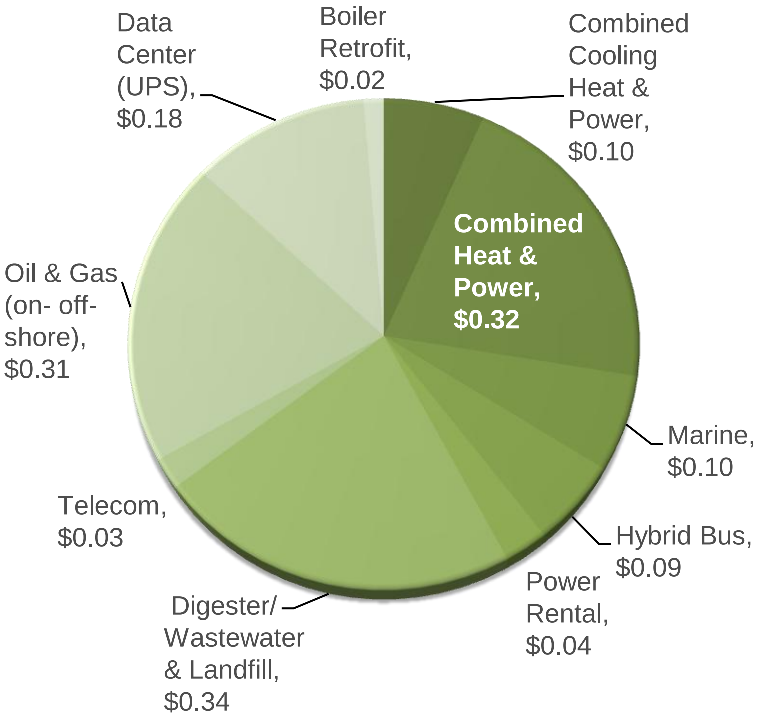
XTO ENERGY

Sizing the Opportunity

Total Market Opportunity

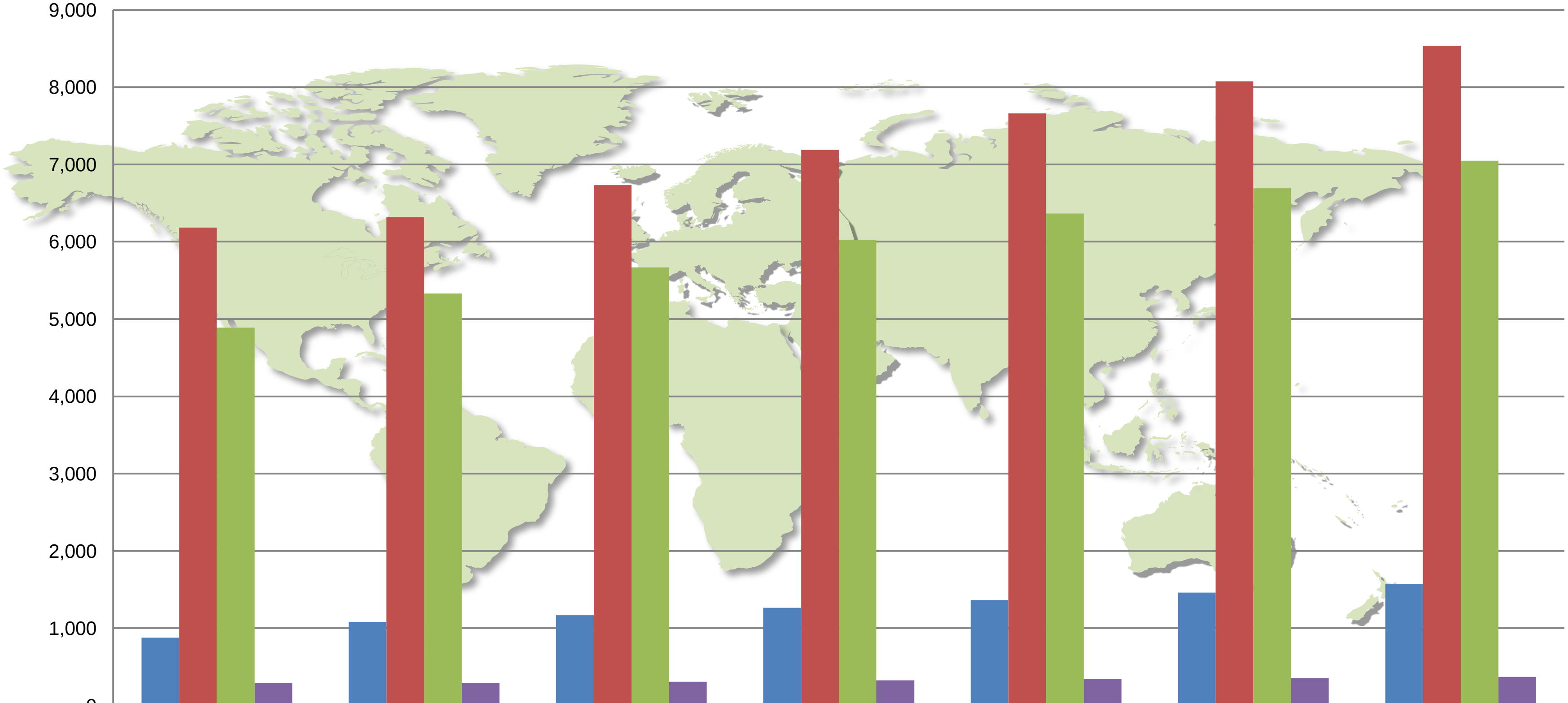


Management's Estimate of Potential Capture



$14.7 billion market opportunity;
$1.5 billion potential capture

Industrial Generators
Current and Forecast Market Size
Up to 1500 kW – Natural Gas

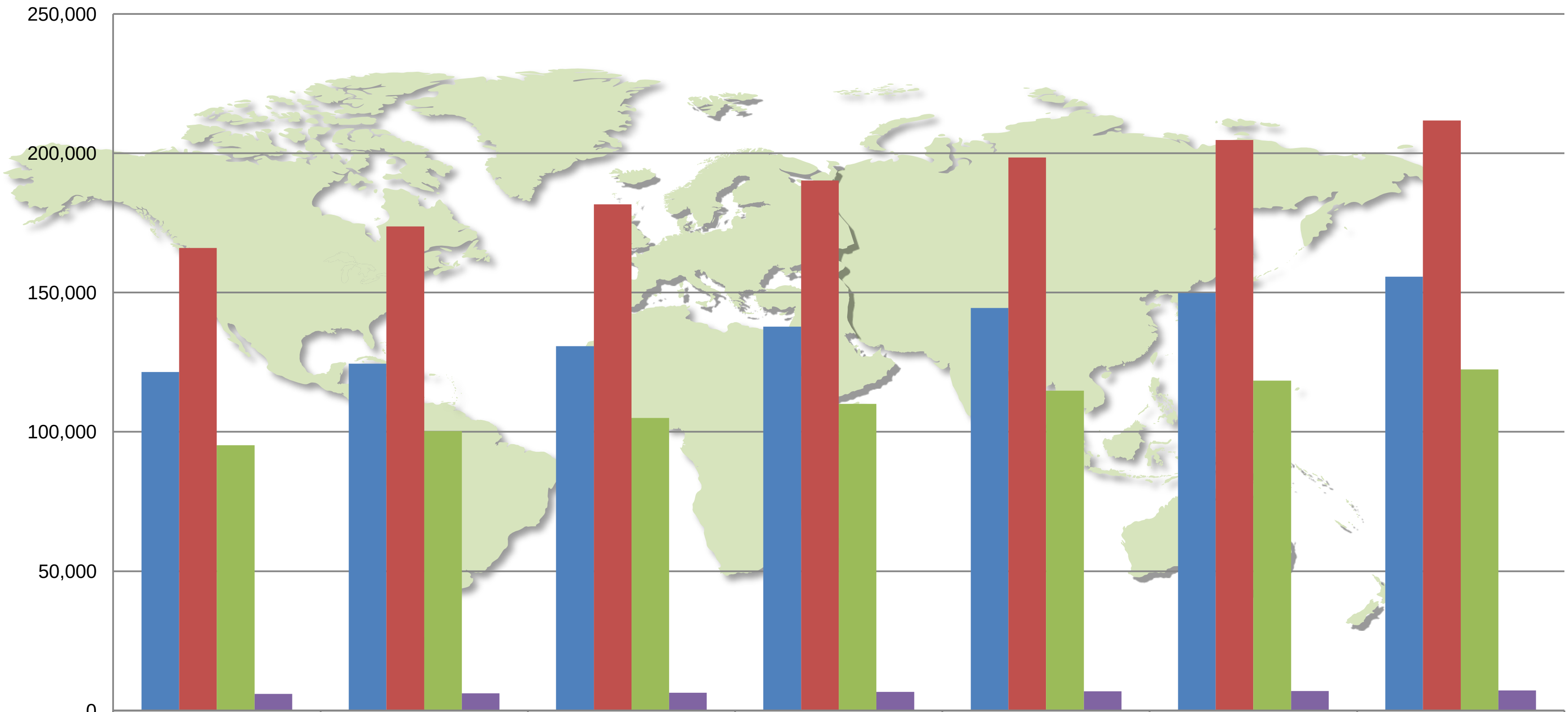


	2012 Gas	2013 Gas	2014 Gas	2015 Gas	2016 Gas	2017 Gas	2018 Gas
Under 50kW	879	1,084	1,169	1,266	1,365	1,463	1,570
50 - 250 kW	6,182	6,318	6,734	7,189	7,658	8,074	8,536
250 - 1500kW	4,890	5,329	5,666	6,022	6,364	6,693	7,046
1500 kW and Up	288	293	309	328	340	356	372
Total	12,239	13,024	13,878	14,805	15,727	16,586	17,524

Source : Power Systems Research 2013

Industrial Generators

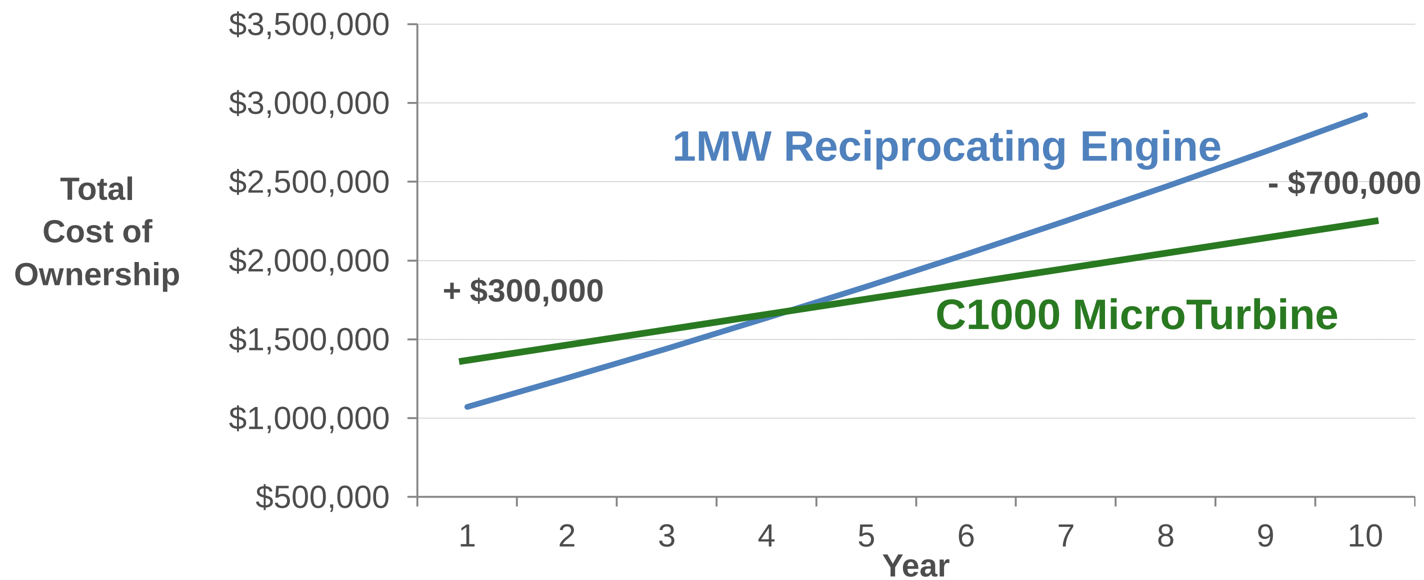
Current and Forecast Market Size
Up to 1500 kW - Diesel



	2012 Diesel	2013 Diesel	2014 Diesel	2015 Diesel	2016 Diesel	2017 Diesel	2018 Diesel
Under 50kW	121,516	124,447	130,798	137,803	144,504	149,848	155,641
50 - 250 kW	166,040	173,692	181,611	190,193	198,403	204,765	211,739
250 - 1500kW	95,165	100,234	105,035	110,017	114,806	118,427	122,400
1500 kW and Up	5,951	6,217	6,432	6,679	6,923	7,053	7,194
Total	388,672	404,590	423,876	444,692	464,636	480,093	496,974

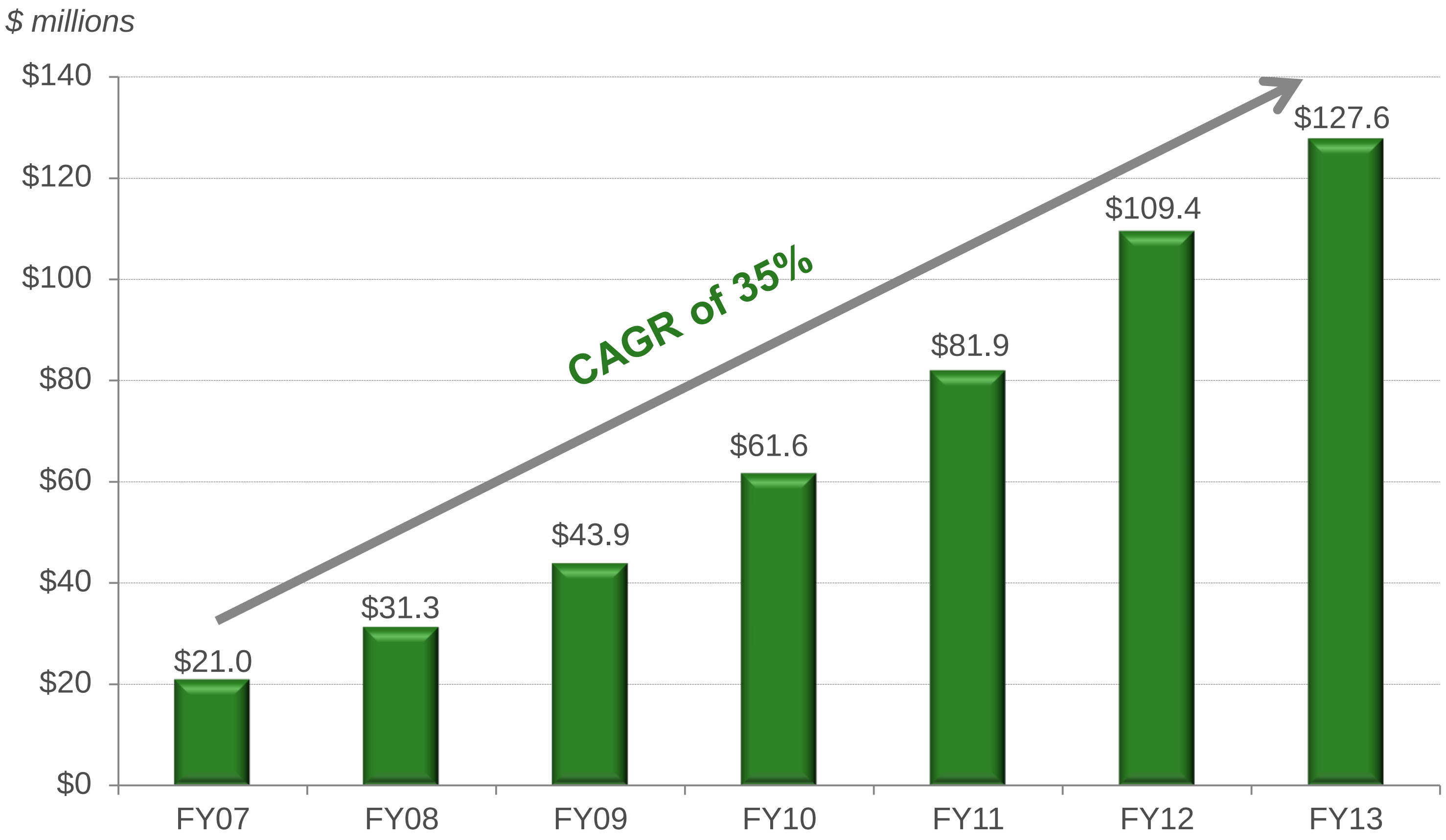
Source : Power Systems Research 2013

Capstone Value Proposition



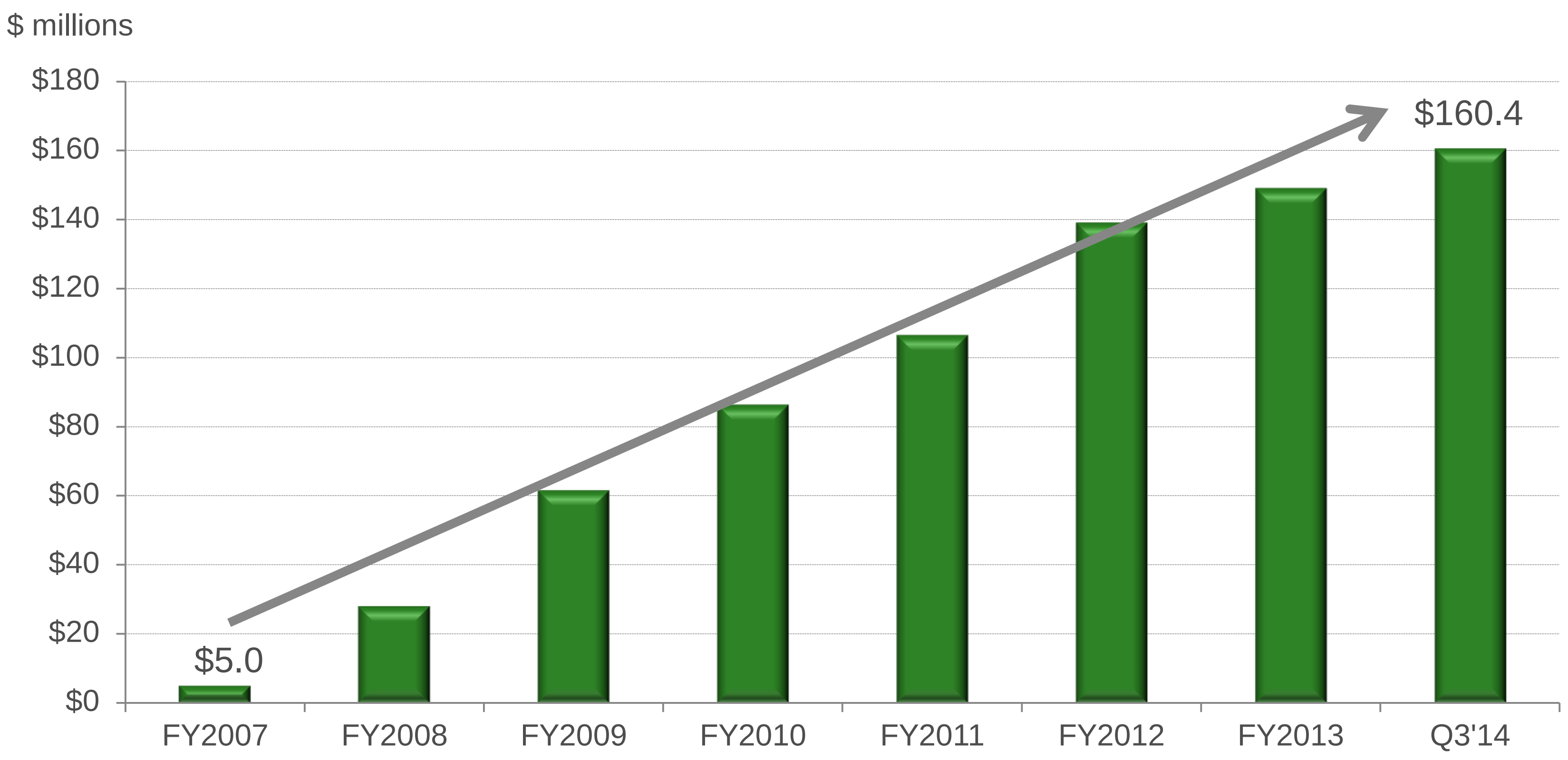
Competing Solution	Manufacturers	Why We Win
Reciprocating gas engines	GE Jenbacher/Waukesha, Caterpillar/MWM, Deutz, Cummins, Tecogen	• Lower total cost of ownership • More environmentally friendly • Higher system uptime
Fuel cells	Fuel Cell Energy, Bloom Energy, UTC Power	• Not reliant on government subsidies • Lower total cost of ownership
Microturbines	FlexEnergy, Turbec	• Stronger brand and distribution • More attractive warranty program
Gas turbines	Solar Turbine, Kawasaki	• Lower efficiency below 4.5 Mw

Annual Revenue Growth



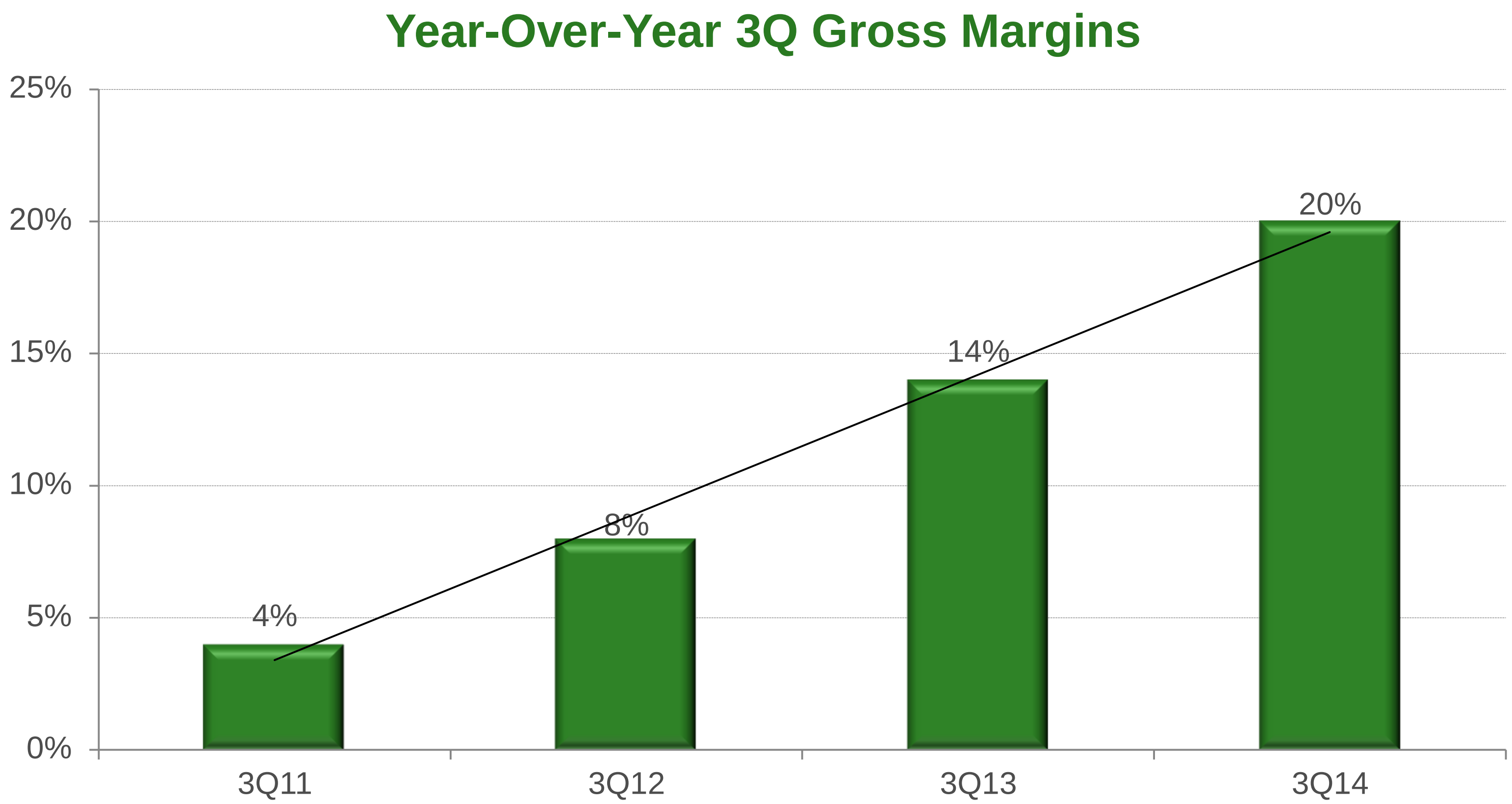
Record annual revenue despite a YOY decrease of $21 million in Europe (including Russia)

Product Backlog



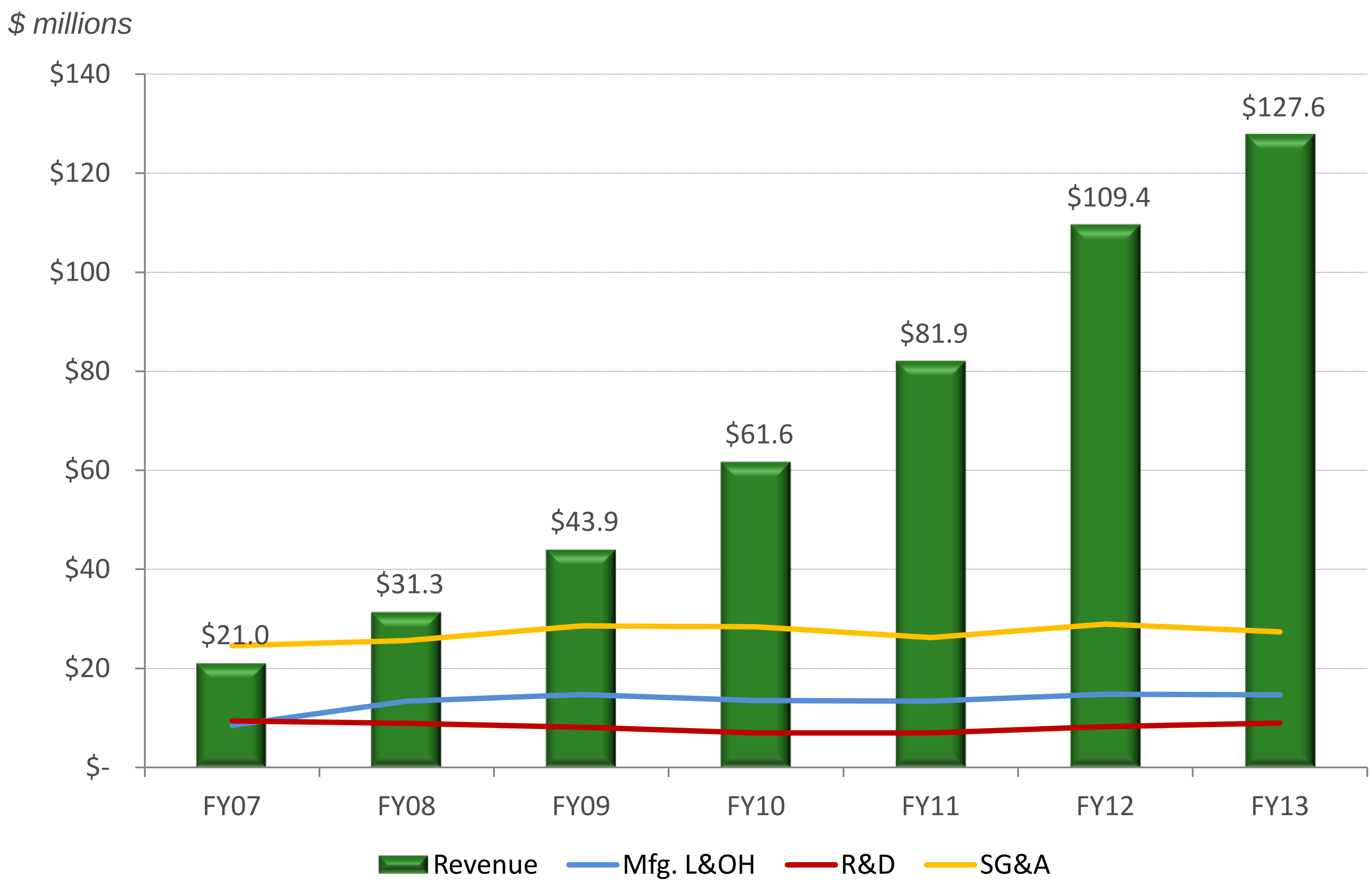
3Q14 Book to Bill 1.4:1 – Record Backlog

Margin Growth



Fifth Consecutive Quarter of Double-Digit Gross Margin; Positive Gross Margin in 13 of Last 14 Quarters.

Operating Leverage



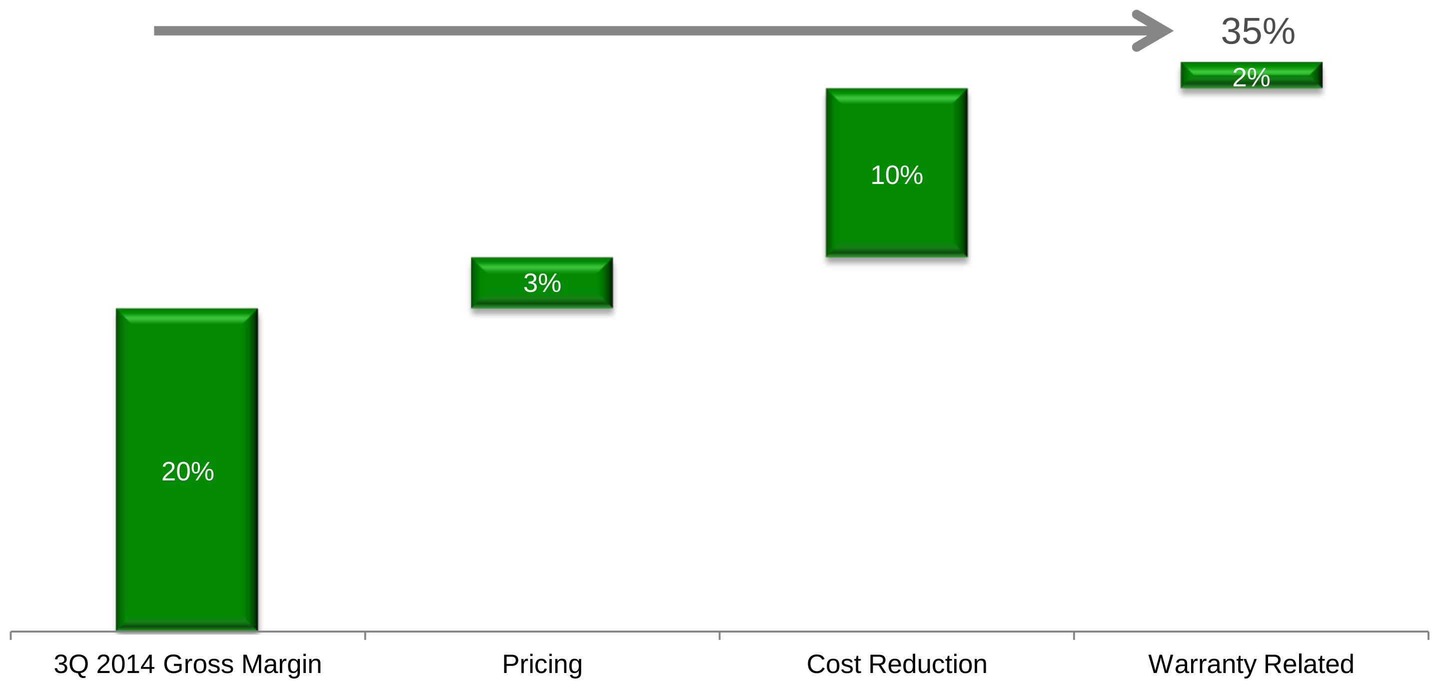
Target Financial Model

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 Higher Margins

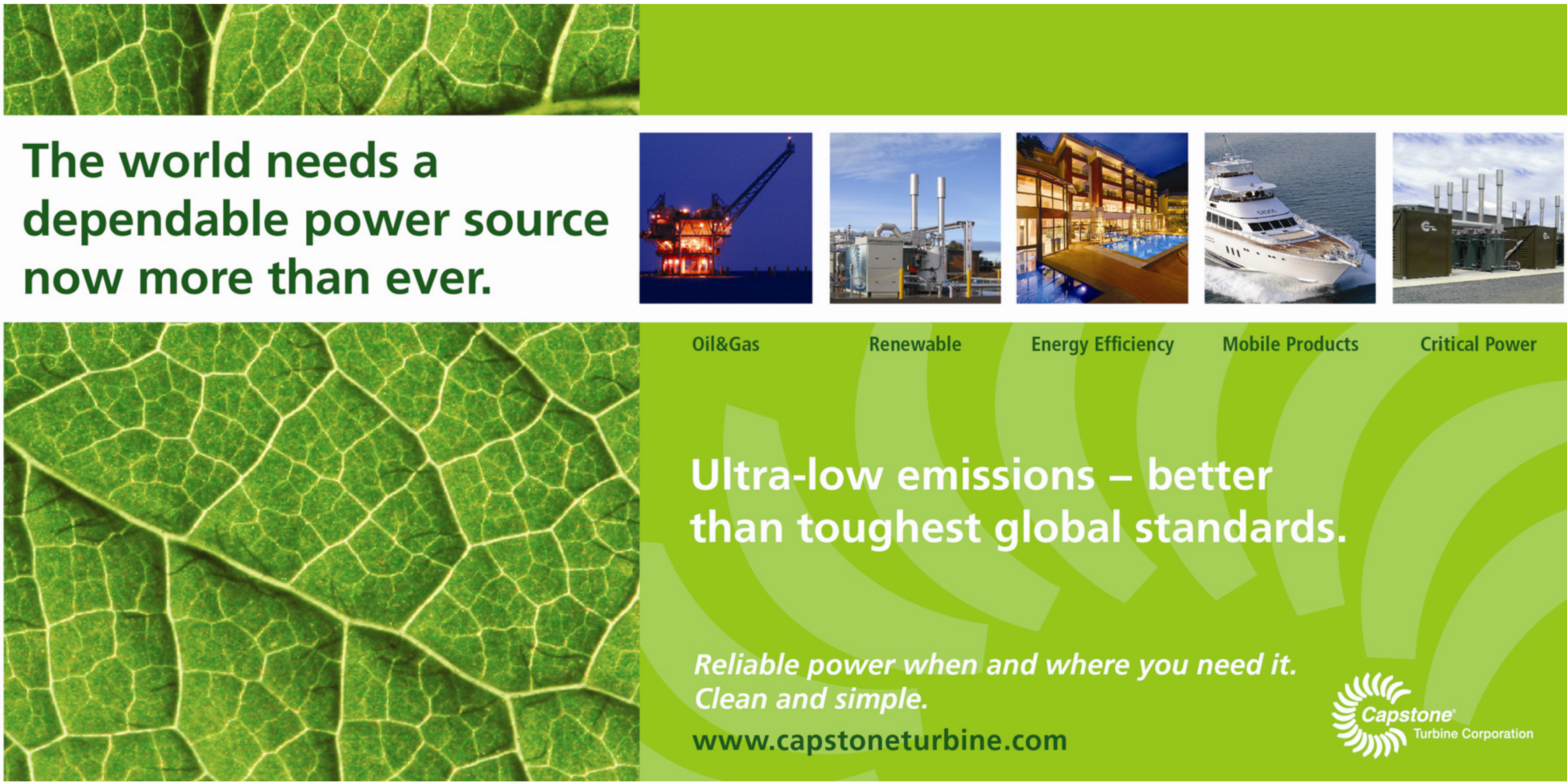
Operating Model Targets 35% Margin



Profitability achievable at lower gross margins based on higher revenue growth.

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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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.
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