



Capstone Turbine Corporation 25th Annual Roth Conference

**March 2013
NASDAQ: CPST**





Safe Harbor Statement

This presentation contains "forward-looking statements," as that term is used in the federal securities laws, about growth of the oil and gas and transportation markets; new product development; distributor network expansion; growth in revenue, gross margin and backlog; attaining profitability; improvement in certain key performance indicators and strategic initiatives; increased sales in Europe; expansion of the South American CHP, biogas and data center markets; the availability of NYSERDA incentive funds for our products; and benefits from our cost reduction initiatives. 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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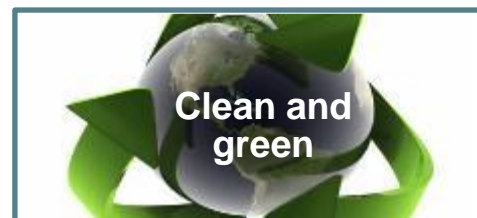
Capstone At A Glance

Mission	Clean, green, reliable and economic energy management solutions
Leadership	First to market with commercially viable air bearing turbine technology
Innovation	Compact, lightweight, environmentally friendly power generation
Value	Higher energy efficiency & reliability making exceptionally clean power
IP	High value portfolio of 110 U.S. and 36 international patents
Global	Locations in U.S., U.K., China, Singapore, Mexico



Favorable Macro Drivers

- Corporate focus on reducing costs through energy efficiency
- Widespread implementation of green building practices driven by customer, government, and societal mandates
- U.S. trend toward national energy independence
- Global move toward increasingly stringent emission and fuel efficiency standards



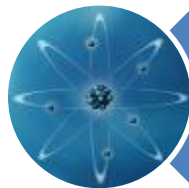
Capstone Technology Solutions



Solutions for
Crucial
Social,
Economic &
Environmental
Needs



We want to save on energy costs.



We need reliable power.



We want to be clean and green.



We want energy independence.



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

Energy Efficiency



Renewable Energy



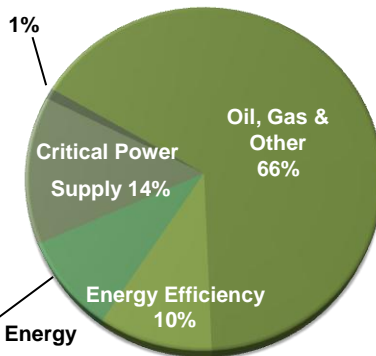
Oil, Gas & Other Natural Resources



Critical Power Supply



Transportation Products



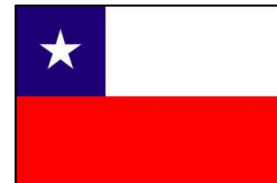
3Q13 Shipment Mix (MW)

Transportation Products



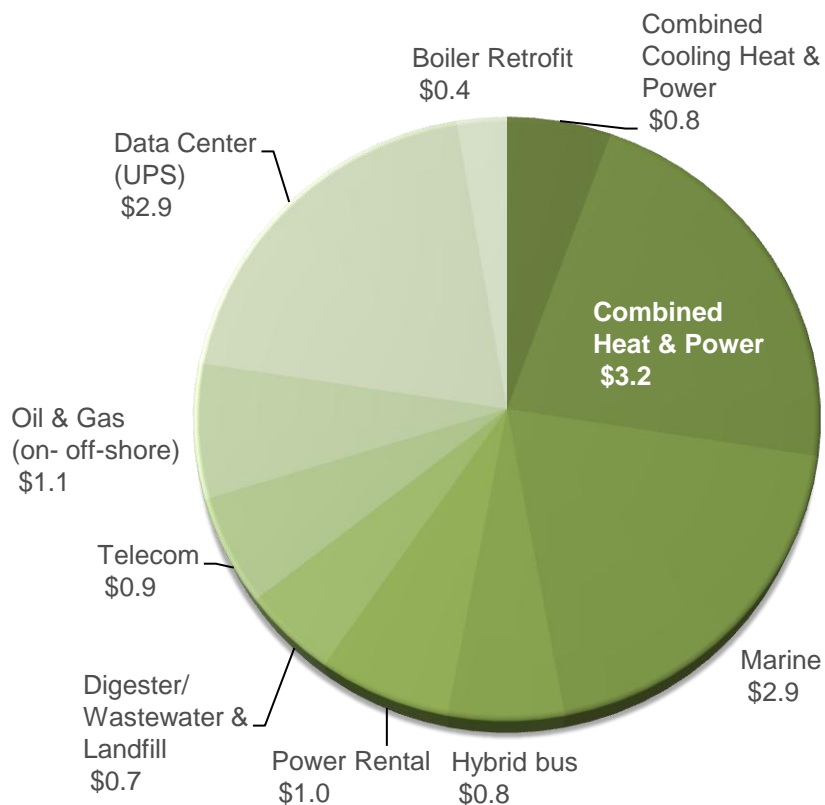
Significant Recent Orders

- Chile – Initial entry into Chilean market with new regional distributor for sale of 4 C65 units
- China – First sale of 2 C1000s for a district power and heating project
- Germany – \$2.9 million in new orders: 2 C1000 packages, 1 C200, 14 C65s and 4 C30s
- Australia – Follow-on order from a large coal seam gas company. 234 total C30 units sold to date
- U.S. – 5 MW follow-on order for a global upstream oil and gas producer operating in the Eagle Ford Shale Play
- U.S. – 30 C65 units for another oil and gas exploration company operating in Eagle Ford

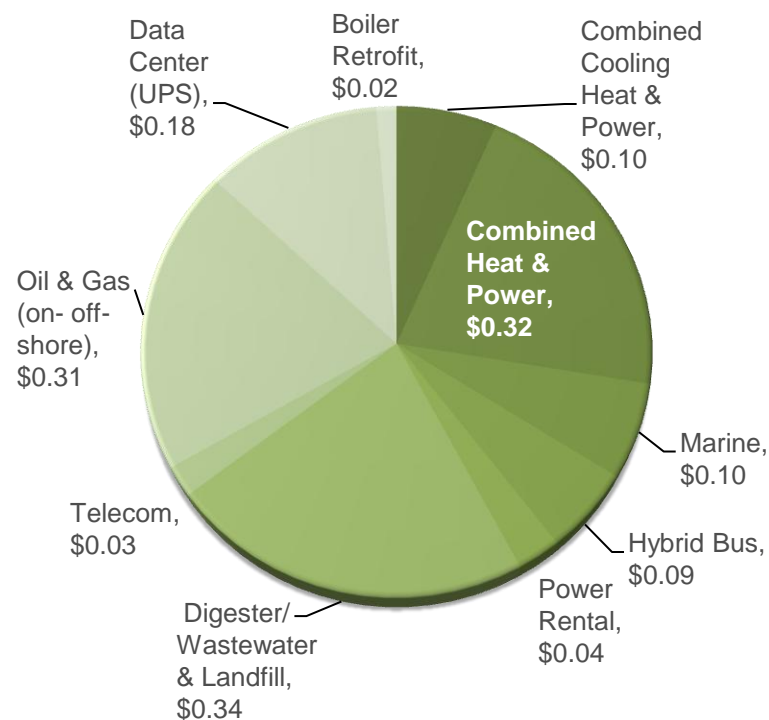


Sizing the Opportunity

Total Market Opportunity



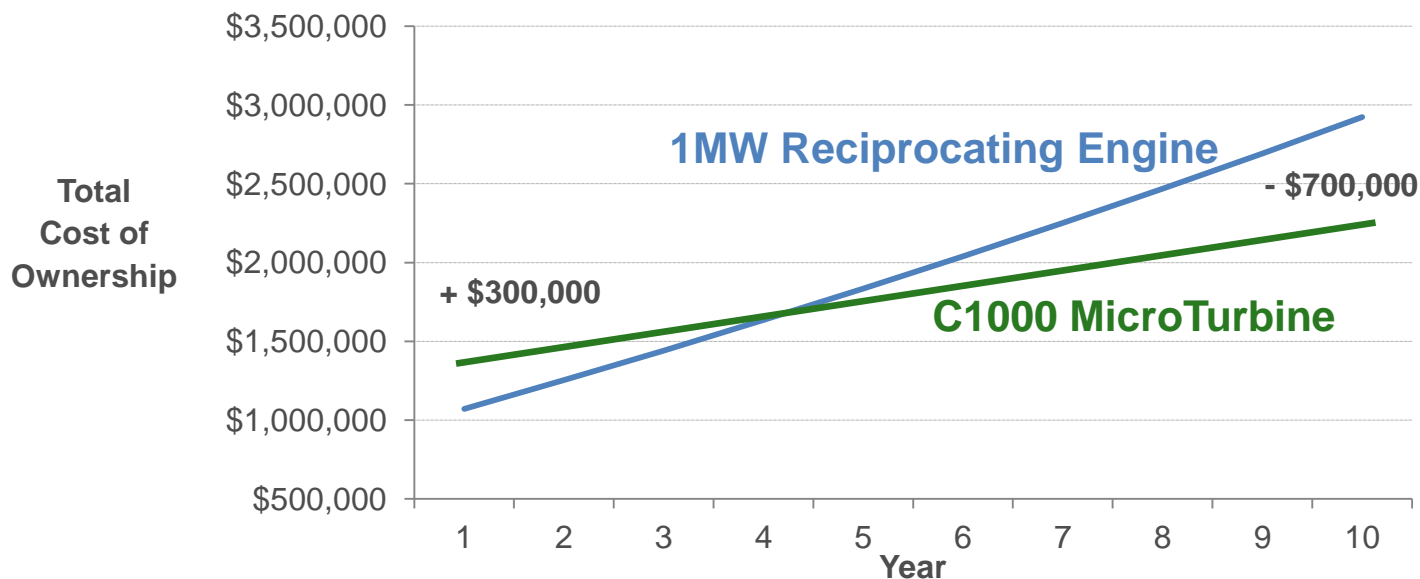
Management's Estimate of Potential Capture



**\$14.6 billion market opportunity;
\$1.5 billion potential capture**



Capstone Value Proposition



Competing Solution	Manufacturers	Why We Win
Reciprocating gas engines	GE Jenbacher/Waukesha, Caterpillar/MWM, Deutz, Cummins, Tecogen	<ul style="list-style-type: none"> • Lower total cost of ownership • More environmentally friendly • Higher system uptime
Fuel cells	Fuel Cell Energy, Bloom Energy, UTC Power	<ul style="list-style-type: none"> • Not reliant on government subsidies • Lower total cost of ownership
Microturbines	FlexEnergy, Turbec	<ul style="list-style-type: none"> • Stronger brand and distribution • More attractive warranty program
Gas turbines	Solar Turbine, Kawasaki	<ul style="list-style-type: none"> • Lower efficiency below 4.5 Mw



Sample Installations



Office Building: 666 5th Avenue

5 Capstone C200 microturbines generate electricity and heat for this 41-story office tower



Education/Data Center: Syracuse University

Uses 50% less energy powered by 12 Hybrid UPS microturbines



Hospitality: The New York Palace

12 natural gas C65 ICHP Capstone microturbines provide electrical and thermal power



Manufacturing: Astor Chocolate

5 C65 microturbines provide most of the 120,000 sq. ft. facility's secure-power needs



Office Building: 1350 Avenue of the Americas

12 Capstone microturbines provide electricity and heat for this 35-story office tower in Manhattan



Office Building: 110 E. 59th

9 Capstone C65 microturbines generate electricity and heat for this 37-story office tower



Supermarket: A&P Fresh Market

4 C65 microturbines provide cooling heating and power



Global Delivery Services: DHL

1 C800 microturbine dual mode system providing hot and chilled water simultaneously.

Over 6,500 systems shipped to customers worldwide.

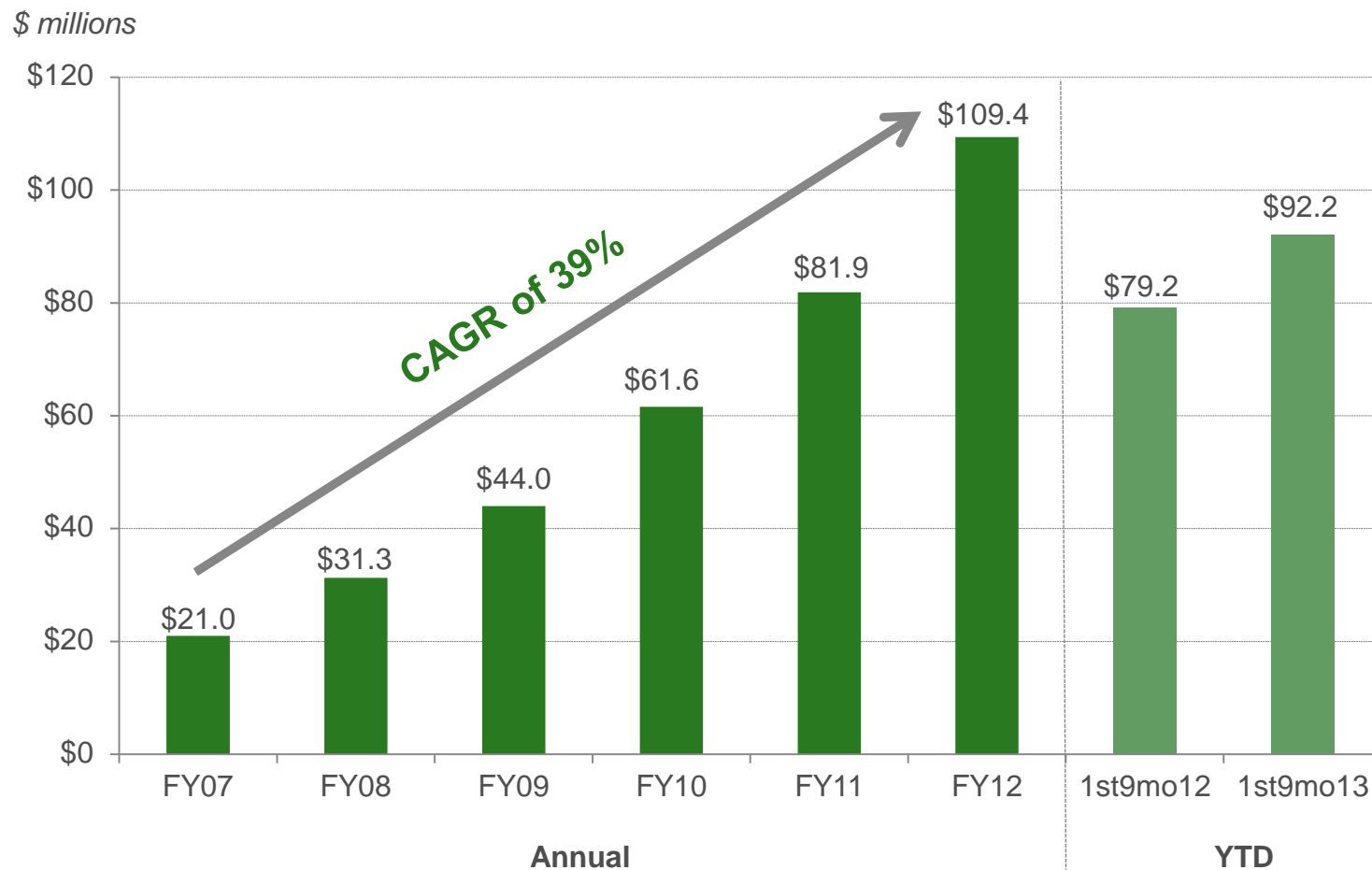


3Q'13 Key Performance Indicators

Production rates	<ul style="list-style-type: none">• Increased quarterly revenues by 21% year-over-year to highest level in company history
Average selling prices	<ul style="list-style-type: none">• Decreased 2% year-over-year• Driven by large quantity of C30 shipments in third quarter
Direct material costs	<ul style="list-style-type: none">• Decreased 4% year-over-year based on comparable configurations
New orders	<ul style="list-style-type: none">• New product orders of \$21.7 million• Book-to-bill ratio of 0.8:1
Cash	<ul style="list-style-type: none">• \$41.9 million in cash at December 31, 2012
Product development	<ul style="list-style-type: none">• Operating C250 unit running in the lab

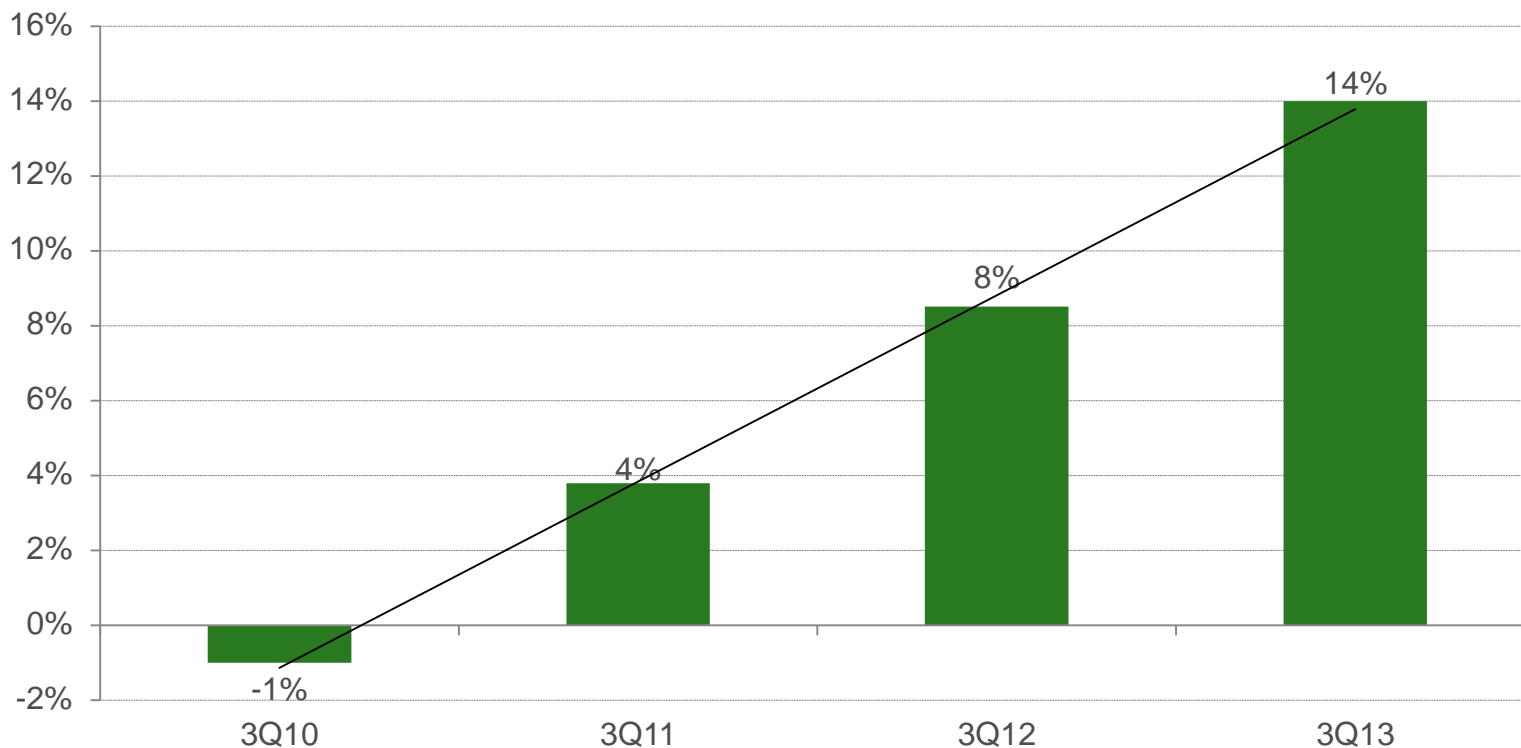
KPIs are indicating positive business trends.

Revenue Growth



Margin Growth

Year-over-Year 3Q Gross Margins

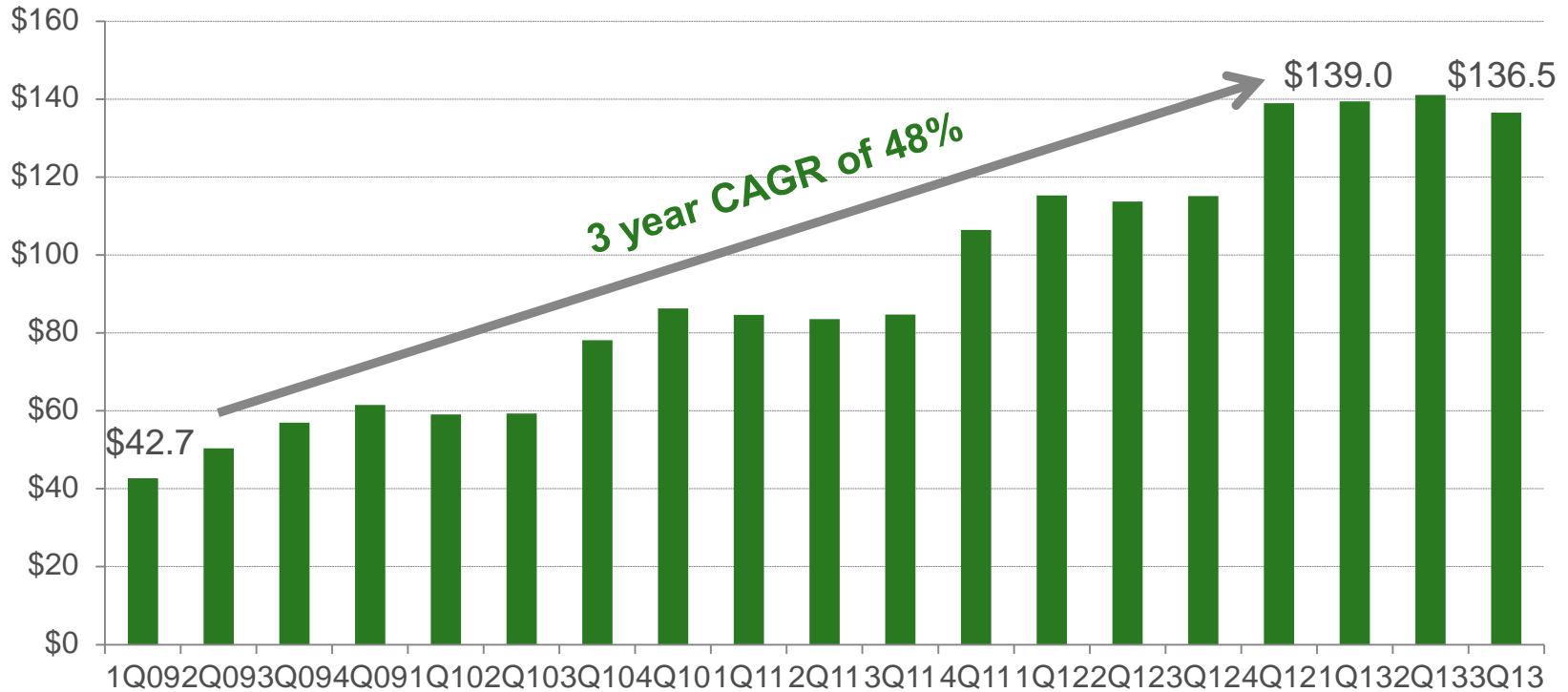


Steady year-over-year margin expansion.

Product Backlog



\$ millions





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

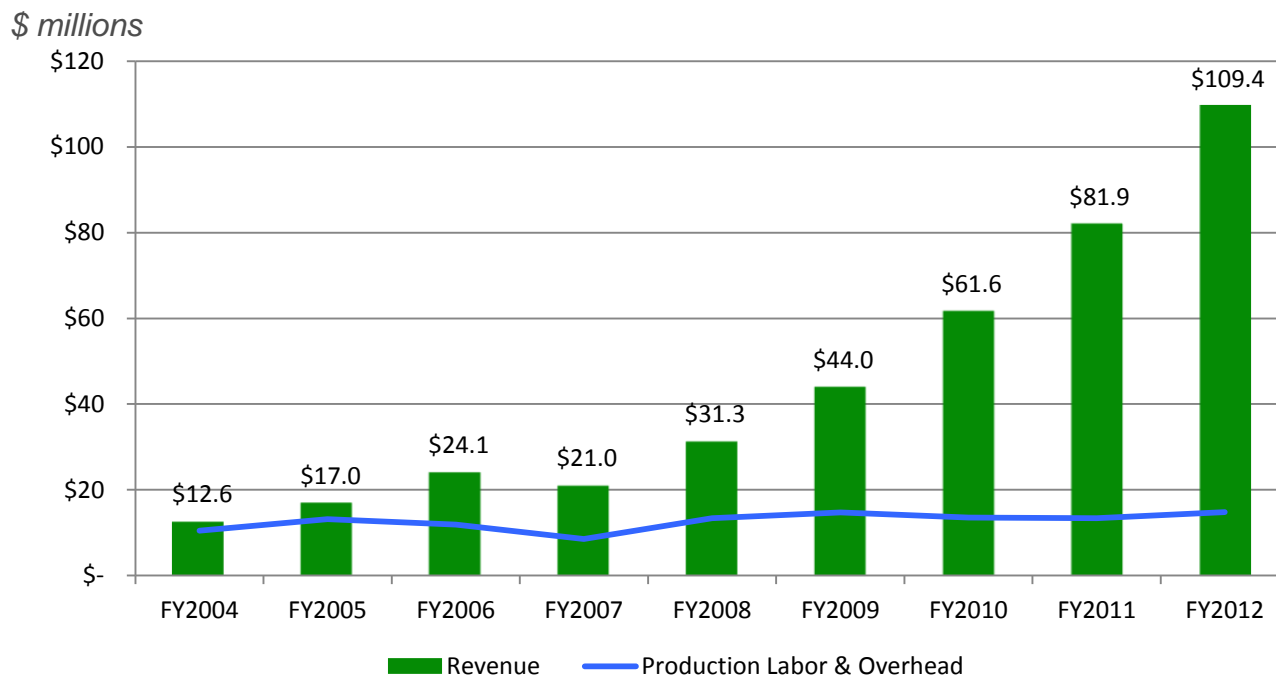
Operating Model Targets 35% Margin



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




Substantial Operating Leverage



- Improving production efficiencies
- Implementation of lean manufacturing practices
- Larger units at higher ASPs without significant increases to production labor and overhead
- 35% capacity utilization leaves ample room for production expansion

Production labor and overhead flat on improving revenue.

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

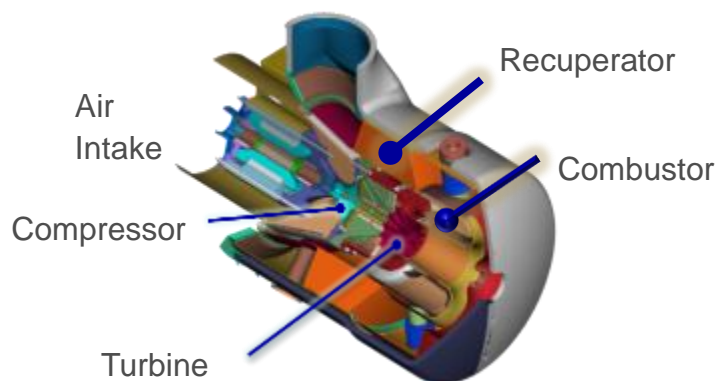


Appendix



Future Product Development

Enhanced features of base products



C250 Product



C370 Product

Two phase development program:

- Phase 1: Improve C200 engine to increase power output and electrical efficiency for targeted power output of 250 kW and projected electrical efficiency of 35%
- Phase 2: Further engine efficiency improvements to 42% with targeted power output of 370 kW, supported by DOE grant of \$5.0 million for development

Third Quarter Financial Summary



	3Q13 ended 12/31/12	Quarter- over- Quarter	Year-over- Year
Revenue	\$33.3 M	+11%	+21%
Product revenue	\$26.3 M	+11%	+20%
Average revenue per unit	\$158,000	-10%	-2%
Gross margin	14%	+500 bps	+600 bps
R&D expense	\$2.2 M	-8%	+22%
SG&A expense	\$6.8 M	+6%	-18%
Net loss	(\$4.5 M)	-27%	-49%*

* Due to adoption of Accounting Standards Codification 815, (Derivatives and Hedging), a non-cash benefit of \$0.3 million to change in fair value of warrant liability was recorded during 3Q13. Net loss for 3Q13 before considering the non-cash benefit to the change in warrant liability would have been (\$4.8) million, or (\$0.02) per share.

Liquidity and Capital Resources



Balance Sheet	12/31/12	9/30/12
Cash and cash equivalents	\$41.9 M	\$45.2 M
Accounts receivable	\$19.3 M	\$15.1 M
Inventories	\$23.4 M	\$22.9 M
Inventory turns	4.2x	4.4x

Strong balance sheet with minimal debt.

Cash Flows	3Q13 ended 12/31/12	3Q12 ended 12/31/11
Cash used in operating activities	\$3.9 M	\$6.2 M
Capital expenditures	\$0.2 M	\$0.2 M

Key Quarterly Financial Data



Key Quarterly Financial Data

Q3'13 Q2'13 Q1'13 Q4'12 Q3'12

Q3'13 Y/Y Q3'13 Q/Q

(\$ in millions except gross margin, net income per share data, megawatts, units shipped and average sales price)

(Unaudited)

Revenue	\$ 33.3	\$ 30.1	\$ 28.8	\$ 30.1	\$ 27.5		21%	11%
Gross margin (loss) %	14%	9%	8%	3%	8%		600 bps	500 bps
Research and development	2.2	2.4	2.2	2.0	1.8		22%	-8%
Selling, general and administrative	6.8	6.4	7.4	7.4	8.3		-18%	6%
Loss from operations	(4.4)	(6.2)	(7.5)	(8.5)	(7.8)		-44%	-29%
Change in fair value of warrant liability	0.3	0.3	0.1	0.5	(0.8)		-138%	0%
Provision (benefit) for income taxes	0.2	0.1	0.3	0.2	-		0%	100%
Net income (loss)	(4.5)	(6.2)	(7.8)	(8.3)	(8.8)		589%	-27%
Weighted average shares outstanding	304.4	300.3	299.4	282.9	266.0		14%	1%
Earnings (loss) per share	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.03)		-55%	-28%
Stock-based compensation expense	\$ 0.5	\$ 0.4	\$ 0.3	\$ 0.4	\$ 0.4		25%	40%
Depreciation and amortization	0.8	0.8	0.8	0.9	0.9		-7%	6%
Capital expenditures	0.2	0.4	0.3	0.6	0.2		0%	-48%
Cash and cash equivalents	41.9	45.2	45.1	50.0	22.9		83%	-7%

See also Notes to our Condensed Consolidated Financial Statements

Supplemental Data (Unaudited)

Net cash (used in) provided by operating activities	(3.9)	(2.6)	(7.0)	4.5	(6.2)		-37%	50%
-Acquisition of and deposits on equipment and leasehold improvements	(0.2)	(0.4)	(0.3)	(0.6)	(0.2)		0%	-48%
= Free cash flow	(4.1)	(3.0)	(7.3)	3.9	(6.4)		-36%	37%
New Orders	\$ 21.7	\$ 25.2	\$ 24.1	\$ 48.7	\$ 23.3		-7%	-14%
New Orders in megawatts	22.4	20.2	25.7	56.1	26.5		-15%	11%
Microturbine products shipped	166	135	134	149	136		22%	23%
Megawatts shipped	26.1	24.0	25.1	27.1	23.5		11%	9%
Total Backlog	\$ 136.5	\$ 141.1	\$ 139.5	\$ 139.0	\$ 115.1		19%	-3%
Microturbine average sales price	\$ 158	\$ 175	\$ 176	\$ 167	\$ 161		-2%	-10%



Key Quarterly Balance Sheet Data

Key Quarterly Balance Sheet Data

(\$ in millions)

(Unaudited)

Assets & Liabilities

	Q3'13	Q2'13	Q1'13	Q4'12	Q3'12	Q/Q
Cash and cash equivalents	\$ 41.9	\$ 45.2	\$ 45.1	\$ 50.0	\$ 22.9	\$ (3.3)
Accounts Receivable, net	\$ 19.3	\$ 15.1	\$ 18.5	\$ 18.6	\$ 25.8	\$ 4.2
Inventories	\$ 20.0	\$ 19.4	\$ 20.1	\$ 18.9	\$ 25.2	\$ 0.6
Inventories- noncurrent	\$ 3.4	\$ 3.5	\$ 2.5	\$ 1.3	\$ 1.5	\$ (0.1)
Revolving credit facility	\$ 12.8	\$ 11.9	\$ 13.0	\$ 10.4	\$ 12.9	\$ 0.9

Analyst Coverage



- *Lazard Capital Markets*
 - *Sanjay Shrestha*



- *Craig-Hallum Capital*
 - *Eric Stine*



- *Northland Capital*
 - *Colin Rusch*



- *FBR Capital Markets*
 - *Ajay Kejriwal*



- *Roth Capital Partners*
 - *Phillip Shen*



- *Ardour Capital*
 - *Walter Nasdeo*



Capstone World - iPad App



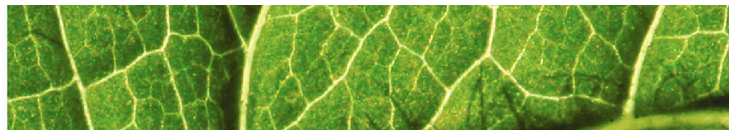
About Capstone



Energy Calculator



Available for Download at the Apple App Store



**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.*

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