The World Leader in Microturbine Power Generation

A.G. Edwards Emerging Growth Conference
September 18, 2007

Nasdaq: CPST
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Company Highlights

• Capstone is the world leader in microturbine power generation
  • Over 4,000 units shipped
  • Over 16 million hours of operation

• Proven technology with customer demonstrated availability and reliability
  • MTBF of 8,200 hours for the C60 Series
  • MTBF of 15,200 hours for the C30

• Completed $12.8M negotiation for C200 commercialization with UTC

• Since January signed six new distributors/OEM
  • CCI, E-Finity, Cogenco, Collicutt, TurboGenix and Stellar

• Recently received substantial order from a global oil & gas company for $2.4M
Company History

1988 – 1993
• Design and Engineering of the Microturbine
  – Receive contracts to develop turbogenerator technology from NASA, Ford, and Southern California Edison, among others

1994 – 1996
• Testing of the Microturbine
  – Place 37 prototypes in the field in beta program
  – First successful road test of a microturbine in a HEV application

1997 – 1998
• Transition from HEV Applications to Stationary Power Generation
  – Sale of the first commercial microturbine system

June 29, 2000
• Capstone Goes Public
  – Listed on the NASDAQ exchange (ticker: CPST)

2001 – 2004
• Commercialization of the Microturbine
  – C30 and C60 products are launched and operating in the field

2005 – Present
• Expansion of Distribution and Marketing
  – Open offices in Tokyo, Shanghai, U.K., Milan and Mexico City
  – Signing channel agreements with U.S. distributors
New Management Team

Darren Jamison
CEO – 8 months

Chuck McBride
Finance – 26 months

James Crouse
Sales – 7 months

Shelby Ahmann
Service – 5 months

Mark Gilbreth
Engineering – 12 years

Leigh Estus
Operations – 22 months

Industry Experience

- 60+ years of direct distributed generation and co-generation experience
- New management team has successfully sold competing products including GE Jenbacher, Caterpillar, Deutz, Waukesha and Elliott Microturbines
- Proven industry track record of managing high growth organizations

Key Initiatives

- Expand distribution capabilities
- Development and enhancement of product portfolio and end-market applications
- Continue manufacturing improvements and cost reductions
- Expand aftermarket service and remanufacturing business
- Licensing and component sales agreements
- Strategic partnerships
Capstone’s Microturbine

- Over $100M invested in product development

- 95 U.S. Technology Patents
  - Air bearing technology
  - One moving part
  - No coolants, oils or grease

- Flexible and economic technology
  - Flexible configuration
  - Lightweight & small footprint
  - Multi-fuel capability
  - Cost competitive positioning

- Clean reliable energy
  - Environmentally friendly operation
  - Availability and reliability
  - Minimal scheduled maintenance
  - Remote monitoring
  - Protective relay functionality
<table>
<thead>
<tr>
<th>Capstone Microturbines</th>
<th>Traditional Piston Engines</th>
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<tbody>
<tr>
<td><img src="Image" alt="Capstone Microturbines Image" /></td>
<td><img src="Image" alt="Traditional Piston Engines Image" /></td>
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<tr>
<td>Clean emissions CARB 2007 pending</td>
<td>Local air permits and exhaust cleanup required</td>
</tr>
<tr>
<td>Low-maintenance air bearings</td>
<td>High maintenance with 100’s of moving parts</td>
</tr>
<tr>
<td>Digitally controlled power electronics</td>
<td>External controls without power electronics</td>
</tr>
<tr>
<td>Integrated utility protection &amp; synchronizing</td>
<td>Requires external relays &amp; control equipment</td>
</tr>
<tr>
<td>Lightweight &amp; small footprint</td>
<td>More than twice the weight &amp; footprint</td>
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UTC Strategic Agreement

• Executed on September 4, 2007
  – Doubles addressable market
• $1.5M upon signing of the Agreement
• Scheduled to receive remaining $10.5M at the achievement of development milestones
  – $2M at systems requirements review
  – $2M at preliminary design review
  – $2M at critical design review
  – $2M at microturbine build completion
  – $1.5M at completion of qualification
• Initial launch at PowerGen in December 2007
• Commercial launch in approximately 18 months
UTC’s Pure Comfort System

Please click on the box above to start the UTC video
PureComfort™ Solutions

Mount Kisco, NY
240kW, 120RT¹
Roof-mounted skid

Simi Valley, CA
960kW, 420RT¹
Outdoor installation

Providence, RI
240kW, 120RT¹
80kW trigen
Indoor mechanical room

Mississauga, Ontario
240kW, 120RT¹
Indoor mechanical room

¹ RT = refrigeration tons

San Francisco, CA
240kW, 120RT¹
Outdoor installation

Mount Kisco, NY
240kW, 120RT¹
Roof-mounted skid

Aurora, CO
360kW, 160RT¹
Outdoor installation
Market Drivers

Rising Energy Prices
- Constraints in capacity pushed energy prices to record levels in 2006
  - Created a renewed focus on energy efficiency

Capacity Constraints
- 2006 report by the North American Electric Reliability Council
  - Warned demand for electricity in the U.S. is increasing three times as fast as resources are being added (20% from 2006 to 2015)
  - Estimated that the U.S. is on track for a shortfall of about 81 GW in 2015 (equivalent to 160 large power plants)

Need for Secure Power
- According to the Electric Power Research Institute, power outages and disturbances cost the U.S. economy $188 billion per year
- The 9/11 attacks, Hurricane Katrina and the 2003 Northeast blackout have brought attention to the need for secure power

Environmentally Friendly Alternatives
- More than 160 countries have signed the Kyoto treaty
- U.S. has implemented federal and state clean air initiatives to control greenhouse gas emissions and global warming
Potential U.S. Market

  - 16.8GW demand by 2010
  - Over 35.5GW demand by 2020
  - 62% straight CHP
  - 50% of market is 1MW and below in project size; represents market potential equivalent of 300,000 C60s or $8 billion through 2010

  - 2.6GW of new capacity needed by 2008
Market Segments

- Large Retailers
- Hospitals
- Telecom
- Oil & Gas
- Hotels
- U.S. Gov’t
- Schools
- Landfills
- Digesters
- Waste Water Plants
- Hybrid EV
Vertical Applications

CHP

CCHP

Best Value for Onsite Energy Generation

Resource Recovery

Secure Power
CHP Case Study: Atrium Hotel, Irvine

- Three C60-CHPs
- Commissioned Oct, 2003
- Simple interconnection
- No air permit needed

Capstone CHP heated water for:
- Pool, laundry, kitchen, guestrooms and building heating
- 180 kW SCE reduced demand/usage

Savings: $10,000/month

“It just made sense. Our ROI will be within 1.5 years”
—GM Sheri Blackwood

Atrium Hotel with 211 Rooms
The Issues:
- Overcome potential power supply issues and rolling blackouts
- Keep exhibit building containing retired Air Force One jet cool, comfortable, and well lit

The Solution:
- 16 C60 microturbines running on clean-burning natural gas supply 95% of the facility’s electricity
- Three 129-ton direct exhaust-fired absorption chillers create 387 tons of refrigeration for cooling
- Exhaust from the microturbines provides hot water to heat the pavilion

Savings:
- Over $300,000 in annual operating costs
- $823,156 incentive reduced installation cost 30%
Resource Recovery Case Study: 
**BP Offshore Platform**

**The Issues:**
- Provide a reliable power source in a hazardous oil and gas application on an offshore platform in the Gulf of Mexico
- Recover value from onsite flare gas which is normally lost to the environment

**The Solution:**
- A Capstone microturbine, UL certified for hazardous oil and gas applications
- The microturbine runs on onsite unprocessed wellhead gas which is normally flared, providing a power source to the platform
- The microturbine cut maintenance time by ~95% compared to reciprocating engine generators
- The microturbine ran almost non-stop for 25,000 hours
- Capstone has microturbines running on other platforms in the Gulf of Mexico, Gulf of Alaska, Bay of Campeche, the North Sea, Mediterranean Sea, and South China Sea
Secure Power Product Case Study: Boeing Data / Telecom System

The Issues:
- Protect data and phone networks and equipment from grid outages
- Minimize noise and vibration
- Allow minimal environmental impact

The Solution:
- A Capstone C30 microturbine was installed in a pre-existing enclosure near the building’s loading dock
- The natural gas powered microturbine provides electric power 24x7 to the network and equipment
- The microturbine ensures uninterrupted service in the event of a grid power outage
- The Capstone technology was preferred over UPS batteries and genset engines due to their noise, emissions and vibrations

Installation was simple, with the turbine placed in an existing enclosure.
Hybrid Electric Vehicle Case Study: *DesignLine / Hybrid Buses*

The Issues:
- Run low emission vehicles in densely populated areas
- Increase fleet efficiency
- Reduce maintenance
- Improve reliability

The Solution:
- The buses' Capstone turbine generates electricity to charge batteries, which run electric motors. The batteries are charged overnight and the turbine system recharges them when operating.

- The vehicles are fitted with remote monitoring which means Designline engineers can talk to the on-board computers monitoring performance and carry out diagnostic checking.
Green Building Case Study: Oregon Health & Science University

• 16 Story 400,000 SF medical facility
• Grand Opening January 19, 2007
• Five C60-IHCP’s
• Units provide 300kW of power and building heating

U.S. Green Building Council awarded Platinum LEED certification
– The highest level of certification granted
Selected Financial Information

• Q108 Revenue of $5.6 million

• Backlog at the end of Q108 was $5.3 million
  – Increased 6% from prior quarter
  – Future drivers are rising energy prices, grid capacity constraints, secure power and environmental concerns

• At the end of Q108, the Company had $50.3 million in cash with no significant debt
Company Highlights

• Since January signed six new distributors/OEM
  • CCI, E-Finity, Cogenco, Collicutt, TurboGenix and Stellar
• Received substantial order from a global oil & gas company for $2.4M
• Recent 11 unit order for New York
• Continue to upgrade sales and marketing team
• Submitted 3rd party emissions results to CARB
• Executed National Account Agreement with one of the three largest telecommunications companies in the U.S.
• European and Russian markets strong
  • Not experiencing historical seasonality
Company Highlights

- Enhanced corporate image
  - Clean, green and reliable energy provider
- Working to educate policy makers
  - California Assemblyman Lloyd Levine
  - Clinton Global Initiative Conference
- Development of C65 liquid fuel product (Biodiesel, Ethanol)
- Solid relationship with DesignLine
  - HEV market opportunities growing in US
- Completed $12.8M negotiation for C200 commercialization with UTC